

Income/Franchise:

Indiana DOR Adopts New Rule Reflecting 2019 Implementation of Market-Based Sourcing

New Regulation section 45 IAC 3.1-1-55.5 and Repeal of old Regulation section 45 IAC 3.1-1-55, Ind. Dept. of Rev. (2/26/25). The Indiana Department of Revenue (Department) adopted a new rule reflecting legislation enacted in 2019 that retroactive to January 1, 2019, implements 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 new rule provides “certainty to businesses regarding Indiana’s treatment of most services and intangible transactions” and simplifies “the determination of whether receipts are sourced to Indiana or elsewhere.” The 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. In conjunction with this new rule adoption, the Department also repealed its older “costs of performance” sourcing rule. Please contact us with any questions.

URL: <https://iar.iga.in.gov/lsadoc/240432?searchDoc=20250226-IR-045240432FRA>

URL: <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>

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

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

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