

Income/Franchise:

Indiana DOR Proposes New Rule on Market-Based Sourcing with Comments Due by December 13

Proposed New Regulation section 45 IAC 3.1-1-55.5 and Repeal of Regulation section 45 IAC 3.1-1-55, Ind. Dept. of Rev. (11/13/24); *Notice of Public Hearing: LSA Document #24-432*, Ind. Dept. of Rev. (11/13/24). The Indiana Department of Revenue (Department) proposed a new rule reflecting legislation enacted in 2019 that retroactive to January 1, 2019, adopted market-based sourcing for apportionment of most receipts from services and intangibles [see S.B. 563 (2019), and previously issued Multistate Tax Alert for more details on this 2019 legislation]. According to the Department, this proposed new rule “will provide certainty to businesses regarding Indiana’s treatment of most services and intangible transactions” and “simplify the determination of whether receipts are sourced to Indiana or elsewhere.” The proposed new rule includes guidance on how the Department intends to treat certain transactions, as well as highlights when the Department varies from Multistate Tax Commission model regulations. The Department also explains that the proposed new rule will provide benefits to businesses “by minimizing the scope of disputes regarding sourcing methodology and the location of receipts.” Simultaneously, the Department is also proposing to repeal its “costs of performance” sourcing rule. Comments on the proposed new rule are due by December 13, 2024, and a public hearing (to be held live and virtually) is scheduled for December 18, 2024. Please contact us with any questions.

[URL: http://iac.iga.in.gov/iac/20241113-IR-045240432FNA.xml.pdf](http://iac.iga.in.gov/iac/20241113-IR-045240432FNA.xml.pdf)

[URL: http://iac.iga.in.gov/iac/20241113-IR-045240432FNA.xml.pdf](http://iac.iga.in.gov/iac/20241113-IR-045240432FNA.xml.pdf)

[URL: http://iga.in.gov/legislative/2019/bills/senate/563](http://iga.in.gov/legislative/2019/bills/senate/563)

[URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-indiana-passes-legislation-to-adopt-market-sourcing-and-enact-other-tax-law-changes.pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-indiana-passes-legislation-to-adopt-market-sourcing-and-enact-other-tax-law-changes.pdf)

— Tom Engle (St. Louis)
Manager
Deloitte Tax LLP
tengle@deloitte.com

Joe Garrett (Birmingham)
Managing Director
Deloitte Tax LLP
jogarrett@deloitte.com

Amanda Greene (Indianapolis)
Senior Manager
Deloitte Tax LLP
akgreene@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.