

IC 6-2.5-5

Chapter 5. Exempt Transactions of Retail Merchant

IC 6-2.5-5-0.4

Intent of general assembly adding section 36 of this chapter

Sec. 0.4. It is the intent of the general assembly that the addition of section 36 of this chapter by P.L.70-1993 be construed liberally in favor of persons, corporations, partnerships, or other entities contracting with commercial printers.

As added by P.L.220-2011, SEC.135.

IC 6-2.5-5-1

Animals, feed, seed, and chemicals

Sec. 1. Transactions involving animals, feed, seed, plants, fertilizer, insecticides, fungicides, and other tangible personal property are exempt from the state gross retail tax if:

- (1) the person acquiring the property acquires it for his direct use in the direct production of food and food ingredients or commodities for sale or for further use in the production of food and food ingredients or commodities for sale; and
- (2) the person acquiring the property is occupationally engaged in the production of food and food ingredients or commodities which he sells for human or animal consumption or uses for further food and food ingredient or commodity production.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.257-2003, SEC.21.

IC 6-2.5-5-2 Version a

Agricultural machinery, tools, and equipment

Note: This version of section effective until 1-1-2016. See also following version of this section, effective 1-1-2016.

Sec. 2. (a) Transactions involving agricultural machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for his direct use in the direct production, extraction, harvesting, or processing of agricultural commodities.

(b) Transactions involving agricultural machinery or equipment are exempt from the state gross retail tax if:

- (1) the person acquiring the property acquires it for use in conjunction with the production of food and food ingredients or commodities for sale;
- (2) the person acquiring the property is occupationally engaged in the production of food or commodities which he sells for human or animal consumption or uses for further food and food ingredients or commodity production; and
- (3) the machinery or equipment is designed for use in gathering, moving, or spreading animal waste.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.80, SEC.1; P.L.257-2003, SEC.22.

IC 6-2.5-5-2 Version b

Agricultural machinery, tools, and equipment

Note: This version of section effective 1-1-2016. See also preceding version of this section, effective until 1-1-2016.

Sec. 2. (a) Transactions involving agricultural machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for the person's direct use in the direct production, extraction, harvesting, or processing of agricultural commodities, and including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.

(b) Transactions involving agricultural machinery or equipment are exempt from the state gross retail tax if:

- (1) the person acquiring the property acquires it for use in conjunction with the production of food and food ingredients or commodities for sale;
- (2) the person acquiring the property is occupationally engaged in the production of food or commodities which the person sells for human or animal consumption or uses for further food and food ingredients or commodity production; and
- (3) the machinery or equipment is designed for use in gathering, moving, or spreading animal waste.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.80, SEC.1; P.L.257-2003, SEC.22; P.L.250-2015, SEC.9.

IC 6-2.5-5-3 Version a

Exemption; acquisition for direct use in direct production

Note: This version of section effective until 1-1-2016. See also following version of this section, effective 1-1-2016.

Sec. 3. (a) For purposes of this section:

- (1) the retreading of tires shall be treated as the processing of tangible personal property; and
- (2) commercial printing shall be treated as the production and manufacture of tangible personal property.

(b) Except as provided in subsection (c), transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property.

(c) The exemption provided in subsection (b) does not apply to transactions involving distribution equipment or transmission equipment acquired by a public utility engaged in generating electricity.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.76-1985, SEC.9; P.L.78-1989, SEC.4; P.L.192-2002(ss), SEC.50; P.L.211-2007, SEC.12.

IC 6-2.5-5-3 Version b

Exemption; acquisition for direct use in direct production

Note: This version of section effective 1-1-2016. See also preceding version of this section, effective until 1-1-2016.

Sec. 3. (a) For purposes of this section:

(1) the:

(A) retreading of tires;

(B) cutting of steel bars into billets; and

(C) felling of trees for further use in production or for sale in the ordinary course of business;

shall be treated as the processing of tangible personal property; and

(2) commercial printing shall be treated as the production and manufacture of tangible personal property.

(b) Except as provided in subsection (c), transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property, including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.

(c) The exemption provided in subsection (b) does not apply to transactions involving distribution equipment or transmission equipment acquired by a public utility engaged in generating electricity.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.76-1985, SEC.9; P.L.78-1989, SEC.4; P.L.192-2002(ss), SEC.50; P.L.211-2007, SEC.12; P.L.250-2015, SEC.10.

IC 6-2.5-5-4 Version a

Property for use in producing machinery, tools, or equipment

Note: This version of section effective until 1-1-2016. See also following version of this section, effective 1-1-2016.

Sec. 4. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for his direct use in the direct production of the machinery, tools, or equipment described in section 2 or 3 of this chapter.

As added by Acts 1980, P.L.52, SEC.1.

IC 6-2.5-5-4 Version b

Property for use in producing machinery, tools, or equipment

Note: This version of section effective 1-1-2016. See also preceding version of this section, effective until 1-1-2016.

Sec. 4. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for the person's direct use in the direct production of the machinery, tools, or equipment described in section 2 or 3 of this chapter, including material handling equipment purchased for the

purpose of transporting materials into such activities from an onsite location.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.250-2015, SEC.11.

IC 6-2.5-5-5

Repealed

(Repealed by Acts 1980, P.L.61, SEC.15.)

IC 6-2.5-5-5.1

Exemption; acquisition for direct consumption in direct production

Sec. 5.1. (a) As used in this section, "tangible personal property" includes electrical energy, natural or artificial gas, water, steam, and steam heat.

(b) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for direct consumption as a material to be consumed in the direct production of other tangible personal property in the person's business of manufacturing, processing, refining, repairing, mining, agriculture, horticulture, floriculture, or arboriculture. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing.

As added by Acts 1981, P.L.63, SEC.6. Amended by P.L.23-1986, SEC.2; P.L.78-1989, SEC.5; P.L.192-2002(ss), SEC.51; P.L.172-2011, SEC.50; P.L.137-2012, SEC.47; P.L.242-2015, SEC.7.

IC 6-2.5-5-6

Exemption; acquisition for incorporation into product for sale

Sec. 6. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for incorporation as a material part of other tangible personal property which the purchaser manufactures, assembles, refines, or processes for sale in his business. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.78-1989, SEC.6; P.L.192-2002(ss), SEC.52.

IC 6-2.5-5-7

Materials used in construction business, public street, or utility service

Sec. 7. Transactions involving tangible personal property are exempt from the state gross retail tax if:

- (1) the person acquiring the property is in the construction business;
- (2) the person acquiring the property acquires it for incorporation as a material or integral part of a public street or of a public water, sewage, or other utility service;

(3) the public street or public utility service into which the property is to be incorporated is required under a subdivision plat, approved and accepted by the appropriate Indiana political subdivision; and

(4) the public street or public utility is to be publicly maintained after its completion.

As added by Acts 1980, P.L.52, SEC.1.

IC 6-2.5-5-8

"New motor vehicle"; property acquired for resale, rental, or leasing in course of business; aircraft

Sec. 8. (a) As used in this section, "new motor vehicle" has the meaning set forth in IC 9-13-2-111.

(b) Transactions involving tangible personal property other than a new motor vehicle are exempt from the state gross retail tax if the person acquiring the property acquires it for resale, rental, or leasing in the ordinary course of the person's business without changing the form of the property.

(c) The following transactions involving a new motor vehicle are exempt from the state gross retail tax:

(1) A transaction in which a person that has a franchise in effect at the time of the transaction for the vehicle trade name, trade or service mark, or related characteristics acquires a new motor vehicle for resale, rental, or leasing in the ordinary course of the person's business.

(2) A transaction in which a person that is a franchisee appointed by a manufacturer or converter manufacturer licensed under IC 9-23 acquires a new motor vehicle that has at least one (1) trade name, service mark, or related characteristic as a result of modification or further manufacture by the manufacturer or converter manufacturer for resale, rental, or leasing in the ordinary course of the person's business.

