TITLE 50 DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Proposed Rule
LSA Document #09-576

DIGEST

Adds 50 IAC 4.2-1-1.1 to include definitions to be used throughout 50 IAC 4.2. Amends 50 IAC 4.2-1-3 to include types of personal property which are assessed and the proper for to capture the assessment of that property. Amends 50 IAC 4.2-1-5 to include the address for the Department. Amends 50 IAC 4.2-2-3 to clarify that township assessor or county assessor may grant extension. Adds 50 IAC 4.2-2-3.1 to allow a taxpayer to file a single return with the county assessor if certain criteria are met. Adds 50 IAC 4.2-2-5.1 regarding the filing of an amended personal property tax return. . Amends 50 IAC 4.2-2-7 to change the threshold amount requiring the filing of a duplicate return from fifteen thousand dollars ($15,000) to one hundred and fifty thousand dollars ($150,000), and amends the manner in which the township assessor forwards the return to the county assessor and the manner in which the county assessor reviews the returns. Amends 50 IAC 4.2-2-8 to change the ceiling on assessed value of property to be filed on Form 103-Short Form from fifteen thousands dollars ($15,000) to one-hundred and fifty thousand dollars ($150,000). Amends 50 IAC 4.2-2-9 to include an updated list of personal property return form numbers and descriptions. Amends 50 IAC 4.2-2-10 to state that claims for deductions, exemptions, abnormal obsolescence, and permanently retired equipment and mathematical errors on the face of the return do not count toward the 5% undervaluation with regards to penalties, and to remove provisions regarding late payment penalties. Amends to remove the explanation of the purpose of the penalties, definitions of exemptions, allowable adjustment, and mandatory adjustments, and an example of the application of late filing penalties. Adds 50 IAC 4.2-3.1-1 for the process of assessor review. Adds 50 IAC 4.2-3.1-2 regarding the examination of property. Adds 50 IAC 4.2-3.1-3 regarding the conversion of property. Adds 50 IAC 4.2-3.1-4 regarding the delivery of personal property lists. Adds 50 IAC 4.2-3.1-5 regarding the changed of assessed value and notice. Adds 50 IAC 4.2-3.1-6 regarding the examination of property. Adds 50 IAC 4.2-3.1-7 regarding the direct review of assessment by County Property Tax Assessment Board of Appeals. Adds 50 IAC 4.2-1.1-8 regarding direct review by the Department. Adds 50 IAC 4.2-3.1-9 regarding the final determination of the Department. Adds 50 IAC 4.2-3.1-10 regarding the appeal of assessments. Amends 50 IAC 4.2-4-2 to remove effective date of Internal Revenue Code, and removes the number and description of a form. Amends 50 IAC 4.2-4-4 to include examples of items included on federal tax return that are in Pool No. 1 pursuant to 50 IAC 4.2-4-5, and expensed items that are not included in Pool No.1, and amends the manners of obtaining sources for computation of adjusted cost. Amends 50 IAC 4.2-4-5 to remove an example. Amends 50 IAC 4.2-4-6 to remove an example of determination of acquisition year. Adds 50 IAC 4.2-4-9.1 regarding election of valuation method for special integrated steel mills and oil refineries/petrochemical equipment. Amends 50 IAC 4.2-4-10 to remove language stating certain property to be treated as tangible personal property, and to make adjustments to the real and personal property guide. Adds 50 IAC 4.2-5-1.1 to state that inventory is not subject to assessment. Amends 50 IAC 4.2-6-3 to correctly reference the definition for personal property. Amends 50 IAC 4.2-6-5 to specify township and county assessor duties. Adds 50 IAC 4.2-6-6 for the reporting of critical spare parts. Amends 50 IAC 4.2-7-1 to remove an example. Amends 50 IAC 4.2-8-6 to replace the county board of review with the property tax assessment board of appeals. Amends 50 IAC 4.2-9-3 to remove a reference to the valuation of inventory. Amends 50 IAC 4.2-9-4 to remove a reference to 50 IAC 4.2-5-14. Amends 50 IAC 4.2-9-6 to remove a reference to the valuation of inventory. Amends 50 IAC 4.2-9-7 to require that an adjustment must indicate that the market value was established in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP). Amends 50 IAC 4.2-10-1 to replace interstate motor truck carriers with buslines. Amends 50 IAC 4.2-10-2 to remove an example. Adds 50 IAC 4.2-10-3.1 to provide for the allocation and true tax value of a commercial busline. Amends 50 IAC 4.2-10-4 to replace interstate motor truck carriers with the buses of commercial buslines used and operated in interstate commerce. Amends 50 IAC 4.2-10-5 to replace interstate motor truck carriers with the buses of commercial buslines used and operated in interstate commerce. Adds 50 IAC 4.2-11.1-1 regarding an exemption for a stationary or unlicensed mobile air pollution control system. Adds 50 IAC 4.2-11.1-2 regarding an exemption for an industrial waste control facility. Adds 50 IAC 4.2-11.1-3 establishing the appeal procedure from a determination of the department of environmental management with regards to an industrial waste facility. Adds 50 IAC 4.2-11.1-4 establishing the appeal procedure from action taken by an assessor on an exemption claim under 50 IAC 4.2-11.1-4. Adds 50 IAC 4.2-11.1-5 for the waiver of an exemption. Adds 50 IAC 4.2-11.1-6 with regards to personal property in an Economic Revitalization Area. Adds 50 IAC 4.2-11.1-7 to provide for the waiver of noncompliance with regards to an Economic Revitalization Area. Adds 50 IAC 4.2-11.1-8 for enterprise zone investment deduction primary definitions. Adds 50 IAC 4.2-11.1-9 establishing enterprise zone investment deduction filing requirements and provisions for extension of time to file

and late filings. Adds 50 IAC 4.2-11.1-10 establishing the amount of the enterprise zone investment deduction. Adds 50 IAC 4.2-11.1-11 establishing the review and appeal procedures to an enterprise zone investment deduction. Adds 50 IAC 4.2-14-1.1 providing for the use of principal business activity codes. Amends 50 IAC 4.2-15-1 to remove discussion of previously issued directives and to remove reference to sections no longer in 50 IAC 4.2-15. . Amends 50 IAC 4.2-15-7 to limit its scope to marketing equipment of refined petroleum products. Amends 50 IAC 4.2-15-14 to update the interest rate schedule and remove examples. Makes numerous technical changes to 50 IAC 4.2-2-1, 50 IAC 4.2-4-1, 50 IAC 4.2-4-3, 50 IAC 4.2-7-2, 50 IAC 4.2-8-1, 50 IAC 4.2-8-3, 50 IAC-4.2-8-4. 50 IAC 4.2-8-7, and 50 IAC 4.2-15-8. Repeals 50 IAC 4.2-1-1, 50 IAC 4.2-1-7, 50 IAC 4.2-2-6, 50 IAC 4.2-2-11, 50 IAC 4.2-3-1, 50 IAC 4.2-3-2, 50 IAC 4.2-3-3, 50 IAC 4.2-3-4, 50 IAC 4.2-3-5, 50 IAC 4.2-3-6, 50 IAC 4.2-3-7, 50 IAC 4.2-3-8, 50 IAC 4.2-3-9, 50 IAC 4.2-3-10, 50 IAC 4.2-3-11, 50 IAC 4.2-3-12, 50 IAC 4.2-3-13, 50 IAC 4.2-3-14, 50 IAC 4.2-5-2, 50 IAC 4.2-5-3, 50 IAC 4.2-5-4, 50 IAC 4.2-5-5, 50 IAC 4.2-5-6, 50 IAC 4.2-5-8,50 IAC 4.2-5-9, 50 IAC 4.2-5-10, 50 IAC 4.2-5-11, 50 IAC 4.2-5-12,50 IAC 4.2-5-14, 50 IAC 4.2-5-15, 50 IAC 4.2-10-3, 50 IAC 4.2-11-1, 50 IAC 4.2-11-2, 50 IAC 4.2-11-3, 50 IAC 4.2-11-4, 50 IAC 4.2-11-5, 50 IAC 4.2-11-6,50, IAC 4.2-11-7, 50 IAC 4.2-11-8, 50 IAC 4.2-11-9, 50 IAC 4.2-11-10, 50 IAC 4.2-12-1, 50 IAC 4.2-12-2, 50 IAC 4.2-12-3, 50 IAC 4.2-12-4,50 IAC 4.2-12-5,50 IAC 4.2-12-6, 50 IAC 4.2-12-7,50 IAC 4.2-12-8,50 IAC 4.2-12-9, 50 IAC 4.2-12-10, 50 IAC 4.2-12-11, 50 IAC 4.2-12-12, 50 IAC 4.2-14-1, 50 IAC 4.2-15-2, 50 IAC 4.2-15-3, 50 IAC 4.2-15-5, 50 IAC 4.2-15-6, 50 IAC 4.2-15-9, 50 IAC 4.2-15-10, 50 IAC 4.2-15-11, 50 IAC 4.2-15-12,and 50 IAC 4.2-15-13. Effective 30 days after filing with the Publisher.

50 IAC 4.2-1-1; 50 IAC 4.2-1-1.1; 50 IAC 4.2-1-2; 50 IAC 4.2-1-3; 50 IAC 4.2-1-4; 50 IAC 4.2-1-5; 50 IAC 4.2-1-6; 50 IAC 4.2-1-7; 50 IAC 4-2-2-1; 50 IAC 4.2-2-3; 50 IAC 4.2-2-3.1; 50 IAC 4.2-2-4; 50 IAC 4.2-2-5; 50 IAC 4.2-2-5.1; 50 IAC 4.2-2-6; 50 IAC 4.2-2-7; 50 IAC 4.2-2-8; 50 IAC 4.2-2-9; 50 IAC 4.2-2-10; 50 IAC 4.2-2-11; 50 IAC 4.2-3-1; 50 IAC 4.2-3.1; 50 IAC 4.2-3-2; 50 IAC 4.2-3-3; 50 IAC 4.2-3-4; 50 IAC 4.2-3-5; 50 IAC 4.2-3-6; 50 IAC 4.2-3-7; 50 IAC 4.2-3-8; 50 IAC 4.2-3-9; 50 IAC 4.2-3-10; 50 IAC 4.2-3-11; 50 IAC 4.2-3-12; 50 IAC 4.2-3-13; 50 IAC 4.2-3-14; 50 IAC 4.2-4-1; 50 IAC 4.2-4-2; 50 IAC 4.2- 4-3; 50 IAC 4.2-4-4; 50 IAC 4.2-4-5; 50 IAC 4.2-4-6; 50 IAC 4.2-4-8; 50 IAC 4.2-4-9.1; 50 IAC 4.2-4-10; 50 IAC 4.2-5-1; 50 IAC 4.2-5-1.1; 50 IAC 4.2-5-2; 50 IAC 4.2-5-3; 50 IAC 4.2-5-4; 50 IAC 4.2-5-5; 50 IAC 4.2-5-6; 50 IAC 4.2-5-8; 50 IAC 4.2-5-9; 50 IAC 4.2-5-10; 50 IAC 4.2-5-11; 50 IAC 4.2-5-12; 50 IAC 4.2-5-14; 50 IAC 4.2-5-15; 50 IAC 4.2-6-3; 50 IAC 4.2-6-5; 50 IAC 4.2-6-6; 50 IAC 4.2-6-7.1; 50 IAC 4.2-7-2; 50 IAC 4.2-8-1; 50 IAC 4.2-8-3; 50 IAC 4.2-8-4; 50 IAC 4.2-8-6; 50 IAC 4.2-8-7; 50 IAC 4.2-9-3; 50 IAC 4.2-9-4; 50 IAC 4.2-9-6;50 IAC 4.2-9-7; 50 IAC 4.2-10-1; 50 IAC 4.2-10-2; 50 IAC 4.2-10-3; 50 IAC 4.2-10-3.1; 50 IAC 4.2-10-4; 50 IAC 4.2-10-5; 50 IAC 4.2-11-1; 50 IAC 4.2-11-1.1; 50 IAC 4.2-11-2; 50 IAC 4.2-11-3; 50 IAC 4.2-11-4; 50 IAC 4.2-11-5; 50 IAC 4.2-11-6; 50 IAC 4.2-11-7; 50 IAC 4.2-11-8; 50 IAC 4.2-11-9; 50 IAC 4.2-11-10; 50 IAC 11.1; 50 IAC 4.2-12-1; 50 IAC 4.2-12-2; 50 IAC 4.2-12-3; 50 IAC 4.2-12-4; 50 IAC 4.2-12-5; 50 IAC 4.2-12-6; 50 IAC 4.2-12-7; 50 IAC 4.2-12-8; 50 IAC 4.2-12-9; 50 IAC 4.2-12-10; 50 IAC 4.2-12-11; 50 IAC 4.2-12-12; 50 IAC 4.2-14-1; 50 IAC 4.2-14-1.1; 50 IAC 4.2-15-1; 50 IAC 4.2-15-2; 50 IAC 4.2-15-2; 50 IAC 4.2-15-3; 50 IAC 4.2-15-5; 50 IAC 4.2-15-6; 50 IAC 4.2-15-7; 50 IAC 4.2-15-8; 50 IAC 4.2-15-9; 50 IAC 4.2-15-10; 50 IAC 4.2-15-11; 50 IAC 4.2-15-12; 50 IAC 4.2-15-13; 50 IAC 4.2-15-14

SECTION 1. 50 IAC 4.2-1-1.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-1-1.1 Primary definitions
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1

Sec. 1.1. (a) The definitions in this section apply throughout this article.

(b) "Assessed value" or "valuation" means an amount equal to the true tax value of property rounded to the nearest ten dollars ($10).

(c) "Assessing official" means

(1) a township assessor , if any;

(2) a county assessor; or

(3) a member of a county property tax assessment board of appeals.

(d) "Assessment date" means March 1.

(e) "Construction in process" means tangible personal property not "placed in service." It includes tangible personal property which has not been depreciated and is not yet eligible for federal income tax depreciation under the Internal Revenue Code. It does not include inventory, special tools, leased property, or returnable containers.

(f) "Critical spare parts" means parts that are maintained for possible future replacement of parts in use in

operating equipment. Critical spare parts are maintained on site, sometimes for a considerable period of time, to avoid a disruption of production if replacement of a failed part cannot otherwise be made immediately.

(g) "Depreciable personal property" means all personal property as defined in subsection (k), that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article.

(h) "Filing date" means the May 15 date on which every person owning, holding, possessing, or controlling tangible personal property with a tax situs within the state of Indiana as of March 1 of any year is required to file a personal property tax return unless an extension of time to file is obtained. If the filing date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the filing date.

