



INDIANA DEPARTMENT OF REVENUE

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INFORMATION BULLETIN #47
SALES TAX
SEPTEMBER 2020
(Replaces Bulletin #47 dated September 2019)
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SUBJECT: Auto Rental Excise Tax, Marion County Supplemental Auto Rental Excise Tax, and Vehicle Sharing Excise Tax

REFERENCES: IC 6-2.5-4-10; IC 6-2.5-5-54; IC 6-6-9; IC 6-6-9.7; IC 6-6-16; IC 24-4-9.2

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SUMMARY OF CHANGES

Aside from nonsubstantive changes, this bulletin has been updated to include information pertaining to the department's new registration and filing system, INTIME.

I. INTRODUCTION

The purpose of this bulletin is to provide guidance on the various taxes imposed on the short-term rental or sharing of passenger motor vehicles and trucks. The rental of passenger motor vehicles and trucks is subject to Indiana sales tax. Additionally, Indiana imposes a statewide auto rental excise tax on the rental of motor vehicles for periods of less than 30 days, and Marion County imposes a supplemental auto rental excise tax on the rental of motor vehicles for periods of less than 30 days.

HEA 1001 (2019) clarified that the sharing of motor vehicles through a peer to peer vehicle sharing program (meaning an online platform operated by an entity under which a shared vehicle owner is connected with a shared vehicle driver to facilitate peer to peer vehicle sharing) is also subject to sales tax. The sharing of motor vehicles by individuals

that are not made through a peer to peer vehicle sharing program may be exempt from the sales tax if certain limitations are met (see Section V). However, a person is not entitled to a refund from the department on any sales tax paid on the purchase or lease of a motor vehicle if the motor vehicle was purchased or leased for sharing on a peer to peer vehicle sharing program.

HEA 1001 (2019) also created a new vehicle sharing excise tax on the sharing of passenger motor vehicles and trucks for periods of less than 30 days. This tax became effective January 1, 2020.

II. AUTO RENTAL EXCISE TAX

The auto rental excise tax is imposed on rentals of passenger motor vehicles and trucks for periods of less than 30 days. The tax is equal to 4% of the gross retail income received by the retail merchant. The person renting the vehicle is liable for the tax. The retail merchant is required to collect the tax and remit it to the department. The tax must be separately stated from the amount paid for the rental on any invoice or receipt.

Trucks which have a declared gross weight of over 11,000 pounds are exempt. The rental of a passenger motor vehicle or truck by a funeral director is exempt from the auto rental excise tax if the rental is part of the services provided by the director for a funeral. Beginning July 1, 2019, the sharing of a passenger motor vehicle or truck through a peer to peer vehicle sharing program is exempt from the auto rental excise tax.

The rental of a trailer is not subject to the auto rental excise tax. A trailer is defined as a vehicle without motive power, designed for carrying property, designed to be drawn by a motor vehicle, and having a gross weight of at least 2,200 pounds.

Vehicles rented by entities exempt from the sales tax are **not** exempt from the auto rental excise tax, or the Marion County Supplemental Auto Rental Excise Tax. Entities that are not exempt include state or local governments (IC 6-2.5-5-16), and nonprofit organizations (IC 6-2.5-5-25).

Example #1: Mr. X rents a passenger motor vehicle for 10 days in August and returns the vehicle; then rents the same vehicle or another passenger motor vehicle for 20 days in September. Both transactions are separate and each is taxable. The rental must be for 30 consecutive days, not 30 total days, in order to be exempt.

A separate return (form MVR-103) must be filed for each business location. Consolidated reporting is not allowed as each location's tax collections are to be credited to the location's taxing district. A monthly return must be filed even if no tax is due for that month. A person can register to collect the auto rental excise tax (and the Marion County supplemental auto rental excise tax) by visiting the State of Indiana's INBiz website,

which allows businesses to register with multiple state agencies, at inbiz.in.gov. Returns can be filed using the department's online e-services portal, called the Indiana Taxpayer Information Management Engine (INTIME), which can be accessed at intime.dor.in.gov.

