



DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH
100 N. SENATE AVE

INFORMATION BULLETIN #75
SALES TAX
OCTOBER 2013
(Replaces Bulletin #75 issued September 2007)
Effective Date: July 1, 2013

SUBJECT: Sales Tax Exemption for Research and Development Equipment

REFERENCES: IC 6-2.5-5-40

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SUMMARY OF CHANGES

Apart from nonsubstantive, technical changes, this version of the bulletin has been changed to reflect that the current exemption from sales tax for “research and development equipment” expires after June 30, 2013. The bulletin also has been changed to define and reflect a new exemption for “research and development property” purchased after June 30, 2013.

INTRODUCTION

IC 6-2.5-5-40 provides a sales tax exemption for research and development equipment purchased after June 30, 2007. HEA 1545-2013 provides that the current exemption for research and development equipment expires after June 30, 2013. However, the act creates a new exemption for research and development property purchased after June 30, 2013.

DEFINITIONS

For periods prior to July 1, 2013, definitions related to research and development equipment apply. For periods after June 30, 2013, definitions related to research and development property apply.

“Research and development equipment” means tangible personal property that consists of laboratory equipment, computers, computer software, telecommunications equipment, or testing equipment that has not previously been used in Indiana for any purpose and is acquired by the purchaser and devoted directly to experimental or laboratory research and

development for new products, new uses of existing products, or improving or testing existing products.

“Research and development equipment” does not include consumables, hand-powered tools, or property with a useful life of less than one year.

“Research and development property” means tangible personal property that has not previously been used in Indiana for any purpose and is acquired by the purchaser for the purpose of research and development activities.

“Research and development activities” include any activities devoted directly to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products.

“Research and development activities” do not include efficiency surveys; management studies; consumer surveys; economic surveys; advertising or promotions; testing for purposes of quality control; or research in connection with literary, historical, or similar projects.

The exemption for research and development property after June 30, 2013 applies regardless of whether the person who acquires the property is a manufacturer or seller of the new or existing products that are the subject of the research and development activities.

PURCHASING EXEMPT ITEMS

The exemptions for research and development equipment and research and development property apply only to equipment or property purchased for the purpose of research and development activities.

With regard to the old exemption available for research and development equipment purchased prior to July 1, 2013, the department’s position is that qualifying equipment does not include consumables, hand-powered tools, or property with a useful life of less than one year. Most notably, office supplies and consumables, even when directly used in research and development activities, do not qualify for an exemption from sales tax as research and development equipment.

With regard to the new exemption available for research and development property purchased after June 30, 2013, there is no requirement that the property have a useful life of one year or more, nor are consumables or hand-powered tools excluded from the definition. The only restrictions are that the property must not have been previously used in Indiana for any purpose and must have been acquired by the purchaser for the purpose of research and development activities. Thus, office supplies, consumables, hand-powered tools, and repair parts are all examples of items that are exempt from sales tax as research and development property when directly used in research and development activities.

Note: to be exempt from sales tax, the property still must be used directly in research and development activities. Office furniture, furnishings, storage equipment, and other items not used directly in research and development activities are subject to tax.

The purchaser of research and development equipment or property is required to complete an exemption certificate if the equipment or property is purchased from an Indiana vendor or an out-of-state vendor that is registered to collect Indiana sales and use tax. If the purchaser pays Indiana sales or use tax on the purchase of exempt research and development equipment or property, the purchaser may file a claim for refund with the department.

DATE OF PURCHASE OF EXEMPT ITEMS

Items purchased after June 30, 2013 will be subject to the exemption available to research and development property. A retail transaction will be considered as having occurred after June 30, 2013, if delivery of the item is made to the purchaser after that date. 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 item purchased is made before July 1, 2013, regardless of whether delivery of the item occurs before July 1, 2013.


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Commissioner