(3) A transaction in which a person acquires a new motor vehicle for rental or leasing in the ordinary course of the person's business.

(d) The rental or leasing of accommodations to a promoter by a political subdivision (including a capital improvement board) or the state fair commission is not exempt from the state gross retail tax, if the rental or leasing of the property by the promoter is exempt under IC 6-2.5-4-4.

(e) This subsection applies only to aircraft acquired after June 30, 2008. Except as provided in subsection (h), a transaction in which a person acquires an aircraft for rental or leasing in the ordinary course of the person's business is not exempt from the state gross retail tax unless the person establishes, under guidelines adopted by the department in the manner provided in IC 4-22-2-37.1 for the adoption of emergency rules, that the annual amount of the gross lease revenue derived from leasing or rental of the aircraft, which may include revenue from related party transactions, is equal to or greater than

seven and five-tenths percent (7.5%) of the:

- (1) book value of the aircraft, as published in the Vref Aircraft Value Reference guide for the aircraft; or
- (2) net acquisition price for the aircraft.

If a person acquires an aircraft below the Vref Aircraft Value Reference guide book value, the person may appeal to the department for a lower lease or rental threshold equal to the actual acquisition price paid if the person demonstrates that the transaction was completed in a commercially reasonable manner based on the aircraft's age, condition, and equipment. The department may request the person to submit to the department supporting documents showing the aircraft is available for general public lease or rental, copies of business and aircraft insurance policies, and other documents that assist the department in determining if an aircraft is exempt from the state gross retail tax.

(f) A person is required to meet the requirements of subsection (e) until the earlier of the date the aircraft has generated sales tax on leases or rental income that is equal to the amount of the original sales tax exemption or the elapse of thirteen (13) years. If the aircraft is sold by the person before meeting the requirements of this section and before the sale the aircraft was exempt from gross retail tax under subsection (e), the sale of the aircraft shall not result in the assessment or collection of gross retail tax for the period from the date of acquisition to the date of sale by the person.

(g) The person is required to remit the gross retail tax on taxable lease and rental transactions no matter how long the aircraft is used for lease and rental.

(h) This subsection applies only to aircraft acquired after December 31, 2007. A transaction in which a person acquires an aircraft to rent or lease the aircraft to another person for predominant use in public transportation by the other person or by an affiliate of the other person is exempt from the state gross retail tax. The department may not require a person to meet the revenue threshold in subsection (e) with respect to the person's leasing or rental of the aircraft to receive or maintain the exemption. To maintain the exemption provided under this subsection, the department may require the person to submit only annual reports showing that the aircraft is predominantly used to provide public transportation.

(i) The exemptions allowed under subsections (e) and (h) apply regardless of the relationship, if any, between the person or lessor and the lessee or renter of the aircraft.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.93-1987, SEC.3; P.L.20-1990, SEC.8; P.L.27-2003, SEC.1; P.L.211-2007, SEC.13; P.L.224-2007, SEC.53; P.L.182-2009(ss), SEC.176.

IC 6-2.5-5-9

Returnable containers; nonreturnable packaging

Sec. 9. (a) As used in this section, "returnable containers" means containers customarily returned by the buyer of the contents for reuse

as containers.

(b) Sales of returnable containers are exempt from the state gross retail tax if the transaction constitutes selling at retail as defined in IC 6-2.5-4-1 and if the returnable containers contain contents.

(c) Sales of returnable containers are exempt from the state gross retail tax if the containers are transferred empty for the purpose of refilling.

(d) Sales of wrapping material and empty containers are exempt from the state gross retail tax if the person acquiring the material or containers acquires them for use as nonreturnable packages for:

- (1) selling the contents that the person adds; or
- (2) shipping or delivering tangible personal property that:
 - (A) is owned by another person;
 - (B) is processed or serviced for the owner; and
 - (C) will be sold by that owner either in the same form or as a part of other tangible personal property produced by that owner in the owner's business of manufacturing, assembling, constructing, refining, or processing.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.137-2012, SEC.48.

IC 6-2.5-5-10

Electric or steam utilities; production plant or power production expenses

Sec. 10. Transactions involving tangible personal property are exempt from the state gross retail tax, if:

- (1) the property is classified as production plant or power production expenses, according to the uniform system of accounts which was adopted and prescribed for the utility by the Indiana utility regulatory commission; and
- (2) the person acquiring the property is:
 - (A) a public utility that furnishes or sells electrical energy, steam, or steam heat in a retail transaction described in IC 6-2.5-4-5; or
 - (B) a power subsidiary (as defined in IC 6-2.5-4-5(a)) that furnishes or sells electrical energy, steam, or steam heat to a public utility described in clause (A).

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.23-1988, SEC.8; P.L.71-1993, SEC.6.

IC 6-2.5-5-11

Gas utilities; production or storage plants and expenses

Sec. 11. Transactions involving tangible personal property are exempt from the state gross retail tax, if:

- (1) the property is classified as production plant, storage plant, production expenses, or underground storage expenses according to the uniform system of accounts, which was adopted and prescribed for the utility by the Indiana utility regulatory commission; and

(2) the person acquiring the property is a public utility that furnishes or sells natural or artificial gas in a retail transaction described in IC 6-2.5-4-5.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.23-1988, SEC.9; P.L.71-1993, SEC.7.

IC 6-2.5-5-12

Water utilities; plants and expenses

Sec. 12. Transactions involving tangible personal property are exempt from the state gross retail tax if:

(1) the property is classified as source of supply plant and expenses, the pumping plant and expenses, or water treatment plant and expenses according to the uniform system of accounts which was adopted and prescribed for the utility by the Indiana utility regulatory commission; and

(2) the person acquiring the property is a public utility that furnishes or sells water in a retail transaction described in IC 6-2.5-4-5.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.23-1988, SEC.10; P.L.71-1993, SEC.8; P.L.91-1995, SEC.1; P.L.88-2007, SEC.1.

IC 6-2.5-5-12.5

Wastewater utilities; plants and expenses

Sec. 12.5. (a) As used in this section, "collection plant and expenses" includes the following:

(1) Expenditures for collection plant, which include the following:

- (A) Land and land rights.
- (B) Structures and improvements.
- (C) Power generation equipment.
- (D) Collection sewers and special collecting structures.
- (E) Receiving wells.
- (F) Pumping equipment.
- (G) Transportation equipment.
- (H) Other collection plant expenditures.

(2) Expenditures for collection expenses, which include the following:

- (A) Operation supervision and engineering.
- (B) Purchased power or fuel for power production.
- (C) Chemicals.
- (D) Materials and supplies.
- (E) Maintenance supervision and engineering.
- (F) Rental of real property or equipment.
- (G) Maintenance of power generation equipment.
- (H) Maintenance of structures and improvements.
- (I) Maintenance of transportation equipment.
- (J) Maintenance of collection plant equipment.

(b) As used in this section, "public utility" means a public utility

(as defined in IC 8-1-2-1(a)) or any person that 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.

(c) As used in this section, "system pumping plant and expenses" includes the following:

(1) Expenditures for pumping plant, which include the following:

- (A) Land and land rights.
- (B) Structures and improvements.
- (C) Boiler plant equipment.
- (D) Other power production equipment.
- (E) Steam pumping equipment.
- (F) Electric pumping equipment.
- (G) Diesel pumping equipment.
- (H) Hydraulic pumping equipment.
- (I) Other pumping equipment.

(2) Expenditures for pumping expenses, which include the following:

- (A) Operation supervision and engineering.
- (B) Fuel for power production.
- (C) Power production labor and expenses.
- (D) Fuel or power purchased for pumping.
- (E) Pumping labor and expenses.
- (F) Miscellaneous expenses.
- (G) Rents.
- (H) Maintenance supervision and engineering.
- (I) Maintenance of power production equipment.
- (J) Maintenance of pumping equipment.