(i) "Inventory" means:

(1) materials held for processing or for use in production;

(2) finished or partially finished goods of a manufacturer or processor;

(3) property held for sale in the ordinary course of trade or business; and

(4) items that qualify as inventory under 50 IAC 4.2-5-1.

The term excludes items which are or should be subject to federal tax depreciation and which are or should be reported for Indiana property tax purposes at cost per 50 IAC 4.2-2-2 in Pool 1 (50 IAC 4.2-4-5) including:

(A) Rent to own assets;

(B) DVD, CD, and video games held for rent; and

(C) Equipment held for rent that is fully expensed in its first year.

(j) "Non-substantial compliance" means a tax return that:

(1) omits five percent (5%) or more of the cost per books of the tangible personal property at the location in the taxing district for which a return is filed;

(2) omits leased property and other non-owned personal property assessable under 50 IAC 4.2-2-4(b) where such omitted property exceeds five percent (5%) of the total assessed value of all reported personal property; or

(3) is filed with the intent to evade personal property taxes or assessment.

(k) "Original personal property return" means a personal property tax return filed with the proper assessing official by May 15, or if an extension is granted, the extended filing date.

(l) "Personal property":

(1) has the meaning set forth in 6-1.1-1-11; and

(2) also includes non-automotive equipment attached to excise vehicles.

(m) "Personal property and real property guide" means a listing of items of machinery, equipment, or structures as to their assessability as real or personal property for Indiana assessment purposes. Generally, if the item is directly used for manufacturing or a process of manufacturing it is to be considered as personal property. If the item is land or a building improvement it is to be considered as real property.

(n) "Placed in service" means the asset is ready and available for a specific use whether in a trade or business, the production of income, or a tax exempt activity. An asset is assessed until it is retired from service. An asset is retired property from service when it is permanently withdrawn from use by the following events:

(1) sell or exchange of the property;

(2) conversion to personal use;

(3) abandonment;

(4) transfer to a supply or scrap account; or

(5) property is destroyed.

(o) "Special tools" means depreciable tangible personal property acquired or made for the production of products or product models that are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Special tools include, but are not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns. Depreciable tangible personal property shall qualify as special tools only if assigned a special tools asset class from Appendix B of IRS Publication 946 and depreciated as special tools for federal tax purposes. Those items of special tools being manufactured or built for sale or lease to another person should be treated as inventory.

(p) "State board of tax commissioners" means the department of local government finance.

(q) "Tax rate" means a tax rate that is levied at a rate of tax per one hundred dollars ($100) of assessed valuation by each taxing district.

(r) "Tax payment date" means property taxes that are based on the amount of the March 1 assessment for a given year and are due in two (2) equal installments on May 10 and November 10 of the following year. If any due date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the due date.

(s) "Taxing district" means an area within a township having tax levies and rates different from the tax levies and rates in other areas within the same township.

(t) "True tax value" as used in this article means the resultant value of property determined in accordance with the rules issued by the department, exclusive of those portions of the rules related to determining assessed value. *(Department of Local Government Finance; 50 IAC 4.2-1-1.1)*

SECTION 2. 50 IAC 4.2-1-2 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-1-2 Powers and duties of state board of tax commissioners
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 2. The ~~state board of tax commissioners~~ **department of local government finance** (hereafter ~~state board~~ **department)** is responsible under Indiana law for promulgating rules, appraisal manuals, bulletins, directives, returns, and forms to govern the assessment of personal property subject to the ad valorem (tax on value) property tax. Duly appointed personnel of the ~~state board~~ **department** have the responsibility for holding hearings and recommending changes in the assessment of the taxpayer's property. The ~~state board~~ **department** may reconsider the evidence submitted at the original hearing or consider additional information submitted subsequent to the original hearing. The ~~state board~~ **department** has the administrative authority to determine the final assessment of personal property. *(Department of Local Government Finance; 50 IAC 4.2-1-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 819, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 3. 50 IAC 4.2-1-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-1-3 All property taxable
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1; Article 10, Section 1 of the Indiana Constitution

Sec. 3. ~~(a)~~ **Unless specifically exempted by law, generally,** all property shall be taxed as personal property, real ~~estate~~ **property**, public utility, commercial vessel, mobile home, motor vehicle excise, aircraft excise, intangible or subject to **the** bank tax act. ~~unless specifically exempted by law.~~

~~(b) Types of personal property which are assessed and the form prescribed in 50 IAC 2-9 to capture the assessment of that property:~~

~~Property~~	~~Taxpayer~~	~~Form No.~~
~~Vehicles: trailers, RV's, snowmobiles, etc.~~	~~Individual~~	~~101~~
~~Boats and boat equipment~~		
~~Farm implements and equipment~~		
~~Livestock and poultry~~	~~Farmer~~	~~102~~
~~Grain~~		
~~Inventories~~	~~Commercial and Industrial~~	~~103~~
~~Depreciable assets~~		

~~Inventories~~ ~~)~~
~~Depreciable assets~~ ~~) Public utility~~ ~~1~~
(Department of Local Government Finance; 50 IAC 4.2-1-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 4. 50 IAC 4.2-1-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-1-4 Amendments to rules
Authority: IC 6-1.1-31-1
Affected: IC 4-22-2; IC 6-1.1-32-8

Sec. 4. This article may be amended in whole or in part at the discretion of the ~~state board~~ **department.** The procedure for the amendment is specified in IC 4-22-2 and IC 6-1.1-32-8, which ~~provides~~ **provide** as follows:

(1) ~~Notice.~~ A notice shall be published in a newspaper of general circulation printed and published in Marion County, Indiana, ~~and after July 1, 1978~~ in the Indiana Register at least twenty-one (21) days prior to the date set for a hearing which states the time and place of said hearing and will indicate the subject matter of the ~~rule(s) or amendment(s)~~ **rules or amendments.** In addition to the notice as prescribed above, copies of such ~~proposal(s)~~ **proposals** shall be forwarded to the members of the advisory council, all duly elected members of the Indiana General Assembly, and to all county and township assessors not serving as members on the advisory council, together with any supporting data or statistical matter, at least twenty-one (21) calendar days prior to the public hearing required by law to be held on the same. Members of the advisory council shall, before or at the public hearing, make their views known in writing to the ~~state board~~ **department,** with respect to such proposals. All commentary, opinions, judgments, and similar statements made by members of the advisory council shall be public records, and shall be maintained as such by the ~~state board~~ **department.**

(2) ~~Availability of copies of proposed amendment.~~ Five (5) copies of the proposed amendment shall be on file in the office of the ~~state board~~ **department** in Indianapolis and two (2) copies shall be delivered to the legislative council, after the notice pursuant to subdivision (1) is given, for any interested party to review.

(3) ~~Hearing.~~ A hearing will be held on the date indicated in the notice to provide any interested party or attorney for any interested party an opportunity to present facts, arguments, views, or written data relevant to the proposed amendments.

(4) ~~Approval.~~ Six (6) copies of the rule(s) or amendment(s) will be submitted to the attorney general for approval as to legality, and when so approved, to the governor for approval.

(5) ~~Effective.~~ The original and one (1) copy of the approved amendments must be filed with the secretary of state and one (1) duplicate approved copy must be filed with legislative council. The rule or amendment shall be effective thirty (30) days from the date and time filed with the secretary of state. *(Department of Local Government Finance; 50 IAC 4.2-1-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 5. 50 IAC 4.2-1-5 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-1-5 Instructional bulletins
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-35-1

Sec. 5. (a) ~~Issuance.~~ The ~~state board~~ **department** may issue instructional bulletins. The instructional bulletins, designated ~~I-8~~ **0** 9-1, ~~I-8~~ **0** 9-2, etc., ~~will be utilized~~ **are used** to instruct taxing officials of their duties and provide administrative forms to be used by taxpayers, local and county officials as required by the various rules of the ~~state board~~ **department**. These instructional bulletins ~~will be~~ are effective for the year designated and will remain in effect for subsequent tax years unless specifically rescinded or revised by subsequent directives or instructional bulletins.

(b) ~~Availability.~~ Copies of instructional bulletins issued pursuant to this article may be obtained for a fee of twenty-five cents ($.25) per page plus mailing costs by contacting:

~~State Board of Tax Commissioners~~ **Department of Local Government Finance**
Assessment Division ~~of Tax Review~~
~~201 State Office Building~~ **100 North Senate, Room N 1058**
Indianapolis, IN 46204

(Department of Local Government Finance; 50 IAC 4.2-1-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 6. 50 IAC 4.2-1-6 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-1-6 Administrative adjudications by state board; effect
Authority: IC 6-1.1-31-1
Affected: IC 4-21.5

Sec. 6. (a) The ~~state board~~ **department** may, at its discretion, issue an "administrative adjudication determination" on the ad valorem tax consequences of a taxpayer's proposed transaction or unusual circumstances prior to the filing date of May 15 for the assessment year in question. If the taxpayer has received an extension for filing from the assessor, the date shown in the assessor's letter of extension will be the date used in this section. This "administrative adjudication determination" will be effective only for the tax year designated in the determination.

(b) Request. The taxpayer should make a written request not later than March 31 of the assessment year in question stating all the facts and circumstances which affect the transaction on which a determination is requested.

(c) Administrative adjudication determination. The "administrative adjudication determination" as issued by the ~~state board~~ **department** will be in writing and executed by the ~~state board~~ **department.**

(d) Reliance. The taxpayer may rely upon the "administrative adjudication determination" for the tax year designated. The "administrative adjudication determination" as granted is conditioned upon the following:

(1) ~~Facts.~~ That the facts and circumstances as submitted by the taxpayer are representative of the facts and circumstances that actually exist.

(2) ~~Disclosure to the state board~~ **department**. That all of the facts and circumstances related to the transaction have been disclosed to the ~~state board~~ **department**.

(Department of Local Government Finance; 50 IAC 4.2-1-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 7. 50 IAC 4.2-2-1 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-1 Place of filing; assessment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. (a) A personal property tax return must be filed in each taxing district where property has a tax situs subject to the qualifications contained in this article. A return may cover all business locations in a single taxing district. However, if the property is located in two (2) or more taxing districts within the same township, a separate return must be filed reporting the property in each of the taxing districts.

(b) Resident. Personal property which is owned by a person who is a resident of this state shall be assessed at the place where the owner is a "resident" except where personal property has a tax situs on the assessment date at another location in the state and the property is regularly used or permanently located, in which instance the assessment shall be made in such location.

(c) Nonresident. Personal property which is owned by a person who is a nonresident of this state shall be assessed at the place where the owner's principal office within this state is located, except where personal property has a tax situs on the assessment date at another location within the state where it is regularly used or permanently located. In such an instance the return(s) should be filed in the taxing district where the property is permanently located or regularly used. When the owner does not have a principal office in the state, the property will be assessed where located on the assessment date.

(d) Fiduciary. To the extent that "residence" determines the place of assessment of personal property held by a fiduciary in their fiduciary capacity, the residence of the fiduciary shall govern, except that in the assessment of personal property of an estate of a deceased person, the "actual residence" in this state of the deceased person immediately before death shall be applicable until such property has been distributed.

(e) Questions regarding proper place of assessment. If a controversy arises concerning the appropriate taxing district for assessing personal property the determination made as follows shall be summary and final:

(1) the county assessor shall determine the correct taxing district for assessment purposes if a question arises as to the appropriate taxing district within the county; and

(2) the ~~state board~~ **department** shall determine the proper county for assessment if the question arises as to which county within the state is the proper tax situs.

(Department of Local Government Finance; 50 IAC 4.2-2-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 8. 50 IAC 4.2-2-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-3 Extension of time to file returns
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 3. (a) ~~Thirty (30) day extension. A thirty (30) day extension (to June 14) may be granted provided an extension is requested in writing prior to May 15 of the current year.~~ **The township assessor, if any, or the county assessor may grant an extension of not more than thirty (30) days (to June 14) provided an extension is requested in writing prior to May 15 of the current year.** The application must clearly state the reason for the request.

(b) Filing of request. The request must be made to the assessor with whom the return should be filed. The assessor may, at their discretion approve or disapprove the request in writing. The approved request or a copy must be attached to each taxpayer's return required to be filed. *(Department of Local Government Finance; 50 IAC 4.2-2-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 9. 50 IAC 4.2-2-3.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-2-3.1 Single return
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 3.1. (a) If:

(1) a taxpayer has personal property subject to assessment in more than one (1) township in a county; and

(2) the total assessed value of the personal property in the county is less than one million five hundred thousand dollars ($1,500,000);

the taxpayer filing a return shall file a single return with the county assessor and attach a schedule listing, by township, all the taxpayer's personal property and the property's assessed value. The taxpayer shall provide the county assessor with the information necessary for the county assessor to allocate the assessed value of the taxpayer's personal property among the townships listed on the return, including the street address, the township, and the location of the property.

(b) The county assessor shall provide to each affected township assessor , if any, in the county all information filed by a taxpayer under subsection (a) that affects the township.

(c) The county assessor may refuse to accept a personal property tax return that does not comply with subsection (a). For purposes of IC 6-1.1-37-7, a return to which subsection (a) applies is deemed filed on the date it is filed with the county assessor with the schedule required by subsection (a) attached. *(Department of Local Government Finance; 50 IAC 4.2-2-3.1)*

SECTION 10. 50 IAC 4.2-2-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-4 Liability
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 4. (a) Owner. The owner of any ~~tangible~~ **personal** property on the assessment date of a year is liable for the taxes imposed for that year on the property. The owner of any personal property is generally the holder of legal title except:

(1) when title passes on March 1 of any year, only the person last obtaining title on said date shall be deemed to have title on March 1; and

(2) when personal property is security for a debt and the debtor is in possession of such property, such debtor shall be deemed to be the owner.

(b) Possessory interests. A person holding, possessing, or controlling any ~~tangible~~ **personal** property on the assessment date

of a year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of owner, or the owner is liable for the taxes under a contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). When a person other than the owner pays any property taxes as required by this section, that person may recover the amount paid from the owner unless the parties have agreed to other terms in a contract.

(c) Assessment. The assessor ~~will~~ **shall** assess the taxable property in the name of the owner of the property to the extent the owner has been identified. A person holding, possessing, controlling, or occupying any ~~tangible~~ **personal** property on the assessment date of the year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of the owner or the owner is liable for the taxes under contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). *(Department of Local Government Finance; 50 IAC 4.2-2-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 11. 50 IAC 4.2-2-5 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-5 Full disclosure
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 5. (a) The taxpayer shall, in completing the return make a full and complete disclosure of such information as may be required by the ~~state board~~ **department,** relating to the value, nature, and location of all the personal property of which ~~they were~~ **the taxpayer was** the owner or which ~~they~~ **the taxpayer** held, possessed, or controlled, in any capacity whatsoever, on the assessment date of the current year.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return on Form 102 or Form 103 (section 9 of this rule), in the taxing district where the property had a tax situs as of the assessment date. In addition to the above reporting requirement, the owner of property, under circumstances in which possession is transferred to another person, but ownership is retained, shall be required to furnish in the taxing district where the property is located a complete listing on Form 103-O (section 9 of this rule), of such property showing the name and address of person(s) in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation in order to provide a means of verification and cross reference by the assessing official(s) that all property is being properly reported for assessment and taxation. (See special instructions in 50 IAC 4.2-8 for reporting leased personal property.)

