



# 2014 Indiana Legislative Update

Tax and Economic Development Legislative Summary

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# Welcome Message

A popular reality show features the tagline, “Expect the unexpected!” Well, the same can be said for this past session of the Indiana legislature. Not that the Indiana General Assembly resembles reality TV – except for the nonstop drama, behind-the-scenes deal-making, fights between family members, and legislators facing the threat of being voted off the island (i.e., out of office). Still, much of what happened in 2014 was unexpected.

This year’s *Indiana Legislative Update* provides a summary of the law changes, both expected and unexpected, that occurred in the areas of state taxes and economic development. And they are numerous.

In the realm of income and sales tax, the legislature passed a number of “technical” changes that will have more than a technical impact on many companies doing business in Indiana.

In the world of property taxes, Indiana legislators made a number of significant changes, both to the reporting of property taxes and to the property tax tool chest of local governments.

In the economic development arena, lawmakers enacted several new laws pertaining to incentive oversight, redevelopment commissions that oversee TIF districts, and expanded opportunities for property tax abatement.

Within each of these sections you will find the contact information for the individual in Katz, Sapper & Miller’s (KSM) State and Local Tax Practice who specializes in that area. As you read through these legislative changes and consider whether any of the new laws will affect your business or organization, please feel free to contact our team members.

As an added bonus to this year’s legislative update, we close with a conversation with Tim Rushenberg, vice president of Governmental Affairs & Tax Policy with the Indiana Manufacturers Association (IMA). For members of the IMA Tax Committee, Tim’s weekly updates on legislative activity are required reading to understand the ins and outs of which bills are living, dead or on life support. Before this past legislative session, Tim and I sat down to discuss his take on the results of the *2013 Indiana Manufacturing Survey*, commissioned by KSM and developed in partnership with the IU Kelley School of Business - Indianapolis, Conexus Indiana and the Indiana Manufacturers Association. As is always the case when discussing tax topics with Tim, the breadth and depth of his knowledge is endless.

Lastly, while the legislative summary contained in these pages is a team effort of our entire State and Local Tax Practice, one person in particular is responsible for tracking legislation from start to finish each session, as well as consolidating those changes into a format that we can share with clients and friends of the firm. So, I want to send a special shout-out to our man in the trenches where bill tracking is concerned, Tim Conrad. Tim, thanks for your great work. Given your first name, I wouldn’t expect anything less!

That is all for now. Our annual legislative update will return around this time next year for a summary of the 2015 budget session of the Indiana General Assembly. Until then, the tribe has spoken. ■

# Sales and Use Tax



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Affected Code Section: Ind. Code § 6-2.5-2-2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 161

Explanation: Permits a seller to round sales tax on an item basis or invoice basis. Restricts a seller from using an item basis to circumvent tax that would be imposed if an invoice basis were used.

Affected Code Section: Ind. Code § 6-2.5-2-3 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Provides that motor vehicles purchased in Indiana with the intent to be transported outside of Indiana within the first 30 days and titled in another state or country will be taxed at the rate of that state or country. Excludes any local sales tax rates from the rate charged. In order to receive the other state or country's rate, an affidavit prescribed by the Indiana Department of State Revenue must be completed. Permits the Department of State Revenue to audit affidavits and make proposed assessments for amounts of unpaid tax due.

Application Note: This will impact Indiana motor vehicle dealers making a sale of a vehicle to an out-of-state resident after July 1, 2014. Since other state's base rates (not including local rates) are generally lower than Indiana's 7% rate, transactions covered by this change will generally see a lower rate charged. Of course, in those limited cases where the other state rate is higher, the higher rate will be charged.

Affected Code Section: Ind. Code § 6-2.5-5-19.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 161

Explanation: Limits the sales tax exemption for blood glucose monitoring supplies to situations where the supply is provided without charge. Removes blood glucose monitoring meters from the sales tax exemption for blood glucose

monitoring supplies. Adds a separate exemption for blood glucose meters and associated packaging and literature if it is furnished without charge by a diabetic supply distributor. Defines a "diabetic supply distributor" as a person that primarily sells blood glucose meters for resale and not for retail sale.

Affected Code Section: Ind. Code § 6-2.5-5-46 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Broadens the exemption for aircraft repair or maintenance to include transactions in which the retail merchant leased a facility at a public use airport, meets the airport owner's minimum standards for an aircraft maintenance facility, and the work is performed by a mechanic who is certified by the FAA. Directs the owner of the public use airport to annually provide the Department of State Revenue with the names of retail merchants meeting this definition.

Affected Code Section: Ind. Code § 6-2.5-5-49.5 (addition)

Effective Date: Upon passage

Enacted By: Senate Bill 1

Explanation: Provides a sales tax credit for bulk propane dealers equal to the tax collected from Jan. 1, 2014, to March 31, 2014, in excess of the sales tax that would have been collected had the cost been \$2.50 per gallon during the same time. Directs that dealers receiving this credit are to pass on the credit to each customer buying propane during this time on the next invoice to the customer. Provides a collection allowance of 1% to compensate the merchant for administering the credits. ■



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# Income Tax

Affected Code Section: Ind. Code § 6-3-2-1 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 1

Explanation: Reduces the corporate income tax rate by continuing the stair-stepped reductions already in place. Upon completion of the reductions, the new rate will be lowered from 6.5% to 4.9%. This is accomplished through 0.25% reductions from 2016 to 2020 with a final reduction of 0.35% in 2021.

Application Note: The rate reductions in place were to reduce the rate to 6.5% after June 30, 2015. Once the rate reaches 4.9% in 2021, this will mark an approximate reduction of 43% from the 8.5% rate which was in effect in 2012.

Affected Code Section: Ind. Code § 6-3-2-2.1 (addition)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1380

Explanation: Provides that entities contracting with an unrelated third-party logistics provider for the provision of qualified logistics services for legend drugs, devices and medical supplies shall not be deemed to have adjusted gross income from sources within Indiana unless that entity engages in other activities apart from those of its qualified third-party logistics provider. Provides that third-party logistics providers must be certified by the Indiana Economic Development Corporation. Directs that this section expires Jan. 1, 2016.

Affected Code Section: Ind. Code § 6-3-2-2.8 (amendment)

Effective Date: Jan. 1, 2013 (retroactive)

Enacted By: House Bill 1206

Explanation: Extends the adjusted gross income tax exemption for insurance companies to include insurers subject to the newly enacted \$2,500 tax on captive insurers.

Affected Code Section: Ind. Code § 6-3-2-24 (addition)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: Senate Bill 161

Explanation: Provides an income tax exemption for the value of an Olympic medal and income received from the U.S. Olympic Committee as prize money for winning an Olympic medal.

Affected Code Section: Ind. Code § 6-3-3-13 (addition)

Effective Date: Jan. 1, 2015

Enacted By: House Bill 1222

Explanation: Provides an adoption credit for taxpayers qualifying for the federal adoption credit under IRC § 23 equal to the lesser of 10% of the federal credit claimed in a given year or \$1,000 for each eligible child. The credit is nonrefundable and cannot be carried forward or backward.