(d) As used in this section, "treatment and disposal plant and expenses" includes the following:

(1) Expenditures for treatment and disposal plant, which include the following:

- (A) Land and land rights.
- (B) Structures and improvements.
- (C) Power generation equipment.
- (D) Pumping equipment.
- (E) Flow measuring devices and installations.
- (F) Reuse meters and meter installations.
- (G) Reuse transmission and distribution systems.
- (H) Treatment and disposal equipment.
- (I) Sewers and sewer lines.
- (J) Transportation equipment.

(2) Expenditures for treatment and disposal expenses, which include the following:

- (A) Operation supervision and engineering.
- (B) Purchased wastewater treatment.
- (C) Sludge removal expenses.
- (D) Purchased power or fuel for power production.

- (E) Chemicals.
 - (F) Materials and supplies.
 - (G) Maintenance supervision and engineering.
 - (H) Rental of real property or equipment.
 - (I) Maintenance of power generation equipment.
 - (J) Maintenance of structures and improvements.
 - (K) Maintenance of transportation equipment.
 - (L) Maintenance of treatment and disposal plant equipment.
- (e) Transactions involving tangible personal property are exempt from the state gross retail tax if:
- (1) the property is classified as collection plant and expenses, treatment and disposal plant and expenses, or system pumping plant and expenses; and
 - (2) the person acquiring the property is a public utility that collects, treats, or processes wastewater.
- As added by P.L.88-2007, SEC.2.*

IC 6-2.5-5-13

Intrastate telecommunication services; video, Internet access, or VOIP services; equipment

Sec. 13. Transactions involving tangible personal property are exempt from the state gross retail tax, if:

- (1) the property is:
 - (A) classified as central office equipment, station equipment or apparatus, station connection, wiring, or large private branch exchanges according to the uniform system of accounts which was adopted and prescribed for the utility by the Indiana utility regulatory commission;
 - (B) mobile telecommunications switching office equipment, radio or microwave transmitting or receiving equipment, including, without limitation, towers, antennae, and property that perform a function similar to the function performed by any of the property described in clause (A); or
 - (C) a part of a national, regional, or local headend or similar facility operated by a person furnishing video services, cable radio services, satellite television or radio services, or Internet access services; and
- (2) the person acquiring the property:
 - (A) furnishes or sells intrastate telecommunication service in a retail transaction described in IC 6-2.5-4-6; or
 - (B) uses the property to furnish:
 - (i) video services or Internet access services; or
 - (ii) VOIP services.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.23-1988, SEC.11; P.L.71-1993, SEC.9; P.L.182-2009(ss), SEC.177.

IC 6-2.5-5-14

Public utilities; acquisitions of personal property

Sec. 14. (a) Transactions involving tangible personal property are

exempt from the state gross retail tax if the person acquiring the property is:

- (1) a municipally owned utility;
- (2) a utility owned or operated by a special district; or
- (3) a public utility owned or operated by a not-for-profit corporation incorporated under:

- (A) the Indiana General Not for Profit Corporation Act (Acts 1935, Chapter 157, as amended), notwithstanding its repeal;
- (B) the Indiana Not-for-Profit Corporation Act of 1971 (IC 23-7-1.1), notwithstanding its repeal; or
- (C) IC 23-17.

(b) The term "public utility owned or operated by a not-for-profit corporation" does not include those public utilities incorporated under Acts 1935, chapter 157, as amended, and which are owned or operated by local district rural electric membership corporations.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1980, P.L.53, SEC.1; P.L.179-1991, SEC.10.

IC 6-2.5-5-15

Repealed

(As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.64-1988, SEC.1; P.L.335-1989(ss), SEC.5. Repealed by P.L.81-2004, SEC.60.)

IC 6-2.5-5-15.5

Motor vehicles; intrafamilial title transfers

Sec. 15.5. A transaction involving a motor vehicle is exempt from the state gross retail tax, if:

- (1) the transaction consists of changing the motor vehicle title to add or delete an individual; and
- (2) the individual being added or deleted is the spouse, child, grandparent, parent, or sibling of an owner.

As added by P.L.73-1993, SEC.1.

IC 6-2.5-5-16

State or local government acquisitions

Sec. 16. Transactions involving tangible personal property, accommodations, public utility commodities, and public utility service are exempt from the state gross retail tax, if the person acquiring the property, accommodations, commodities, or service:

- (1) is the state of Indiana, an agency or instrumentality of the state, a political subdivision of the state, or an agency or instrumentality of a political subdivision of the state, including 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); and
- (2) predominantly uses the property, accommodations, commodities, or service to perform its governmental functions.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.25-1991, SEC.3; P.L.1-1996, SEC.45; P.L.293-2013(ts), SEC.4.

IC 6-2.5-5-16.5

Repealed

(As added by P.L.162-2006, SEC.22. Amended by P.L.32-2007, SEC.2. Repealed by P.L.58-2012, SEC.3.)

IC 6-2.5-5-17

Newspapers

Sec. 17. Sales of newspapers are exempt from the state gross retail tax.

As added by Acts 1980, P.L.52, SEC.1.

IC 6-2.5-5-18

Drugs, medical equipment, supplies, and devices; acquisition by patient

Sec. 18. (a) As used in this section, "legend drug" means a drug (as defined in IC 6-2.5-1-17) that is also a legend drug for purposes of IC 16-18-2-199.

(b) As used in this section, "nonlegend drug" means a drug (as defined in IC 6-2.5-1-17) that is not a legend drug.

(c) Transactions involving the following are exempt from the state gross retail tax if the end user acquires the property upon a prescription or drug order (as defined in IC 16-42-19-3) that is required by law for the transaction from a licensed practitioner:

(1) Durable medical equipment (including a repair or a replacement part).

(2) Mobility enhancing equipment (including a repair or replacement part).

(3) Prosthetic devices, including artificial limbs, orthopedic devices, dental prosthetic devices, eyeglasses, and contact lenses (and including a repair or a replacement part).

(4) Other medical supplies or devices that are used exclusively for medical treatment of a medically diagnosed condition, including a medically diagnosed condition due to:

(A) injury;

(B) bodily dysfunction; or

(C) surgery.

(5) Hearing aid devices that are worn on the body and designed to aid, improve, or correct defective human hearing, including:

(A) parts;

(B) attachments;

(C) batteries; or

(D) accessories;

reasonably necessary for use of a hearing aid device.

(6) Legend drugs and nonlegend drugs, if:

(A) a registered pharmacist makes the sale to a patient upon the prescription of a licensed practitioner; or

(B) a licensed practitioner makes the sale to a patient.

(7) A nonlegend drug, if:

- (A) the nonlegend drug is dispensed upon an original prescription or a drug order (as defined in IC 16-42-19-3); and
 - (B) the ultimate user of the drug is a person confined to a hospital or health care facility.
- (8) Food, food ingredients, and dietary supplements that are sold by a licensed practitioner or pharmacist.
- (d) Transactions involving the following are exempt from the state gross retail tax if the patient acquires the property for the patient's own use without a prescription or drug order:
- (1) Hearing aid devices that are:
 - (A) worn on the body and designed to aid, improve, or correct defective human hearing, including:
 - (i) parts;
 - (ii) attachments;
 - (iii) batteries; or
 - (iv) accessories;
 - reasonably necessary for the use of a hearing aid device; and
 - (B) fitted or dispensed by a person licensed or registered for that purpose.
 - (2) Colostomy bags, ileostomy bags, and the medical equipment, supplies, and devices used in conjunction with those bags.
 - (3) Devices and equipment used to administer insulin.
 - (4) Insulin, oxygen, blood, and blood plasma, if purchased for medical purposes.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.257-2003, SEC.23; P.L.182-2009(ss), SEC.178; P.L.113-2010, SEC.50; P.L.84-2011, SEC.3; P.L.265-2013, SEC.5; P.L.242-2015, SEC.8.