(c) The person holding, possessing, or controlling any tangible property in any capacity, which **personal** property is subject to taxation under this ~~article~~ **rule,** is required to file and attach with the return a complete listing on Form 103-N (section 9 of this rule), of all not owned property. The listing is to be filed in the taxing district where the property is located and must include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) per this article and any other information requested on the appropriate form. (See special instructions in 50 IAC 4.2-8 for reporting leased personal property.)

(d) A Form 103-N (section 9 of this rule), is required to be filed by the possessor even if the owner is liable for the taxes under a contract to assure that the assessing official has the necessary information to correctly assess the property in question. *(Department of Local Government Finance; 50 IAC 4.2-2-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 12. 50 IAC 4.2-2-5.1IS ADDED AS FOLLOWS:

50 IAC 4.2-2-5.1 Amended returns
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7; IC 6-1.1-3-7.5; 6-1.1-15-12

Sec. 5.1. (a) A taxpayer may file an amended personal property tax return after the later of the following:

(1) If no extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within 6 months of the original due date of the return.

(2) If an extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within 6 months of the extended filing date.

(b) A taxpayer who files a personal property tax return under IC 6-1.1-3 may file no more than one (1) amended return under IC 6-1.1-3-7.5.

(c) A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable as if the adjustment or exemption had been claimed on the original personal property return.

(d) A taxpayer is not entitled to file an amended return if the original return was not filed by May 15 or, in the case of an extension, by the extended filing date.

(e) A taxpayer must file the amended return on the same form prescribed by the department for the filing of an original personal property return, indicating that it is "amended" in a conspicuous place on the front of the return. The amended personal property return must be completed and filed with the township assessor, if any, or county assessor in the same manner as is required for the original personal property return.

(f) Except as provided in this article, an amended return remains subject to the review and adjustment of assessing officials in the same manner as original personal property returns.

(g) The township assessor, if any, or the county assessor must report the assessed value resulting from amended return to the county auditor on forms prescribed by the department.

(h) Within ten (10) days of receipt of an amended return submitted under subsection (e), the county auditor shall reflect the assessed value resulting from amended returns on the auditor's records of assessed valuation.

(i) A taxpayer that files a personal property tax return under IC 6-1.1-3 is not entitled to petition under this section for the correction of an error made by the taxpayer on the taxpayer's personal property tax return. If the taxpayer wishes to correct an error made by the taxpayer on the taxpayer's personal property tax return, the taxpayer must instead file an amended personal property tax return under IC 6-1.1-3-7.5. *(Department of Local Government Finance; 50 IAC 4.2-2-5.1)*

SECTION 13, 50 IAC 4.2-2-7 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-7 Returns filed in duplicate
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 7. (a) When the ~~combined total~~ assessed value of the personal property declared on all returns filed in ~~the state~~ **a taxing district** by a taxpayer is ~~fifteen thousand dollars ($15,000)~~ **one hundred fifty thousand dollars ($150,000)** or more, each return must be filed in duplicate. ~~The returns being filed must indicate that the total assessed value as reported on all returns filed in the state is fifteen thousand dollars ($15,000) or more.~~ A legible, reproduced copy will ~~be acceptable for~~ **satisfy** this requirement.

(b) Returns forwarded to county assessor. Whether or not a taxpayer has filed the return in duplicate, each township assessor~~,~~ if one exists, must forward to the county assessor, on or before July 31 of each year, a copy of each personal property tax return ~~where the~~ **filed by a taxpayer who has a** total assessed valuation declared on all returns filed in ~~the state is fifteen thousand dollars ($15,000)~~ **a taxing district of one hundred fifty thousand dollars ($150,000)** or more.

(c) ~~Returns forwarded to the state board by county assessor. The county assessor shall forward to the state board on or before August 31 of each year a copy of all returns forwarded to them by the township assessors as provided in subsection (b).~~ **Each year, on or before the time prescribed by the department, each township assessor of a county, if any, shall deliver to the county assessor a copy of each business personal property return which the taxpayer is required to file in duplicate and a copy of any supporting data supplied by the taxpayer with the return. Each year, the county assessor shall:**

(1) review and may audit the business personal property returns that the taxpayer is required to file in duplicate; and

(2) determine the returns in which the assessment appears to be improper.

~~(d) Notification to the state board - revisions of assessment as reported by the taxpayer. If an assessment, as reported by the taxpayer on a return required to be filed in duplicate, is revised by any assessing official(s), a copy of the notice informing the taxpayer that a change has been made in the assessment must be forwarded to the state board within fifteen (15) days after the said notice is mailed to the taxpayer by the official(s) making the change.~~

~~(e) Notification to the state board - assessments made by assessing official. If a taxpayer fails to file a personal property tax return, and an assessing official determines the assessment to be fifteen thousand dollars ($15,000) or more, a copy of the notice informing the taxpayer of the assessment action must be forwarded to the state board within fifteen (15) days after the said notice is mailed to the taxpayer by the official(s) making the assessment.~~ *(Department of Local Government Finance; 50 IAC 4.2-2-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 14. 50 IAC 4.2-2-8 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-8 Short form returns
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 8. When the assessed value of personal property required to be reported in a township is less than ~~fifteen thousand dollars ($15,000)~~ **one hundred fifty thousand dollars ($150,000)** the taxpayer may elect to file Form 103-Short Form (section 9 of this rule) if:

(1) the business is not a manufacturer or processor;

~~(2) no elections are made to utilize the "average" or "alternative" inventory reporting methods;~~

(~~3~~ **2**) no exemptions or deductions ~~(other than the enterprise zone credit)~~ are claimed which affect the business personal property assessment; and

(~~4~~ **3**) no special valuation adjustments such as equipment not placed in service, special tooling, permanently retired equipment, interstate carrier mileage allocation, or abnormal obsolescence are claimed in determining the value of the business personal property.

(Department of Local Government Finance; 50 IAC 4.2-2-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 15. 50 IAC 4.2-2-9 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-9 Authorized forms
Authority: IC 6-1.1-31-1
Affected: IC 4-10-13-5; IC 6-1.1-31-1; IC 6-1.1-37-3

Sec. 9. (a) The ~~state board~~ **department** is required by statute to adopt tax return forms and schedules for personal property assessment purposes.

(b) Authorized forms. Tax return forms. The following are the authorized return forms provided for personal property assessment purposes pursuant to this article:

No.	~~Form~~ **Forms** ~~Description~~
~~101~~	~~Individual Tangible Personal Property Return~~
102	Confidential Farmers Tangible Personal Property Return
103-**SR**	~~Short Form~~ **Single** Confidential Business Tangible Personal Property Return
103-**Short**	**Short Form Confidential Business Tangible Personal Property Return**
103-Long	**Long Form Confidential Business Tangible Personal Property Return**
103-I	Confidential Return of Interstate Fleet of Commercial Carriers
103-N	Return of Not Owned Personal Property
103-O	Return of Owned Personal Property Not in Possession of Owner
103-P	Confidential Claim for Exemption of Air or Water Pollution Control Facilities
~~103-R~~	~~Confidential Total Construction in Process or Depreciable Property Reconciliation Schedule (Not To Be Filed With Return)~~
103-P5	**Depreciable Assets in Pool 5**
103-T	Confidential Return of Special Tools
~~103-W~~	~~Confidential Return of Personal Property in Warehouses, Grain Elevators, or Other Storage Places claimed to be Exempt from Assessment~~
104	Business Tangible Personal Property Return
104-SR	**Single Business Tangible Personal Property Return**
~~105~~	~~Business Tangible Personal Property Summary of Returns~~
106	Confidential Schedule of Adjustments to Business Tangible Personal Property

(c) Substituted tax return forms. In lieu of using the actual return form prescribed in subsection (b), a taxpayer may use a computer or machine prepared substitute tax return form or schedule ~~provided~~ **if** that ~~the~~ substitute:

(1) contains all of the information as set forth in the prescribed form;

(2) properly identifies the form or schedule being substituted; and

(3) is approved by the ~~state board~~ **department** pursuant to 50 IAC 4.2-1-6 prior to being used.

(d) Administrative forms. The following are certain authorized administrative forms provided for personal property assessment purposes pursuant to this article:

No.	~~Form~~ **Forms** ~~Description~~
111/PP	Notice of Review of Current Year's Assessment for Personal Property by **Assessing Official** ~~Township Assessor~~ or County ~~Board of Review~~ **Property Tax Assessment Board of Appeals**
~~112/PP~~	~~Notice of Proposed Assessment or Change in Assessment by Assessing Official or Board~~
113/PP	Notice of Assessment or Change in Assessment by Assessing Official
114/PP	~~Notice of Hearing on Petition by County Board of Review~~ **Notice of Hearing on Petition - Personal Property (by County Property Tax Assessment Board of Appeals)**
115/PP	Notice of Assessment of Personal Property by County ~~Board of Review~~ **Property Tax Assessment Board of Appeals**
116	Notice of Hearing and Review of Assessment
117	Notice of Hearing on Petition
118	Notice of Final Assessment Determination
130~~/PP~~	Petition to the County ~~Board of Review~~ **Property Tax Assessment Board of Appeals** for Review of Assessment
~~131/PP~~	~~Petition to the State Board of Tax Commissioners for Review of Assessment~~
~~133~~	~~Petition for Correction of Error~~
134	**Joint Report of Preliminary Informal Meeting on a Personal Property Appeal**
~~322-ERA/PP~~	~~Application for Deduction from Assessed Valuation - New Manufacturing Equipment in Economic Revitalization Area~~
MOD-1	Maritime Opportunity District Personal Property Tax Credit
~~RRS-1~~	~~Claim for Deduction from Assessed Valuation Applicable to Resource Recovery Systems~~
~~EZ1~~ **EZ2**	Enterprise Zone ~~Business Personal Property Tax~~ **Investment Deduction** ~~Credit~~ **Application**.
~~IR-1~~	~~Industrial Recovery Site Inventory Tax Credit~~
17-T	Petition for Refund of Taxes
103-ERA	**Schedule of Deduction From Assessed Valuation for Personal Property in an ERA Area**
CF-1/PP	**Compliance with Statement of Benefits**
SB-1/PP	**Statement of Benefits for Personal Property**
103-P5/ERA	**Schedule of Deduction From Assessed Valuation for Pool 5 Property in an ERA Area**

(e) Return. Every person required to file a personal property tax return pursuant to section 2 of this rule must report all personal property ~~as defined in 50 IAC 4.2-1-1.1 (h~~ on the form currently authorized as provided herein. The return form as provided in subsections (a) through (b) does not constitute a return unless it is signed under the penalties of perjury by a person authorized to file such return. *(Department of Local Government Finance; 50 IAC 4.2-2-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 16. 50 IAC 4.2-2-10 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-2-10 Penalties
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 10. (a) ~~Perjury.~~ Willful failure to file a true and correct return. Any person who willfully makes and subscribes any return, statement, or other document which is verified under oath, which is certified as to the truth of the information ~~occurring thereon~~ **contained therein**, or which contains a written declaration that is made under the penalties of perjury and which ~~they~~ **he or she** ~~do~~ **does** not believe to be true and correct in every material respect shall be guilty of a crime and shall be subject to the same penalties as provided by law for perjury.

(b) ~~Incomplete return penalty.~~ If a person subject to IC 6-1.1-3-7(c), fails to include on a personal property return the information, if any, that the ~~state board~~ **department** requires under IC 6-1.1-3-9 or IC 6-1.1-5-13, the county auditor shall add a penalty to the property tax installment next due for the return. The amount of the penalty is twenty-five dollars ($25). The purpose of this penalty is to require a full disclosure of the information related to the value, nature, or location of personal property on the personal property tax return for that year which is necessary for an assessing official to review the return. If this information is not provided, a thorough review of the return as required by law cannot take place.

(c) Penalty for failure to file a timely return. Failure to file a return or be granted an extension of time to file a return by May 15 as

required by law will result in the imposition of a twenty-five ~~dollars~~ **dollar** ($25) penalty. In addition, if the return is not filed within thirty (30) days after such return is due, a penalty equal to twenty percent (20%) of the tax determined to be due will be imposed with respect to the personal property which should have been reported on the return. No return shall be considered due within the meaning of this article until the expiration of a period of any extension of time which may have been granted pursuant to section 3 of this rule. ~~(See example of application of late filing penalties.)~~

(d) ~~Undervaluation penalty.~~ If the total assessed value that a person reports on a personal property return is less than the total assessed value that the person is required by law to report and if the amount of the undervaluation exceeds five percent (5%) of the value that should have been reported on the return, then the county auditor shall add a penalty of twenty percent (20%) of the additional taxes finally determined to be due as a result of the undervaluation.

