




SBOA Training
for Fiscal Officers

Indiana Department of Revenue




Mike Ralston, Executive Director
Sales Tax Administration
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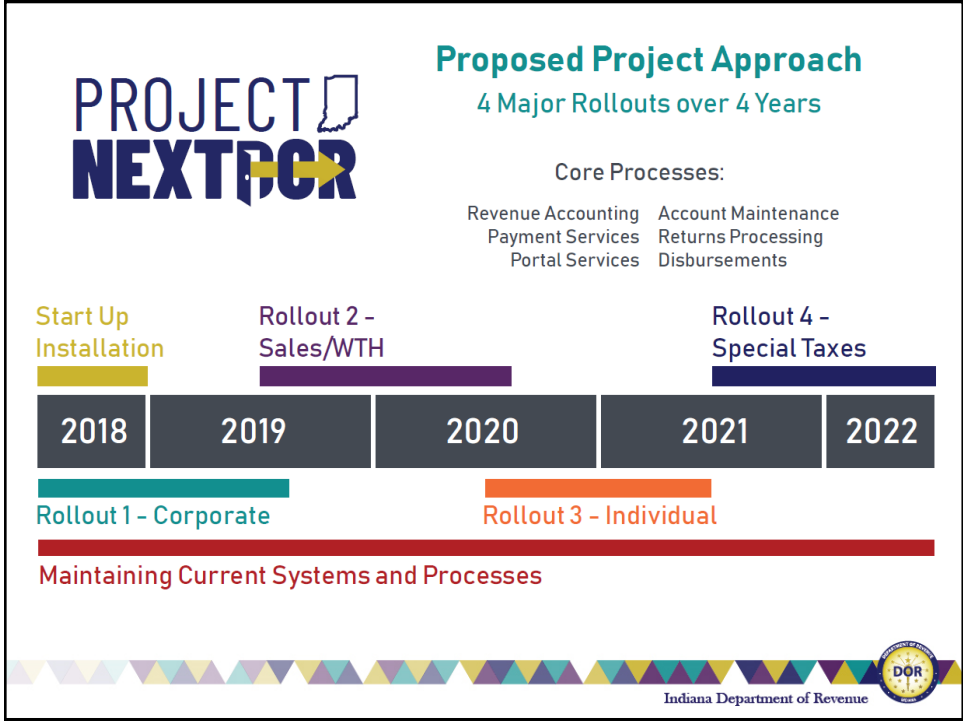
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Disclaimer: Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either DOR or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.



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Overview

1. What defines local government?
2. Registrations
3. Retail Transactions
4. Purchasing
5. Withholding
6. FAQs
7. Resources
8. Ways to stay informed

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Local Government

- City of any class.
- Municipal corporation.
 - County, municipality, township, special taxing districts, etc.
- Municipality.
 - City or town.
- Political subdivision.
- School corporation.
- Special taxing district.
- Taxing district.
- Unit.
 - County, municipality, township.

Also includes agencies of any of the entities listed.

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Entity/Sales Tax Exemption

- Register as a government agency.
 - Refer to Information Bulletin #4.
 - Form BT-1 for business taxes.
- Register for ST-105.
 - Used for making tax-exempt purchases.

IN]BIZ



Sales Tax Registration - IN]BIZ

inbiz.in.gov

- If you plan on selling tangible personal property in retail transactions.
- If you plan to issue exemption certificates to vendors.
- Register and obtain a Registered Retail Merchant Certificate (RRMC).
 - Allows you to collect and remit sales tax as required.

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Sales Tax Registration - INBIZ

At INBiz you can:

- Set up appropriate tax accounts with DOR.
- Pay the \$25 registration fee for sales tax.

Once the application is completed and submitted, DOR will contact you within 48 hours regarding the status of your application.

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Sales Tax Registration - INBIZ

If all returns are filed and paid, the sales tax account will automatically renew every 2 years.



RETAIL TRANSACTIONS

Sales Tax

Retail Transaction

- Per IC 6-2.5-1-2.
- Defined as a transaction of a retail merchant that constitutes:
 - Selling at retail.
 - Selling at wholesale.
 - Any other transaction described in IC 6-2.5-4.