IC 6-2.5-5-19

Drugs, insulin, oxygen, blood, or blood plasma; acquisition by licensed practitioner

Sec. 19. (a) As used in this section, "legend drug" means a drug as defined in IC 6-2.5-1-17 that is also a legend drug for purposes of IC 16-18-2-199.

(b) As used in this section, "nonlegend drug" means a drug (as defined in IC 6-2.5-1-17) that is not a legend drug.

(c) Transactions involving drugs, insulin, oxygen, blood, and blood plasma are exempt from the state gross retail tax if purchased by a licensed practitioner (as defined in IC 6-2.5-1-21.5) or a health care facility (as defined in IC 16-18-2-161(a)) for the purpose of:

- (1) direct consumption in treating patients; or
- (2) resale to a patient that the practitioner is treating, in the case of sales of legend or nonlegend drugs.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.81, SEC.1; P.L.19-1994, SEC.4; P.L.257-2003, SEC.24; P.L.242-2015, SEC.9.

IC 6-2.5-5-19.5

Drugs; insulin; oxygen; blood glucose monitoring supply; blood or blood plasma

Sec. 19.5. (a) For purposes of this section, "drug sample" means a legend drug (as defined by IC 16-18-2-199) or a drug composed wholly or partly of insulin or an insulin analog that is furnished without charge.

(b) For purposes of this section, "blood glucose monitoring supply" means blood glucose measuring strips, lancets, and other similar diabetic supplies furnished without charge.

(c) For purposes of this section, "diabetic supply distributor" means a person that primarily sells blood glucose meters for resale and not for retail sale.

(d) Transactions involving the following are exempt from the state gross retail tax:

(1) A drug sample, the packaging and literature for a drug sample, a blood glucose monitoring supply, and the packaging and literature for a blood glucose monitoring supply.

(2) Tangible personal property that will be used as a drug sample or a blood glucose monitoring supply or that will be processed, manufactured, or incorporated into:

(A) a drug sample or a blood glucose monitoring supply; or

(B) the packaging or literature for a drug sample or a blood glucose monitoring supply.

(3) Blood glucose meters and the packaging or literature for a blood glucose meter furnished without charge by a diabetic supply distributor.

As added by P.L.61-1997, SEC.1. Amended by P.L.182-2009(ss), SEC.179; P.L.265-2013, SEC.6; P.L.87-2014, SEC.2.

IC 6-2.5-5-20

"Food and food ingredients for human consumption"

Sec. 20. (a) Sales of food and food ingredients for human consumption are exempt from the state gross retail tax.

(b) For purposes of this section, the term "food and food ingredients for human consumption" includes the following items if sold without eating utensils provided by the seller:

(1) Food sold by a seller whose proper primary NAICS classification is manufacturing in sector 311, except subsector 3118 (bakeries).

(2) Food sold in an unheated state by weight or volume as a single item.

(3) Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas.

(c) Except as otherwise provided by subsection (b), for purposes of this section, the term "food and food ingredients for human consumption" does not include:

(1) candy;

- (2) alcoholic beverages;
- (3) soft drinks;
- (4) food sold through a vending machine;
- (5) food sold in a heated state or heated by the seller;
- (6) two (2) or more food ingredients mixed or combined by the seller for sale as a single item (other than food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the federal Food and Drug Administration in chapter 3, subpart 3-401.11 of its Food Code so as to prevent food borne illnesses);
- (7) food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws (for purposes of this subdivision, a plate does not include a container or packaging used to transport the food);
- (8) tobacco; or
- (9) dietary supplements.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.86-1989, SEC.1; P.L.257-2003, SEC.25; P.L.195-2005, SEC.2; P.L.113-2010, SEC.51.

IC 6-2.5-5-21

Exemption; sales of food and food ingredients by nonprofit entities to confined or hospitalized persons

Sec. 21. (a) For purposes of this section, "private benefit or gain" does not include reasonable compensation paid to an employee for work or services actually performed.

(b) Sales of food and food ingredients are exempt from the state gross retail tax if:

(1) the seller meets the filing requirements under subsection (d) and is any of the following:

(A) A fraternity, a sorority, or a student cooperative housing organization that is connected with and under the supervision of a postsecondary educational institution if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(B) Any:

- (i) institution;
- (ii) trust;
- (iii) group;
- (iv) united fund;
- (v) affiliated agency of a united fund;
- (vi) nonprofit corporation;
- (vii) cemetery association; or
- (viii) organization;

that is organized and operated exclusively for religious, charitable, scientific, literary, educational, or civic purposes if no part of its income is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(C) A group, an organization, or a nonprofit corporation that is organized and operated for fraternal or social purposes, or as a business league or association, and not for the private benefit or gain of any member, trustee, shareholder, employee, or associate.

(D) A:

- (i) hospital licensed by the state department of health;
- (ii) shared hospital services organization exempt from federal income taxation by Section 501(c)(3) or 501(e) of the Internal Revenue Code;
- (iii) labor union;
- (iv) church;
- (v) monastery;
- (vi) convent;
- (vii) school that is a part of the Indiana public school system;
- (viii) parochial school regularly maintained by a recognized religious denomination; or
- (ix) trust created for the purpose of paying pensions to members of a particular profession or business who created the trust for the purpose of paying pensions to each other; if the taxpayer is not organized or operated for private profit or gain;

(2) the purchaser is a person confined to the purchaser's home because of age, sickness, or infirmity;

(3) the seller delivers the food and food ingredients to the purchaser; and

(4) the delivery is prescribed as medically necessary by a physician licensed to practice medicine in Indiana.

(c) Sales of food and food ingredients are exempt from the state gross retail tax if the seller is an organization described in subsection (b)(1), and the purchaser is a patient in a hospital operated by the seller.

(d) To obtain the exemption provided by this section, a taxpayer must file an application for exemption with the department not later than one hundred twenty (120) days after the taxpayer's formation. In addition, the taxpayer must file an annual report with the department on or before the fifteenth day of the fifth month following the close of each taxable year. If a taxpayer fails to file the report, the department shall notify the taxpayer of the failure. If within sixty (60) days after receiving such notice the taxpayer does not provide the report, the taxpayer's exemption shall be canceled. However, the department may reinstate the taxpayer's exemption if the taxpayer shows by petition that the failure was due to excusable neglect.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.77, SEC.2; P.L.192-2002(ss), SEC.53; P.L.257-2003, SEC.26; P.L.2-2007, SEC.119; P.L.293-2013(ts), SEC.5.

IC 6-2.5-5-21.5

Repealed

(As added by P.L.19-1994, SEC.5. Amended by P.L.257-2003, SEC.27. Repealed by P.L.242-2015, SEC.10.)

IC 6-2.5-5-22

Exemption; sales of meals; schools; fraternities; sororities; student cooperatives

Sec. 22. (a) Sales of school meals are exempt from the state gross retail tax if:

- (1) the seller is a school containing students in any grade, one (1) through twelve (12);
- (2) the purchaser is one (1) of those students or a school employee; and
- (3) the school furnishes the food and food ingredients on its premises.

(b) Sales of food and food ingredients by not-for-profit colleges or universities are exempt from the state gross retail tax, if the purchaser is a student at the college or university.

(c) Sales of meals after December 31, 1976, by a fraternity, sorority, or student cooperative housing organization described in section 21(b)(1)(A) of this chapter are exempt from the state gross retail tax, if the purchaser:

- (1) is a member of the fraternity, sorority, or student cooperative housing organization; and
- (2) is enrolled in the college, university, or educational institution with which the fraternity, sorority, or student cooperative housing organization is connected and by which it is supervised.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1980, P.L.49, SEC.2; Acts 1981, P.L.77, SEC.3; P.L.192-2002(ss), SEC.54; P.L.257-2003, SEC.28.

