SUTCA Overview

Overview

The Indiana Department of Revenue (DOR) offers a Sales and Use Tax Compliance Agreement (SUTCA) program to certain Indiana customers. SUTCA is a program in which statistical sampling is used to determine a taxable rate to apply to purchasing activity for ongoing operations throughout the active agreement.

Using this rate, the customer can quickly calculate and pay use tax due on included expenses. Capital assets are typically excluded, although both parties may agree to include capital assets under a certain dollar threshold. Each month a company under a SUTCA determines applicable purchases by computing total purchases for the accounts included in the agreement. Applicable purchases are then multiplied by the agreed upon taxable rate to calculate the purchases on which tax will be reported.

DOR began entering SUTCAs in 1997 and to date has entered into over 260 agreements. The overall feedback from customers using a SUTCA is positive. Most of the customers at the end of the SUTCA period have either requested to enter into a new agreement or have continued to remit use tax using the taxable rate without signing a new contract.

Who is eligible?

The program is intended for medium to larger sized companies who routinely make purchases that may be taxable or exempt, depending on how and where an item is used. Customers mostly consist of manufacturers but may include other customers such as companies with significant research and development expenses and hospitals.

Customers that are not currently under audit, as well as those who have begun the audit process are eligible to request a SUTCA. When done in conjunction with an audit, additional efficiencies are achieved. For an audit, the goal is to determine errors in tax and for a SUTCA, the goal is to determine the percentage of purchases that are subject to tax (taxable rate).

Benefits for Customers

- Partnership with the State
- Simplifies use tax compliance
- Reduces staff / decreases need for expertise
- Allows Tax Department, not Accounts Payable, to determine tax basis
- Able to forecast use tax obligations
- Less time spent on future audits and refund claims
- Eliminates unexpected assessments, along with penalty and interest
- Identifies and addresses disagreements upfront

Instructions for Requesting a SUTCA

To initiate an agreement, contact David Kolb at dkolb@dor.in.gov or (317) 517-5752.

To enter a SUTCA, the customer must have or obtain an Indiana Direct Pay Permit. Request a Direct Pay Permit with the application DP-1.

Upon approval, DOR will issue a Direct Pay Permit. The customer will supply the Direct Pay Permit to vendors instructing them that sales tax should not be charged on sales to your company.

SUTCA Contract

Once the taxable rate and terms of the agreement are agreed upon, a contract is drafted by DOR's Legal/Tax Policy Division. Both DOR and the customer will sign off on this contract for it to become effective.

How long is a SUTCA effective?

Typically, a SUTCA is in effect for 3 years. As the 3 years come to an end, the customer may contact DOR and request the agreement be extended for another 3 years. To extend, both DOR and customer need to be satisfied that the taxable rate and terms of the contract continue to be appropriate.

If there is a period between the last SUTCA or audit and the effective date of the new SUTCA in which the statute of limitations has not expired (interim period), an investigation may be conducted to true-up the open period. Typically, a true-up is not conducted unless DOR and customer agree to do so at the beginning of the process.