Affected Code Section: Ind. Code § 6-3-1-1-4 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Permits a taxpayer to carry forward any unused tax credit for a repealed credit program under the limits in place before the credit was repealed unless otherwise expressly provided in the statutory language.

Affected Code Section: Ind. Code § 6-3-1-1-5 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Permits a taxpayer with proposed costs certified prior to Jan. 1, 2015, to claim an Indiana riverboat building tax credit in the year that the qualified investment is made as if the riverboat building tax credit had not been repealed. Caps the credit amount under this section to \$1,000,000 in a fiscal year and provides procedures for administering the credit.

Affected Code Section: Ind. Code § 6-3-1-6 (repeal)

Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the prison investment tax credit.

Affected Code Section: Ind. Code § 6-3.1-9-1 & 6-3.1-9-2 (amendment)  
Effective Date: July 1, 2014  
Enacted By: Senate Bill 367  
Explanation: Broadens activities qualifying for the neighborhood assistance credit to include certain services provided to ex-offenders.

Affected Code Section: Ind. Code § 6-3.1-11-24 (addition)  
Effective Date: Jan. 1, 2014 (retroactive)  
Enacted By: Senate Bill 367  
Explanation: Permits a flow-through entity without enough income tax liability to claim the industrial recovery tax credit to pass the credit to its partners, shareholders or members on a pro rata basis.

Affected Code Section: Ind. Code § 6-3.1-16-2, 6-3.1-16-7, 6-3.1-16-10, 6-3.1-16-8, 6-3.1-16-12, & 6-3.1-16-15 (amendment)  
Effective Date: Jan. 1, 2015  
Enacted By: Senate Bill 367  
Explanation: Transfers responsibility for approving qualified expenditures, making other certifications, and performing other administrative tasks under the historic rehabilitation tax credit from the Department of Natural Resources to the Office of Community and Rural Affairs. Directs the Department of Natural Resources to assist the Office of Community and Rural Affairs in making certifications.

Affected Code Section: Ind. Code § 6-3.1-16-9 (amendment)  
Effective Date: Jan. 1, 2015  
Enacted By: Senate Bill 367  
Explanation: Modifies the event triggering a taxpayer's rights to appeal an adverse ruling under the historic rehabilitation tax credit from a decision by the Department of Natural Resources to a final determination made by the Office of Community and Rural Affairs. Directs that

the appeal may go the Tax Court.  
Affected Code Section: Ind. Code § 6-3.1-17 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the Indiana riverboat building credit.

Affected Code Section: Ind. Code § 6-3.1-20-1, 6-3.1-20-4, & 6-3.1-20-5 (amendment)  
Effective Date: Jan. 1, 2015  
Enacted By: Senate Bill 367  
Explanation: Broadens the definition of income used in determining a taxpayer's qualification for the income tax credit for property taxes paid on homesteads to include all adjusted gross income, not just earned income.

Application Note: This change will make several taxpayers with passive income ineligible to claim the credit. Formerly, individuals could be eligible for the credit if they had significant passive income provided they did not have earned income in excess of \$18,600 per year.

Affected Code Section: Ind. Code § 6-3.1-20-7 (amendment)  
Effective Date: Jan. 1, 2015  
Enacted By: Senate Bill 367  
Explanation: Directs that the Northwest Indiana Regional Development Authority, and not the State General Fund, shall receive a distribution if the total amount of income tax credits for property taxes paid on homesteads is less than \$8,500,000. Directs that this distribution shall be used to improve mass rail transportation systems in Lake County.

Affected Code Section: Ind. Code § 6-3.1-22-2, 6-3.1-22-8, 6-3.1-22-9, 6-3.1-22-10, 6-3.1-22-11, & 6-3.1-22-13 (amendment)  
Effective Date: Jan. 1, 2015  
Enacted By: Senate Bill 367  
Explanation: Transfers responsibility for approving qualified expenditures, making other certifications, and performing other administrative tasks under the residential historic rehabilitation tax credit from the Department of Natural Resources to the Office of Community

and Rural Affairs. Directs the Department of Natural Resources to assist the Office of Community and Rural Affairs in making certifications.

Affected Code Section: Ind. Code § 6-3.1-23 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the voluntary remediation tax credit.

Affected Code Section: Ind. Code § 6-3.1-23 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the blended biodiesel tax credit.

Affected Code Section: Ind. Code § 6-3.1-28 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the ethanol production tax credit.

Affected Code Section: Ind. Code § 6-3.1-31.5 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the energy savings tax credit.

Affected Code Section: Ind. Code § 6-3.1-33 (repeal)  
Effective Date: Jan. 1, 2015  
Enacted By: House Bill 1380  
Explanation: Repeals the new employer tax credit.

*Continued on page 14.  
See "Income Tax."*

# Economic Development and Tax Credits



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Affected Code Section: Ind. Code § 2-5-3.2-1 to 2-5-3.2-1 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1020

Explanation: Directs the Commission on State Tax and Financing Policy to conduct a detailed review of all tax incentives, defined broadly to include exemptions, deductions, preferential rates, or other tax benefits that reduces a tax burden. Requires incentive programs to be reviewed at least once every five years from the effective date to 2023.

Affected Code Section: Ind. Code § 4-4-35-1 to 4-4-35-9 (addition)

Effective Date: May 1, 2014

Enacted By: House Bill 1332

Explanation: Establishes the Office of Small Business and Entrepreneurship which is led by a director appointed by the lieutenant governor. The office is charged with operating the Indiana Small Business Development Center, maintaining a network of resources to inform small businesses to benefit from state and federal programs, employing a small business ombudsman, supporting the development of small business in Indiana, administering the Young Entrepreneur Program, and developing and administering programs to support the growth of small business. The small business ombudsman is charged many duties, including working with state agencies to permit flexibility and the ability to grant common sense exemptions for first time offenders, seeking to consolidate forms and eliminate duplicated paperwork, coordinating with the Office of Management and Budget to perform cost-benefit analyses, review outdated information requests from state agencies to small businesses, and attempting to resolve compliance matters between a

state agency and a small business. Directs that state agencies are to cooperate with the small business ombudsman.

Affected Code Section: Ind. Code § 4-4-36-1 to 4-4-35-13 (addition)

Effective Date: May 1, 2014

Enacted By: House Bill 1332

Explanation: Incorporates statutory language regarding the Young Entrepreneur Program to reflect the change in the program's administration from the Indiana Economic Development Corporation to the Office of Small Business and Entrepreneurship.

Affected Code Section: Ind. Code § 5-28-6-8 (addition)

Effective Date: Upon passage

Enacted By: House Bill 1035

Explanation: Requires the Indiana Economic Development Corporation to conduct an in-depth assessment of Indiana's regional metropolitan areas and report on area-specific needs and potential initiatives to create economic growth. Requires a report to be submitted to the Indiana Economic Development Corporation board by Oct. 1, 2014.

Affected Code Section: Ind. Code § 5-28-7-6 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1003

Explanation: Authorizes the Indiana Economic Development Corporation to award a Skills Enhancement Fund (SEF) grant to schools engaged in a cooperative training arrangement with businesses.

Affected Code Section: Ind. Code § 5-28-17-5 (repeal)

Effective Date: May 1, 2014

Enacted By: House Bill 1332

Explanation: Repeals language relating to the small business ombudsman as



an employee of the Indiana Economic Development Corporation. The small business ombudsman will be employed by the Office of Small Business and Entrepreneurship going forward.

