Indiana Department of Revenue

Indiana Tax Handbook for Convenience Store and Gas Station Owners

July 2014

Table of Contents

This publication is intended to give assistance to the general public. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and court decisions in place at the time of this printing.

Introduction

This handbook will guide you through the process of collecting and remitting the Indiana taxes you may be required to pay. Remember, if you ever have questions, you can call the department. See the “Resources” sections in this handbook for department phone numbers and additional resources for each tax type.

You can also find more information specific to the taxes that convenience stores may be required to pay on the department’s website at www.in.gov/dor/5183.htm or in Commissioner’s Directive #53 at www.in.gov/dor/3617.htm.

Definitions

This handbook will use several tax-related terms with which you may not be familiar. It might be helpful to review these definitions before you get started.

Department—In this handbook, the term “department” refers to the Indiana Department of Revenue.

Tangible personal property—Personal property that can be seen, weighed, measured, felt, or touched or is in any other way perceptible to the senses.

Gross retail income—The total amount of consideration, including cash, credit, property, and services, for which tangible personal property is sold, leased, or rented valued in money, whether received in money or otherwise.

Seller—In this handbook, the term “seller” refers to you, a convenience store owner—sometimes also referred to as a “retail merchant.”

Remitting Taxes

As required by Indiana law IC 6-2.5-6, all Indiana businesses must file and pay their sales and withholding taxes electronically. Taxpayers or practitioners who are required to report and pay sales, withholding, and certain other taxes electronically can do so via the department's INtax application or an electronic funds transfer (EFT).

INtax is a powerful tool for Indiana businesses that features filing and payment history, 24/7 access, ACH debit (EFT) and credit card payments, and business tax management from one convenient login.

Tax types managed in INtax include (among others):

- Aviation fuel tax
- Fuel taxes
- Prepaid sales tax
- Retail sales tax

INtax benefits include:

- View a history of all the returns filed with INtax.
- Send a secure message to the department.
- Register for and use the EFT option.
- Get immediate access (24/7/365) to file and pay most business tax types.
- Register a new business.
- Register a new location.
- Registering for INtax.

E-Mandate exemptions

Businesses with certain religious beliefs are exempt from the e-mandate. To apply for exemption, call the department at (317) 232-2337 or email businesstaxassistance@dor.in.gov and request Form BT-EX.

Other options

Sellers that decide not to use INtax can have a third-party vendor manage their tax obligations. They can also have a tax professional manage their tax obligations.

Resources

- Use INtax at www.intax.in.gov/Web/default.aspx.
- Read more about INtax at www.in.gov/dor/4336.htm.
- Get started with the INtax User guide at www.in.gov/dor/files/step-by-step-user-guide.pdf.
- Download the INtax QuickStart Guide at www.in.gov/dor/files/quick-start-full-page.pdf.
- Call (317) 232-2337 with questions.

Sales Tax

General application

- Sales tax is an excise tax imposed on retail transactions made within the borders of Indiana.
- Sellers must register to pay sales tax using the Business Tax Application (BT-1). After registration, sellers will receive a Registered Retail Merchant Certificate (RRMC).
- Sales tax must be separately stated from the marked price and must be paid by the customer purchasing the tangible personal property in the retail transaction. The only exception is sales tax on fuel. See page 10 for details.
- The current rate is 7% of the retail transaction.
- Collection of the tax must be shown on the individual sales receipt/invoice.
- All sales are taxed unless there is a specific exemption.

Registered Retail Merchant Certificates

RRMC renewal is required every two years. Renewal is automatic if all taxes have been reported and paid. The RRMC will be cancelled for delinquent reporting or payment of taxes.

Sales inside the store

Sales tax applies to all sales made inside a convenience store or gas station unless the item being sold is specifically exempted from tax.

Sales tax examples

Sales tax **is** collected on the following:

- Candy
- Alcoholic beverages
- Tobacco
- Sodas and soft drinks from a drink fountain or prepackaged soda bottles
- Hot coffee drinks served from dispensers
- Any food cooked to the order of the purchaser (example: cheeseburgers made to order)
- Foods sold hot (example: pizza slices)
- Two or more food ingredients mixed or combined by the seller for sale as a single item (example: hot dogs—they contain a hot dog plus a bun)
- Food sold with eating utensils (example: donuts/muffins that come in a case with plates or napkins provided)

Exemptions

Sales tax **is not** collected on the following:

- Newspapers
- Items purchased with food stamps
- Lottery tickets
- Postage stamps
- Gift cards
- Food and food ingredients including:
  - Food sold in an unheated state by weight or volume as single items (example: packages of chips, whole pieces of fruit), when not sold with utensils
- Labor charges

    - For example, charges for washes, lubrications, polishing, and waxing are not subject to sales tax (the service station must pay sales or use tax on the purchase of any supplies consumed)
- Items purchased for resale

Items purchased for resale
Items purchased for resale are not subject to sales tax. Sales tax is collected when tangible personal property is sold to the end user.

Example: When a store owner purchases a box of windshield wiper fluid to resell in a convenience store, the owner is not required to pay sales tax. The tax will be collected when it is sold in the convenience store.

To purchase items for resale exempt of sales tax, complete exemption certificate Form ST-105 and provide it to the distributor.

However, use tax must be paid on purchases that were originally purchased for resale but later were used for the store's operational use. For example, use tax is due on car wax that is purchased exempt from sales tax for resale but was instead used in the store's car wash.