~~The purpose of the twenty percent (20%) penalty is to ensure a complete disclosure of all information required by the state board on the prescribed self-assessment personal property form(s). This enables the township assessor, county board of review, and state board to carry out their statutory duties of examining returns each year to determine if they substantially comply with the rules of the state board. This examination cannot take place if all required information is not shown on the self-assessment return form.~~

~~It is not the purpose of this provision to impose a penalty on a person who has made a complete disclosure of information required on the assessment return form. Therefore, if the person filing the self-assessment personal property return shows that they are claiming an exemption or taking an adjustment for abnormal obsolescence or permanently retired equipment on the return form and has complied with all of the requirements for claiming that exemption or adjustment, no penalty should be added to the extent of the amounts accounted for on the return form. In considering whether or not a taxpayer has made a full and complete disclosure of information, the complete return package must be considered. A complete return package consists of the return form itself (Form 102 or 103) (section 9 of this rule), and all necessary supplemental forms and supporting schedules which must be filed with the return.~~

~~If a person has complied with all of the requirements for claiming an exemption or adjustment for abnormal obsolescence or permanently retired equipment, then the increase in assessed value that results from a denial of the exemption or change in the amount of adjustment is considered to be an interpretive difference not subject to the twenty percent (20%) penalty for undervaluation for purposes of this subsection. However, all other amounts not fully disclosed through omission or undervaluation which represent property subject to the reporting requirements of this article and the laws of this state are subject to the twenty percent (20%) penalty.~~

~~(1) Exemptions. An exemption is defined as a situation where a certain type of property, or the property of a certain kind of taxpayer, is not taxable (IC 6-1.1-1-6).~~

~~There are three (3) basic types of exemptions which are permitted to be claimed on the annual business personal property return that are available to a taxpayer. These exemptions include:~~

~~(A) air pollution control equipment;~~

~~(B) industrial waste control equipment; and~~

~~(C) inventory exemptions, including:~~

~~(i) interstate commerce;~~

~~(ii) government-owned; and~~

~~(iii) driver's education automobiles.~~

~~It should be noted that when the reporting requirements have been met, but for some reason the exemption is not allowed, the amount disallowed is an interpretive difference and is not subject to the omitted or undervalued personal property tax penalty. However, when items that would otherwise qualify for an exemption are omitted from the return, the property is taxable, because the exemption was waived, and the omitted and undervalued personal property tax penalty must be applied.~~

~~(2) Allowable adjustments. Allowable adjustments can be defined as an adjustment that affects the value of personal property when the adjustment is truly elective. The taxpayer must elect the adjustment when the return is filed. If the taxpayer fails to properly elect the adjustment when the return is filed, the taxpayer is not entitled to the adjustment. The adjustment is not mandatory. The allowable adjustments are:~~

~~(A) average inventory adjustment; and~~

~~(B) alternative method of valuing inventory.~~

~~(3) Mandatory adjustments. Mandatory adjustments reflect the value of personal property required to be reported in conformity with the provisions of this article. Therefore, regardless of whether the taxpayer shows the adjustment in their tax return, the assessing official must make the adjustment in order to arrive at the proper value for assessment purposes per the provisions of this article. Permanently retired equipment and abnormal obsolescence are adjustments which should be recognized to the extent that the property qualifies and the taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.~~

~~(A) The mandatory adjustments for depreciable assets include:~~

~~(i) adjust to federal tax basis;~~

~~(ii) add fully depreciated property still in use but written off;~~

~~(iii) add cost of installation and foundation applicable to depreciable personal property;~~
~~(iv) equipment not placed in service;~~
~~(v) valuation of special tooling;~~
~~(vi) permanently retired equipment;~~
~~(vii) valuation of commercial aircraft and interstate motor truck carriers;~~
~~(viii) abnormal obsolescence;~~
~~(ix) true tax value limited to thirty percent (30%) of adjusted cost;~~
~~(x) true tax value percentage factors applicable to each year's acquisitions;~~
~~(xi) placement by year of acquisition in the proper pool based upon life utilized for computing cost recovery (depreciation) for federal tax purposes; and~~
~~(xii) assessment ratio of thirty-three and one-third percent (33 1/3%) of true tax value.~~

~~(B) The mandatory adjustments for inventory include:~~
~~(i) adjust book inventory to March 1;~~
~~(ii) add unrecorded inventory;~~
~~(iii) adjust to "first-in-first-out" (FIFO);~~
~~(iv) add manufacturing overhead not included in inventory;~~
~~(v) add allocable costs of wholesalers or retailers not included in inventory;~~
~~(vi) add freight-in not included in inventory;~~
~~(vii) add royalties, editorial, license, or copyright fees not included in inventory;~~
~~(viii) add taxes not included in inventory;~~
~~(ix) deduct inventory recorded but not received;~~
~~(x) deduct purchase or trade discounts;~~
~~(xi) adjustment from standard to actual cost;~~
~~(xii) abnormal obsolescence;~~
~~(xiii) thirty-five percent (35%) valuation adjustment if the alternative method is not elected; and~~
~~(xiv) assessment ratio of thirty-three and one-third percent (33 1/3%) of true tax value.~~

~~With the exception of the valuation of permanently retired equipment and abnormal obsolescence, mandatory adjustments for depreciable assets and inventory are not interpretive differences. They are adjustments which must be applied to any omitted or undervalued property when discovered. Any resulting differences in assessment between the amount reported by the taxpayer and the amount of assessment determined by the assessing official after making all mandatory adjustments is subject to the twenty percent (20%) penalty, while interpretive differences and math errors on the face of the return are not subject to the penalty. The penalty shall be added to the property tax installment next due for the return on which the property was undervalued.~~

~~(e) Late payment penalty. (1) A taxpayer shall begin paying a "late payment penalty" on the day after the date for payment described above if they have not paid the amount of taxes resulting from the action or determination and they either:~~

~~(A) received notice of the taxes they are required to pay as a result of the action or determination at least thirty (30) days before the date for payment; or~~

~~(B) voluntarily signed and filed an assessment return for the taxes.~~

~~(2) If subdivision (1) does not apply, a taxpayer who has not paid the amount of taxes resulting from the action or determination shall begin paying the "late payment penalty" on:~~

~~(A) the next May 10 which follows the date for payment described above; or~~

~~(B) the next November 10 which follows the date for payment described above;~~

~~whichever occurs first.~~

~~(f) A penalty is due with an installment under subsection (b), (c), or (d) whether or not an appeal is filed under IC 6-1.1-15-5 with respect to the tax due on that installment.~~

~~(g) Example of application of late filing penalties.~~

~~Assessment added June 28, 19X1 (Assume no extension granted, no return filed)~~	~~$10,000~~	
~~Tax ($10,000 × $10.00 tax rate)~~		~~$1,000~~
~~Less property tax replacement credit~~		~~200~~
~~Net amount of tax~~		~~$800~~
~~Penalties~~		

~~Return not filed on or before due date (flat penalty)~~	~~$25~~	
~~No return filed within thirty (30) days of due date (twenty percent (20%) of tax)~~	~~160~~	
~~Total penalties~~		~~185~~
~~Total due~~		~~$ 985~~
~~Amount due May 10, 19X2: one-half (1/2) of net taxes due~~	~~$400~~	
~~Penalties~~	~~185~~	
~~Total~~		~~$ 585~~
~~Amount due November 10, 19X2: one-half (1/2) of net taxes due~~		~~$ 400~~

~~This type of penalty shall be added to the property tax installment next due. The penalty may not be divided into two (2) installments.~~

~~(h) Example of application of undervaluation penalty.~~

~~Correct assessed value of all personal property, March 1, 19X1~~	~~$51,560~~	
~~Assessed value of personal property per return filed April 17, 19X1~~	~~41,560~~	
~~Increase in assessed value of personal property~~	~~$10,000~~	
~~Amount of additional tax due ($10,000 × $8.00 tax rate)~~		~~$800~~
~~Less property tax replacement credit~~		~~160~~
~~Net amount of additional tax due~~		~~$ 640~~
~~Increase in assessed value of personal property~~	~~$10,000~~	
~~Less assessed value of interpretive difference, exempt inventory claimed on the return by the taxpayer not allowed: ($23,080 cost × sixty-five percent (65%) = $15,002 TTV) ($15,002 TTV / 3 = assessed value)~~	~~5,000~~	
~~Assessed value subject to omitted or undervalued penalty (exceeds five percent (5%) of correct value)~~	~~$ 5,000~~	
~~Amount of additional tax due relative to assessed value subject to penalty ($5,000 × $8.00 tax rate)~~		~~$400~~
~~Less property tax replacement credit~~		~~80~~
~~Net amount of additional tax due relative to assessed value subject to penalty~~		~~$ 320~~
~~Twenty percent (20%) penalty on taxes finally determined with respect to omitted or undervalued property ($320~~		~~$ 64~~

~~□ twenty percent (20%))~~

~~Amount due May 10, 19X2: one-half (1/2) of net additional tax due~~	~~$160~~	
~~twenty percent (20%) penalty (above)~~	~~64~~	
~~Total~~		~~$ 224~~
~~Amount due November 10, 19X2: one-half (1/2) of net additional tax due~~		~~$ 160~~

~~This type of penalty shall be added to the property tax installment next due. The penalty may not be divided into two (2) installments.~~
(e) Claims for deductions, exemptions, abnormal obsolescence, permanently retired equipment, and mathematical errors on the face of the return are excluded from the 5% undervaluation threshold of subsection (d).
(Department of Local Government Finance; 50 IAC 4.2-2-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 825, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 17. 50 IAC 4.2-3.1 IS ADDED TO READ AS FOLLOWS:

Rule 3.1. Review Process and Appeal Procedures

50 IAC 4.2-3.1-1 Assessor review
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-15; IC 6-1.1-36-12

Sec. 1. The township assessor, if any, or county assessor shall:
(1) examine and verify; or
(2) allow a contractor under IC 6-1.1-36-12 to examine and verify the accuracy of each personal property return filed with the township assessor, if any, or county assessor by a taxpayer. If appropriate, the assessor or contractor under IC 6-1.1-36-12 shall compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer. *(Department of Local Government Finance; 50 IAC 4.2-3.1-1)*

50 IAC 4.2-3.1-2 Examination of property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-15; IC 6-1.1-15; IC 6-1.1-37-7

Sec. 2. (a) In connection with the activities required by section 1 of this rule, or if a person owning, holding, possessing, or controlling any personal property fails to file a personal property return with the township or county assessor as required by this chapter, the township or county assessor may examine:
(1) the personal property of the person;
(2) the books and records of the person; and
(3) under oath, the person or any other person whom the assessor believes has knowledge of the amount, identity, or value of the personal property reported or not reported by the person on a return.
(b) After such an examination, the assessor shall assess the personal property to the person owning, holding, possessing, or controlling that property.
(c) As an alternative to such an examination, the township or county assessor may estimate the value of the personal property of the taxpayer and shall assess the person owning, holding, possessing, or controlling the property in an amount based upon the estimate. Upon receiving a notification of estimated value from the township or county assessor, the taxpayer may elect to file a personal property return within 30 days from first notice of assessment, subject to the penalties imposed by IC 6-1.1-37-7. *(Department of Local Government Finance; 50 IAC 4.2-3.1-2)*

50 IAC 4.2-3.1-3 Conversion of property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15

Sec. 3. If, from the evidence available, a township or county assessor determines that a person has temporarily converted any part of the person's personal property into property which is not taxable under this article to avoid the payment of taxes on the converted property, the township or county assessor shall assess the converted property to the taxpayer. *(Department of Local Government Finance; 50 IAC 4.2-3.1-3)*

50 IAC 4.2-3.1-4 Delivery of personal property lists
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15; IC 36-6-5-1

Sec. 4. (a) On or before June 1 of each year, each township assessor, if any, of a county shall deliver to the county assessor a list which states by taxing district the total of the personal property assessments as shown on the personal property returns filed with the township assessor on or before the filing date of that year and in a county with a township assessor under IC 36-6-5-1 in every township the township assessor shall deliver the lists to the county auditor as prescribed in subsection (b).
(b) On or before July 1 of each year, each county assessor shall certify to the county auditor the assessment value of the personal property in every taxing district.
(c) The department of local government finance shall prescribe the forms required by this section. *(Department of Local Government Finance; 50 IAC 4.2-3.1-4)*

50 IAC 4.2-3.1-5 Change of assessed value; notice
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15

Sec. 5. (a) A township assessor, if any, or county assessor must make a change in the assessed value and give notice of the change on or before the latter of:
(1) September 15 of the year for which the assessment is made; or
(2) four (4) months from the date the personal property return is filed; if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer has failed to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, the assessor has no limitation of time within which to act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of IC 6-1.1 and the rules of the department, the assessment may be changed if notice is given within three (3) years after the date the return is filed. *(Department of Local Government Finance; 50 IAC 4.2-3.1-5)*

50 IAC 4.2-3.1-6 Examination of property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7.5; IC 6-1.1-15

Sec. 6. (a)Upon receiving a notification of estimated value from the township assessor, if any, or the county assessor, the taxpayer may elect to file a personal property return within thirty (30) days from the date of the written notice of assessment by the assessor subject to the penalties imposed under 50 IAC 4.2-2-8. This return can not be amended by taxpayer under IC 6-1.1-3-7.5. The notice shall instruct the taxpayer on the procedures necessary to obtain a review before the county property tax assessment board of appeals. *(Department of Local Government Finance; 50 IAC 4.2-3.1-6)*

50 IAC 4.2-3.1-7 Direct review of assessment by county property tax assessment board of appeals
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-9; IC 6-1.1-13-1; IC 6-1.1-13-3; IC 6-1.1-15-1; IC 6-1.1-15-14; IC 6-1.1-16-1

Sec. 7. (a) The county property tax assessment board of appeals may review, at its own discretion, any assessment of any taxpayer within the county as described in IC 6-1.1-13-3.
(b) The county property tax assessment board of appeals may contract with a private vendor to assist in the review.
(c) The county property tax assessment board of appeals shall give the proper notice as described in IC 6-1.1-13-1.

(d) After the property tax assessment board of appeals has completed the review of the taxpayer's assessment, it shall notify the taxpayer by mail of the assessment on Form 115.

(e) A county property tax assessment board of appeals must make a change in the assessed value, including the final determination by the board of an assessment changed by a township assessor, if any, or the county assessor, and give the notice of the change on or before the latter of:

(1) October 30 of the year for which the assessment is made; or

(2) five (5) months from the date the personal property return is filed; if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer fails to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, there is no limitation of time within which it may act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of this article, the assessment may be increased if notice is given within three (3) years after the date the return is filed. *(Department of Local Government Finance; 50 IAC 4.2-3.1-7)*

50 IAC 4.2-3.1-8 Direct review by department of local government finance
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-14-10; IC 6-1.1-15; IC 6-1.1-30

Sec. 8. (a) The department, on its own initiative, may conduct an audit to review a taxpayer's personal property assessment under IC 6-1.1-14-10.

(b) A notice of audit of assessment on Form 116 will be mailed to the taxpayer advising the taxpayer at least ten (10) days in advance of the date, time, and place of the scheduled audit.

(c) The taxpayer is required to make available to the auditor of the department sufficient books, records, federal and state income tax returns and related data to determine the assessment of the property in question. If the books, records, tax returns and related data are not made available, a subpoena or a subpoena duces tecum will be issued to obtain this information unless in the judgment of the department other action would be more appropriate

(d) Upon the completion of the audit, the auditor from the department shall make his findings and proposed assessed valuation known to the taxpayer.

(e) Upon the completion of the audit, the auditor from the department shall make a report to the department that includes recommendations and proposed assessed valuation. *(Department of Local Government Finance; 50 IAC 4.2-3.1-8)*

50 IAC 4.2-3.1-9 Final determination of department of local government finance
Authority: IC 6-1.1-31-1
Affected: IC 4-21.5; IC 6-1.1-15-4; IC 6-1.1-15-5; IC 6-1.1-30; IC 6-1.1-31

Sec. 9. (a) The report required by section 8(e), proposed assessment, and related information shall be considered by the department in determining the assessment of the taxpayer.

(b) If the taxpayer does not agree with the assessment recommended by the auditor, the taxpayer may petition the department to consider additional information, provided that the petition is made before the determination of the final assessment.