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Reminders

- A state agency/local unit of government that sells tangible personal property and collects sales tax on those transactions is required to register as a retail merchant and remit sales tax collected to DOR.
- Sales taxes that are collected on qualifying purchases by the entity may be the personal obligation of the responsible official or employee.

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Retail Examples

- Personal property from stores.
- Sales and rentals in parks.
- Food services and concessions.
- Rental of tangible personal property to the public.
- Sales of byproducts of sewage disposal plants.
- Any other activity customarily considered as being competitive with private enterprise.

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Sales Tax

- Entity can purchase property to be resold exempt from tax, but must collect sales tax from purchaser.
- Collection of the tax must be shown on the individual sales receipt/invoice.
- All sales are taxed unless there is a specific exemption.

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Gross Retail Tax Returns

- Sales tax returns are due on a monthly, quarterly, or annual basis depending on the taxpayer's filing frequency as determined by DOR.
- The return filing frequency and payment frequency are not always the same.
 - e.g., Some taxpayers pay monthly, but file returns quarterly.

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SALES TAX EXEMPT GOVERNMENT TRANSACTIONS

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Sales Related to Government Functions

- Some sales may qualify as related to the performance of a governmental function if the sales do not compete with private enterprise.
 - e.g., A city charges a fee for providing copies of its ordinances. Does not need to collect tax on the sale of the copies because providing the copies could be considered a governmental function of the city.

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PURCHASING

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Taxable or Tax Exempt?

- State of Indiana & its local governments **are not** subject to sales or use tax on any purchases to be used primarily to carry out a governmental function.
- Any purchases used primarily in connection with a proprietary function are **taxable** unless another specific exemption applies.

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Primary Function

- A purchase is used “primarily” for a governmental function if the purchase is used more than 50% of the time in the performance of that function.
- To qualify for the exemption, the purchase must be invoiced directly to the state or local government making the purchase.

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What are Government Functions?

- Police and fire protection.
- Street construction and maintenance.
- Operation of hospitals.
- Public libraries.
- Cemeteries.

Other activities may apply.

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Golf Courses

Purchases of tangible personal property by a city or town to be used in the operation of a municipal golf course are exempt from sales and use tax.

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Wastewater Contractors

- A person who contracts with a municipality to operate, manage, or control any plant or equipment owned by the municipality for the collection, treatment, or processing of wastewater may purchase certain tangible personal property exempt from sales or use taxes.
- Property must be classified as collection plant expenses, treatment and disposal plant expenses, or system pumping plant expenses.

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Employee Purchases

If a state or local government employee purchases an item, the purchase is not exempt, the employee must pay sales tax at the time of purchase even if the employee is to be reimbursed by the governmental entity.

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Purchases – Taxable

- Lodging and meals.
 - Benefits the individual.
 - Subject to sales tax regardless of who pays the invoice.

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Sales Tax Exempt Utilities

New Process

- Must be registered with DOR and have utility usages which qualify for the sales tax exemption.
- Bills and payments must be in the name of county or municipality.
- Provide form ST-109NPG directly to the utility, do not send to DOR.

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Income Withholding Tax

- State income tax is 3.23%.
- You must withhold and pay state and county income taxes for all employees.
 - Reporting and payment is electronic via INtax.
 - Reporting frequencies are annual, monthly, early, seasonal and 4-weeks as determined by DOR (based on avg. anticipated monthly wages).
- File WH-1, WH-3, WH-4.



County Income Tax

- County income tax withholding on wages is required.
- County tax rate depends on where the employee resided or worked as of Jan. 1 of the tax year.
- All 92 counties have county income tax (rates vary).
- Rates can change twice a year: Jan. 1 and Oct. 1.
- County income tax rates are the same for both residents and nonresidents.



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Withholding Agents

- Withholding agents are employers who are required by the IRS to withhold income tax on salaries, wages, tips, fees, bonuses, and commissions.
- If you are required to withhold federal taxes, then you must also withhold state and county taxes.
- If for some reason the taxes are not withheld, then the responsible official is personally liable to DOR for the taxes that should have been withheld.