IC 6-2.5-5-23

School building materials

Sec. 23. Transactions involving tangible personal property are exempt from the state gross retail tax, if the person acquiring the property acquires it for incorporation into a school building which is being constructed by a lessor corporation in accordance with a lease executed under IC 20-47-2 or IC 20-47-3.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.2-2006, SEC.67.

IC 6-2.5-5-24

Exemption; sales to United States government; commercial printing; receipt or collection of taxes; earnings on United States bonds; transactions with another state or foreign country

Sec. 24. (a) Transactions are exempt from the state gross retail tax to the extent that the gross retail income from those transactions is derived from gross receipts that are:

- (1) derived from sales to the United States government, to the extent the state is prohibited by the Constitution of the United States from taxing that gross income;
 - (2) derived from commercial printing that results in printed materials, excluding the business of photocopying, that are shipped, mailed, or delivered outside Indiana;
 - (3) United States or Indiana taxes received or collected as a collecting agent explicitly designated as a collecting agent for a tax by statute for the state or the United States;
 - (4) collections by a retail merchant of a retailer's excise tax imposed by the United States if:
 - (A) the tax is imposed solely on the sale at retail of tangible personal property;
 - (B) the tax is remitted to the appropriate taxing authority;
 - and
 - (C) the retail merchant collects the tax separately as an addition to the price of the property sold;
 - (5) collections of a manufacturer's excise tax imposed by the United States on motor vehicles, motor vehicle bodies and chassis, parts and accessories for motor vehicles, tires, tubes for tires, or tread rubber and laminated tires, if the excise tax is separately stated by the collecting taxpayer as either an addition to or an inclusion in the price of the property sold; or
 - (6) amounts represented by an encumbrance of any kind on tangible personal property received by a retail merchant in reciprocal exchange for tangible personal property of like kind.
- (b) Transactions are exempt from the state gross retail tax to the extent that the gross retail income from those transactions is derived from gross receipts that are:
- (1) interest or other earnings paid on bonds or other securities issued by the United States, to the extent the Constitution of the United States prohibits the taxation of that gross income; or
 - (2) derived from business conducted in commerce between the state and either another state or a foreign country, to the extent the state is prohibited from taxing that gross income by the Constitution of the United States.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.77, SEC.4; P.L.78-1989, SEC.7; P.L.192-2002(ss), SEC.55.

IC 6-2.5-5-25

Exemption; acquisition for fund raising by nonprofit entity

Sec. 25. (a) Transactions involving tangible personal property, accommodations, or service are exempt from the state gross retail tax, if the person acquiring the property, accommodations, or service:

- (1) is an organization described in section 21(b)(1) of this chapter;
- (2) primarily uses the property, accommodations, or service to carry on or to raise money to carry on its not-for-profit purpose;
- and

(3) is not an organization operated predominantly for social purposes.

(b) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is a fraternity, sorority, or student cooperative housing organization described in section 21(b)(1)(A) of this chapter; and

(2) uses the property or service to carry on its ordinary and usual activities and operations as a fraternity, sorority, or student cooperative housing organization.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1980, P.L.49, SEC.3; Acts 1981, P.L.77, SEC.5; P.L.192-2002(ss), SEC.56; P.L.293-2013(ts), SEC.6.

IC 6-2.5-5-26

Exemption; nonprofit entities; sales for less than 30 days each year; sale for educational, cultural, or religious purpose; sale for professional or workforce education improvement purposes

Sec. 26. (a) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization that is described in section 21(b)(1) of this chapter;

(2) the organization makes the sale to make money to carry on a not-for-profit purpose; and

(3) the organization does not make those sales during more than thirty (30) days in a calendar year.

(b) Sales of tangible personal property are exempt from the state gross retail tax, if:

(1) the seller is an organization described in section 21(b)(1) of this chapter;

(2) the seller is not operated predominantly for social purposes;

(3) the property sold is designed and intended primarily either for the organization's educational, cultural, or religious purposes, or for improvement of the work skills or professional qualifications of the organization's members; and

(4) the property sold is not designed or intended primarily for use in carrying on a private or proprietary business.

(c) The exemption provided by this section does not apply to an accredited college or university's sales of books, stationery, haberdashery, supplies, or other property.

As added by Acts 1980, P.L.52, SEC.1. Amended by Acts 1981, P.L.77, SEC.6; P.L.192-2002(ss), SEC.57.

IC 6-2.5-5-27

Exemptions for property and services used for public transportation; temporary taxation of natural gas products used for public transportation

Sec. 27. (a) Except as provided in subsection (b), transactions

involving tangible personal property and services are exempt from the state gross retail tax, if the person acquiring the property or service directly uses or consumes it in providing public transportation for persons or property.

(b) Except as provided in subsection (c), a transaction involving a natural gas product (as defined by IC 6-6-2.5-16.5) acquired:

- (1) after December 31, 2013, and before January 1, 2017; and
- (2) to fuel a motor vehicle used in providing public transportation for persons or property;

is not exempt from the state gross retail tax.

(c) Subsection (b) does not apply to transactions involving a natural gas product purchased by a public transportation corporation to fuel a motor vehicle used to provide public transportation for persons.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.277-2013, SEC.4; P.L.226-2014(ts), SEC.1.

IC 6-2.5-5-27.5

Rolling stock

Sec. 27.5. (a) For purposes of this section, "rolling stock" means rail transportation equipment, including locomotives, box cars, flatbed cars, hopper cars, tank cars, and freight cars of any type or class.

(b) Transactions involving the following tangible personal property are exempt from the gross retail tax:

- (1) Rolling stock that is purchased or leased by a person.
- (2) All spare, replacement, and rebuilding parts or accessories, components, materials, or supplies, including lubricants and fuels, for rolling stock described in subdivision (1).

As added by P.L.61-1997, SEC.2.

IC 6-2.5-5-28

Repealed

(Repealed by P.L.11-1984, SEC.4.)

IC 6-2.5-5-29

Manufactured homes; industrialized residential structures

Sec. 29. (a) As used in this section:

"Manufactured home" means a manufactured home as that term is defined in 42 U.S.C. 5402(6) as that statute was adopted and in effect on January 1, 1988.

"Industrialized residential structure" means a structure that is both an industrialized building system (as defined in IC 22-12-1-14) and a one (1) or two (2) family private residence.

(b) Sales of manufactured homes or industrialized residential structures are exempt from the state gross retail tax to the extent that the gross retail income from the sales is not attributable to the cost of materials used in manufacturing the manufactured home or industrialized residential structure.

(c) For purposes of this section, the part of the gross retail income not attributable to the cost of materials used in manufacturing a manufactured home or an industrialized residential structure is thirty-five percent (35%) of the gross retail income derived from the sale of the manufactured home or industrialized residential structure.

(d) The gross retail income derived from the sale of a preowned manufactured home is exempt from the state gross retail tax.

As added by Acts 1980, P.L.52, SEC.1. Amended by P.L.245-1987, SEC.7; P.L.86-1989, SEC.2.

IC 6-2.5-5-30

Environmental quality compliance; manufacturing, mining, agriculture, or recycling

Sec. 30. (a) Sales of tangible personal property are exempt from the state gross retail tax if:

(1) the property constitutes, is incorporated into, or is consumed in the operation of, a device, facility, or structure predominantly used and acquired for the purpose of complying with any state, local, or federal environmental quality statutes, regulations, or standards; and

(2) the person acquiring the property is engaged in the business of manufacturing, processing, refining, mining, recycling (as defined in section 45.8 of this chapter), or agriculture.

(b) The portion of the sales price of tangible personal property which is exempt from state gross retail and use taxes under this section equals the product of:

(1) the total sales price; multiplied by

(2) one hundred percent (100%).

As added by Acts 1980, P.L.53, SEC.2. Amended by P.L.28-1997, SEC.9; P.L.42-2011, SEC.13; P.L.137-2012, SEC.49.