(c) If the taxpayer wants a hearing, the taxpayer must submit a letter requesting an administrative hearing to the department. Accompanying the letter should be a written brief or statement, along with any evidence, supporting the taxpayer's request for a hearing. The brief or statement should include a concise statement of the question in dispute and a summary of laws, regulations, and facts in support of such question.

(d) The department may hold an administrative hearing or appoint personnel to hold an administrative hearing at its discretion provided that the taxpayer has properly requested a hearing and the department determines that the taxpayer's facts and circumstances warrant an administrative hearing. The discussion at the hearing will be limited to the issues presented in the request for hearing unless, at the discretion of the department, it determines other issues should be discussed.

(e) If a hearing is held by the department, the department shall issue written findings of fact and conclusions of law related the administrative hearing.

(f) A written notice, Form 118, of the final assessment will be given to the taxpayer, township assessor (if one exists), county assessor, and county auditor when an audit was conducted by department on its own initiative.

(g) Any change in assessment by the department must be made and the notice of the assessment sent not later than October 1 of the year following the year of the assessment. If an extension of time to file was granted, the department has sixteen (16)

months from the date the personal property tax return was filed to change the assessment. This general statute of limitations does not apply in the following circumstances:

(1) The taxpayer may petition for a correction of error if a statutory basis for the correction of error exists (as prescribed in section 6 of this rule).

(2) There is a three (3) year limitation on the ability to change an assessment when a taxpayer has not filed a property tax return in substantial compliance with the provisions of this article.

(3) A ten (10) year limitation on the ability to change an assessment when a taxpayer is required to file a tax return as provided by law under this article and fails to file a return.

(4) An unlimited statute of limitations applies to the ability to change an assessment when the taxpayer files a fraudulent personal property return, or files a return with the intent to evade the payment of property taxes.

(Department of Local Government Finance; 50 IAC 4.2-3.1-9)

50 IAC 4.2-3.1-10 Appeal of assessments
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-15-1; IC 6-1.1-15-5; IC 6-1.1-22-9; IC 6-1.1-37; IC 33-3-5

Sec. 10. If the taxpayer does not agree with the assessment made by an assessing official, an appeal may be made as follows:

(1) The taxpayer may appeal an assessment made by a township assessor, if any, or a county assessor to the county property tax assessment board of appeals by filing an appeal with the county assessor in the county where the property was assessed pursuant to IC 6-1.1-15-1(b).

(2) A taxpayer or county assessor who disagrees with the assessment determined by the county property tax assessment board of appeals may petition for review of that determination.

(3) Appeal to the Indiana tax court under IC 6-1.1-15-5.

(Department of Local Government Finance, 50 IAC 4.2-3.1-10)

SECTION 18. 50 IAC 4.2-4-1IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-1 "Depreciable personal property" defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 1. In general, "depreciable personal property" as used in this article is all tangible personal property ~~as defined in 50 IAC 4.2-1-1 (h)~~ that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article. In general, except as otherwise provided in this article, personal property will be deemed to become depreciable property when a depreciation deduction is allowable for federal income tax purposes. *(Department of Local Government Finance; 50 IAC 4.2-4-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 838, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 19. 50 IAC 4.2-4-2 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-2 Book cost determinative
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 2. (a) The cost of depreciable property, both real and personal, as recorded on the taxpayer's books and records, must be utilized in determining the value of the depreciable personal property subject to assessment.

(b) The cost of all depreciable property of a taxpayer shall be the total amount reflected on the books and records of the taxpayer as of the assessment date except as provided in section 3 of this rule.

Per the provisions of this article and the Internal Revenue Code~~, effective January 1, 1987,~~ the cost of depreciable personal property must include, but not be limited to direct costs and an appropriate portion of indirect costs attributable to its production or acquisition and preparation for use. The cost of machinery, furniture, tools, computers (excluding application software), and other plant assets includes all costs necessary to place the asset in condition and in place, ready for use. These costs include, but are not limited to, the purchase price, transportation costs to the place of use, and installation costs, foundations and electrical wiring, interest

incurred during construction and installation, and sales tax. If the asset is constructed by the company, the original cost must be made up of, but not limited to, the following costs:

(1) direct and indirect labor costs and fringe benefits;
(2) direct material costs;
(3) designing;
(4) supervision;
(5) insurance;
(6) depreciation of equipment used in construction;
(7) claims for damage during construction not compensated for by insurance;
(8) taxes and insurance during construction;
(9) interest incurred during construction;
(10) sales taxes; and
(11) other costs directly chargeable to construction.

No profit should be added to the actual costs since the company cannot make a profit on itself. Any credits in the form of sales of scrap materials, discounts received on purchases of materials, and return premiums on surrender of insurance policies should be subtracted from the gross costs of construction to determine the actual cost of the asset.

(c) Additions and betterments. The cost of additions and betterments must be added to the original cost of the asset. If an additional part is added or some other change is made in the fixed asset which increases its estimated useful life, its production or efficiency, or changes it to a different use, such an expenditure is a betterment and should be capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part would be shown as a new acquisition while the part replaced would be removed from the original cost of the asset when acquired. The cost of additions, betterments, or replacements would be reported as an addition, betterment, or replacement in the year the actual expenditure occurred.

(d) In the event a taxpayer cannot determine from ~~their~~ **its** books and records the cost of the depreciable property on the assessment date, they must use:

(1) the cost per books as of the close of ~~their~~ **its** annual financial period immediately prior to the assessment date and so indicate on their return;
(2) the book cost as of the close of ~~their~~ **its** last financial period will then be adjusted to reflect all acquisitions and disposals of depreciable property which have occurred between such date and the assessment date;
(3) this adjustment should be taken as provided in section 4 of this rule; and
(4) installation costs and foundations applicable to machinery and equipment shall be reported and assessed on the same basis as the asset to which they apply.

(e) Reconciliation. A taxpayer must be able to reconcile the cost of the depreciable personal property reported on the tax returns required to be filed with the cost of all depreciable property as recorded on the taxpayer's books and records on the assessment date. A ~~real and~~ personal property **and real property** guide is included in section 10 of this rule, to assist in the reconciliation. ~~using Form 103-R (50 IAC 4.2-2-9).~~

(f) Multiple location taxpayers. Taxpayers with locations in more than one (1) taxing district in this state may fulfill the requirements of this section by making one (1) computation as required in subsection (e) for the entire state, provided that the cost of the depreciable personal property for each taxing district where the taxpayer has property on the assessment date is identified in such computation. *(Department of Local Government Finance; 50 IAC 4.2-4-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 839, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 20. 50 IAC 4.2-4-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-3 Fully depreciated, retired, or nominally valued property; computer equipment; report and valuation
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 3. (a) Depreciable personal property ~~as defined in 50 IAC 4.2-1-1 (h)~~ that has not been retired from use must be reported for personal property assessment purposes whether or not the cost of such property has been removed from the taxpayer's books and records, has been recorded on the taxpayer's books and records, or has been recorded at a nominal value on the taxpayer's books and records.

(b) Restoration of depreciable personal property written off. Any fully-depreciated personal property that has been written off the taxpayer's books and records and is on hand at the tax situs and not permanently retired on the assessment date must be reported in the return. The cost of such property must be clearly shown as an adjustment in the space provided on the tax return as provided in

section 4 of this rule.

(c) Permanently retired depreciable personal property defined. "Permanently retired depreciable personal property" means depreciable personal property that has been removed from the manufacturing process on the assessment date, or has been removed from services other than manufacturing on the assessment date, and is awaiting disposition, and must be scheduled to be scrapped, removed, or disposed of and will be considered to be permanently retired providing the taxpayer actually scraps or sells such property.

Adjustment for permanently retired depreciable personal property. Depreciable personal property that is on hand at the tax situs on the assessment date, included in the cost per books as reported by the taxpayer in ~~their~~ **its** return, and permanently retired on the assessment date as herein defined, is subject to an adjustment as herein provided if the taxpayer so elects.

Amount of adjustment. The cost per books of permanently retired depreciable property can be taken as an adjustment from book cost of depreciable property on the return provided the cost of such property is included in the cost per books actually reported on the return.

Eligibility. In order to qualify for this adjustment, a taxpayer will need to substantiate that the property was permanently retired and not in use.

(d) Valuation of permanently retired depreciable personal property. Permanently retired depreciable personal property should be valued at its net scrap or net sale value. The valuation of this property should be shown separately on the tax return and will not be subject to the thirty percent (30%) limitation of original cost.

(e) Valuation of depreciable personal property with a nominal value. Depreciable personal property recorded on the books and records at a nominal or no value must be recorded at its actual acquisition cost determined by reference to the insurable value in the year of acquisition for Indiana property tax assessment purposes. This category of property ~~would include~~ **includes,** but **is** not ~~be~~ limited to, bulk purchase or the acquisition of a going business concern.

(f) Valuation of computer equipment. Computers are made up of three (3) elements:

(1) hardware;

(2) operational software; and

(3) application software.

Computers (including hardware and operational software), must be reported at the actual acquisition cost regardless of how this property may be valued on the taxpayers books and records.

(g) Computers are made up of the following elements:

(1) Hardware. Hardware is composed of mechanical, magnetic, electrical, and electronic devices and other components which constitute the physical computer assembly.

(2) Operational software. The operational program controls the hardware and actually makes the machine operational. It is fundamental and necessary to the functioning of the computer hardware itself and performs such functions as loading, scheduling, supervision, and data management. It represents the internalized instruction codes that translate information into a form usable by the equipment and controls the basic operations of the central processing unit to perform arithmetic and/or logical operations automatically by means of programmed instructions. It is not normally accessible or modifiable by the user.

(3) Application software. The application program is a written sequence of instructions which details the operations the equipment is to perform in order to achieve a specific objective of the user.

If the value recorded on the books and records reflects charges for customer support services such as educational services, maintenance, or application software that relate to future periods and not to the value of the tangible personal property, such charges may be deducted as nonassessable intangible personal property (to the extent that a separate charge or value can be identified).

(h) The allocation of interest incurred during construction and installation must be made (capitalized) for personal property tax purposes regardless of the fact that Section 263 of the Internal Revenue Code ~~of 1986~~ is not applicable in certain cases.

(Department of Local Government Finance; 50 IAC 4.2-4-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 840, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Jul 31, 2006, 8:30 a.m.: 20060830-IR-050050252FRA)

SECTION 21. 50 IAC 4.2-4-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-4 Adjustments to cost

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3

Sec. 4. (a) Mandatory adjustment. The adjusted costs of the assessable depreciable personal property as computed in subsection (d), must be reported at the tax basis of such property as defined in ~~Section 1012 of~~ the Internal Revenue Code ~~of 1986~~ unadjusted by Sections 167 (depreciation) and 179 (expense deduction) of that Code or any credits (such as investment tax credit) which diminished

the cost basis of the property. Therefore, if the tax basis of the taxpayer's assessable depreciable personal property is different than the cost per books of such property, except for the depreciable personal property defined and required to be reported by section 3 of this rule, an adjustment must be made to the cost per books of the assessable depreciable personal property reported on the Indiana property tax return~~. It is important to note that this is a change from the prior requirements for Indiana ad valorem tax purposes in that interest (incurred prior to placement in service) and sales tax specifically are now required to be included as part of the tax basis of depreciable personal property.~~

(b) Reporting on return. The adjustment from book to tax basis must be computed on Form 106 (50 IAC 4.2-2-9), and shown in the taxpayer's return on line 2 of Form 103 - Long Form (50 IAC 4.2-2-9), Schedule A.

(c) Not elective. The adjustment is required to be made regardless of whether it is an increase or decrease of the cost per books.

(d) Computation of adjusted cost. The adjusted cost of depreciable personal property is the resultant amount obtained by adjusting the cost per books, as defined in section 2 of this rule (cost per books), ~~subsection (a) (mandatory adjustments) 50 IAC 4.2-11-4(1) (property not subject to property tax), 50 IAC 4.2-11-5~~ **50 IAC 4.2-11.1-3** (air pollution control system) **and** ~~50 IAC 4.2-11-6~~ **50 IAC 4.2-11.1-4** (industrial waste control facility). ~~50 IAC 4.2-11-8 (other property not subject to this article - real property), and vehicles subject to excise tax.~~

(Department of Local Government Finance; 50 IAC 4.2-4-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 841, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 22. 50 IAC 4.2-4-5 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-5 Pools of property; determination of costs by acquisition year

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-3

Sec. 5. (a) The adjusted cost of depreciable personal property as computed in section 4 of this rule, is required to be segregated for Indiana property tax purposes into four (4) separate pools. The depreciable life utilized for federal income tax purposes determines the pool to be utilized for Indiana property tax purposes. The pools to be utilized for Indiana property tax purposes are as follows:

(1) Pool No. 1: All assets which have a life of one (1) through four (4) years for federal income tax purposes.

(2) Pool No. 2: All assets which have a life of five (5) through eight (8) years for federal income tax purposes.

(3) Pool No. 3: All assets which have a life of nine (9) through twelve (12) years for federal income tax purposes.

(4) Pool No. 4: All assets which have a thirteen (13) years or longer life for federal income tax purposes.

~~EXAMPLE~~

~~A taxpayer has adjusted cost of depreciable personal property as determined in section 4 of this rule, in the amount of one hundred thousand dollars ($100,000). For federal income tax purposes the taxpayer uses a composite method of computing depreciation with three (3) separate composite accounts as follows:~~

~~(1) a four (4) year account for transportation equipment: twenty thousand dollars ($20,000);~~

~~(2) a ten (10) year account for office furniture and fixtures: fifteen thousand dollars ($15,000); and~~

~~(3) a twelve (12) year account for all other depreciable personal property: sixty five thousand dollars ($65,000).~~

~~For Indiana property tax purposes, the transportation equipment would be includable in Pool No. 1 and the balance of the adjusted cost of depreciable personal property would fall in Pool No. 3. For illustrative purposes the breakdown would be as follows:~~

~~Pool No. 1~~	~~$20,000~~
~~Pool No. 3~~	~~$80,000~~
~~TOTAL~~	~~$100,000~~

(b) Useful life. The useful life used to determine the proper classification of the pool in which an asset must be included is to be based upon the actual life utilized to compute depreciation on the federal income tax return of the taxpayer unless:

(1) The ~~state board~~ **department** determines that such life is either unrealistic in relation to all of the taxpayer's facts and circumstances or when the life used on the federal tax return has been changed by the Internal Revenue Service on audit.

(2) The useful lives utilized by taxpayers ~~in the state~~ for a particular category of assets are varied and the ~~state board~~ **department**, in order to obtain equalization in assessments, determines that a uniform life should be used by all such taxpayers in the state, the ~~state board~~ **department** may prescribe the useful life of such assets for all of these taxpayers in the state pursuant to 50 IAC 4.2-7-2.