Affected Code Section: Ind. Code § 5-28-35 (repeal)

Effective Date: May 1, 2014

Enacted By: House Bill 1332

Explanation: Repeals language regarding the young entrepreneurs program to reflect the change in the program's administration from the Indiana Economic Development Corporation to the Office of Small Business and Entrepreneurship.

Affected Code Section: Ind. Code § 6-3.1-13-13 & 6-3.1-13-14 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1003

Explanation: Authorizes the Indiana Economic Development Corporation to award Economic Development for a Growing Economy (EDGE) tax credits to employers that enter into a cooperative training arrangement with a school for the training of students in high demand jobs requiring an industry certification.

Affected Code Section: Ind. Code § 6-3.1-13-15.7 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1003

Explanation: Provides that EDGE tax credits for cooperative training arrangements between employers and schools can be applied for after June 30, 2014 for tax years from 2015 to 2018. Permits the Indiana Economic Development Corporation to establish additional eligibility conditions and to consult with the Indiana Career Council on eligibility and performance conditions. Caps the amount of credits that may be awarded for employers entering into cooperative training arrangements to \$2,500,000 per year.

Affected Code Section: Ind. Code § 6-3.1-13-19.7 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1003

Explanation: Requires an EDGE tax credit agreement for employers entering into cooperative training arrangements to contain certain terms, including a requirement to maintain the cooperative training arrangement for two years after the last amount of tax credit was claimed. Limits the credit to employees whose course of study included a cooperative training arrangement between the employer and the school.

Affected Code Section: Ind. Code § 36-7-14-2.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Prohibits a redevelopment commission from entering into any obligation payable from public funds without approval from the legislative body of the unit except for certain transactions involving the acquisition of real property. Requires the approving ordinance from the legislative body to specify the maximum amount of the obligation, maximum interest rates, and the maximum term of the obligation.

Affected Code Section: Ind. Code § 36-7-14-3 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Provides a legislative body with the authority to review a redevelopment commission or department of redevelopment's annual budget. Subjects the redevelopment commission or department of redevelopment to audit by the state board of accounts, the public meetings law, and the public records law.

Affected Code Section: Ind. Code § 36-7-14-8 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Appoints the fiscal officer of the unit establishing a redevelopment commission as the treasurer of the redevelopment commission. Requires the treasurer to report annually to the fiscal body of the unit.

Affected Code Section: Ind. Code § 36-7-14-12.2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Removes the power of eminent domain from the listed authority of a redevelopment commission. Restricts the power of a redevelopment commission to provide financial assistance to individuals and families to lease or purchase residential units to the purchase or lease of multiple unit residential structures.

Affected Code Section: Ind. Code § 36-7-14-12.4 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Prohibits a redevelopment commission, department of redevelopment, or any other entity established or controlled by a redevelopment commission or department of redevelopment from owning or leasing a single family residential unit after June 30, 2014.

Affected Code Section: Ind. Code § 36-7-14-13 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Subjects a redevelopment commission or department of redevelopment to the same rules that apply to other commissions or departments of the unit.

Affected Code Section: Ind. Code § 36-7-14-15 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires the legislative body of the unit establishing the redevelopment commission to approve any amendment of a resolution or plan for an existing redevelopment project area.

*Continued on page 14.*

*See "Development and Credits."*



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# Property Tax

Affected Code Section: Ind. Code § 6-1.1-2 (amendment) & 6-1.1-2-1.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the assessment date for tangible property from March 1 to Jan. 1 beginning in 2016. Moves the assessment date for mobile homes from Jan. 15 to Jan. 1 beginning in 2017.

Application Note: The assessment date for tangible property in 2014 and 2015 will remain March 1. Jan. 1, 2016, will be the first assessment date under the new date. This should assist many taxpayers in filing personal property forms who formerly began with year-end fixed assets and had to consider additions and disposals during the first two months of the year.

Affected Code Section: Ind. Code § 6-1.1-7 (amendment) & 6-1.1-3-1.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Restates the filing date for personal property tax returns as May 15.

Affected Code Section: Ind. Code § 6-1.1-2-2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Provides that a change in use, value, character or ownership of tangible personal property after an assessment date cannot be considered in determining the true tax value of the tangible property for that assessment date.

Affected Code Section: Ind. Code § 6-1.1-3-7.2 (addition)

Effective Date: July 1, 2015

Enacted By: Senate Bill 1

Explanation: Allows a county income tax council to pass an ordinance by majority vote exempting business personal property beginning with the 2016-pay-2017 tax year if the acquisition cost of a property in the county is less than \$20,000. Directs that, for purposes of the exemption, business personal property does not include mobile homes, property held as an investment, and property owned by a public utility. In lieu of a personal property tax return, a qualifying

taxpayer must file an annual certification stating that the taxpayer qualifies for the exemption by May 15.

Application Note: This exemption went through multiple iterations, ultimately being a county option to exempt small businesses having property with a cost of less than \$20,000. Taxpayers in counties adopting the exemption will need to be mindful of the cost each year and will still have a compliance requirement to file the annual certification.

Affected Code Section: Ind. Code § 6-1.1-3-7.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the date after which changes on an amended property tax roll over as a credit to a subsequent year from July 15 to April 1 beginning in 2016.

Affected Code Section: Ind. Code § 6-1.1-3-17 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the date on which the county assessor shall certify the assessment value of personal property by taxing district to the county auditor from July 1 to June 15 beginning in 2017.

Affected Code Section: Ind. Code § 6-1.1-4-4.3 (repeal)

Effective Date: Upon passage

Enacted By: Senate Bill 266

Explanation: Repeals language placing the burden of proof on the assessor if the gross assessed value of the real property was reduced by the Property Tax Assessment Board of Appeals (PTABOA) in the preceding year.

Application Note: This rule was not truly repealed, but rather was moved to Ind. Code § 6-1.1-15-17.2(d) (see summary below).

Affected Code Section: Ind. Code § 6-1.1-4-4.2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the beginning date of a reassessment of a group of parcels from





July 1 to May 1 and the ending date from March 1 to Jan. 1.

Affected Code Section: Ind. Code § 6-1.1-4-4.6, 6-1.1-4-5, 6-1.1-4-9, 6-1.1-4-21.4, 6-1.1-4-25, 6-1.1-5-14, 6-1.1-5.5-3, 6-1.1-11-5, & 6-1.1-11-8 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves forward certain dates for reassessment plans, petitions for reassessment, and other related dates filings and determinations made by assessor, auditors, and the Department of Local Government Finance.

Affected Code Section: Ind. Code § 6-1.1-4-22 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the latest date on which the assessor shall provide taxpayers with a notice of assessment or reassessment from April 10 to February 10 beginning in 2016.

Affected Code Section: Ind. Code § 6-1.1-10-16 (amendment)

Effective Date: Jan. 1, 2015

Enacted By: Senate Bill 158

Explanation: Provides an exemption from real property taxation for property used by a for-profit provider to deliver early childhood education to 4- and 5-year-old children. Directs that the exemption is not available to early childhood education service providers if the property is used only for children younger than 4.