IC 6-2.5-5-31

Free distribution newspaper; related transactions

Sec. 31. (a) As used in this section, "free distribution newspaper" means any community newspaper, shopping paper, shoppers' consumer paper, pennysaver, shopping guide, town crier, dollar stretcher, or other similar publication which:

(1) is distributed to the public on a community-wide basis, free of charge;

(2) is published at stated intervals of at least once a month;

(3) has continuity as to title and general nature of content from issue to issue;

(4) does not constitute a book, either singly or when successive issues are put together;

(5) contains advertisements from numerous unrelated advertisers in each issue;

(6) contains news of general or community interest, community notices, or editorial commentary by different authors, in each issue; and

(7) is not owned by, or under the control of, the owners or lessees of a shopping center, a merchant's association, or a business that sells property or services (other than advertising) whose advertisements for their sales of property or services constitute the predominant advertising in the publication.

(b) The term "free distribution newspaper" does not include mail order catalogs or other catalogs, advertising fliers, travel brochures, house organs, theater programs, telephone directories, restaurant guides, shopping center advertising sheets, and similar publications.

(c) Transactions involving manufacturing machinery, tools and equipment, and other tangible personal property are exempt from the state gross retail tax if the person acquiring that property acquires it for his direct use, or for his direct consumption as a material to be consumed, in the direct production or publication of a free distribution newspaper, or for incorporation as a material part of a free distribution newspaper published by that person.

(d) Transactions involving a sale of a free distribution newspaper, or of printing services performed in publishing a free distribution newspaper, are exempt from the state gross retail tax if the purchaser is the publisher of the free distribution newspaper.

As added by Acts 1981, P.L.80, SEC.2.

IC 6-2.5-5-33

Tangible personal property purchased with food stamps

Sec. 33. Sales of tangible personal property purchased with food stamps are exempt from the state gross retail tax.

As added by P.L.69-1986, SEC.1.

IC 6-2.5-5-34

Sale of lottery tickets; gross retail tax

Sec. 34. Sales of lottery tickets authorized by IC 4-30 are exempt from the state gross retail tax.

As added by P.L.341-1989(ss), SEC.8.

IC 6-2.5-5-35

Tangible personal property transactions

Sec. 35. (a) Except as provided in subsection (b), transactions involving tangible personal property are exempt from the state gross retail tax if:

(1) the:

(A) person acquires the property to facilitate the service or consumption of food and food ingredients that is not exempted from the state gross retail tax under section 20 of this chapter; and

(B) property is:

(i) used, consumed, or removed in the service or consumption of the food and food ingredients; and

(ii) made unusable for further service or consumption of food and food ingredients after the property's first use for

- service or consumption of food and food ingredients; or
- (2) the:
- (A) person acquiring the property is engaged in the business of renting or furnishing rooms, lodgings, or accommodations in a commercial hotel, motel, inn, tourist camp, or tourist cabin; and
 - (B) property acquired is:
 - (i) used up, removed, or otherwise consumed during the occupation of the rooms, lodgings, or accommodations by a guest; or
 - (ii) rendered nonreusable by the property's first use by a guest during the occupation of the rooms, lodgings, or accommodations.

(b) The exemption provided by subsection (a) does not apply to transactions involving electricity, water, gas, or steam.

As added by P.L.43-1992, SEC.8. Amended by P.L.257-2003, SEC.29; P.L.211-2007, SEC.14.

IC 6-2.5-5-36

Commercial printing contracts

Sec. 36. Transactions involving tangible personal property acquired by a person that has contracted with a commercial printer for printing are exempt from the state gross retail tax, if the property is acquired for use at the commercial printer's premises and the commercial printer could have acquired the property exempt from the state gross retail tax and use tax.

As added by P.L.70-1993, SEC.3.

IC 6-2.5-5-37

Professional motor racing vehicle parts exemption; two-seater Indy car exemption; tires and accessories excluded

Sec. 37. (a) Transactions involving tangible personal property are exempt from the state gross retail tax, if the tangible personal property:

- (1) is leased, owned, or operated by a professional racing team; and
- (2) comprises any part of a professional motor racing vehicle, excluding tires and accessories.

(b) Transactions involving tangible personal property are exempt from the state gross retail tax, if the tangible personal property:

- (1) is leased, owned, or operated by a company that is engaged in offering a competitive racing experience during a competitive racing event; and
- (2) comprises any part of a two-seater Indianapolis 500 style race car, excluding tires and accessories.

As added by P.L.19-1994, SEC.6. Amended by P.L.193-2005, SEC.9; P.L.153-2012, SEC.2.

IC 6-2.5-5-38

Repealed

(Repealed by P.L.253-1997(ss), SEC.36.)

IC 6-2.5-5-38.1

Qualified computer equipment sales

Sec. 38.1. (a) As used in this section, "service center" has the meaning set forth in IC 6-3.1-15-3.

(b) As used in this section, "school" means a public or private elementary or secondary school containing students in any grade from grade 1 through grade 12.

(c) As used in this chapter, "qualified computer equipment" has the meaning set forth in IC 6-3.1-15-2.

(d) Sales of qualified computer equipment are exempt from the state gross retail tax, if:

- (1) the seller is a service center or school;
- (2) the purchaser is a parent or guardian of a student who is enrolled in a school; and
- (3) the qualified computer equipment is sold to the parent or guardian under IC 6-3.1-15-12.

As added by P.L.253-1997(ss), SEC.37.

IC 6-2.5-5-38.2

Vehicle lease transactions

Sec. 38.2. The value of an owned vehicle is exempt from the Indiana gross retail tax in a vehicle lease transaction if the owned vehicle is exchanged for a like kind vehicle.

As added by P.L.253-1997(ss), SEC.38.

IC 6-2.5-5-39

Cargo trailers and recreational vehicles registered for use outside Indiana

Sec. 39. (a) As used in this section, "cargo trailer" means a vehicle:

- (1) without motive power;
- (2) designed for carrying property;
- (3) designed for being drawn by a motor vehicle; and
- (4) having a gross vehicle weight rating of at least two thousand two hundred (2,200) pounds.

(b) As used in this section, "recreational vehicle" means a vehicle with or without motive power equipped exclusively for living quarters for persons traveling upon the highways. The term includes a travel trailer, a motor home, a truck camper with a floor and facilities enabling it to be used as a dwelling, and a fifth wheel trailer.

(c) A transaction involving a cargo trailer or a recreational vehicle is exempt from the state gross retail tax if:

- (1) the purchaser is a nonresident;
- (2) upon receiving delivery of the cargo trailer or recreational vehicle, the person transports it within thirty (30) days to a destination outside Indiana;

- (3) the cargo trailer or recreational vehicle will be titled or registered for use in another state or country;
- (4) the cargo trailer or recreational vehicle will not be titled or registered for use in Indiana; and
- (5) the cargo trailer or recreational vehicle will be titled or registered in a state or country that provides an exemption from sales, use, or similar taxes imposed on a cargo trailer or recreational vehicle that is purchased in that state or country by an Indiana resident and will be titled or registered in Indiana.

A transaction involving a cargo trailer or recreational vehicle that does not meet the requirements of subdivision (5) is not exempt from the state gross retail tax.

(d) A purchaser must claim an exemption under this section by submitting to the retail merchant an affidavit stating the purchaser's intent to:

- (1) transport the cargo trailer or recreational vehicle to a destination outside Indiana within thirty (30) days after delivery; and
- (2) title or register the cargo trailer or recreational vehicle for use in another state or country.

The department shall prescribe the form of the affidavit, which must include an affirmation by the purchaser under the penalties for perjury that the information contained in the affidavit is true. The affidavit must identify the state or country in which the cargo trailer or recreational vehicle will be titled or registered.

(e) The department shall provide the information necessary to determine a purchaser's eligibility for an exemption claimed under this section to retail merchants in the business of selling cargo trailers or recreational vehicles.