(Department of Local Government Finance; 50 IAC 4.2-4-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 841, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 23. 50 IAC 4.2-4-6 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-6 Determination of the year of acquisition
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 6. (a) After the allocation of adjusted cost of depreciable tangible personal property, as provided in section 5 of this rule, it will be necessary to determine the cost by year of acquisition for each pool. The number of years ~~which~~ **that** are required to be segregated by year of acquisition will depend upon the particular pool.

(b) Each pool is required to be segregated as follows:

(1) Pool No. 1 requires the cost to be determined by year of acquisition for the three (3) years immediately preceding the assessment date. The balance of the cost of the assets in this pool will be includable in the fourth category.

(2) Pool No. 2 requires the cost by year of acquisition be determined for the six (6) years preceding the assessment date. The balance of the cost would be includable in the seventh category.

(3) Pool No. 3 requires that cost by year of acquisition be determined for the ten (10) years preceding the assessment date. The balance of such account would be includable in the eleventh category.

(4) Pool No. 4 requires that the cost by year of acquisition be determined for the twelve (12) years preceding the assessment date with the balance of the cost of such pool includable in the thirteenth category.

(c) Reporting year. The year of acquisition for Indiana property tax purposes is a fiscal year March 2 to March 1 unless the taxpayer elects to use the same year as that utilized for federal tax purposes.

(1) If a taxpayer has a financial year that ends on December 31 or January 31, the taxpayer may elect to use the same year as that used for federal income tax purposes to determine the year of acquisition of assets for Indiana property tax reporting purposes. Otherwise, a taxpayer is not eligible to elect to use a federal year to compute year of acquisition for Indiana personal property tax purposes and must use a fiscal year of March 2 to March 1.

(2) If a federal tax year election is made, the acquisition made after the close of the taxpayer's federal taxable year to the assessment date must be included in a separate category on the return and clearly designated.

(d) Disposals. For Indiana property tax purposes it will be presumed that the disposal of depreciable personal property occurs on a first-in, first-out basis unless the taxpayer establishes that such was not the case. Therefore, absent evidence to the contrary, all disposals will be deemed to occur from the remaining category in each pool.

~~EXAMPLE~~

~~If a taxpayer, on a December 31 federal year, has twenty thousand dollars ($20,000) of adjusted cost in Pool No. 1 and eighty thousand dollars ($80,000), of which four thousand dollars ($4,000) were purchased in January and February of the assessment year, in Pool No. 3 (see the Example contained in section 5(a) of this rule), such cost figures would be broken down into the year of acquisition as follows, providing the taxpayer makes an election to use federal tax year to compute year of acquisition cost:~~

	~~Pool No. 1~~	~~Pool No. 3~~
~~Jan. 1 to March 1, 1989~~	~~$ None~~	~~$ 4,000~~
~~1988~~	~~3,000~~	~~12,000~~
~~1987~~	~~4,000~~	~~10,000~~
~~1986~~	~~None~~	~~2,000~~
~~1985~~	~~13,000*~~	~~4,000~~
~~1984~~		~~1,000~~
~~1983~~		~~None~~
~~1982~~		~~5,000~~
~~1981~~		~~30,000~~
~~1980~~		~~12,000~~
~~TOTALS~~	~~$20,000~~	~~$80,000~~

~~*Includes the year indicated and all depreciable personal property on hand which was acquired in years prior to the year indicated.~~

(Department of Local Government Finance; 50 IAC 4.2-4-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 842, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 24 50 IAC 4.2-4-8 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-8 Adjustment for obsolescence
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 8. (a) A taxpayer may claim an adjustment for abnormal obsolescence as defined in 50 IAC 4.2-9-3, on business personal property provided that such taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 9. It includes the impairment of desirability and usefulness brought about by new inventions and improved processes for production, or the impairment of functional capacity or efficiency if the inadequacy or over adequacy ~~cause~~ **causes** a loss in value and ~~have~~ **has** made the property incapable of continued use for a prolonged period during the assessment year.

(b) Limitation. No adjustment will be allowed for normal obsolescence as defined in 50 IAC 9. The table to determine true tax value, as provided in section 7(b) of this rule, automatically makes allowance for this type of obsolescence. The values arrived at as a result of this table reflect the application of the double declining balance depreciation method to the point where straight line depreciation would be more beneficial to the taxpayer. This accelerated depreciation, and use of a short useful life and historical cost reflect any physical, functional, or economic obsolescence except to the extent that these items qualify for abnormal obsolescence as defined.

(c) Eligibility. The term "abnormal obsolescence" will be strictly construed and be limited to a situation where unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe occurs, providing that such events have a direct effect upon the valuation of the depreciable personal property of the taxpayer on a going concern basis at the tax situs in question.

(d) Adjustment. The dollar amount of the adjustment for the depreciable personal property pursuant to this section in no event can exceed the tentative true tax value as computed in section 7 of this rule, for the specific unit or units of depreciable personal property on which the taxpayer claims the adjustment. If the property has been incapable of continued use for a prolonged period during the assessment year, for a reason identified as qualifying for abnormal obsolescence, it will be eligible for an adjustment to be computed as follows:

(1) If the cost-to-cure the cause of the abnormal obsolescence is equal to or less than the anticipated increase in utility, and hence value, it is economically feasible to repair or replace the impaired item and is thus deemed curable. The dollar amount of the cost-to-cure shall be the basis for determining the amount of abnormal obsolescence.

(2) If the cause of the impairment cannot be corrected, or the cost-to-cure the cause of abnormal obsolescence is in excess of its contribution to the value of the property, it shall be deemed to be incurable. The amount of adjustment therefore shall be based upon the scrap or salvage value of the affected item, and shall be limited to the true tax value before adjustment for abnormal obsolescence of the affected item itself.

EXAMPLE 1

Taxpayer ABC has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is eight hundred thousand dollars ($800,000), and is less than the anticipated benefits to be obtained from the use of the affected asset. The depreciable asset has an adjusted basis of six million five hundred thousand dollars ($6,500,000), and an acquisition date and depreciable life which result in a true tax value factor of twenty percent (20%) (the total true tax value, of all of ABC's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is greater than thirty percent (30%) of the total adjusted cost). The taxpayer should compute the abnormal obsolescence adjustment as follows:

Reported basis of asset Qualifying for abnormal Obsolescence adjustment	$6,500,00 0	
Prescribed true tax Valuation factor	x 20%	
True tax value of item Prior to adjustment For abnormal obsolescence		$1,300,00 0
Less: cost-to-cure cause of	$800,000	

Abnormal obsolescence		
Prescribed true tax Valuation factor	x 20%	
Allowable adjustment for Abnormal obsolescence—to Line 68, Schedule A, Form 103		- 160,000
True tax value of item		$1,140,000

In no instance may the adjustment for abnormal obsolescence exceed the true tax value of the affected item prior to such adjustment, or result in a true tax value less than the scrap or net realizable value of the affected asset.

EXAMPLE 2

Taxpayer XYZ has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is four hundred sixty thousand dollars ($460,000), and exceeds the benefits expected from any further use of the affected asset. The depreciable asset has an adjusted basis of two million three hundred thousand dollars ($2,300,000) and an acquisition date and depreciable life which result in a tentative true tax value factor of twelve percent (12%) (the total true tax value, of all of XYZ's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is less than thirty percent (30%) of the total adjusted cost). The taxpayer is able to demonstrate that the salvage value of the affected item is seventy-two thousand dollars ($72,000). The taxpayer should compute the adjustment as follows:

Reported basis of asset Qualifying for abnormal Obsolescence adjustment	$2,300,000	
Prescribed true tax Valuation factor	x 30%	
True tax value of item Prior to adjustment for Abnormal obsolescence		$690,000
Less: documented net Realizable value		- 72,000
Allowable adjustment for Abnormal obsolescence		$618,000

(Department of Local Government Finance; 50 IAC 4.2-4-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 843, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 25. 50 IAC 4.2-4-9.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-4-9.1 Election of valuation method for special integrated steel mill or oil refinery/petrochemical equipment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-23

Sec. 9.1. (a) For purposes of this section:

(1) "adjusted cost" refers to the adjusted cost established in 50 IAC 4.2-4-4;

(2) "depreciable personal property" has the meaning set forth in 50 IAC 4.2-4-1;

(3) "integrated steel mill" means a person, including a subsidiary of a corporation, that produces steel by processing iron ore and other raw materials in a blast furnace in Indiana;

(4) "oil refinery/petrochemical company" means a person that produces a variety of petroleum products by processing an annual average of at least one hundred thousand (100,000) barrels of crude oil per day;

(5) "permanently retired depreciable personal property" has the meaning set forth in 50 IAC 4.2-4-3;

(6) "pool" refers to a pool established in 50 IAC 4.2-4-5(a);

(7) "special integrated steel mill equipment" or "oil refinery/petrochemical equipment" means depreciable personal

property, other than special tools and permanently retired depreciable personal property:

(A) that:

(i) is owned, leased, or used by an integrated steel mill or an entity that is at least fifty percent (50%) owned by an affiliate of an integrated steel mill; and (ii) falls within Asset Class 33.4 as set forth in IRS Rev. Proc. 87-56, 1987-2, C.B. 647; or

(B) that:

(i) is owned, leased, or used as an integrated part of an oil refinery/petrochemical company or its affiliate; and

(ii) falls within Asset Class 13.3 or 28.0 as set forth in IRS Rev. Proc. 87-56, 1987-2, C.B. 647;

(8) "year of acquisition" refers to the year of acquisition determined under 50 IAC 4.2-4-6.

(b) Notwithstanding 50 IAC 4.2-4-4, 50 IAC 4.2-4-6, and 50 IAC 4.2-4-7, a taxpayer may elect to calculate the true tax value of the taxpayer's special integrated steel mill equipment or oil refinery/petrochemical equipment by multiplying the adjusted cost of that equipment by the percentage set forth in the following table:

Year of Acquisition	Percentage
1	40%
2	56%
3	42%
4	32%
5	24%
6	18%
7	15%
8 and older	10%

(c) The department shall designate the table under subsection (b) as "Pool No. 5" on the business personal property tax return.

(d) The percentage factors in the table under subsection (b) automatically reflect all adjustments for depreciation and obsolescence, including abnormal obsolescence, for special integrated steel mill equipment or oil refinery/petrochemical equipment. The equipment is entitled to all exemptions, credits, and deductions for which it qualifies.

(e) The minimum valuation limitations under 50 IAC 4.2-4-9 do not apply to special integrated steel mill equipment or oil refinery/petrochemical equipment valued under this section. The value of the equipment is not included in the calculation of that minimum valuation limitation for the taxpayer's other assessable depreciable personal property in the taxing district.

(f) An election to value special integrated steel mill equipment or oil refinery/petrochemical equipment under this section:

(1) must be made by reporting the equipment under this section on a business personal property tax return;

(2) applies to all of the taxpayer's special integrated steel mill equipment or oil refinery/petrochemical equipment located in the state (whether owned or leased, or used as an integrated part of the equipment); and

(3) is binding on the taxpayer for the assessment date for which the election is made. The department shall prescribe the forms to make the election available. Any special integrated steel mill equipment or oil refinery/petrochemical equipment acquired by a taxpayer that has made an election under this section is valued under this section.

(g) If fifty percent (50%) or more of the adjusted cost of a taxpayer's property that would, notwithstanding this section, be reported in a pool other than Pool No. 5 is attributable to special integrated steel mill equipment or oil refinery/petrochemical equipment, the taxpayer may elect to calculate the true tax value of all of that property as special integrated steel mill equipment or oil refinery/petrochemical equipment. The true tax value of property for which an election is made under this subsection is calculated under subsections (b) through (f).

(Department of Local Government Finance; 50 IAC 4.2-4-9.1)

SECTION 26. 50 IAC 4.2-4-10 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-4-10 Determination of property as real or personal
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 10. (a)~~Real and personal property guide.~~ The following guide is intended to assist in the identification of property as either real or personal.

The use of a unit of machinery, equipment, or a structure determines its classification as real or personal property. If the unit is directly used for manufacturing or a process of manufacturing, it is ~~considered as~~ personal property. If the unit is a land or building improvement, it is ~~considered as~~ real property.

~~Beginning with the date when the March 1, 1989 reassessment becomes effective, the following property will be treated as tangible business personal property: all ash handling systems, pit and framing related to the system; coal handling systems; prefab walk-in type cold storage rooms; conveyor housings; crane runways including supporting columns or structure and foundation inside or outside of buildings; ore bridge foundations; and spray pond piping and equipment. The following property will be treated as real property:~~

~~(1) package air conditioning units, through the wall commercial type;~~

~~(2) grain bins for storage;~~

~~(3) above ground swimming pools; and~~

~~(4) portable confinement sheds or buildings.~~

~~These treatments are changes from the previous reassessment.~~

(b) Land improvement — Real.

Retaining walls, piling and mats for general improvement of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, fencing, reservoirs, dikes, dams, ditches, canals, and drainage.

Fixed river, lake, or tidewater wharves and docks.

Permanent standard gauge railroad trackage, bridges, and trestles.

Walls forming storage yards and fire protection dikes.

Note that on-site utility piping, such as sanitary and storm sewers, potable water and fire prevention lines, and gas lines are considered as on-site improvement costs and are valued with the land.

(c) Buildings — Real.

Structural and other improvements to buildings, including foundations, walls, floors, roof, insulation, stairways, partitions, loading and unloading platforms and canopies, areaways, systems for heating, air conditioning, ventilating, sanitation, fixed fire protection, lighting, plumbing, and drinking water, building elevators and escalators.

(d) Miscellaneous.

Agricultural irrigation system including distribution system above or below ground — Personal.

Air conditioning:

Building air conditioning for comfort of occupants — Real.

Package units, through the wall commercial — Real.

Special process to maintain controlled temperature and humidity — Personal.

Air lines for machinery and equipment — Personal.

Aluminum pot lines — Personal.

Anhydrous ammonia tanks:

Stationary — Real.

Portable — Personal.

Ash handling system, pit and framing related to system — Personal.

Asphalt mixing plant and equipment (movable) — Personal.

Auto-call and telephone system — Personal.

Bar and equipment — Personal.

Bins — permanently affixed for storage — Real.

Boilers:

Manufacturing process — Personal.

Building service — Real.

Booths for welding — Personal.

Bowling alley lanes — Personal.

Bucket elevators (open or enclosed including casing) — Personal.

Building, such as special constructed storage, poultry, livestock processing buildings — (not including machinery or equipment) — Real.

Bulkheads making additional land area to be assessed with and as part of the improved land — Real.