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Filing Due Date of WH-3

- The WH-3 and copy of the W-2s should also be sent to DOR by Jan. 31.
- In accordance with IC 6-8.1-10-6, there is a penalty imposed in the amount of \$10 for each information return not filed in a timely manner.
- This penalty is not to exceed \$25,000 in any one calendar year.

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Bulk Filing of Withholding Documents

- CDs and removable drives are not acceptable formats to submit WH-3s and wage statements.
- Any file over 2MB should be sent through our bulk file File Transfer Protocol (FTP) which requires registration and testing.
- If you have questions please contact bulkfiler@dor.in.gov.

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Information Needed from Employees

- Employees should complete an Employee's Withholding Exemption and County Status Certificate (WH-4). This form provides DOR with:
 - The number of exemptions the employee will claim.
 - The county the employee is living and working in so that the proper county tax rate can be figured.
- Both the employer and the employee should keep a copy of the WH-4 for their records.
- The employee should update the WH-4 when the information changes, such as the number of exemptions or county of residence.

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Record Retention for Withholding Agents

As a withholding agent, you should have a correct list of all employees, which includes:

- The list of who is employed by the month, week, or day.
- The length of a normal pay period.
- The salary or wage for each employee.
- The SSN for each employee.
- The county of residence for each employee.
- The county of work for each employee.

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Non-resident Employees

- Employers must withhold Indiana state tax from the employees' pay unless the employees lives in a state that has a Reciprocal Agreement with Indiana.
- Reciprocal states include:
 - Kentucky
 - Michigan
 - Ohio
 - Pennsylvania
 - Wisconsin

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Non-resident Employees

- Non-resident employees are required to submit a properly completed form WH-47 to their employer to identify the employee's state of residence.
- If the non-resident employee does not reside in a reciprocal state, Indiana state tax must be withheld from the employee's pay.

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Non-resident Employees

- Indiana reciprocity agreements **do not** affect the withholding requirements for any of the county taxes.
- County tax must be withheld if the non-resident employee either:
 - Lived in Indiana on Jan.1 of the tax year, or
 - Had their principal place of business or employment in Indiana on Jan. 1 of the tax year.

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Part-Time, Temporary, or Seasonal Employees

- Withholding agents are required to withhold both state and county income tax from the income of all employees, including part-time, temporary, and seasonal employees.
- The fact that the employee will not earn in excess of the \$1,000 exemption has no bearing on the withholding by the withholding agent, nor does the fact that the IRS allows an employee to waive withholding of federal tax if income is not expected to exceed the federal filing requirements.

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Disability Pay & Supplemental Unemployment Income

- Benefits paid to an individual are treated as if they were income, to the extent such benefits are includable in the gross income of such individuals.
- As such, this income is subject to withholding by the withholding agent.

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UTILITY RECEIPTS TAX

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Utility Receipts Tax (URT)

- URT is an income tax imposed on the taxable “gross receipts” received from providing utility services for consumption from sources within Indiana.
- The URT is a gross income tax that is imposed on the utility, and, therefore, is a responsibility of the utility, i.e., a cost-of-doing business for the utility.

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Utility Receipts Tax (URT)

- “Gross receipts” is defined as “anything of value, including cash or other tangible or intangible property that a taxpayer receives in consideration for the retail sale of utility services for consumption before deducting any costs incurred in providing the utility services.”

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URT Eligible

- If you put a line item for URT on invoices to customers, this is an additional receipt that is subject to URT.
- The gross retail income from billings or invoices to customers is subject to URT, including:
 - Connection fees
 - Termination fees
- Judgments or settlements as compensation for “lost retail sales of utility services.”

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Not Eligible for URT

- Refundable deposits from customers are *NOT* subject to the URT.
- Insufficient fund or bad check financing charges are *NOT* subject to the URT.
- The collection of a “tax, fee, or surcharge” imposed solely on the sale at retail of utility services, is remitted to the appropriate taxing authority, and is invoiced as a separately stated line item—is not subject to URT.