III. MARION COUNTY SUPPLEMENTAL AUTO RENTAL EXCISE TAX

Marion County is authorized to impose a supplemental auto rental excise tax on the rental of passenger motor vehicles and trucks in the county for periods of less than thirty (30) days. The tax is 6% of the gross retail income derived from the rental.

Trucks which have a declared gross weight of over eleven thousand (11,000) pounds are exempt from the tax. The rental of a passenger motor vehicle or truck by a funeral director is exempt from tax if the rental is part of the services provided by the director for a funeral. The temporary rental of a passenger vehicle or truck is exempt if the rental is made or reimbursed under a contract for mechanical breakdown insurance, automobile collision insurance, or provided while repair work is completed.

The original supplemental auto rental excise tax imposed at 2% expires on December 31, 2027, unless there are obligations owed by the capital improvement board of managers to the Indiana stadium and convention building authority or any state agency under IC 5-1-17-26, in which case the tax expires on January 1, 2041. The additional 4% of the 6% tax rate (comprised of two separate 2% increases) expires on January 1, 2041.

The supplemental auto rental excise tax is also reported on the MVR-103. The return filed by the retail merchant must separate the amount of taxes collected at each location.

IV. VEHICLE SHARING EXCISE TAX

Beginning January 1, 2020, the vehicle sharing excise tax is imposed on the sharing of passenger motor vehicles and trucks in Indiana for periods of less than 30 days. The tax is equal to 2% of the gross retail income received by the retail merchant, which is either:

- the peer to peer vehicle sharing program when a vehicle is shared through a peer to peer vehicle sharing program; or
- the vehicle owner when a vehicle is shared, but not through a peer to peer vehicle sharing program.

The person sharing the vehicle from the vehicle owner is liable for the tax. The retail merchant is required to collect the tax and remit it to the department. The tax must be separately stated from the amount paid for the sharing on any invoice or receipt.

Each retail merchant filing a return for the vehicle sharing excise tax (the VSE-103: at this time, filing cannot be made through INTIME) shall indicate in the return the amount of vehicle sharing excise taxes collected for each county in which one or more shared

vehicles are registered for purposes of the motor vehicle excise tax, and the amount collected for vehicles registered outside Indiana but subject to the vehicle sharing excise tax. Consolidated reporting is not allowed as each location's tax collections are to be credited to the location's taxing district. A monthly return must be filed even though no tax is due.

Trucks which have a declared gross weight of over 11,000 pounds are exempt from the tax. The sharing of a passenger motor vehicle or truck by a funeral director is exempt from the tax if the sharing of the vehicle is part of the services provided by the director for a funeral. Finally, there is an exemption from the tax for vehicle owners that share their passenger motor vehicle or vehicles for less than fifteen days, described in Section V below.

The gross retail income from each transaction subject to this tax is the total amount of consideration paid by the shared vehicle driver, including the payment of any fee, commission, or other charge by the peer to peer vehicle sharing program, except that it does not include any other taxes imposed on the transaction, such as Indiana sales tax.

NOTE: A motor vehicle purchased for sharing through a peer to peer vehicle sharing program is not eligible for the "purchase for rental" exemption.

V. EXEMPTION FOR SHARING FOR FEWER THAN FIFTEEN DAYS

Beginning July 1, 2019, a person who shares their passenger motor vehicle or vehicles for fewer than 15 days in the current or preceding calendar year may share their vehicles exempt from both sales tax and the vehicle sharing excise tax if none of the payments for the vehicle are made through a marketplace facilitator (meaning a business that connects sellers to purchasers by use of the business's marketplace and facilitates the transactions of the seller's products in Indiana through the marketplace), including a peer to peer vehicle sharing program. In the case of passenger motor vehicles that are jointly owned, each time a vehicle is shared by any owner counts toward the 15 days of each owner.