Application Note: Previously for-profit daycares were considered 100% taxable by some counties. This will allow for an exemption to daycares that are owned and operated by the provider.

Affected Code Section: Ind. Code § 6-1.1-10-36.3 (amendment)

Effective Date: Jan. 1, 2015

Enacted By: Senate Bill 158

Explanation: Excludes for-profit early childhood education service providers from the rule granting a pro rata exemption based on the amount of time used for an exempt purpose.

Affected Code Section: Ind. Code § 6-1.1-10-46 (addition)

Effective Date: Jan. 1, 2015

Enacted By: Senate Bill 158

Explanation: Provides an exemption from personal property taxation for property owned, occupied, or used by a for-profit provider to deliver early childhood education to 4- and 5-year-old children. In order to obtain the exemption, the provider's primary purpose must be educational, the provider must own the property and use the personal property for delivering early childhood education to 4- and 5-year-old children, and the provider must participate in an early education evaluation program and meet quality standards. Grants a pro rata exemption based on enrollment to the extent that the provider has 4- and 5-year-old children and younger children. Provides procedures for determining the enrollment count.

Affected Code Section: Ind. Code § 6-1.1-10.3-1 to 6-1.1-10.3-8 (addition)

Effective Date: July 1, 2015

Enacted By: Senate Bill 1

Explanation: Allows a county income tax council to pass an ordinance by majority vote exempting newly acquired business personal property. In order to qualify as newly acquired equipment, the property must be placed into service after the date directed by the ordinance and have not been previously used in Indiana. Directs that, for purposes of the exemption, business personal property does not include mobile homes, property held as an investment, and property owned by a public utility. Requires an exemption ordinance to exempt all new property. Provides that, in the event of a repeal or amendment of an exemption ordinance, any new personal property that was exempt under the original ordinance will remain exempt regardless if the ownership changes. Specifies that there is no filing requirement to take advantage of this exemption.

Application Note: This is a scaled down version of Governor Pence's call to repeal the tax on business personal property. While an exemption ordinance would not impact existing equipment, counties will have the option to exempt property on a going-forward basis.

Affected Code Section: Ind. Code § 6-1.1-11-1.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Provides that a change in use, value, character or ownership of tangible personal property or a change in the age, disability, or income of any owner, buyer, or possessor after an assessment date does not impact the eligibility of the tangible property for an exemption for that assessment date. This update applies to assessment dates beginning in 2017 for mobile homes and 2016 for all other personal property.

Affected Code Section: Ind. Code § 6-1.1-11-3 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the exemption filing date for personal property from May 15 to April 1 beginning in 2016. Requires a county assessor to notify an applicant for an exemption of a failure to file the assessor's reassessment data along with the exemption application no later than April 25.

Application Note: Companies receiving the benefit of a property tax exemption need to be mindful of the accelerated due date beginning with the 2016 filing due April 1, 2016.

Affected Code Section: Ind. Code § 6-1.1-11-3.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Moves the date on which a not-for-profit corporation must notify the county assessor that it has become ineligible for an exemption from May 15 to April 1 beginning in 2016.

Affected Code Section: Ind. Code § 6-1.1-11-11 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Directs that, in the event of a conflict between provisions pertaining to procedures related to an exemption from property taxation, changes or additions in the 2014 legislative session shall be controlling.

*Continued on page 16.  
See "Property Tax."*



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# Other Taxes and Unclaimed Property

Affected Code Section: Ind. Code § 5-14-3-4 (amendment)

Effective Date: Upon passage

Enacted By: Senate Bill 208

Explanation: Prohibits certain information included in a report of unclaimed property from being disclosed under Indiana's access to public records law. Excluded information includes date of birth, driver's license number, taxpayer identification number, employer identification number and account numbers.

Affected Code Section: Ind. Code § 6-6-2.5-1 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Modifies the definition of "alternative fuel" to exclude liquid or compressed natural gas or a combination of liquefied petroleum gas and compressed natural gas.

Affected Code Section: Ind. Code § 6-6-2.5-16-5 (addition)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Creates a separate definition for "natural gas product" which includes liquid or compressed natural gas or a combination of liquefied petroleum gas and compressed natural gas used in an engine or motor to propel any form of vehicle, machine or mechanical contrivance.

Affected Code Section: Ind. Code § 6-6-2.5-22 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Modifies the definition of "special fuel" to include natural gas products but not alternative fuel, gasoline, kerosene and jet fuel.

Affected Code Section: Ind. Code § 6-6-2.5-28 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Removes a reference to butane and propane from the special fuel tax.

Affected Code Section: Ind. Code § 6-6-12-5 & 6-6-12-6 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Changes the filing period for the road tax credit from the state fiscal year to a quarterly filing system.

Affected Code Section: Ind. Code § 6-6-14-1 to 6-6-14-9 (addition)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Requires vehicles registered in Indiana and propelled by an alternative fuel to obtain an alternative fuel decal and pay an annual fee ranging from \$100 to \$500. Provides procedures for applying for, granting, and displaying the decal. Permits a prorated fee on a quarterly basis for vehicles converted, purchased, or registered after June 30. Requires alternative fuel vehicles registered outside of Indiana to obtain a 72-hour temporary trip permit for \$5.50 in order to operate on a public highway in Indiana. Requires seller of alternative fuels to register as a propane dealer and pay a license fee of \$50.

*Continued on page 18.*

*See "Other and Unclaimed Property."*



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## Local Taxation

Affected Code Section: Ind. Code § 6-3.5-1.1-9 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Adds the requirement that a pledge of County Adjusted Gross Income Tax (CAGIT) revenues must have been for property tax relief or public safety.

Affected Code Section: Ind. Code § 6-3.5-1.1-24 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Permits Hancock and Johnson County to increase CAGIT to fund mass transit if approved by voters in a local public question. The increase can range from 0.1% to 0.25%. Provides distribution instructions to ensure that additional taxes are used for public transportation and not as a property tax replacement distribution. Makes certain provisions pertaining to property levy freezes inapplicable to the additional tax rate.

Affected Code Section: Ind. Code § 6-3.5-1.1-29 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Provides that the additional tax rate to fund mass transit from Hancock and Johnson County may only apply to the taxpayers who reside in a township in which voters approve the local public question.

Affected Code Section: Ind. Code § 6-3.5-1.5-1 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Makes certain provisions pertaining to rate calculations for CAGIT or County Option Income Tax (COIT) not apply to an additional tax rate for mass transit.

Affected Code Section: Ind. Code § 6-3.5-6-18 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Adds funding a public transportation project to the list of acceptable uses of COIT revenue. Adds the requirement that a pledge of COIT revenues must have been for property tax relief or public safety.

Affected Code Section: Ind. Code § 6-3.5-6-26 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Adds the requirement that a pledge of COIT revenues must have been for property tax relief or public safety.

Affected Code Section: Ind. Code § 6-3.5-6-30 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Permits Delaware and Madison County to increase COIT to fund mass transit if approved by voters in a local public question. The increase can range from 0.1% to 0.25%. Provides distribution instructions to ensure that additional taxes are used for public transportation and not as a property tax replacement distribution. Makes certain provisions pertaining to property levy freezes inapplicable to the additional tax rate.