Examples
Sales tax must be paid by the seller when purchasing the following items if used for business use rather than resale:

- Grease and greasing equipment
- Car washing and waxing supplies, materials, and equipment
- Soap, towels, brooms, paint, and all other cleaning and maintenance items
- All tools, equipment, and utilities used in operating the store
- All products taken from stock for personal use by owners or given to employees as part of their compensations
- Items purchased to be given away as part of a sales promotion such as soft drinks, glassware, candles, etc.

If sales tax was paid on items that are exempt for resale, file Form GA-110L Claim for Refund.

Exempt purchasers
The following people or groups are exempt from sales tax. These groups will give the seller an exemption certificate. The most commonly used form is ST-105, which is the department's standard exemption certificate. Sellers presented with valid exemption certificates do not have to collect or remit sales tax for those purchases.

- Public transportation providers
- Nonprofit entities
- Federal and Indiana government agencies

Sellers are responsible only for collecting correctly completed exemption certificates. If a seller accepts an exemption certificate that is not complete or facially valid, the seller is still responsible for remitting the sales tax due on that purchase. A copy of each certificate presented must be retained for records.

Collection allowance
To compensate sellers for collecting and remitting the sales tax on time, each seller is allowed to deduct and keep a collection allowance from the amount of the taxes collected. To qualify for this collection allowance, the seller must collect and remit all taxes on time.

The amount a seller can keep is based on the seller's tax liability for the 12-month period ending on June 30 of the previous year. The specific collection allowance breakdown is:

Sales tax liability for July 1, 2012 to June 30 of the previous year	Collection allowance for Jan. 1 to Dec. 31 of the previous year
$60,000 or less	0.73%
$60,000.01 – $600,000.00	0.53%
$600,000.01 or more	0.26%

Record keeping
In general, the following information and documents must be maintained by the seller to verify that the correct amount of sales was remitted to the department. This includes:

- Total merchandise sales (listed with "UPC" codes if used for determining taxability), which detail:
  - Grocery items sold
  - Nongrocery items
  - Taxable versus nontaxable items sold
- Sales tax returns: Form ST-103MP or ST-103
- Point-of-sale (POS) reports from the scanner/register
- Name of cash register system and software
- Cash register tapes issued daily and/or monthly, including "Z" tapes
- Monthly summaries used to report the amounts on the sales tax returns and other returns
- Reconciliation of total sales reported for sales tax purposes and gross receipts used to determine federal taxable or adjusted gross income
- Cash payout source documentation
- Inventory purchase invoices
- Depreciation schedules – for list of asset acquisitions
- Capital (asset) and general expense purchase invoices
- Exemption certificates, if applicable: Form ST-105
- Store hours and days open per year
- Detailed monthly reports of taxable and nontaxable sales
- Total amount of prepared foods sold
- Total amount of lottery sales
- Payout information for lottery sales by month of each audit period or at least yearly totals
- Total amount of EBT sales as shown in bank statements
- Total number of phone cards sold with vendor backup showing total number purchased and billed as sold
- Total amount of money order charges
- Check registers or accounts payable records

- Cash sales of all products
- Credit card sales of all products

Sellers must retain these records for at **least three years in addition to the current year** and must make them available to the department upon request.

Additional records are required to be maintained regarding gasoline sales and are listed in the gasoline sales tax section of this handbook (see page 10).

Resources

- Find information about sales tax price discounts in Sales Tax Information Bulletin #58 at www.in.gov/dor/reference/files/sib58.pdf.
- For a more detailed explanation of public transportation providers exempt from sales tax, refer to Sales Tax Information Bulletin #12 at www.in.gov/dor/reference/files/ib12.pdf.
- For a more detailed explanation of nonprofit entities exempt from sales tax, refer to Sales Tax Information Bulletin #10 at www.in.gov/dor/reference/files/sib10.pdf.
- For more information about government agencies exempt from sales tax, please refer to Sales Tax Information Bulletin #4, available online at www.in.gov/dor/reference/files/sib04.pdf.
- Find Indiana General Sales Tax Exemption Certificate Form ST-105 at www.in.gov/dor/3504.htm.
- Find Form GA-110L Claim for Refund at www.in.gov/dor/3504.htm.
- Call (317) 233-4015 with sales tax questions.

Use Tax

Use tax is a tax on property used, consumed, or stored in Indiana and on which the sales tax was not collected at the time of purchase. In general, if sales tax was not paid on the purchase of an item that is taxable, the purchaser owes use tax in the same amount as the sales tax. The tax rate is 7%. Use tax can be remitted to the department by convenience stores and gas stations using Form ST-115.

Examples

- Property purchased online and shipped to Indiana without Indiana sales tax being collected at the time of purchase
- Property purchased in another state and without sales tax being applied
- Property purchased and used in conjunction with a service

Record keeping

In general, the following information and documents must be maintained by the seller to verify that the correct amount of use tax was remitted to the department. These pieces of information and documents include:

- All accrual records showing how much tax was accrued and paid
- All returns filed by period
- Depreciation schedules

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources

- Find Consumer's Use Tax Return Form ST-105 at www.in.gov/dor/3504.htm.
- Call (317) 233-4015 with use tax questions.

Gasoline Sales Tax
(Before July 1, 2014)

Gasoline retailers/sellers must register for prepaid gasoline sales tax by filing a Business Tax Application (BT-1) and checking the Selling Gasoline option. This registers the retailer as a Metered Pump filer. The BT-1 is available at secure.in.gov/apps/dor/bt1/. There is a $100 registration fee for prepaid gasoline sales tax. In addition to filing a BT-1, businesses must also have a bond with the Indiana Department of Revenue.