As added by P.L.195-2005, SEC.3. Amended by P.L.92-2006, SEC.1; P.L.211-2007, SEC.15.

IC 6-2.5-5-40 Version a Research and development property

Note: This version of section effective until 1-1-2016. See also following version of this section, effective 1-1-2016.

Sec. 40. (a) As used in this section, "research and development activities" does not include any of the following:

- (1) Efficiency surveys.
- (2) Management studies.
- (3) Consumer surveys.
- (4) Economic surveys.
- (5) Advertising or promotions.
- (6) Research in connection with literary, historical, or similar projects.
- (7) Testing for purposes of quality control.

(b) As used in this section, "research and development equipment" means tangible personal property that:

- (1) consists of or is a combination of:

- (A) laboratory equipment;
 - (B) computers;
 - (C) computer software;
 - (D) telecommunications equipment; or
 - (E) testing equipment;
- (2) has not previously been used in Indiana for any purpose; and
- (3) is acquired by the purchaser for the purpose of research and development activities devoted directly to experimental or laboratory research and development for:
- (A) new products;
 - (B) new uses of existing products; or
 - (C) improving or testing existing products.
- (c) As used in this section, "research and development property" means tangible personal property that:
- (1) has not previously been used in Indiana for any purpose; and
 - (2) is acquired by the purchaser for the purpose of research and development activities devoted to experimental or laboratory research and development for:
- (A) new products;
 - (B) new uses of existing products; or
 - (C) improving or testing existing products.
- (d) A retail transaction:
- (1) involving research and development equipment; and
 - (2) occurring after June 30, 2007, and before July 1, 2013;
- is exempt from the state gross retail tax.
- (e) A retail transaction:
- (1) involving research and development property; and
 - (2) occurring after June 30, 2013;
- is exempt from the state gross retail tax.
- (f) The exemption provided by subsection (e) applies regardless of whether the person that acquires the research and development property is a manufacturer or seller of the new or existing products specified in subsection (c)(2).
- (g) For purposes of this section, a retail transaction shall be considered as having occurred after June 30, 2013, to the extent that delivery of the property constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before July 1, 2013, to the extent that the agreement of the parties to the transaction is entered into before July 1, 2013, and payment for the property furnished in the transaction is made before July 1, 2013, notwithstanding the delivery of the property after June 30, 2013. This subsection expires January 1, 2017.
- As added by P.L.193-2005, SEC.10. Amended by P.L.288-2013, SEC.29.*

IC 6-2.5-5-40 Version b
Research and development property

Note: This version of section effective 1-1-2016. See also

preceding version of this section, effective until 1-1-2016.

Sec. 40. (a) As used in this section, "research and development activities" includes design, refinement, and testing of prototypes of new or improved commercial products before sales have begun for the purpose of determining facts, theories, or principles, or for the purpose of increasing scientific knowledge that may lead to new or enhanced products. The term does not include any of the following:

- (1) Efficiency surveys.
- (2) Management studies.
- (3) Consumer surveys.
- (4) Economic surveys.
- (5) Advertising or promotions.
- (6) Research in connection with nontechnical activities, including literary, historical, social sciences, economics, humanities, psychology, or similar projects.
- (7) Testing for purposes of quality control.
- (8) Market and sales research.
- (9) Product market testing, including product testing by product consumers or through consumer surveys for evaluation of consumer product performance or consumer product usability.
- (10) The acquisition, investigation, or evaluation of another's patent, model, process, or product for the purpose of investigating or evaluating the value of a potential investment.
- (11) The providing of sales services or any other service, whether technical or nontechnical in nature.

(b) As used in this section, "research and development equipment" means tangible personal property that:

- (1) consists of or is a combination of:
 - (A) laboratory equipment;
 - (B) computers;
 - (C) computer software;
 - (D) telecommunications equipment; or
 - (E) testing equipment;
- (2) has not previously been used in Indiana for any purpose; and
- (3) is acquired by the purchaser for the purpose of research and development activities devoted directly to experimental or laboratory research and development for:
 - (A) new products;
 - (B) new uses of existing products; or
 - (C) improving or testing existing products.

(c) As used in this section, "research and development property" means tangible personal property that:

- (1) has not previously been used in Indiana for any purpose; and
- (2) is acquired by the purchaser for the purpose of research and development activities devoted to experimental or laboratory research and development for:
 - (A) new products;
 - (B) new uses of existing products; or
 - (C) improving or testing existing products.

(d) For purposes of subsection (c)(2), a research and development activity is devoted to experimental or laboratory research and development if the activity is considered essential and integral to experimental or laboratory research and development. The term does not include activities incidental to experimental or laboratory research and development.

(e) For purposes of subsection (c)(2), an activity is not considered to be devoted to experimental or laboratory research and development if the activity involves:

- (1) heating, cooling, or illumination of office buildings;
- (2) capital improvements to real property;
- (3) janitorial services;
- (4) personnel services or accommodations;
- (5) inventory control functions;
- (6) management or supervisory functions;
- (7) marketing;
- (8) training;
- (9) accounting or similar administrative functions; or
- (10) any other function that is incidental to experimental or laboratory research and development.

(f) A retail transaction:

- (1) involving research and development equipment; and
- (2) occurring after June 30, 2007, and before July 1, 2013;

is exempt from the state gross retail tax.

(g) A retail transaction:

- (1) involving research and development property; and
- (2) occurring after June 30, 2013;

is exempt from the state gross retail tax.

(h) The exemption provided by subsection (g) applies regardless of whether the person that acquires the research and development property is a manufacturer or seller of the new or existing products specified in subsection (c)(2).

(i) For purposes of this section, a retail transaction shall be considered as having occurred after June 30, 2013, to the extent that delivery of the property constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before July 1, 2013, to the extent that the agreement of the parties to the transaction is entered into before July 1, 2013, and payment for the property furnished in the transaction is made before July 1, 2013, notwithstanding the delivery of the property after June 30, 2013. This subsection expires January 1, 2017.

As added by P.L.193-2005, SEC.10. Amended by P.L.288-2013, SEC.29; P.L.242-2015, SEC.11.

IC 6-2.5-5-41

Repealed

(As added by P.L.137-2006, SEC.3. Amended by P.L.235-2007, SEC.1; P.L.131-2008, SEC.9. Repealed by P.L.182-2009(ss),

SEC.462.)

IC 6-2.5-5-42

Aircraft titled, registered, or based outside Indiana

Sec. 42. (a) A transaction involving an aircraft, including completion work (as defined in IC 6-2.5-3-2(f)), is exempt from the state gross retail tax if:

- (1) the purchaser is a nonresident;
- (2) the purchaser transports the aircraft to a destination outside Indiana within thirty (30) days after:
 - (A) accepting delivery of the aircraft;
 - (B) a repair, refurbishment, or remanufacture of the aircraft is completed, if the aircraft remains in Indiana after the purchaser accepts delivery for the purpose of accomplishing the repair, refurbishment, or remanufacture of the aircraft; or
 - (C) accepting delivery (as defined in IC 6-2.5-3-2(f)) of the aircraft following completion work or a prepurchase evaluation (as defined in IC 6-2.5-3-2(f));
- (3) the aircraft is or will be:
 - (A) titled or registered in another state or country; or
 - (B) based (as defined in IC 6-6-6.5-1(m)) in that state or country, if a state or country does not require a title or registration for aircraft; and
- (4) the aircraft will not be titled or registered in Indiana.

(b) A purchaser must claim an exemption under subsection (a) by submitting to the seller an affidavit affirming the elements required by subsection (a). In addition, the affidavit must identify the state or country in which the aircraft is or will be titled, registered, or based.