Affected Code Section: Ind. Code § 6-3.5-6-34 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Provides that the additional tax rate to fund mass transit from Delaware and Madison County may only apply to the taxpayers who reside in a township in which voters approve the local public question.

*Continued on page 19.  
See "Local Taxation."*



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# Tax Administration

Affected Code Section: Ind. Code § 6-8.1-4-4 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Permits the commissioner of the Department of State Revenue to deny or suspend certain vehicle permits if escort fees to the state police department are delinquent.

Affected Code Section: Ind. Code § 6-8.1-6-1 (amendment)

Effective Date: Jan. 1, 2015

Enacted By: House Bill 1380

Explanation: Provides that a person requesting an extension is not required to include any payment of tax along with the petition for extension, but must pay at least 90% of the tax that is reasonably expected to be due in order to avoid penalties. Provides that the Department of State Revenue shall grant an extension for the same period of a federal extension if an adjusted gross income taxpayer or financial institutions taxpayer petitions for it.

## Insider Insights



*KSM recently partnered with the Indiana Manufacturers Association (IMA) on the 2013 Indiana Manufacturing Survey, an annual taking-*

*of-the-temperature of manufacturers across Indiana. Given the tax-centric findings contained in this year's survey, we thought it would be enlightening to discuss the results of the survey, and other Indiana tax issues, with an expert in tax policy. With this goal in mind, we were fortunate that Tim Rushenberg, vice president of Governmental Affairs & Tax Policy for the IMA, agreed to share his insights with us.*

As a Hoosier native growing up in Elkhart, Indiana, Tim Rushenberg didn't map out a career for himself as a state and local tax guru. After all, an undergraduate degree from Indiana University - South Bend and a JD courtesy of Valparaiso University followed by four-plus years as an Air Force Judge Advocate isn't the customary roadmap to a career in tax.

Then, Tim got his first taste of state taxes when he became general counsel for the Department of Local Government Finance in the Daniels Administration. This baptism by fire forced Tim to learn property tax on the fly as he and Commissioner Cheryl Musgrave traveled the state, going courthouse to courthouse during reassessment. Soon after, his boss left to run for office, and Tim became the new commissioner, a post he held until 2010.

Now in his current role as the IMA's chief tax lobbyist, his vocation since 2012, Tim educates legislators on tax policy decisions. To keep abreast on how

businesses are thinking, Tim regularly solicits input from the IMA's membership to help inform the message he delivers.

All state and local tax inquiries, big and small, cross Tim's desk. Often, calls from members deal with tax audits. "A typical call involves a Department of Revenue audit question," Tim explains. "Our members find an auditor being too formalistic in their interpretation of a manufacturing exemption or other tax matter." Tim helps them navigate that process, or puts them in touch with someone who can.

Tim says audit snafus can become an epidemic if unguarded, but he is quick to praise the department's current administration, led by Commissioner Mike Alley. "They are open to suggestions on how to improve interactions with taxpayers. Any questions our members have, we forward to the department. They seem genuinely interested in what is happening."

As the discussion shifts to this year's manufacturing survey, we share with Tim a question posed to survey respondents: "What is the biggest impediment to growing your business?" Upon reminding him that "corporate tax policy" and "property taxes" were rated the two top obstacles, Tim isn't surprised. "The IMA conducted a survey of its board members last year, and taxes came out #1 there as well. Even over healthcare. As long as that's the case, I'll be able to keep my job," Tim jokes.

Despite concerns over taxes, Tim believes Indiana has taken a number of steps to make the state more competitive, listing change after change made to Indiana's tax code: elimination of the gross receipts, inventory and inheritance taxes; reduction of the corporate tax and individual tax rates; single sales factor

for income tax apportionment ... the list goes on. "Tax issues matter a lot to our members. These changes have been very positive."

When we ask Tim if there is more to be done, he quickly latches onto the 30% floor on personal property tax, the requirement that a company pays personal property tax on a minimum of 30% of its property cost, regardless of age or depreciation. "If this tax could be cut out, it would be great for Indiana businesses, especially those with old equipment."

The one time Tim recoils during our chat is when talking about the perception that Indiana businesses have gotten tax relief at the expense of local government funding. Case in point: the property tax caps passed during the Daniels Administration.

"Yes, tax caps bring predictability, and that is a good thing. But the 3% rate on business property is funding the 1% cap enjoyed by homeowners. With our neighboring states reducing or eliminating their taxes on business property, the 3% cap on business property puts us at a disadvantage."

To support his position, Tim cites a litany of manufacturing's attributes like an 8-year-old boy rattling off the batting averages of his favorite baseball players. "Indiana is the most manufacturing-intensive state in the country as 28% of our state's economic output comes from manufacturing. This output has grown more than 41% since 2009. More than 25% of our wages come from manufacturing, and 17% of the Indiana workforce is employed by manufacturers. Manufacturing is huge here. If it falls, so falls the Indiana economy."

A well-manufactured argument. ■



## Income Tax

*(Continued from page 5.)*

Affected Code Section: Ind. Code § 6-3.1-34.6-6 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Modifies the definition of a qualified vehicle for purposes of the tax credit for natural gas powered vehicles to require that the vehicle be purchased from a dealer located in Indiana.

Affected Code Section: Ind. Code § 6-3.1-34.6-10 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Modifies the annual cap to the tax credit for natural gas powered vehicles to be the lesser of \$3,000,000 or the sales and use tax collected on natural gas products. The former cap was the lesser of \$3,000,000 or the sales and use tax collected on alternative fuel.

Affected Code Section: Ind. Code § 6-3.1-34.6-12 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: House Bill 1180

Explanation: Adds additional procedural steps for persons placing a qualifying vehicle into service in order to claim the tax credit for natural gas powered vehicles, including receiving pre-approval from the Department of Revenue for the tax credit, notifying the department of the purchase or lease of a qualified vehicle, and submitting proof of the purchase or lease to the department. Allots the credit to taxpayers on a first-come-first-serve basis judged on when the application for pre-approval is submitted.

Application Note: As this change applies retroactively, taxpayers purchasing or leasing qualifying natural gas vehicles should apply as soon as possible in order to have the best chance of receiving a credit.

Affected Code Section: Ind. Code § 6-5.5-2-1 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 1

Explanation: Reduces the financial institutions income tax rate by continuing the stair-stepped reductions already in place. Upon completion of the reductions, the new rate will be lowered from 6.5% to 4.9%. This is accomplished through 0.25% reductions from 2019 to 2022 with a final reduction of 0.35% in 2023.

Application Note: As in prior years, the rate reduction for the financial institutions income tax follow the corporate income tax rate reduction. The financial institutions income tax rate will reach 4.9% two years after the corporate income tax rate.

Affected Code Section: Ind. Code § 6-5.5-2-7 (amendment)

Effective Date: Jan. 1, 2013 (retroactive)

Enacted By: House Bill 1206

Explanation: Extends the financial institutions tax exemption for insurance companies to include insurers subject to the newly-enacted \$2,500 tax on captive insurers.