Calculation of gasoline sales tax
The sales tax is applied to the total sales price of the gasoline sold minus the part that makes up Indiana gasoline tax or federal excise tax. The oil inspection fee cannot be excluded from the price to determine the net price of the fuel.

Sales tax on gasoline should be collected for each unit sold by calculating:
- The price per unit before the addition of state and federal taxes;
- Multiplied by the current sales tax rate.

Each seller is responsible for deducting the correct amount of state and federal excise tax to determine the base for computing sales or use tax.

Prepayment of sales tax on gasoline
At the time of purchase or shipment of gasoline from a qualified distributor, a seller will prepay the state gross retail tax to the qualified distributor.

The amount of tax that must be prepaid is:
- The prepayment rate per gallon of gasoline;
- Multiplied by the number of invoiced gallons purchased or shipped.

The prepayment rate is the statewide average price per gallon, multiplied by the sales tax rate, multiplied by 80%. The prepayment rate will be determined semiannually by the Indiana Department of Revenue in June and December. It is limited to 125% of the previous prepayment rate. If the average retail price changes by more than 125% from the last determination date, the prepayment rate might be adjusted. The seller must file monthly and remit sales tax that has been collected on the gasoline minus the amount of prepaid tax.

For additional information about prepayment of sales tax on gasoline, see Departmental Notice #2.

Additional sales tax collection
When collecting the sales tax on gasoline sales, the seller is responsible for collecting sales tax based on the listed price at the pump. Each seller is responsible for deducting the correct amount of state and federal excise tax to determine the base for computing sales or use tax. The seller can claim a credit for the Indiana sales tax prepaid by the seller to the distributor.

How to file/pay
Gasoline sales tax should be filed and paid using Form ST-103MP through INtax.

Fuel Discounts
Price discounts and coupons offered by gasoline retailers/sellers will be treated the same as other coupons and discounts offered by other sellers.

Fuel discount examples
A seller offers a discount of $.03 per gallon if the purchaser has a coupon card issued by the seller. The gasoline will be sold for $.03 less than the pump price, and the seller will be required to remit the sales tax on the discounted price.

A manufacturer of a product offers a $1 discount for the purchase of gasoline. The manufacturer reimburses the seller for the $1 discount. The seller is required to remit the tax on the full price of the gasoline.

For more information on discounts, see Sales Tax Information Bulletin #58 at www.in.gov/dor/reference/files/sib58.pdf.

Display of pump price
The pump price of all gasoline sold through a stationary metered pump must include the total price per unit, including state sales tax.

Advertised or curb price of gasoline
The seller may not advertise gasoline prices that are different from the pump prices.

Exemptions
All customers must pay the full pump price of gasoline sold through a stationary metered pump, whether or not an exemption certificate has been received from the purchaser.

If the gasoline is purchased for exempt use, the purchaser can recover the sales tax paid by purchasing the official form, STR-100, for gasoline. Next, the purchaser must attach signed receipts to a Claim for Refund Form (GA-110LMP) and provide supporting documentation. The request can be on a monthly, a quarterly, a semiannual, or an annual basis.

Alternatively, if the purchase of gasoline was made through the use of a credit card of a participating credit card company and the proper exemption certificate was filed by the purchaser, the credit card company company will credit the purchaser's account for the sales tax paid.

Sellers are responsible for collecting only correctly completed exemption certificates. If a seller accepts an exemption certificate that is not complete or facially valid, the seller is still responsible for remitting the sales tax due on that purchase.

Record keeping
In general, the following information and documents must be maintained by the seller to verify that the correct amount of gasoline sales tax was remitted to the department. This includes:

- Number of fuel storage tanks and each tank's capacity
- Type of fuel stored in each tank
- Meter readings/tank totalizer readings
- Inventory records
- Any contracts that pertain to the ownership/rental of the gas pumps

- Fuel purchase invoices that include the types of fuel purchased (gas, diesel, kerosene)
- Copies of ST-103MP for the audit period
- Exemption certificates for exempt diesel sales; each exempt sale must be evidenced by a valid exemption certificate and identifying information must match
- Copies of Form1099-K showing total credit card sales per year (Merchant Card and Third Party Network Payments)
- Volume and dollar sales of unleaded gas sold
- Volume and dollar sales of premium gas sold
- Volume and dollar sales of mid-grade gas sold
- Volume and dollar sales of diesel gas sold
- Volume and dollar sales of kerosene sold

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources

- See Form ST-103 MP for the gasoline sales tax calculation.
- Find information about the calculation of gasoline sales tax in Departmental Notice #2 at www.in.gov/dor/files/dn02.pdf.
- For more information on discounts, see Sales Tax Information Bulletin #58 at www.in.gov/dor/reference/files/sib58.pdf.
- Call (317) 615-2630 with questions.

Gasoline Use Tax
(After June 30, 2014)

Summary of fuel taxes
1. Federal gasoline excise tax: $0.184 per gallon
2. State gasoline excise tax: $0.18 cents per gallon
3. Oil inspection fee: $.01per gallon
4. Gasoline use tax: 7%

Beginning July 1, 2014, a gasoline use tax was imposed on gasoline and gasohol fuels. The gasoline use tax replaced the prepaid sales tax on gasoline collected from the retail merchant.

The Indiana Department of Revenue determines the gasoline use tax rate by calculating a rolling, monthly, statewide average retail price per gallon of gasoline (excluding tax), multiplied by 7 percent. Due to the calculation process, the gasoline use tax rate may change on a monthly basis depending on the average Indiana retail price of gasoline. The department publishes the gasoline use tax rate monthly in Departmental Notice #2.

