

How Sales Tax Impacts Landscaping & Lawn Care Companies | Transcript

Chaleise Fleming & Kevin Gilles

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Chaleise Fleming:

Hi everyone and welcome to Barnes Dennig's Ask the Experts. I'm Chaleise and today I'm here with Kevin and we're going to talk about sales tax implications for the lawn care and landscaping industry. Thanks for joining me today, Kevin.

Kevin Gilles: Thank you so much for having me, Chaleise.

Chaleise Fleming:

So we're going to dive right in. Why is sales tax such a big issue for landscaping and lawn care companies?

Kevin Gilles:

So sales tax rules and laws vary widely from state to state. And landscaping services often fall into a gray area. Some states tax them, some states don't. And there's also a wide variety of ways that states treat landscaping services, whether as a contractor or a retailer. And the way you invoice your customers can also determine the way you're taxed. So it's really very complex and a lot of times companies don't actually know which one they fall into.

Chaleise Fleming: But how does invoicing and contracts set up sales tax liabilities for landscaping companies?

Kevin Gilles:

Yeah, so that's a great question. The way companies invoice their customers can often dictate whether they're considered a contractor or a retailer. If the company invoices their customers with services and materials listed on a line-by-line basis, they're often considered a retailer. And in those circumstances, they're required to charge sales tax to their customers, regardless of whether or not they've already paid sales tax when they bought the materials. Conversely, when they just do what we call a bundled transaction where they list kind of a lump sum where services and labor are included on one line, they're often considered a contractor. And in those circumstances, the services and labor are kind of treated as one and they are not taxable.

Indiana's new rule that went into effect January 1st, 2026 is a great example of this. Lawn care chemical applications are now exempt from tax as a service, whereas hardscape installations remain taxable. And I was hoping you might be able to tell us a little bit more about Indiana's new law.

Chaleise Fleming:

Yep. And I knew this would come up being from Indiana. This has been a big discussion topic with a lot of my landscaping clients in the state. Indiana specifically, what they have done is updated their sales tax bulletin 21. So effective 01/01 of 2026 bundled lawn care chemical applications. So when you're bundling the service of applying the chemical and the chemical itself, whether that be a fertilizer, pesticide, when it's bundled together now, the state of Indiana does not consider it a taxable transaction. The caveat of that, because you're not collecting sales tax when you invoice your customer, you're expected to pay sales tax when you buy those chemicals from your vendor or reported as use tax if you didn't pay sales tax upon purchase.

And now I get this question all the time from my landscaping clients is, "Okay, can I just avoid having to collect sales tax, remit it all together if I just pay sales tax when I buy items from my vendors?"

Kevin Gilles:

Right. And that's a common misconception but paying sales tax when you buy materials doesn't necessarily relieve you of the obligation to charge your customers sales tax. As we kind of previously mentioned, if you're considered a retailer due to the nature of your contract, you're still required to charge your customers sales tax, even if you've already paid sales tax on those same materials.

It is possible to avoid paying sales tax when you're considered a retailer if you use what we refer to as a resale certificate. This allows you to present that to your vendor and avoid paying sales tax on the materials you purchase, but you're still required to charge your customers sales tax under those circumstances.

And as you alluded to, there's often times when you might purchase materials tax-exempt, but then you use them for a taxable job or in a taxable manner, and you're required to pay use tax on those materials.

And so Chaleise, we started this discussion about how landscaping services are taxed differently from state to state. So keeping that in mind, how should landscaping companies approach sales tax as they expand into other states?

Chaleise Fleming:

So really consistency and compliance are key. As we kind of already alluded to, sales tax, especially when it comes to landscaping and lawn care, varies state to state. What you're doing in your home state might be a totally different process out of state. For example, now in Indiana, your bundled lawn care chemical applications are no longer taxable. And Illinois bundled lawn care service applications are taxable. Kentucky considers your mowing and your fertilization a taxable service. Ohio is a little different. It has thresholds. Once you've hit a certain revenue threshold for your landscaping services, it then becomes taxable.

So it's just important to remember as you expand or think about operating in other states to make sure you understand the laws of that state and even what triggers your sales tax nexus so when you're actually expected to collect and remit sales tax in that state. So as you're starting to expand out into other states, make sure you're working with your tax professional or a sales and local tax expert to make sure you understand what could trigger you needing to file in those states and understand how the sales tax is different than your existing state.

And just be aware as you start operating in other states, you could also trigger income tax nexus. We're expected to file income tax returns as well.

Kevin Gilles:

And that's a great point. And I think one thing we kind of alluded to as well is also review your contracts, review your invoices because as Chaleise mentioned and I mentioned, that can often dictate how you're treated from a sales tax perspective.

Chaleise Fleming:

Yes. And that also varies state by state as well.

Kevin Gilles: Yes.

Chaleise Fleming:

So just being aware of that. So Kevin, do you have any other final bits of advice?

Kevin Gilles:

I think you did a great job there kind of summing it up, but just to reiterate, sales tax varies so drastically from state to state and companies often don't know that they're doing things incorrectly until it's too late, until they're under an audit. So being proactive, consulting with your CPA or sales tax expert, reviewing your contracts, your invoices, your state laws, doing all that beforehand is something that can really save you a lot of time, money, and effort in the long run.

Chaleise Fleming:

Couldn't agree more. Well, thanks so much, Kevin, for your time today. And if any of you guys have any questions or want to have follow-up conversations with us about this topic, check out our website at barnesdennig.com. Thank you very much.

Kevin Gilles: Thank you. And thanks, Chaleise.

Chaleise Fleming: Thanks.