Affected Code Section: Public Law 1215-2014, Section 1

Effective Date: July 1, 2014

Enacted By: House Bill 1215

Explanation: Requires the Commission on State Tax and Financing Policy to compare the effectiveness of tax credits to the grant programs in encouraging preservation and redevelopment of historic properties and report to the legislative council before Nov. 1, 2014. ■

## Development and Credits

*(Continued from page 7.)*

Affected Code Section: Ind. Code § 36-7-14-19, 36-7-14-20, & 36-7-14-22.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Makes various changes restricting redevelopment commissions from entering into agreements to acquire real property. Grants the power to enter into agreements to acquire real property to the legislative body of the

unit establishing the redevelopment commission.

Affected Code Section: Ind. Code § 36-7-14-25.1, 36-7-14-25.2, 36-7-14-43, & 36-7-14.5-22 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Makes various changes removing power from redevelopment commissions to enter issue or determine terms of bonds and granting the power to the legislative body of the unit establishing the redevelopment commission.

Affected Code Section: Ind. Code § 36-7-14-27 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval from the legislative body of the unit establishing the redevelopment commission before a redevelopment commission can levy a special tax on property within the redevelopment district.

Affected Code Section: Ind. Code § 36-7-14-27.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval from the legislative body of the unit establishing the redevelopment commission before a redevelopment commission can borrow money.

Affected Code Section: Ind. Code § 36-7-14-32.5 (repeal)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Removes language granting the power of eminent domain by a redevelopment commission.

Affected Code Section: Ind. Code § 36-7-14-39 & 36-7-14-46 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires a specific finding of fact that the adoption of the Tax Increment Financing (TIF) allocation

provision will result in new property taxes in the area that would not have been generated but for the adoption of the TIF allocation provision. Requires a redevelopment commission to submit a determination of excess assessed value to the legislative body of the unit establishing the redevelopment commission.

Affected Code Section: Ind. Code § 36-7-14-48 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires a redevelopment commission to submit a determination of excess assessed value to the legislative body of the unit establishing the commission.

Affected Code Section: Ind. Code § 36-7-14.5-7 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Subjects a redevelopment authority to audit by the State Board of Accounts, the public meetings law, and the public records law.

Affected Code Section: Ind. Code § 36-7-14.5-9 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires the secretary-treasurer of a redevelopment authority to report annually to the fiscal body of the legislative unit that established the redevelopment authority.

Affected Code Section: Ind. Code § 36-7-14.5-11 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Prohibits a redevelopment authority or any other entity established or controlled by a redevelopment authority from owning or leasing a single family residential unit after June 30, 2014.

Affected Code Section: Ind. Code § 36-7-14.5-13, 36-7-14.5-14, & 36-7-14.5-18 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval of the fiscal body of the unit establishing the redevelopment commission before the commission can lease or sell improvements to a redevelopment authority.

Affected Code Section: Ind. Code § 36-7-14.5-19 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval from the legislative body of the unit establishing the redevelopment authority before it can issue bonds.

Affected Code Section: Ind. Code § 36-7-14.5-21 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval from the fiscal body of the unit establishing the redevelopment authority before it can enter into a trust indenture.

Affected Code Section: Ind. Code § 36-7-15.1-3.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Makes the controller of a consolidated city the fiscal officer of the Marion County Redevelopment Commission. Grants powers to the controller to carry out his/her duties.

Affected Code Section: Ind. Code § 36-7-15.1-4.2 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Subjects the Marion County Redevelopment Commission to audit by the State Board of Accounts, the public meetings law, the public records law, and the public works law.

Affected Code Section: Ind. Code § 36-7-15.1-4.3 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Prohibits the Marion County Redevelopment Commission, Marion County Department of Redevelopment, or

any other entity established or controlled by a redevelopment commission or department of redevelopment from owning or leasing a single family residential unit after June 30, 2014.

Affected Code Section: Ind. Code § 36-7-15.1-12 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires prior approval from the legislative body of the unit establishing the Marion County Redevelopment Authority before it can enter into an agreement to make payments for a property purchase for a term exceeding five years.

Affected Code Section: Ind. Code § 36-7-15.1-26 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires a specific finding of fact that the adoption of the TIF allocation provision will result in new property taxes in the area that would not have been generated but for the adoption of the TIF allocation provision. Requires the Marion County Redevelopment Commission to submit a determination of excess assessed value to the legislative body of the unit that established it.

Affected Code Section: Ind. Code § 36-7-15.3-7 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Prohibits the Marion County Redevelopment Authority or any other entity established or controlled by a redevelopment authority from owning or leasing a single family residential unit after June 30, 2014.

Affected Code Section: Ind. Code § 36-7-15.3-8.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Subjects the Marion County Redevelopment Authority to audit by the state board of accounts, the public meetings law, the public records law, and the public works law.



Affected Code Section: Public Law 118-2014, Section 39

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Requires the Commission on State Tax and Financing Policy to study redevelopment commissions, authorities, and departments. Requires the Department of Local Government Finance to prepare a report on redevelopment commissions.

Affected Code Section: Public Law 118-2014, Section 40

Effective Date: July 1, 2014

Enacted By: Senate Bill 118

Explanation: Directs that events which occur after June 30, 2014, will receive application of the new law. The new law applies to obligations entered into after June 30, bonds with a resolution adopted after June 30, leases with a public hearing after June 30, and warrants issued after June 30. ■

### Property Tax

*(Continued from page 9.)*

Affected Code Section: Ind. Code § 6-1.1-12-26.2 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1046

Explanation: Provides an exemption for structures and foundations of a heritage barn, defined as barns constructed before 1950 that are no longer used for agricultural or other business purposes. Sets forth procedures for filing for the deduction. Permits a county to establish an annual public safety fee of up to \$50 for heritage barns.

Affected Code Section: Ind. Code § 6-1.1-12-37 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Permits active duty members of the armed forces who have been ordered to transfer to a location outside of Indiana who are otherwise eligible for the homestead deduction to qualify for the deduction for assessment dates after 2013. In order to qualify,

the taxpayer must submit a copy of the individual's transfer orders to the county auditor. Removes the homestead deduction if the property is leased while the taxpayer is serving outside of Indiana.

Affected Code Section: Ind. Code § 6-1.1-12.1-4.5 & 6-1.1-12.1-17 (amendment)

Effective Date: July 1, 2015

Enacted By: Senate Bill 1

Explanation: Adds a reference to the newly created 20-year super abatement provisions for personal property.

Affected Code Section: Ind. Code § 6-1.1-12.1-12.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 1

Explanation: Provides that a payment from a taxpayer on account of the taxpayer's failure to comply with a statement of benefits shall be distributed on a pro rata basis to taxing units using the preceding year's tax rate.

Affected Code Section: Ind. Code § 6-1.1-12.1-18 (addition)

Effective Date: July 1, 2015

Enacted By: Senate Bill 1

Explanation: Permits a designating body to establish an enhanced abatement schedule for business personal property for a statement of benefits approved after June 30, 2015. The abatement can last for up to 20 years as opposed to the prior cap of 10 years. Directs that, for purposes of the exemption, business personal property does not include mobile homes, property held as an investment, and property owned by a public utility. In order to qualify for the enhanced abatement, the property must be placed into service after the statement of benefits is approved and have not been previously used in Indiana. Requires the designating body to conduct a public hearing to review compliance with the statement of benefits after the 10<sup>th</sup> year of the abatement.