The gasoline use tax is collected when a qualified distributor sells gasoline to a nonqualified distributor. The tax is not collected when a qualified distributor sells to qualified distributor or exports the gasoline to another state. The qualified distributor must collect and remit the tax from the nonqualified distributor to the Indiana Department of Revenue.

Retail stations should include the gasoline use tax in the pump price of gasoline. Retail stations are reimbursed for the gasoline use tax in the same way they are reimbursed for gasoline or special fuel taxes included in the pump price.

The gasoline use tax does not affect form MF-360, and licensed gasoline distributors will need to continue to report gasoline. In addition, the tax does not affect collecting, remitting, or reporting Indiana's 18-cents-per-gallon gasoline tax and 1-cent-per-gallon oil inspection fee.

Filing Requirements

Retail Merchant, Onetime Gasoline Use Tax Inventory Report (GT-Inventory Report)
All retail merchants who have gasoline products in their inventory on July 1, 2014, are required to remit the gasoline use tax due on the number of gallons in storage multiplied by the July 2014 Gasoline Use Tax Rate of $0.229.

Beginning with the July 2014 filing period, the ST-103P and the ST-103DR will be discontinued. Gasoline distributors must report and remit the gasoline use tax due on the new gasoline use tax Form GT-103 and complete a gasoline use tax monthly recap (Form GT-103DR), Schedule 1: Receipts, and Schedule 2: Disbursements. Taxpayers can complete the forms through INtax or bulk file.

GT-103
The GT-103 must be filed semimonthly to remit the gasoline use tax, as follows:
- Transactions from the 1st to the 15th of the month are due on the 25th of the month.
- Transactions from the16th to the end of the month are due on the 10th of the following month.

- The first GT103 is due July 25, 2014, for transactions from July 1, 2014, to July 15, 2014.

GT-103DR
The GT-103DR, Recap of Gasoline Use Tax by Distributors, must be filed before the end of each month for the taxes owed and the gallons of gasoline sold or shipped during the preceding month. The form must include
- The number of gallons of gasoline sold or shipped during the preceding month (from the first day to the last day of the month), identifying each purchaser or receiver.
- The amount of tax paid by each purchaser or recipient.
- Any other information reasonably required by the department.
- The first GT-103DR will be due before August 31, 2014.

Taxpayers can use INtax to complete and submit Forms GT-103 and GT-103DR, including Schedule 1: Receipts and Schedule 2: Disbursements.

Exemptions
The exemptions provided in Indiana Code 6-2.5-5 apply to the gasoline use tax. Transactions exempt from gasoline use tax include
- The sale of gasoline from a refiner or terminal operator to a qualified distributor
- The sale of gasoline from a qualified distributor to another qualified distributor
- A shipment of gasoline from Indiana to a location outside of Indiana (exported gasoline)
- The sale of gasoline that meets the sales tax exemption criteria as set forth in Indiana Code 6-2.5-5

Refunds
A distributor that has paid gasoline use tax and has not been reimbursed because the gasoline is sold to an exempt purchaser may file form GA-110L, Claim for Refund. If a gasoline sale is exempt from gasoline use tax, the purchaser who pays the tax to a retail merchant may file form GA-110L. The GA-110L must include all supporting documentation.

Record keeping
In general, the following information and documents must be maintained by the seller to verify the correct amount of gasoline use tax was remitted to the department. These pieces of information and documents include:
- Fuel inventory records
- Purchase records for fuel purchases

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources
- Visit www.in.gov/dor/5081.htm for more information.
- Gasoline Use Tax frequently asked questions are available at www.in.gov/dor/reference/files/gut-tax-faq.pdf.
- Read Departmental Notice #2 at www.in.gov/dor/files/dn02.pdf.
- Read the Indiana law for gasoline use tax at www.in.gov/legislative/ic/2010/title6/ar2.5/ch3.5.pdf.
- Call (317) 615-2630 or email fetax@dor.in.gov with questions.

Sales Tax on Special Fuels

Special fuels include:
- Diesel
- Biodiesel
- LPG
- Propane
- Compressed natural gas
- Compressed methane
- Other fuels that the law does not name as "gasoline"

Sales tax is applied to the total sales price of the special fuel sold minus the part that makes up state and federal excise taxes.

Sales tax on special fuels should be collected for each unit sold by calculating:
- The price per unit before the addition of state and federal taxes;
- Multiplied by the current sales tax rate.

Each seller is responsible for deducting the correct amount of state and federal excise tax to determine the base for computing sales or use tax. See Departmental Notice #12 for more information.

Sales tax is not applied if the seller designates the metered pumps using a sign that reads "TRUCKS ONLY".

A retail merchant may not, after Dec. 31, 2014 and before Jan 1, 2017 designate any metered pump that dispenses natural gas products as being "TRUCKS ONLY."

How to file/pay
Sales tax on special fuel should be filed and paid using Schedule A of Form ST-103MP (showing gallons sold and sales) through INtax.

Exemptions
Stationary metered pumps labeled "TRUCKS ONLY"
To designate a pump "TRUCKS ONLY", a seller must place a sign at the pump that says that fuel dispensed from that metered pump may be placed only in the fuel supply tanks of trucks. A sign that reads "TRUCKS ONLY" meets that requirement.

In these pumps, the sales tax is not added into the price. However, purchasers still must provide an exemption certificate (ST-105) before using it. Those who use it without a certificate must have the tax added to the price.

Sellers are responsible only for collecting correctly completed exemption certificates. If a seller accepts an exemption certificate that is not complete or facially valid, the seller is still responsible for remitting the sales tax due on that purchase.