Because the passenger motor vehicle (or vehicles) is shared for fewer than fifteen days, it is essentially treated as a "casual sale," and the person or persons sharing the vehicles is not considered a retail merchant that is required to register with the department to collect sales tax. However, if the conditions above are not met, then the owner must register as a retail merchant and collect sales tax and the vehicle sharing excise tax on the sharing of their passenger motor vehicle or vehicles.

Example #2: Alice shares her sedan ten days and her two-door convertible four days. The sharing is never done on a peer to peer vehicle sharing program or through any other marketplace facilitator. However, both vehicles count towards the fifteen days, so beginning with the fifteenth time she shares either vehicle, Alice must register as a retail merchant and

collect sales tax and the vehicle sharing excise tax on that sharing and all subsequent sharing of the vehicles.

Example #3: Brian and Catherine jointly own a sport utility vehicle and a coupe. Brian shares the SUV for ten days, and Catherine shares the coupe for four days. The sharing is never done on a peer to peer vehicle sharing program or through any other marketplace facilitator. However, the sharing of both vehicles counts towards the fifteen days for both owners, so beginning with the fifteenth time either Brian or Catherine shares either vehicle, they must register as a retail merchant and collect sales tax and the vehicle sharing excise tax on that sharing and all subsequent sharing of the vehicles.

Example #4: Dave shares his pick-up truck for ten days on his own website and then two days on a peer to peer vehicle sharing program, which collects the payment for the sharing of the vehicle. Although the total times Dave shared his vehicle is for fewer than fifteen days, the payments made through the peer to peer vehicle sharing program means that the exemption does not apply. Dave must register as a retail merchant and collect sales tax and the vehicle sharing excise tax on each instance that he shares his pick-up truck on his website.

Additionally, if the person shares their passenger motor vehicle or vehicles for more than 14 days in the current calendar year **or in the preceding calendar year**, the exemption will not apply. Because the limitation applies in the current or preceding calendar year, the determination of whether the exemption would apply functions as follows:


- If the sharing for more than 14 days occurred in the **current** calendar year, but not the preceding year, then the tax collection begins on the **fifteenth day** of sharing and each day thereafter in the current calendar year that the owner shares the passenger motor vehicle or vehicles for consideration.
- If the sharing for more than 14 days occurred in the **preceding** year, then the tax collection must begin on the **first** day of sharing and each day thereafter in the current calendar year that the owner shares the passenger motor vehicle or vehicles for consideration.

The owner must then register as a retail merchant and collect sales tax and the vehicle sharing excise tax on the sharing of their passenger motor vehicle or vehicles.

Example #5: In this example, the sharing is never done on a peer to peer vehicle sharing program or any other marketplace facilitator. Edward shares his passenger motor vehicle for four days in the 2019, which were the only times he shared his vehicle that year. At the beginning of 2020, Edward does not collect sales tax or the vehicle sharing excise tax on any days he shares the passenger motor vehicle

through his fourteenth sharing of the passenger motor vehicle. However, he does share his passenger motor vehicle for more than fourteen days in 2020. Edward must register as a retail merchant and collect sales tax and the vehicle sharing excise tax on his fifteenth day of sharing and any further sharing of the passenger motor vehicle made in 2020. Furthermore, in 2021, Edward must begin collecting sales tax and the vehicle sharing excise tax on his first sharing and every subsequent sharing of the passenger motor vehicle. However, if he shares his vehicle for less than fifteen days in 2021, then in 2022, he does not collect sales tax or the vehicle sharing excise tax on his first fourteen shares.

A vehicle owner may remain registered as a retail merchant and file “zero” sales tax returns in years when their rental or furnishing is exempt in order to avoid the costs of re-registering in years when they must collect and remit sales tax. Furthermore, a vehicle owner may be able to file an annual return if their collection amount is below the statutory threshold of \$1,000 in sales tax collected. If a person no longer intends to share their vehicle or vehicles, they may file a BC-100 with the department to close the account.


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