Application Note: This offers a substantial tool that localities can offer to incentivize a business's investment in personal

property, doubling the maximum term of the abatement from 10 to 20 years.

Affected Code Section: Ind. Code § 6-1.1-16-1 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 420

Explanation: Requires a township assessor to make a change in assessed value and give notice of the change on or before the later of September 15 of the year for which the assessment is made or four months after the filing date of the personal property tax return, rather than four months after May 15. Requires a county assessor or PTABOA to make a change in assessed value and give notice of the change on or before the later of Oct. 30 of the year for which the assessment is made or five months after the filing date of the personal property tax return, rather than five months after May 15. Requires the Department of Local Government Finance to make a preliminary change in assessed value and give notice of the change on or before the later of Oct. 1 of the year following the year in which the assessment is made or 16 months after the filing date of the personal property tax return, rather than 16 months after May 15.

Affected Code Section: Ind. Code § 6-1.1-15-17.2 (amendment)

Effective Date: Upon passage

Enacted By: Senate Bill 266

Explanation: Clarifies that, in determining the prior year's assessment for purposes of the burden of proof shift for 5% assessed value increases, the assessment to be used is the original assessment or the assessment as last corrected by an assessing official, as stipulated or settled by the taxpayer and the assessing official, or as determined by a reviewing authority. Provides that taxpayers may introduce evidence to prove the correct assessment if the assessor fails to meet the burden of proof. If neither party introduces evidence, then the assessment reverts to the prior tax year's assessment. Adds that this section does not apply to an assessment subject to review or appeal





is based on structural improvements, zoning, or uses not considered in the prior year. Except for properties using the income approach, the burden of proof will be on the assessor for properties which received an assessed value decrease as a result of a prior year appeal if the gross assessed value is increased in the next year. Clarifies that this section applies to all appeals pending on the effective date of the statute and all future appeals.

Affected Code Section: Ind. Code § 6-1.1-18.5-3 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Adds the requirement that a local option income tax must have been imposed or increased to provide property tax relief in a county in order for the caps to the permissible ad valorem property tax levy to apply to the underlying civil taxing unit.

Affected Code Section: Ind. Code § 6-1.1-18.5-13.7 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Makes permanent the ability for Fairfield Township in Tippecanoe County to request an adjustment in its maximum permissible property tax levy.

Affected Code Section: Ind. Code § 6-1.1-20.6-4 (amendment)

Effective Date: Jan. 1, 2014 (retroactive)

Enacted By: Senate Bill 367

Explanation: Enlarges the definition of "residential property" for purposes of the credit for excessive property taxes to include a single family dwelling under construction and up to one acre of land on which the dwelling is located. Clarifies that the term does not include a commercial hotel, motel, inn, tourist camp or tourist cabin.

Affected Code Section: Ind. Code § 6-1.1-21.4-2 & 6-1.1-21.4-3 (amendment)

Effective Date: Upon passage

Enacted By: Senate Bill 367

Explanation: Enlarges the definition of "eligible school corporation" for purposes

of qualifying for rainy day fund loans to include a school corporation that had a loan from the counter-cyclical revenue and economic stabilization fund denied in Oct. 2013, provided that a referendum tax levy is not passed. Sets terms and conditions for making the loan to the school corporation.

Affected Code Section: Ind. Code § 6-1.1-22-8.1 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1234

Explanation: Modifies the time in which county treasurers must mail property tax statements from 15 days before the first payment is due to 15 business days before the first payment is due.

Affected Code Section: Ind. Code § 6-1.1-22.6-26.7 (addition)

Effective Date: Upon passage

Enacted By: House Bill 1234

Explanation: Provides that a school corporation in LaPorte County may transfer up to 20% of the school's 2014 certified debt service fund budget from the debt service fund to the rainy day fund.

Affected Code Section: Ind. Code § 6-1.1-24-1 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Adds properties with delinquent penalties, fees, or interest to the list of properties to be certified by the county treasurer to the county auditor for tax sales.

Affected Code Section: Ind. Code § 6-1.1-24-1.2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Provides that a subsequent arrangement can be entered into between a county treasurer and taxpayer if a taxpayer fails to abide by the agreement made between the taxpayer and the county treasurer to remove a tract from a tax sale.

Affected Code Section: Ind. Code § 6-1.1-25-2 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 249

Explanation: Changes interest rates associated with redemption of a property as part of a property tax sale. Raises the rate imposed on the amount by which the purchase price exceeds the minimum bid on the property from 5% to 10% for sales occurring before July 1, 2014. Reduces the rate imposed on the amount of taxes and special assessment paid by the purchaser after the sale from 10% to 5% for sales occurring before July 1, 2014.

Affected Code Section: Ind. Code § 6-1.1-28-1 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1234 & Senate Bill 421

Explanation: Allows a county council to waive the requirement that a PTABOA member be a Level II or Level III assessor-appraiser. Prohibits assessor employees and contracted appraisers from serving as PTABOA members in the county in which they are employed.

Affected Code Section: Ind. Code § 6-1.1-35.7-1 to 6-1.1-35.7-7 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1234 & Senate Bill 421

Explanation: Provides that assessors, assessor employees, and contracted appraisers must adhere to the Uniform Standards of Professional Appraisal Practice and other standards of conduct in performing their duties. Provides procedures for revoking the certification of an assessor, assessor employee, or contracted appraiser for up to three years if there is gross incompetence in performing an assessment. Codifies the definition of tax representative and sets forth standards of conduct. Provides procedures for revoking the certification of a tax representative for violating rules of practice, gross incompetence in practice, violations of the standards of ethics, and dishonesty, fraud, material deception, or breach of fiduciary duty.



Affected Code Section: Ind. Code § 6-1.1-36-17 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 249

Explanation: Directs that, in addition to notifying the county treasurer of the determination, a county auditor finding that a property is not eligible for a standard deduction is to make a notation on the tax duplicate of his/her finding and record a notice of an ineligible homestead lien. Provides that additional tax and penalties from removing the standard deduction are imposed for property taxes from an assessment date occurring before the earlier of the date of the notation on the tax duplicate or the date a notice of an ineligible homestead lien is recorded with the county recorder. Provides a mechanism to release the lien.

Affected Code Section: Ind. Code § 6-1.1-37-7 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 1

Explanation: Adds a penalty of \$25 for taxpayers who fail to timely file an annual certification of qualification for exemption in counties that pass an ordinance exempting business personal property with an acquisition cost of less than \$20,000.

Affected Code Section: Ind. Code § 36-7-14.2-1 to 36-7-14.2-2 (addition)

Effective Date: July 1, 2015

Enacted By: Senate Bill 1

Explanation: Directs that, for counties that pass an ordinance exempting business personal property with an acquisition cost of less than \$20,000, property tax rates must be calculated by including the assessed value of the exempted property in the base assessed value.

Affected Code Section: Public Law 288-2013, Section 75 (amendment)

Effective Date: Upon Passage

Enacted By: House Bill 1027

Explanation: Provides retroactive exempt treatment to certain parcels meeting specific definitions.