To receive a refund, a purchaser must file a GA-110LMP with appropriate receipts, statements, or documents proving the amount of sales tax paid.

Farmers or others hauling their own products are not eligible for the exemption for persons engaged in public transportation. The purchaser's vehicle must be predominately engaged in providing public transportation of persons or property.

Special fuel from metered pumps that are labeled for "TRUCKS ONLY" must not be dispensed into any type of vehicle other than a truck.

A seller is not required to display the total price per unit of the special fuel on metered pumps labeled for "TRUCKS ONLY".

Stationary metered pumps not labeled "TRUCKS ONLY"
If there is no "TRUCKS ONLY" sign, sellers should apply the sales tax on the special fuel. Purchasers must issue an exemption certificate (ST-105) indicating to the seller not to collect the sales tax.

If the purchaser does not issue an exemption certificate, the sales tax must be charged to the purchaser. The sales tax will be the sales tax rate times the raw price of the fuel that excludes state and federal excise taxes.

If the special fuel is purchased for exempt use and tax is paid, the purchaser is responsible for recovering sales tax paid. To receive a refund, a purchaser must file a GA-110LMP with appropriate receipts, statements, or documents proving the amount of sales tax paid.

Advertised or curb price of special fuel
The seller may not advertise special fuel prices that are different from the pump prices. If a seller advertises special fuel at a price that does not include any sales taxes, the seller must display in easily visible lettering, above or below the advertised price, the words "EXEMPT TRUCKS ONLY".

Record keeping
In general, the following information and documents must be maintained by the seller to verify that the correct amount of sales tax was remitted to the department. This includes:

- Exemption certificates for exempt diesel sales (each exempt sale must be evidenced by a valid exemption certificate and identifying information must match)
- Any contracts that pertain to the ownership/rental of the gas pumps
- All fuel purchase invoices to verify the types of fuel purchased (diesel, kerosene, etc.) and the gallons of each type of fuel purchased
- Copies of ST-103MPs for the audit period
- Copies of 1099-Ks showing total credit cards sales per year (Merchant Card and Third Party Network Payments)
- Volume of diesel gas sold
- Volume of kerosene sold
- Cash sales of all products
- Credit card sales of all products

Sellers must retain these records for at **least three years in addition to the current year** and must make them available to the department upon request.

Resources

- Call (317) 615-2630 with questions.
- For more information, see Departmental Notice #12 at www.in.gov/dor/reference/files/dn12.pdf.
- For more information, see Sales Tax Information Bulletin #15 at www.in.gov/dor/reference/files/sib15.pdf.

Food and Beverage Tax

In some municipalities and counties, businesses that sell food and beverages must collect and remit the food and beverage tax.

Municipalities and counties each are allowed by law to enact a 1% food and beverage tax. Stores that sell food and beverages located in municipalities or counties that enact the tax must collect and remit the 1% tax. However, if a store is located in a municipality inside a county that each enacts the tax, the food and beverage rate will be a total of 2% (1% for the municipality and 1% for the county). The Indiana Department of Revenue provides the food and beverage tax rates for each county and municipality at www.in.gov/dor/4039.htm. Sellers also can contact their county auditors' offices to learn whether their counties have the tax.

Food and beverage tax applies to foods and beverages that are packaged, prepared, sold as meals, or sold in a form that is normally consumed at or near the premises of the seller whether or not such foods and beverages are actually consumed on the premises.

Prepared food that is subject to food and beverage tax includes:

- Food cooked to the order of the purchaser (example: cheeseburgers made to order)
- Foods sold hot (example: pizza slices)
- Two or more food ingredients mixed or combined by the seller for sale as a single item (example: hot dogs—they contain a hot dog plus a bun)
- Food sold with eating utensils (example: donuts/muffins that come in a case with plates or napkins provided)

Utensils include plates, knives, forks, spoons, glasses, cups, napkins, and straws.

Exemptions

The following items are exempt from food and beverage tax:

- If a customer uses foods or beverages in a way that would be exempt from sales tax (for example, the customer is a charitable organization), the foods or beverages are also exempt from food and beverage tax.
- Foods that are subject to sales tax but were not mixed or heated by the seller (candy, soft drinks, etc.) are exempt from food and beverage tax. This exemption applies if the foods are (1) not intended for consumption on the taxpayer's premises; and (2) not served by the seller off the seller's premises.
- Foods that were only cut, repackaged, or pasteurized by the seller are exempt from food and beverage tax. This exclusion applies if the foods are (1) not intended for consumption on the taxpayer's premises; and (2) not served by the seller off the seller's premises.

How to file/pay

The food and beverage tax is imposed, paid, and collected in the same way as sales tax, though the tax is remitted to the department on a separate return. The filing of the return and the remittance of the tax collected are due 30 days after the end of the month in which the transaction occurs. The form used to file the return is the FB-103. Vouchers will be mailed to each seller after registering with the department. Sellers should be able to remit the tax using INtax before the end of 2014.

A seller required to collect and remit the tax may file a consolidated food and beverage tax return if the seller operates multiple locations in the same county. A separate return must be filed if the seller has locations in different adopting counties. A separate return must be filed if the store is located in a municipality inside a county where both units of government have adopted a food and beverage tax. With the exception of Johnson County, all food and beverage tax returns and remittances are required to be filed with the Indiana Department of Revenue. In Johnson County, the tax is remitted to the county treasurer.

Record keeping
Sellers are required to keep copies of all food and beverage tax returns as well as detailed reports of prepared food and beverage sales to verify the amounts reported on the food and beverage tax returns.