Carpeting, commercial — (Real or Personal) — The real property assessment includes a finished floor. If the carpet is installed over an existing finished floor, then carpeting becomes personal property. If, as in the case of many newer buildings, carpeting has been

specified and is the only finished floor, then carpeting is assessed as real property.
Cistern — Real.
Coal, handling system — Personal.
Cold storage:
Built-in cold storage rooms — Real.
Cold storage refrigeration equipment — Personal.
Cold storage, prefab walk-in type — Personal.
Control booth — Personal.
Conveyor:
Housing — Personal.
Tunnels — Real.
Unit including belt and drives — Personal.
Cooling Towers:
Primary use for manufacturing — Personal.
Primary use for building — Real.
Crane:
Moving crane — Personal.
Runways including supporting columns or structure and foundation inside or outside of buildings — Personal.
Dock levelers — Personal.
Drapes — Personal.
Drying rooms:
Structure — Real.
Heating System — Personal.
Dust catchers — Personal.
Fence, security — Real.
Fire alarm system — Personal.
Fire walls, masonry — Real.
Floors, computer room — Real.
Foundations for machinery and equipment — Personal.
Gas lines for equipment or processing — Personal.
Grain bins, storage — Real.
Grain drying equipment — Personal.
Grain drying equipment (such as: augers, aerators) — Personal.
Grain elevators (commercial, industrial), storage, silos, tanks, cupolas, workinghouse, headhouse, milling space — Real.
Grain elevator machinery and equipment (commercial, industrial) such as legs (inside or outside), conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading and unloading systems, truck scales, all processing machinery and equipment — Personal.
Grain storage tents (blow-up) - Personal
Gravel plant — machinery and equipment — Personal.
Greenhouses:
Building — Real.
Building, plastic cover, in place on assessment date - Personal
Benches and heating system — Personal.
Hoist, hoist pits — Personal.
Hydraulic lines — Personal.
Irrigation equipment — Personal.
Kilns:
Lumber, drying kiln structure — Real.
Concrete block, drying kiln structure — Real.
Laundry, steam-generating equipment — Personal.
Lighting:
Yard — Personal.
Special purpose, inside — Personal.
Service station (except building) — Personal.

Mixers and mixing houses — Personal.
Ore bridge foundation — Personal.
Ovens, processing — Personal.
Piping, process piping above or below ground — Personal.
Pits for equipment or processing — Personal.
Pools, swimming, in-ground or above-ground — Real.
Power lines and auxiliary equipment — Personal.
Pumps and motors — Personal.
Pump house (including substructure) — Real.
Racks and shelving (portable or removable) — Personal.
Railroad siding (except belonging to railroad) — Real.
Ready-mix concrete batch plant and equipment — Personal.
Refrigeration equipment — Personal.
Refrigerated display cabinets — Personal.
Sanitary system — Real.
Satellite dishes:
  Commercial use — Personal.
Scale houses — Real.
Scales:
  Truck or railroad scales including pit — Personal.
  Dormant scales — Personal.
Security alarm system - Personal
Septic system (priced with land) — Real.
Sheds or buildings:
  Permanent, affixed or portable confinement buildings — Real.
  Agricultural open portable pull-type — Personal.
  Detached storage structures — Real.
Signs, including supports and foundation — Personal.
Silos:
  Containing a manufacturing process — Personal.
  Farm storage silos — Real.
  Silo equipment — Personal.
  Storage — Real.
Spray pond:
  Masonry reservoir — Real.
  Piping and equipment — Personal.
Sprinkler system — Real.
Stacks:
  Supported individually and servicing heating boilers — Real.
  Servicing personal property units or a process — Personal.
Steam electric generating plant and equipment — Personal.
Stone crushing plant, equipment — Personal.
Storage facilities, permanent of masonry or wood — Real.
Storage vaults and doors, including bank vaults and doors — Real.
Substation:
  Building — Real.
  Equipment — Personal.
Tanks:
  Storage only (except as indicated below) above or below ground — Real.
  Used as a part of a manufacturing process — Personal.
  Underground gasoline tanks at service stations — Personal.
Towers, **Cellular,** TV or radio broadcasting — Personal.
Transformers — Personal.
Tunnels — Real.

Tunnels, waste heat, or processing — Personal.
Unit heaters, nonportable — Real.
Unit heaters, portable — Personal.
Unloader runway — Personal.
Ventilating — Real.
Ventilating system for manufacturing equipment — Personal.
Walls, portable partitions — Personal.
Water lines, for processing above or below ground — Personal.
Water pumping station, building and structure — Real.
Water pumps and motors — Personal.
Water treating and softening plant building and structure — Real.
Water treating and softening equipment — Personal.
Wells, pumps, motors, and equipment — Personal.
Wiring — power wiring — Personal.
(Department of Local Government Finance; 50 IAC 4.2-4-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 845, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 27. 50 IAC 4.2-5-1 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-5-1 "Inventory" defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. (a) ~~Inventory subject to tax.~~ As used in this article, "inventory" means the aggregate of those elements of cost incurred to acquire or produce items of ~~tangible~~ personal property ~~as defined in 50 IAC 4.2-1-1 (h)~~ which are:
(1) held for sale in the ordinary course of business;
(2) are currently in the process of production for subsequent sale;
(3) are ultimately to be consumed in the production of the goods or services to be available for sale; or
(4) are utilized in marketing or distribution activities.
(b) The term "inventory" embraces the following:
(1) Goods awaiting sale. Goods or commodities awaiting sale which include, but are not limited to:
(A) the merchandise of a retail or wholesale concern;
(B) the finished goods of a manufacturer;
(C) commodities from farms, mines, and quarries; and
(D) goods which are used or trade-in merchandise and by-products of a manufacturer.
(2) Work in process. Goods or commodities which are in the course of production at the Indiana location, i.e., items needing further processing to be considered finished or ready for shipment.
(3) Raw materials and supplies. Goods which will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, raw materials, supplies, repair parts, expendable tools and samples.
(Department of Local Government Finance; 50 IAC 4.2-5-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 848, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 28. 50 IAC 4.2-5-1.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-5-1.1 Inventory not subject to assessment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11; IC 6-1.1-2-7; IC 6-1.1-3

Sec. 1.1. (a) Inventory is not subject to assessment and taxation under IC 6-1.1 pursuant to IC 6-1.1-2-7.
(b) Inventory is not personal property pursuant to IC 6-1.1-1-11. *(Department of Local Government Finance; 50 IAC 4.2-5-1.1)*

SECTION 29. 50 IAC 4.2-6-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-6-3 Improvement to leased real or personal property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 3. (a) Whenever a taxpayer makes any expenditure for an improvement to real or personal property not owned by such taxpayer, such expenditure shall be assessable as personal property to the extent it is not real property ~~as defined in 50 IAC 4.2-1-1 (h)~~**.**

(b) Examples of leasehold improvements which are personal property:

(1) Improvements to personal property. Leasehold improvements to personal property as defined in 50 IAC 4.2-1-1 (h), **50 IAC 4.1-1.1(k),** are personal property. Leasehold improvements will include, but not be limited to, foundations and pilings related to the installation and use of personal property.

(2) Improvements to real property. Improvements to real property that are personal property include, but are not limited to, personal property attached to the real property to the extent such items are related to activities or processes conducted in the building if the personal property is an integral part of such activity. For example, improvements to real property would include shelving, bins, counters, and related items; non-permanent partitions; supplemental heating and air conditioning; extraordinary lighting; electrical and plumbing facilities; carpeting and draperies.

(c) Reporting. The taxpayer must report and value the property for personal property assessment purposes and in the same manner as any other depreciable personal property which ~~they~~**it** may own in accordance with provisions of 50 IAC 4.2-4. *(Department of Local Government Finance; 50 IAC 4.2-6-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 859, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 30. 50 IAC 4.2-6-5 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-6-5 Duties of assessing officials
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 5. The **township assessor, if any, or county** assessor, ~~county board of review~~ **county property tax assessment board of appeals,** or the ~~state board~~ **department** shall assess personal property in the name of the owner of the property in the taxing district where the property is situated as of the assessment date to the extent that the owner of said property is identified. However, if as of the filing date (May 15 with extension) the owner of the property as of the assessment date is unknown by the assessor, said property shall be assessed to the person in possession of such property. The complete reporting requirements for property not in the owner's possession are contained in 50 IAC 4.2-2-5. *(Department of Local Government Finance; 50 IAC 4.2-6-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 31. 50 IAC 4.2-6-6 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-6-6 Reporting critical spare parts
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 6. (a) Critical spare parts must be reported for Indiana property assessment purposes at the tax situs where located on the assessment date. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return. Critical spare parts are assessable whether the taxpayer elects to depreciate, amortize, treat as deferred cost, or expense at time of purchase or manufacture, and recovers cost through an increased unit price or any other method utilized in recapturing the costs.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation pursuant to 50 IAC 4.2-6-1(e). *(Department of Local Government Finance; 50 IAC 4.2-6-6)*

SECTION 32. 50 IAC 4.2-7-1IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-7-1 Lists of readily ascertainable values

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 1. (a) In the case of certain types of personal property which it determines has a readily ascertainable value, the ~~state board~~ **department** may determine the true tax value of such property and so designate in 50 IAC 4.2-15 or issue instructional bulletins for the unit valuations of such property to be used for personal property tax purposes.

(b) The unit valuations will be published pursuant to 50 IAC 4.2-1-5. However, in providing for the classification of personal property and included in the factors used to determine the true tax value of personal property the state ~~tax~~ board shall not include the value of land as a cost of producing tangible personal property subject to assessment.

(c) The types of personal property to be valued pursuant to this section will be so designated in 50 IAC 4.2-15, or an instructional bulletin~~. For example, the valuation pursuant to this section will include, but not necessarily be limited to, agricultural commodities, certain livestock, certain types of petroleum products, recreational vehicles, used vehicle inventory, used farm implement inventory, and any other tangible personal property which the state board determines has a readily ascertainable value.~~ *(Department of Local Government Finance; 50 IAC 4.2-7-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 33. 50 IAC 4.2-7-2 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-7-2 Uniform useful lives of assets; publication
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 2. The ~~state board~~ **department** may prescribe and publish the useful life of assets if it determines that a uniform life should be required for all taxpayers in order to obtain equalization of assessments as provided in 50 IAC 4.2-4-5 through 50 IAC 4.2-4-6. *(Department of Local Government Finance; 50 IAC 4.2-7-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 34. 50 IAC 4.2-8-1 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-8-1 "Leased personal property" defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. In general, leased personal property includes those units of tangible personal property ~~as defined in 50 IAC 4.2-1-1(h)~~ excluding inventory, as defined in 50 IAC 4.2-5-1, special tools, as defined in 50 IAC 4.2-6-2, and returnable containers, as defined in 50 IAC 4.2-6-4, which are leased, rented, or otherwise made available to a person other than the owner under a bailment agreement, written or unwritten, on the assessment date. Leased personal property includes, but is not limited to, business machines, postage meters, machinery, equipment, furniture, fixtures, coin-operated devices, tools, burglar alarms, signs and other advertising devices, and motor vehicles to the extent taxable as personal property which are loaned, leased, used, or otherwise held in the possession of a person other than the owner on the assessment date whether or not any fees are charged. *(Department of Local Government Finance; 50 IAC 4.2-8-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 35. 50 IAC 4.2-8-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-8-3 Operating leases
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 3. (a) Operating leases must be reported for assessment and taxation by the owner (lessor) of the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date.

(b) In addition to the ~~filing~~ **reporting** requirement stated ~~above~~ **in subsection (a),** the owner is required to furnish a complete listing, on Form 103-O (50 IAC 4.2-2-9), of all their personal property which was the subject of an operating lease on the assessment date in each taxing district where the property is located showing the name and address of the person(s) in possession, model,

description, location, quantities, date of installation, and value per this article reported for assessment and taxation.
(c) The person holding, possessing, or controlling (lessee) tangible personal property subject to the conditions of an operating lease shall file and attach with their return in the taxing district where such property was situated a complete listing, on Form 103-N (50 IAC 4.2-2-9), of all not owned (leased) personal property. The listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value (if known) per this article. *(Department of Local Government Finance; 50 IAC 4.2-8-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

Section 36. 50 IAC 4.2-8-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-8-4 Capital leases
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 4. (a) Capital leases must be reported for assessment and taxation by the person holding, possessing, or controlling (lessee) the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date. The value of the property must be computed in accordance with sections 7 through 9 of this rule, rather than 50 IAC 4.2-4.
(b) In addition to the ~~filing~~ **reporting** requirement stated ~~above~~ **in subsection (a),** the lessee is required to furnish a complete listing, of all not owned personal property, on Form 103-N (50 IAC 4.2-2-9), in each taxing district where the property was situated. This listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value per this article.
(c) The owner of personal property which is termed capital leases above must file a complete listing, showing the name and address of the person(s) in possession, model, description, location, quantities, date of installation, and value per this article, on Form 103-O (50 IAC 4.2-2-9), in each taxing district where the property was situated as of the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-8-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 37. 50 IAC 4.2-8-6 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-8-6 Assessment of leased personal property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 6. The assessor, county ~~board of review~~ **property tax assessment board of appeals,** or the ~~state board~~ **department** shall assess leased or rented personal property in the manner described in sections 3 through 5 of this rule, in the taxing district where the property is situated as of the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-8-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 38. 50 IAC 4.2-8-7 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-8-7 Valuation; base year value defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 7. (a) The base year value of the leased or rented property plus freight and installation costs must be utilized in determining the value of leased or rented property subject to assessment.
(b) "Base year value" means the amount, measured in money, that a willing buyer in an arm's length transaction would pay to acquire the item of tangible personal property subject to the lease under consideration at the time the lease or bailment was first consummated. For purposes of applying this definition to a specific factual situation, the amount stated in the agreement as the amount which the lessee would have had to pay to acquire the leased property instead of leasing the property will be deemed to be the base year value, provided that the ~~state board~~ **department** does not determine that such amount is unrealistically low in relation to the other terms contained in the agreement.
(c) If an alternative acquisition cost is not shown in the lease agreement, the base year value will be the factory delivered price for

the tangible personal property subject to the lease plus freight, installation costs, and a profit factor.

(d) If the factory delivered price cannot be determined, the base year value will be the present value of the lease payments at the inception of the lease computed in accordance with 50 IAC 4.2-15-14.

(e) If the present value of the lease payments cannot be determined, the following alternative factors will be used to determine the base year value:

(1) the insurable value in the year the lease was first consummated; or

(2) the capitalized value at eight (8) times the annual lease or rental payments.

(f) If the ~~state board~~ **department** issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to 50 IAC 4.2-7-1, such prescribed value shall be the base year value of the property.