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Entities Exempt from URT

- A conservancy district established under IC § 14-33-20 or IC § 13-3-4 (before its repeal).
- A regional water, sewage, or solid waste district established under IC § 13-26 or IC § 13-3-2 (before its repeal).
- A nonprofit corporation formed solely for the purpose of supplying water to the public.
- A county solid waste management district or a joint solid waste management district established under IC § 13-21 or IC § 13-9.5-2 (before its repeal).
- A nonprofit corporation formed for the purpose of providing a combination of water and sewer (sewage services) to the public.
- A county onsite waste management district established under IC § 36-11.
- A political subdivision (defined at IC § 36-1-2-13) for sewer and sewage service.



Entities Exempt from URT

A municipal water company is subject to the URT unless the municipal water company was formed as - and maintains its status as - a nonprofit corporation.



Gross Retail Tax (Sales Tax)

- A public utility's or a power subsidiary's gross retail income includes all gross retail income received by the public utility or power subsidiary, including:
 - Billings,
 - Invoices to customers.
 - Minimum charges.
 - Flat charges.
 - Membership fees.
 - Other form of charge or billings.

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Gross Retail Tax (Sales Tax)

Gross retail income from the transactions involving the installation, construction, servicing, or removal of tangible personal property used in connection with the utility services **is not** subject to sales tax.

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URT Returns

- URT-1 return must be filed with DOR if the taxpayer receives more than \$1,000 in gross receipts annually.
- URT-1 return is due April 15th for most.
- If a taxpayer's tax year (TY) ends on a date other than Dec. 31, the return is due on the 15th of the 4th month following the close of the tax year.



URT Returns

- Quarterly Estimated Payments
 - If taxpayer's annual tax liability is greater than \$2,500:
 - Est. payments are due on the 20th day of the 4th, 6th, 9th, and 12th months of the taxpayer's tax year.
 - April, June, Sept. and Dec. for most taxpayers.
 - Estimated payments are 25% of the estimated annual tax due.

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RESOURCES

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Audits



For Detailed Information

- Tax Rates, Fees & Penalties
 - <https://www.in.gov/dor/3343.htm>
- Sales Tax
 - Information Bulletins #4, #34, #51
 - Form ST-103 instructions
 - INBiz & INTax
- Utility Receipts Tax
 - Commissioner's Directive #18
 - Form URT-1 and IRT-Q(w) instructions

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For Detailed Information

- Income and Withholding Income Tax
 - Departmental Notice #1
 - Income Tax Information Bulletins #12, #16, #32, #33 # 22, #52
 - <https://www.in.gov/dor/3988.htm>

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DOR

The content is enclosed in a black-bordered box. It features a decorative border at the bottom composed of overlapping triangles in shades of purple, teal, yellow, and light blue. The text 'For Detailed Information' is centered at the top in a bold, dark blue font. Below it is a bulleted list of three items. The first item is 'Follow us on social media @INRevenue.' The second is 'Subscribe to our Tax Talk Blog.' The third is 'Sign up for emails at www.in.gov/dor.' with a sub-bullet 'On our homepage'. Below the list is a dark blue button with white text that reads 'Subscribe to DOR Email Updates →'. Below the button is another bulleted list item: 'Subscribe to Tax Bulletin' with a sub-bullet 'Under News, Media and Publications'. At the bottom right, there is a circular logo for the Indiana Department of Revenue (DOR) with the text 'Indiana Department of Revenue' below it.



QUESTIONS



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THANK YOU



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The banner features the Indiana Department of Revenue logo on the left, which includes a circular emblem with 'DOR' and 'INDIANA' text. To the right, the text 'INDIANA DEPARTMENT OF REVENUE' is displayed in white and yellow on a dark blue background. Below this, the website 'WWW.DOR.IN.GOV' and the hashtag '#WEAREDOR' are shown. The central text '@INRevenue' is in a large, dark blue font. Below the text are three social media icons: Facebook, Twitter, and Instagram. At the bottom, a decorative border of colorful triangles is followed by the text 'Indiana Department of Revenue' and a small circular logo.

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