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources

- Learn more about food and beverage tax at www.in.gov/dor/4039.htm.
  Find local food and beverage tax rates in Commissioner's Directive #30 at www.in.gov/dor/reference/files/cd30.pdf.
- Call (317) 233-4015 with questions.

Prepaid 911 Enhancement Fee

All sellers in Indiana who sell prepaid wireless telephone services (the sale of a prepaid phone or prepaid phone card) must collect $.50 per sales transaction.

The fee, known as the Prepaid 911 Enhancement Fee, ensures Indiana complies with 911 law requirements.

Please note that, while the prepaid wireless telephone services are subject to sales tax, the fee is not subject to sales tax. In addition, sellers can keep 1% of the transaction fee to cover collection efforts if the seller reports and remits the charges on time.

Exemptions
The fee does not need to be collected when the prepaid wireless telephone services are sold to an agency of the federal government. To qualify for this exemption, the sale must be invoiced to and paid directly by the federal agency.

How to file/pay
A seller is required to collect the fee from the purchaser for each purchase of a prepaid wireless telephone service. The seller also must disclose the amount of the fee by separately stating the amount of the fee on the purchaser's receipt.

Sellers must remit all fees collected to the Indiana Department of Revenue on or before the date they are required to file their Indiana sales tax, after the date of the transaction. In addition, merchants must remit all fees electronically through the state's INtax application.

Record keeping
Sellers are required to keep records of their purchases of wireless prepaid phones/cards as inventory for at **least three years in addition to the current year**. They also must keep records of all sales and collections of the fee.

Resources

- See Commissioner's Directive #39 at www.in.gov/dor/reference/files/cd39.pdf for more information.
- Call (317) 233-4015 with questions.

Corporate Income Tax

All businesses in Indiana are subject to adjusted gross income tax.

The tax rate and type of income tax form a company uses will depend on how the business is organized.

Sole proprietors
The income of sole proprietors is reported on one of the IT-40 series of forms.

General partnerships
Partnerships (including limited liability companies) are not subject to tax at the partnership level. Any income earned by the partnership passes through to the partners. The income is attributed to the partners and any tax is owed by the partners. A partnership with nonresident partners is subject to withholding requirements on the nonresidents' share of the partnership's income.

Therefore, general partnerships report their income on Form IT-65, and the partner(s) reports income on Form IT-40 or IT-40PNR.

Limited liability partnerships
The income of an LLP is taxed the same as a general partnership, using Forms IT-65 and IT-40 or IT-40PNR.

Limited liability companies
Multimember LLCs default to filing as a partnership. Both single-member and multimember LLCs may elect to be taxed as corporations. That entity may also then elect for the corporation to file as an S corporation, if qualified to do so.

S corporations
S corporations are not subject to tax at the entity level. Any income earned by an S corporation passes through to the shareholders. The income is attributed to the shareholders and any tax is owed by the shareholders. An S corporation with nonresident shareholders is subject to withholding requirements on the nonresidents' share of the corporation's income.

S corporations will complete a Form IT-20S, and the shareholder will complete a Form IT-40 or IT-40PNR to report the shareholder's income.

C corporations
C corporations must file Form IT-20. In general, C corporations doing business in Indiana are subject to Indiana income tax on their federal taxable income with certain specified adjustments. Form IT-20 has instructions for more details on the adjustments.

C corporations doing business in more than one state will apportion their incomes to Indiana by dividing the Indiana receipts into the receipts attributable to all jurisdictions including Indiana and then multiplying the ratio and the business' incomes of the C corporations, plus any Indiana-source nonbusiness income of the C corporations.

C corporations are subject to an Indiana income tax rate of 7% from July 1, 2014, to June 30, 2015. This rate is multiplied by the Indiana-source income to determine the Indiana corporate income tax. If the corporation's tax years start when the tax is at one rate and ends when the rate is different, the corporation should see Income Tax Information Bulletin #12 at www.in.gov/dor/reference/files/ib12.pdf to calculate the rate.

Record keeping

In general, the following information and documents must be maintained by the seller to verify that the correct amount of corporate income tax was remitted to the department. This includes:

- Copies of federal and state income tax returns
- Copies of depreciation schedules for the audit period
- All bank statements, trail balances, general ledgers, and financial statements to verify income and sales figures, as well as modifications, reported to the department
- K-1 information, including all shareholder/stakeholder information, address, ownership percentage
- 1099-K from each credit card vendor
- Inventories showing year-end detail by fuel type (gasoline, diesel, kerosene, etc.) and inside store items
- Form IN-COMPA for all shareholders/partners opting out of the composite filing

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources

- Sellers who need assistance determining how their businesses are organized can contact an attorney or the Indiana Small Business Development Center at www.in.gov/dor/3939.htm.
- See Income Tax Information Bulletin #12 at www.in.gov/dor/reference/files/ib12.pdf for more details on the corporate income tax rates.
- Go to www.in.gov/dor/3975.htm for additional information.
- Call (317) 232-0129 with questions.

Individual Income Tax Withholding

All business entities in Indiana are required to withhold federal, state, and local income taxes for their employees; report that withholding; and pay that withholding on a periodic basis. The wages of employees are subject to county income tax based on the employee's county of residence as of January 1.

If an employee was not a resident of an Indiana county as of January 1, the employee's wages are subject to the county income tax of the primary location of work as of January 1. The employee's wages are subject to tax at the nonresident rate.