Affected Code Section: Public Law 1380-2014, Section 33 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Directs the Department of Local Government Finance to increase the 2015 maximum permissible ad valorem property tax levy for Washington Township in Hamilton County by up to \$85,000. ■

### **Other and Unclaimed Property**

*(Continued from page 10.)*

Affected Code Section: Ind. Code § 6-7-1-37 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Requires all reports required to be filed for the cigarette tax to be filed electronically and all payments of tax to be paid electronically.

Affected Code Section: Ind. Code § 6-7-2-12 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Requires all reports required to be filed for the tobacco products tax to be filed electronically and all payments of tax to be paid electronically.

Affected Code Section: Ind. Code § 6-9-17-5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Modifies the composition of the Madison County visitor and convention commission to include a member engaged in the tourism and hospitality industry rather than in the travel business.

Affected Code Section: Ind. Code § 27-1-2-2.3 (addition)

Effective Date: Jan. 1, 2013 (retroactive)

Enacted By: House Bill 1206

Explanation: Requires a captive insurer doing business in Indiana to register with the Commissioner of Insurance and pay a tax of \$2,500 for each calendar year beginning in 2013. Defines a "captive insurer" for purposes of this

section to include a foreign or alien insurance company that is supervised in another jurisdiction, owned by a person conducting business in Indiana, established with the purpose of insuring property and casualty risks of certain related entities, and having not written more than \$2,000,000 of annual premiums. Provides that the tax is due July 1, 2014, for the 2013 calendar year and by April 15 for following years. Directs that a captive insurer subject to tax under this section shall not be subject to any license fee, privilege tax or other tax by the state or a political subdivision of the state except for the \$2,500 tax and property taxes.

Affected Code Section: Ind. Code § 32-34-1-9.1 & 32-34-1-30.1 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 208

Explanation: Adds a definition of "interest bearing property," including interest bearing checking accounts, savings accounts, certificates of deposit, and money market accounts. Provides that owners of "interest bearing property" submitted to the attorney general as unclaimed property are entitled to receive interest accruing after the day of payment or delivery. Provides a mechanism to calculate interest based on an average commercial interest rate as determined by the Weekly National Rates and Rate Caps index published by the FDIC or any other index selected by the attorney general. Requires the attorney general to disclose the interest rate used. Permits the owner to receive additional interest if the owner establishes that the property could have earned a higher rate under the owner's custody.

Affected Code Section: Ind. Code § 32-34-1-27 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 208

Explanation: Reduces the timing in which property in a safe deposit box must be delivered to the attorney general after filing an unclaimed property report from

no less than 120 days to no more than 30 days.

Affected Code Section: Ind. Code § 71-4-6-3.5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 367

Explanation: Requires returns for alcohol excise taxes to be filed in an electronic format and all payments of tax to be paid electronically. ■

### Local Taxation

*(Continued from page 11.)*

Affected Code Section: Ind. Code § 6-3.5-7-5 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Limits the application of rules pertaining to County Economic Development Income Tax (CEDIT) imposition to counties approving the use of the certified distribution for property tax relief or for public transportation projects.

Affected Code Section: Ind. Code § 6-3.5-7-5.5 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Provides that the additional CEDIT tax rate in Hamilton and Marion County for mass transit is not subject to certain limitations relating to increased property taxes on homesteads or residential property.

Affected Code Section: Ind. Code § 6-3.5-7-8.1 (addition)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Provides a credit against the CEDIT for taxes paid to a county, city, town or other local governmental entity located outside Indiana. Provides that the credit is limited to the amount of tax imposed on income earned outside of Indiana and subject to CEDIT. Denies the credit to the extent that the taxpayer is afforded a credit by the other governmental entity for CEDIT. Directs that the taxpayer must provide sufficient

evidence of eligibility in order to claim the credit.

Application Note: Although the effective date of the statute is July 1, 2014, it applies to taxable years beginning in 2015.

Affected Code Section: Ind. Code § 6-3.5-7-26 (amendment)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Makes COIT taxes imposed to fund public transportation projects subject to rules pertaining to the additional tax rate to replace lost revenue resulting from granting a homestead credit or residential property tax replacement credit. Makes certain sections inapplicable to counties adopting a mass transit ordinance. Permits Hamilton and Marion County to increase CEDIT to fund mass transit if approved by voters in a local public question. The increase can range from 0.1% to 0.25%. Provides distribution instructions to ensure that additional taxes are used for public transportation and not as a property tax replacement distribution.

Affected Code Section: Ind. Code § 6-3.5-7-29 (addition)

Effective Date: July 1, 2014

Enacted By: Senate Bill 176

Explanation: Provides that the additional tax rate to fund mass transit from Hamilton and Marion County may only apply to the taxpayers who reside in a township in which voters approve the local public question.

Affected Code Section: Ind. Code § 6-9-2-4 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Directs the Lake County Convention and Visitors Bureau to publish a budget on the Department of Local Government Finance's website.

Affected Code Section: Ind. Code § 6-9-2.5-7.5 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Delays the date on which the Vanderburgh County treasurer must increase the contribution to the tourism capital improvement fund from 3.5% to 4.5% from 2015 to 2020.

Affected Code Section: Ind. Code § 6-9-2.5-7.7 (amendment)

Effective Date: July 1, 2014

Enacted By: House Bill 1380

Explanation: Delays the date on which the Vanderburgh County treasurer must decrease the contribution to the convention center operating fund from 2% to 1% from 2015 to 2020. ■

## Our People: Your Success

# KSM's State & Local Tax Practice

The only taxes more burdensome than federal taxes are state and local ones. In fact, state and local taxes make up more than half of your company's tax liability. The more taxes you pay, the more likely it is you're paying too much. This is where Katz, Sapper & Miller's State and Local Tax Practice can help.

The professionals in our State and Local Tax Practice are knowledgeable, experienced and dedicated to finding new ways to reduce your tax burden. From sales tax exemptions to investment tax credits, tax-saving opportunities are everywhere. We can identify these opportunities and show you how to apply them to your individual situation. The result: a better bottom line.

We have experience in the following areas:

### **Multistate Tax**

Our multistate practice has the experience to guide you through the complexities of issues that emerge in all 50 states. We have assisted companies in every facet of compliance and consulting, including performing complex restructurings, nexus studies, refund studies, voluntary disclosure, restructurings, audit defense, training and other compliance assistance.

### **Economic Development**

KSM Economic Development, part of the Katz, Sapper & Miller Network, has worked with clients in more than 30 states, assisting with the site selection process as well as the negotiation of economic development programs, including refundable tax credits and cash grants for employee training.

### **Property Tax**

Our property tax experts assist companies in every facet of property tax compliance and consulting, including property valuation, assessment challenges/negotiations, compliance solutions, audit defense and fixed asset analysis. We use this experience to help you minimize exposure and identify refund opportunities in any jurisdiction.

### **Unclaimed Property**

In this emerging area, our relationships with key decision-making personnel in states help reduce look-back periods and minimize penalties and interest for companies coming into compliance. During audits, these relationships, plus our in-depth experience with unclaimed property, help us identify methods to reduce your assessment. Additionally, our technical knowledge about unclaimed property can improve the way you file reports.