

Income/Franchise:

Indiana Tax Court Says Company's Receipts are Derived from Services for Sourcing Purposes

Cause No. 19T-TA-00018, Ind. Tax Ct. (5/14/21). The Indiana Tax Court recently held that, under the facts for the prior tax years at issue, a pharmacy benefit management company received its Indiana income from the provision of pharmacy benefit services, rather than from the retail sale of prescription drugs, for Indiana adjusted gross income tax sourcing purposes. Accordingly, the company may apportion its income in accordance with Indiana's statutory provisions applicable to service providers, which allow it to source such receipts outside Indiana if the greater proportion of its income producing activities were incurred in a state other than Indiana. Relying upon excerpts from the company's Form 10-K filed with the Securities and Exchange Commission, apparent stances it took in other jurisdictions (including in a business and occupation (B&O) tax case from Washington), and copies of its federal income tax returns, the Indiana Department of Revenue unsuccessfully claimed that the company derived its income from the sale of prescription drugs and thus had to utilize statutory sourcing provisions applicable to sales of tangible personal property. Please contact us with any questions.

URL: https://public.courts.in.gov/Decisions/api/Document/Opinion?Id=ijkg2Z2NZ4Lcg_-WNk1h0DUj94iegW77vErj2Mwn5KwbUtNoI7fWkyTeyviyknku0

— Amanda Suasnabar (Indianapolis)
Managing Director
Deloitte Tax LLP
asuasnabar@deloitte.com

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

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