The wages of employees who reside in Kentucky, Michigan, Ohio, Pennsylvania, and Wisconsin are not subject to Indiana state income tax on their wages. However, their wages are subject to county income tax.

Employee withholding
Employers who are required to withhold federal taxes are also required to withhold Indiana state and local income taxes from an employee's wages. Departmental Notice #1, available at www.in.gov/dor/reference/files/dn01.pdf, includes the rates and calculations for employee withholding.

All information returns must be submitted to the Indiana Department of Revenue along with Indiana Form WH-3.

The due date for the WH-3 is the last working day of February following the end of the calendar year tax period. However, if a taxpayer is a pass-through entity such as a partnership or an S corporation and the taxpayer makes a one-time distribution for nonresident partners or shareholders, the due date is the 15th day of the 4th month following the close of the taxable year, usually April 15.

Information on Form W-2 must be filed using INtax or one of the department's approved file upload processes:

- Owners that have between 1 and 50 W-2s in a calendar year should use an EFW2-formatted file. More information about this process is at www.in.gov/dor/4456.htm.
- Owners that have between 51 and 3,500 W-2s in a calendar year should use an SSA EFW2-formatted file. More information about this process is at www.in.gov/dor/4457.htm.
- Owners that have more than 3,500 W-2s in a calendar year should use the department's bulk file upload system. More information about this process is available at www.in.gov/dor/4458.htm. An instructional booklet can be downloaded at www.in.gov/dor/files/bulk-upload-guide.pdf.

Form 1099 information must be filed using the IRS1220 format. An instructional booklet can be downloaded at www.in.gov/dor/files/irs-1220format.pdf.

Information returns (such as Form 1099) that do not report withholding of Indiana state or local income tax do not need to be submitted to the department. Instead, sellers should keep a record of them for three years and make them available to the department upon request. WH-1 coupons and WH-3 reconciliations must be filed even if no tax is reported.

Electronic submission

CD/DVDs can be used to submit 25 or fewer information returns. Form W-2 information should be submitted using the format as specified in the latest version of the W-2 booklet. Form 1099 information should be submitted using the format specified in the latest W-2G and 1099R handbook.

A properly completed Form WH-3 must accompany all W-2 filings in the same package as the CD/DVD. All withholding amounts, regardless of the form on which they are reported, must be listed on the Form WH-3. Questions concerning the proper type of reporting procedure should be directed to the Indiana Department of Revenue, Attn: Electronic Filing Coordinator, P.O. Box 6108, Indianapolis, IN 46206-6108.

A penalty of $10 will be charged for each W-2, WH-18, and 1099 statement filed past the due date. An extension of time to file can be requested for those who do not have distribution amounts that apply to Form WH-18 by the due date. The department will accept a copy of the federal withholding extension (Form 8809) to submit Form WH-3. Form 7004, federal extension for filing corporate tax returns, can be used for nonresident shareholder filing.

Form Completion

- Sole proprietorships, certain limited liability companies (LLCs), and Indiana resident shareholders or partners of S corporations and partnerships must file Form IT-40.
- Nonresident shareholders or partners of S corporations and partnerships that have opted out or have been excluded from the composite filing at the entity level must file Form IT-40PNR to report the income and expenses and compute the income tax due associated with the business.
- Nonresident shareholders or partners of S corporations and partnerships that are included in the composite filing on the entity level can elect to file Form IT-40PNR in addition to reporting the income and expenses and compute the income tax due associated with the business.

Record keeping

In general, the following information and documents must be maintained by the seller to verify that the correct amount of income tax was remitted to the department. These pieces of information and documents include:

- Copies of all WH-1s, WH-4s, WH-18s (if applicable), W-2s, and 1099s related to the audit period
- Federal Schedule C for sole proprietorships, Schedule E for shareholders or partners
- Federal K-1 and IN-K1 schedules
- Accounting records in support of income and expenses claimed on Schedule C
- Evidence of estimated quarterly income tax payments

Sellers must retain these records for **at least three years in addition to the current year** and must make them available to the department upon request.

Resources

- For rates, see Departmental Notice #1at www.in.gov/dor/3618.htm.
- Withholding tax forms are located at www.in.gov/dor/4100.htm.
- Call (317) 233-4016 with questions.

Frequently Asked Questions about Audits

I have been selected for audit by IDOR, what can I expect?
First, you will be contacted by an auditor to schedule an appointment for a time that is convenient for you. Usually, you will be given at least two weeks' notice.

The auditor will provide a letter confirming the audit appointment and location of the audit. This letter will also detail the tax types, years to be audited, and records required for audit.

Common tax types that may be audited include:

- Sales/use tax (RST)
- Income tax (AGIT)
- Employee taxes withheld
- Wireless prepaid fee (WPC)
- Food and beverage tax (FAB)

Before the audit process begins, the auditor will visit your store location(s) to become familiarized with the types of products that are sold.

At the scheduled appointment, you will need to provide the requested records to the auditor.

The length of the onsite audit depends on the types and completeness of records and how well they are organized. Usually this process takes from 3 to 10 days.

After the auditor has reviewed your records, he or she may request additional records or you might be given more time to provide records that were previously requested but not provided. After all the records have been provided and reviewed, the auditor will sit down with you and explain the findings.

An audit report will explain the department's review and billing process (if appropriate). After this, you will receive a copy of the final audit and the department's proposed assessment, if applicable. This process may take from 6 to 8 weeks. You can decide to pay any proposed assessment at this point or file a written protest.

Why do I have to keep records?
Simply: It's the law.