(c) Within sixty (60) days after:

- (1) a purchaser who claims an exemption under this section accepts delivery of the aircraft; or
- (2) a repair, refurbishment, or remanufacture of the aircraft subject to an exemption under this section is completed, if the aircraft remains in Indiana after the purchaser accepts delivery for the purpose of accomplishing the repair, refurbishment, or remanufacture of the aircraft;

the purchaser shall provide the seller with a copy of the purchaser's title or registration of the aircraft outside Indiana. If the state or country in which the aircraft is based does not require the aircraft to be titled or registered, the purchaser shall provide the seller with a copy of the aircraft registration application for the aircraft as filed with the Federal Aviation Administration.

(d) The department shall prescribe the form of the affidavit required by subsection (b).

(e) The amendments made to this section by the act enacted in 2012 shall be interpreted to specify and not to change the general assembly's intent with respect to this section.

As added by P.L.211-2007, SEC.16. Amended by P.L.153-2012, SEC.3.

IC 6-2.5-5-43

Type II gambling games

Sec. 43. Sales of type II gambling games authorized by IC 4-36 are exempt from the state gross retail tax.

As added by P.L.95-2008, SEC.14.

IC 6-2.5-5-44

Sales to city or town for municipal golf course

Sec. 44. Transactions involving tangible personal property are exempt from the state gross retail tax if the property is acquired by a city or town for use in the operation of a municipal golf course.

As added by P.L.113-2010, SEC.52.

IC 6-2.5-5-45

Gross retail and use tax exemption; cigarette and tobacco tax meter machines

Sec. 45. Transactions involving tangible personal property (including excise tax meter machines and related accessories, such as re-packers, cutters, and supplies) are exempt from the state gross retail tax if the property is acquired:

(1) by a person that is required to affix excise tax stamps under IC 6-7; and

(2) for the exclusive purpose of complying with IC 6-7.

As added by P.L.153-2012, SEC.4; P.L.155-2012, SEC.1.

IC 6-2.5-5-45.8

Recycling and recycling materials

Sec. 45.8. (a) For purposes of this section, IC 6-2.5-4-5, and section 30 of this chapter, the following definitions apply:

(1) "Recycling" means the processing of recycling materials and other tangible personal property into a product for sale if the product is predominantly composed of recycling materials. The term does not include the following:

(A) The demolition of improvements to real estate.

(B) The processing of tangible personal property primarily for disposal in a licensed solid waste disposal facility rather than for sale.

(C) The collection of recycling materials.

(2) "Recycling materials" means tangible personal property, including metal, paper, glass, plastic, textile, or rubber, that:

(A) is considered "scrap" by industry standards or has no more than scrap value;

(B) is a byproduct of another person's manufacturing or production process;

(C) was previously manufactured or incorporated into a product;

(D) would otherwise reasonably be expected to be destined for disposal in a licensed solid waste disposal facility; or

(E) has been removed or diverted from the solid waste stream

for sale, use, or reuse as raw materials, regardless of whether or not the materials require subsequent processing or separation from each other.

(3) "Processing of recycling materials" means:

(A) receiving recycling materials and other tangible personal property; and

(B) creating a product for sale by changing the original form, use, or composition of the property (whether manually, mechanically, chemically, or otherwise) through weighing, sorting, grading, separating, shredding, crushing, compacting, breaking, cutting, baling, shearing, torching, wire-stripping, or other means.

(4) "Occupationally engaged in the business of recycling" means to engage in recycling with the intention of doing so at a profit.

(5) "Recycling cart" means a manually propelled container with a capacity of not more than one hundred (100) gallons of recycling materials.

(b) Transactions involving recycling materials and other tangible personal property are exempt from the state gross retail tax if:

(1) the person acquiring that property acquires it for the person's direct use in the processing of recycling materials; and

(2) the person acquiring that property is occupationally engaged in the business of recycling.

(c) Notwithstanding subsection (a)(1)(C), transactions involving a recycling cart are exempt from the state gross retail tax if the person acquiring the recycling cart is occupationally engaged in the business of recycling.

As added by P.L.137-2012, SEC.50. Amended by P.L.242-2015, SEC.12.

IC 6-2.5-5-46

Aircraft repair and maintenance

Sec. 46. (a) Transactions involving tangible personal property (including materials, parts, equipment, and engines) are exempt from the state gross retail tax, if the property is:

(1) used;

(2) consumed; or

(3) installed;

in furtherance of, or in, the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or an avionics system of an aircraft.

(b) The exemption provided by this section applies to a transaction only if:

(1) the retail merchant, at the time of the transaction, possesses a valid repair station certificate issued by the Federal Aviation Administration under 14 CFR 145 et seq. or other applicable law or regulation; or

(2) the:

(A) retail merchant has leased a facility at a public use airport for the maintenance of aircraft and meets the public use airport owner's minimum standards for an aircraft maintenance facility; and

(B) work is performed by a mechanic who is certified by the Federal Aviation Administration.

(c) The owner of a public use airport shall annually provide to the department the names of retail merchants that have a lease with the public use airport and that perform aircraft maintenance at the public use airport.

As added by P.L.153-2012, SEC.5. Amended by P.L.288-2013, SEC.30; P.L.166-2014, SEC.10.

IC 6-2.5-5-49

Aviation fuel

Sec. 49. (a) As used in this section, "aviation fuel" refers to:

- (1) gasoline used to power an aircraft;
- (2) jet fuel; or
- (3) a synthetic fuel or fuel derived from any organic matter used as a substitute for a fuel described in subdivision (1) or (2).

(b) A transaction involving aviation fuel is exempt from the state gross retail tax.

As added by P.L.288-2013, SEC.31.

IC 6-2.5-5-49.5

Credit for tax on certain sales of bulk propane; collection allowance

Sec. 49.5. (a) This section applies to a retail merchant engaged in selling bulk propane at retail in Indiana.

(b) A retail merchant shall claim a credit against the state gross retail or use tax on a return filed by the retail merchant under IC 6-2.5-6-1 before June 30, 2014.

(c) The amount of the credit is equal to the result determined under the following STEPS:

STEP ONE: Determine (for each customer to whom the retail merchant sold bulk propane after December 31, 2013, and before April 1, 2014) the greater of zero (0) or the result of:

(A) the amount of state gross retail tax collected by the retail merchant after December 31, 2013, and before April 1, 2014, on the retail sale of bulk propane to the customer; minus

(B) the amount of state gross retail tax that would have been collected by the retail merchant after December 31, 2013, and before April 1, 2014, on the retail sale of bulk propane to the customer if the cost of that bulk propane had been two dollars and fifty cents (\$2.50) per gallon.

STEP TWO: Determine the sum of the STEP ONE amounts for all customers of the retail merchant.

(d) A retail merchant that claims a credit under subsection (c) shall provide a credit to each customer of the retail merchant for whom an

amount was determined under STEP ONE of subsection (c). The credit is equal to the amount determined under STEP ONE of subsection (c) for that customer. The credit under this subsection shall be applied to the next purchase of bulk propane by the customer from the retail merchant occurring after the retail merchant claims the credit under subsection (b).

(e) In order to compensate retail merchants for administering the credits provided to customers under this section, a retail merchant is entitled to deduct and retain an additional collection allowance from the amount of taxes otherwise required to be remitted by the retail merchant under IC 6-2.5. The amount of the additional collection allowance is equal to:

- (1) the amount of the credit claimed by the retail merchant as calculated under subsection (c); multiplied by
- (2) one percent (1%).

(f) The department may audit credits claimed by a retail merchant under subsection (c) and the credits provided by a retail merchant under subsection (d).

(g) This section expires December 31, 2017.

As added by P.L.80-2014, SEC.8.

IC 6-2.5-5-50

Required product labels

Sec. 50. Transactions involving labels are exempt from the state gross retail tax if:

- (1) the labels will be affixed to other tangible personal property being sold by a retail merchant; and
- (2) the person acquiring the labels is required to affix the labels to the other tangible personal property for the purpose of complying with any state or federal statute or regulation.

As added by P.L.138-2015, SEC.1.