Indiana Code 6-8.1-5-4(a), states; "Every person subject to a listed tax must keep books and records so that the department can determine the amount, if any, of the person's liability for that tax by reviewing those books and records."

Without source documents or other records, the department may make a proposed assessment of the amount of unpaid tax on the basis of the best information available to the department if the department reasonably believes that a person has not reported the proper amount of tax due as stipulated in Indiana Code 6-8.1-5-1(b).

Can I be represented by an attorney during the audit?
Yes, you can select anyone to represent you during the audit. Your representative does not have to be an attorney. Generally, taxpayers select the person or company who files the company's tax returns. To select someone to represent you, complete Form POA-1 at www.in.gov/dor/3508.htm.

What if I disagree with what the auditor finds?
If you disagree with the proposed assessment or audit adjustment, you can protest it by sending a written request and a copy of the bill to the department within **60 days** of the bill date.

The protest request letter should detail the reason for the protest and be signed and dated.

Written protests should be sent to:

Attn: Legal Division
Indiana Department of Revenue
P.O. Box 1104
Indianapolis, IN 46206

Resources

- Find Form POA-1 at www.in.gov/dor/3508.htm.
- The department's collection and appeals process is at www.in.gov/dor/3959.htm.

Resources Summary

General Resources

- Convenience store website: www.in.gov/dor/5183.htm
- Indiana New and Small Business Education Center: www.in.gov/dor/3939.htm
- Indiana Department of Revenue website: www.in.gov/dor
- Indiana Secretary of State website: www.in.gov/sos
- Indiana Department of Workforce Development: www.in.gov/dwd

Resources for Remitting Taxes

- Use INtax at www.intax.in.gov/Web/default.aspx.
- Read more about INtax at www.in.gov/dor/4336.htm.
- Get started with the INtax User guide at www.in.gov/dor/files/step-by-step-user-guide.pdf.
- Download the INtax QuickStart Guide at www.in.gov/dor/files/quick-start-full-page.pdf.
- Call (317) 232-2337 with questions.

Sales Tax Resources

- Find information about sales tax price discounts in Sales Tax Information Bulletin #58 at www.in.gov/dor/reference/files/sib58.pdf.
- For a more detailed explanation of public transportation providers exempt from sales tax, refer to Sales Tax Information Bulletin #12 at www.in.gov/dor/reference/files/ib12.pdf.
- For a more detailed explanation of nonprofit entities exempt from sales tax, refer to Sales Tax Information Bulletin #10 at www.in.gov/dor/reference/files/sib10.pdf.
- For more information about government agencies exempt from sales tax, please refer to Sales Tax Information Bulletin #4, available online at www.in.gov/dor/reference/files/sib04.pdf.
- Find Indiana General Sales Tax Exemption Certificate Form ST-105 at www.in.gov/dor/3504.htm.
- Find Form GA-110L Claim for Refund at www.in.gov/dor/3504.htm.
- Call (317) 233-4015 with sales tax questions.

Use Tax Resources

- Find Consumer's Use Tax Return Form ST-105 at www.in.gov/dor/3504.htm.
- Call (317) 233-4015 with use tax questions.

Gasoline Sales Tax Resources

- See Form ST-103 MP for the gasoline sales tax calculation.
- Find information about the calculation of gasoline sales tax in Departmental Notice #2 at www.in.gov/dor/files/dn02.pdf.
- For more information on discounts, see Sales Tax Information Bulletin #58 at www.in.gov/dor/reference/files/sib58.pdf.
- Call (317) 615-2630 with questions.

Gasoline Use tax Resources

- Visit www.in.gov/dor/5081.htm for more information.
- Gasoline Use Tax frequently asked questions are available at www.in.gov/dor/reference/files/gut-tax-faq.pdf.
- Read Departmental Notice #2 at www.in.gov/dor/files/dn02.pdf.
- Read the Indiana law for gasoline use tax at www.in.gov/legislative/ic/2010/title6/ar2.5/ch3.5.pdf.
- Call (317) 615-2630 or email fetax@dor.in.gov with questions.

Sales Tax on Special Fuel Resource

- Call (317) 615-2630 with questions.
- For more information, see Departmental Notice #12 at www.in.gov/dor/reference/files/dn12.pdf.
- For more information, see Sales Tax Information Bulletin #15 at www.in.gov/dor/reference/files/sib15.pdf.

Food and Beverage tax Resources

- Learn more about food and beverage tax at www.in.gov/dor/4039.htm.
  Find local food and beverage tax rates in Commissioner's Directive #30 at www.in.gov/dor/reference/files/cd30.pdf.
- Call (317) 233-4015 with questions.

Prepaid 911 Enhancement Fee Resources

- See Commissioner's Directive #39 at www.in.gov/dor/reference/files/cd39.pdf for more information.
- Call (317) 233-4015 with questions.

Corporate Income Tax Resources

- Sellers who need assistance determining how their businesses are organized can contact an attorney or the Indiana Small Business Development Center at www.in.gov/dor/3939.htm.
- See Income Tax Information Bulletin #12 at www.in.gov/dor/reference/files/ib12.pdf for more details on the corporate income tax rates.
- Go to www.in.gov/dor/3975.htm for additional information.
- Call (317) 232-0129 with questions.

Individual Income Tax Withholding Resources

- For rates, see Departmental Notice #1at www.in.gov/dor/3618.htm.
- Withholding tax forms are located at www.in.gov/dor/4100.htm.
- Call (317) 233-4016 with questions.

Audit Resources

- Find Form POA-1 at www.in.gov/dor/3508.htm.
- The department's collection and appeals process is at www.in.gov/dor/3959.htm.