(Department of Local Government Finance; 50 IAC 4.2-8-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 39.50 IAC 4.2-9-3 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-9-3 "Abnormal obsolescence" defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 3. (a) "Abnormal obsolescence" means ~~as *[sic.]*~~ that obsolescence which occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessman prior to the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe that has a direct effect upon the value of the personal property of the taxpayer at the tax situs in question on a going concern basis.

(b) Example of unforeseen change in market value: A government ban on the sale of a drug or chemical due to a new discovery or determination may cause that item or the production equipment used to produce it to be abnormally obsolete. A specific example of this would be cyclamate. In this case the equipment used to produce it may be eligible for abnormal obsolescence~~, while the inventory (cyclamate) should be valued at the lower of cost or market as provided in 50 IAC 4.2-5-3 through 50 IAC 4.2-5-8.~~

(c) Example of exceptional technological obsolescence: Abnormal obsolescence due to exceptional technological obsolescence should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaption to a different use. The invention of a newer, more productive piece of equipment which would produce a better quality item or utilization of state of the art technology that produces more efficiently at a lower cost of production does not cause an older, currently used asset to be considered abnormally obsolete. If the asset is still capable of performing the function for which it was acquired, and is producing both on and before the assessment date, no adjustment shall be allowed. The use of historical cost, short useful life, and accelerated depreciation in developing the prescribed true tax value percentages result in an equitable assessment on the property in question.

(d) Example of destruction by catastrophe: Abnormal obsolescence due to catastrophe should be recognized to the extent that it has a direct effect on the value of a particular item. Property which has been destroyed or damaged by catastrophe as of the assessment date would qualify for such an adjustment. A chemical or production process which, due to an irreparable malfunction, emits a toxic gas or deadly chemical into the outside atmosphere, would qualify for such an adjustment to the extent the property is incapable of use.

(e) Example of abnormal obsolescence due to government action: A government order to shut down certain production equipment due to improper emission levels may result in abnormal obsolescence if the cost to cure the delinquent equipment results in incurable obsolescence, i.e., the cost-to-cure exceeds the contribution or increase in value of the impaired item or the impairment cannot be corrected.

(Department of Local Government Finance; 50 IAC 4.2-9-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 40. 50 IAC 4.2-9-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-9-4 Allowance of obsolescence claim
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the property qualifies for the adjustment and the

taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.

(b) A taxpayer wishing to claim an adjustment for abnormal obsolescence must provide documentation of the resulting valuation of the personal property at the tax situs in question on the assessment date on a going concern basis.

(c) The adjustment for abnormal obsolescence must be computed in accordance with this rule, and 50 IAC 4.2-4-8, ~~50 IAC 4.2-5-14,~~ 50 IAC 4.2-8-10, or 50 IAC 4.2-10-4.

(Department of Local Government Finance; 50 IAC 4.2-9-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 41. 50 IAC 4.2-9-6 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-9-6 Adjustment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 6. No adjustment will be allowable for normal obsolescence. The methods of valuation of business tangible personal property automatically reflect this type of obsolescence by ~~providing a thirty-five percent (35%) valuation adjustment on inventory and the use of~~ **using** historic cost, short depreciable life, and accelerated depreciation on depreciable assets. An adjustment for abnormal obsolescence will be allowed provided a taxpayer can substantiate abnormal obsolescence. The provisions of this part of the regulation and the specific portions of this regulation applicable to the class of property involved must be followed and the books and records of the taxpayer must not have reflected the abnormal obsolescence on the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-9-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

SECTION 42. 50 IAC 4.2-9-7 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-9-7 Administrative adjudication on adjustment for abnormal obsolescence
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 7. (a) The taxpayer may, prior to the filing of the property tax return for the year in question, petition the ~~state board~~ **department** pursuant to 50 IAC 4.2-1-6, for an administrative adjudication determination regarding an abnormal obsolescence adjustment. If this determination is granted, it will be effective only for the tax year in question and will not be effective for subsequent assessments.

(b) Reporting on return. If an administrative adjudication determination is obtained, a copy of the determination is required to be attached to the tax return claiming the adjustment. If the taxpayer has not requested an administrative adjudication determination, they may, ~~providing~~ **if** their circumstances meet the requirements contained herein, request an adjustment on the form prescribed by the ~~state board~~ **department** when filing the tax return for the year in question. The adjustment(s), if requested, must:

(1) identify specifically all property for which an adjustment is requested;
(2) indicate the original cost of the property;
(3) indicate the true tax value of the property if no adjustment would be allowed; ~~and~~
(4) indicate the true tax value of the property as a result of the requested adjustment; **and**
(5) indicate that the market value was established in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), which identifies the amount of the adjustment as the true tax value less the market value.

(Department of Local Government Finance; 50 IAC 4.2-9-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 43. 50 IAC 4.2-10-1 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-10-1 Valuation of carriers' property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 1. In general, commercial airlines and ~~interstate motor truck carriers~~, **commercial buslines,** as ~~herein~~ defined **in 50 IAC 4.2-**

10-2 and 50 IAC 4.2-10-3, ~~are required to~~ **must** compute the true tax value of aircraft and transportation equipment required to be reported for the Indiana personal property assessment purposes in accordance with the provisions of 50 IAC 4.2-4. However, if such property is leased, the tentative true tax value is required to be computed in accordance with 50 IAC 4.2-8. The tentative true tax value thus computed is then subject to allocation as provided herein.
(Department of Local Government Finance; 50 IAC 4.2-10-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 44. 50 IAC 4.2-10-2 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-10-2 Commercial airlines; allocation and tax value of aircraft
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31; IC 6-6-6.5

Sec. 2. (a) In general, commercial airlines ~~are required to~~ **must** value the aircraft required to be reported for Indiana property tax purposes pursuant to section 1 of this rule.

(b) "Commercial airlines" means an airline with regularly scheduled flights and routes authorized and approved by the federal aeronautics administration.

(c) Aircraft property required to be reported. In general, commercial airlines are required to report the total value of the fleet of aircraft operating in this state. For this purpose the commercial airline is required to report the value of all aircraft which it owns or operates of the type of aircraft operating in the taxing district. For example, if the airline owns or operates twenty (20) aircraft of type "x", ten (10) aircraft of type "y", and five (5) aircraft of type "z" and only type "x" aircraft are operated in the taxing district, the commercial airline is required to determine the tentative true tax value of all type "x" aircraft in its fleet of aircraft as provided in section 1 of this rule, and report the value of all type "x" aircraft on its personal property tax return.

(d) Allocation. The value of the aircraft required to be reported for Indiana property tax purposes is subject to allocation. This allocation must be made for each type of aircraft operated. The allocation factor for each type of aircraft is computed by dividing the total ground time of each type of aircraft for the preceding twelve (12) months in the taxing district by the total ground time of each type of aircraft operated in the system. In the example provided in subsection (c) the type "x" aircraft would be subject to allocation. The allocation is determined by computing a percentage obtained by dividing the total ground time for the preceding twelve (12) months of all type "x" aircraft in the taxing district by the total ground time for the preceding twelve (12) months of all type "x" aircraft in the fleet.

(e) True tax value. The true tax value of the aircraft is determined by multiplying the percentages as computed in subsection (d) times the tentative true tax value of the aircraft computed in accordance with section 1 of this rule. For example, assume that the type "x" aircraft provided in the example in subsection (c) had a tentative true tax value of twenty million dollars ($20,000,000). Furthermore, assume that the percentage determined in subsection (d) was five percent (5%). The true tax value of the aircraft for Indiana property tax purposes would be one million dollars ($1,000,000).

~~EXAMPLE~~
~~ABC Airline (a commercial airline) owns or operates twenty type "X" aircraft, ten (10) type "Y", and five (5) type "Z". Only type "X" aircraft are operated in the taxing district for which the return is prepared. ABC is required to report the true tax value of the twenty (20) type "X" aircraft.~~
~~The total ground time in the taxing district during the twelve (12) months preceding the assessment date for all of ABC's type "X" aircraft was thirty-six thousand (36,000) minutes. The total ground time during the same period for all type "X" aircraft in ABC's fleet was seven hundred and twenty thousand (720,000) minutes. The allocation factor is five percent (5%) (36,000/720,000).~~
~~The tentative true tax value per section 1 of this rule, of the twenty (20) type "X" aircraft operated by ABC is twenty million dollars ($20,000,000).~~
~~The true tax value to be reported by ABC in this taxing district of the twenty (20) type "X" aircraft is one million dollars ($1,000,000) ($20,000,000 × 5%).~~
(Department of Local Government Finance; 50 IAC 4.2-10-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 45. 50 IAC 4.2-10-3.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-10-3.1 Commercial busline; allocation and true tax value
Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-1-11

Sec. 3.1. (a) As used in this rule, "commercial busline" means a company for hire that is principally engaged in the business of transporting persons by bus, and exclusively operates charter buses, which do not have scheduled routes.

(b) The fleet of the commercial busline includes the buses the taxpayer owns, holds, possesses, or controls that are used and operated in interstate commerce.

(c) The fleet of the commercial busline is required to be valued pursuant to section 1 of this rule.

(d) The allocation factor for the fleet is computed by dividing the total Indiana miles of the fleet for the preceding twelve (12) months by the total miles of the fleet for the same period.

(e) As an alternative to maintaining a mileage log of all trips, individual lessors, who do not maintain adequate records to compute their allocation factor, may use the same allocation factor as their lessee provided that the lessor's property is predominantly leased to that lessee. The lessor must meet the predominant use requirement in order to use the lessee's allocation factor. If the lessor does not meet the predominant use requirement, the lessor must use the actual allocation factor as determined in subsection (d). As used in this section, "predominant use" means:

(1) during the course of the year, more than fifty percent (50%) of the total mileage logged by the lessor's buses is logged by buses under lease to that lessee; or

(2) during the course of the year, the leased property is leased to that lessee for more than one-half (½) the number of days in that year.

(f) The total true tax value of the fleet subject to assessment under this section is determined by multiplying the true tax value as determined in section 1 of this rule, by the allocation factor determined in subsection (d) or (e). *(Department of Local Government Finance; 50 IAC 4.2-10-3.1)*

SECTION 46. 50 IAC 4.2-10-4 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-10-4 Abnormal obsolescence adjustment for commercial airlines and commercial buslines
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 4. (a) Commercial airlines ~~and interstate motor truck carriers~~ **and the buses of commercial buslines used and operated in interstate commerce** may claim an adjustment for abnormal obsolescence, as defined in 50 IAC 4.2-9-3, on the tangible personal property reported pursuant to this section, ~~provided that~~ **if** the taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 4.2-9.

(b) Limitation. No adjustment will be allowed for normal obsolescence as defined in 50 IAC 4.2-9. The determination of the tentative true tax value pursuant to 50 IAC 4.2-4, automatically makes an allowance for this type of obsolescence.

(c) Eligibility. The term abnormal obsolescence will be strictly construed and limited to a situation where unforeseen changes in market values, exceptional technological obsolescence **, or** where destruction by a catastrophe occurs ~~providing that~~ **if** such events have a direct effect upon the valuation of the property at the tax situs in the state of Indiana.

(d) Adjustment. The dollar amount of the adjustment ~~in no event can~~ **may not** exceed the allocatable portion of the true tax value of the particular unit of property as determined pursuant to this section for which the carrier claims an adjustment.
(Department of Local Government Finance; 50 IAC 4.2-10-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 47. 50 IAC 4.2-10-5 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-10-5 Scope of rule
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 5. ~~Limitation on application of this rule.~~ This section is applicable only to the aircraft of the commercial airline ~~and the transportation equipment of interstate motor truck carriers used and operated in interstate commerce~~ **and the buses of commercial buslines used and operated in interstate commerce** and is not applicable to the other classes of business personal property which the taxpayer may own, possess, or control at the tax situs in question. The other classification of business personal property must be reported and valued pursuant to the other provisions of this article. *(Department of Local Government*

Finance; 50 IAC 4.2-10-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 48. 50 IAC 4.2-11.1 IS ADDED TO READ AS FOLLOWS:

Rule 11.1. Deductions and Exemptions for Business Personal Property

50 IAC 4.2-11.1-1 Stationary or unlicensed mobile air pollution control system
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-12; IC 6-1.1-10-13; IC 36-5-1

Sec. 1. (a) Personal property is exempt from property taxation if:
(1) it is part of a stationary or unlicensed mobile air pollution control system of a private manufacturing, fabricating, assembling, extracting, mining, processing, generating, refining, or other industrial facility;
(2) it is not primarily used in the production of property for sale;
(3) it is employed predominantly in the operation of the air pollution control system;
(4) the air pollution control system is designed and used for the improvement of public health and welfare by the prevention or elimination of air contamination caused by industrial waste or contaminants;
(5) a sanitary treatment or elimination service for the waste or contaminants is not provided by public authorities; and
(6) it is acquired for the purpose of complying with any state, local, or federal environmental quality statutes, regulations, or standards.
(b) The property that is exempt under this section includes the following personal property:
(1) Personal property that is under construction or in the process of installation and that will be used for the purposes described in subsection (a) when placed in service.
(2) Spare parts held exclusively for installation in or as part of personal property that qualifies for the exemption under this section.
(c) The owner of personal property which is part of a stationary or unlicensed mobile air pollution control system who wishes to obtain the exemption provided in this section shall claim the exemption on the owner's annual personal property return. On the return, the owner shall describe and state the assessed value of the property for which the exemption is claimed.
(d) The township assessor, if any, or county assessor shall:
(1) review the exemption claim; and
(2) allow or deny it in whole or in part.
In making the decision, the township assessor, if any, or county assessor shall consider the requirements stated in subsection (a) of this section.
(e) The township assessor, if any, or county assessor shall reduce the assessed value of the owner's personal property for the year for which the exemption is claimed by the amount of exemption allowed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-1)*

50 IAC 4.2-11.1-2 Industrial waste control facility
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-9; IC 6-1.1-10-10; IC 6-1.1-10-11; IC 13-7-2

Sec. 2. (a) For purposes of this section, "industrial waste control facility" means personal property that is:
(1) included either as a part of or an adjunct to a privately owned manufacturing or industrial plant or coal mining operation; and
(2) used predominantly to:
(A) prevent, control, reduce, or eliminate pollution of a stream or a public body of water located within or adjoining this state by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, or disposing of waste or contaminants generated by the plant; or
(B) meet state or federal reclamation standards for a coal mining operation.
The term includes personal property that is under construction or in the process of installation and that will be used for the purposes described in this subsection when placed in service. The term also includes spare parts held exclusively for

installation in or as part of personal property that qualifies for the exemption under this section.

(b) An industrial waste control facility is exempt from property taxation if it is not used in the production of property for sale.

(c) The owner of an industrial waste control facility who wishes to obtain the exemption provided in section 9 of this chapter shall file an exemption claim along with the owner's annual personal property return. The claim shall describe and state the assessed value of the property for which an exemption is claimed.

(d) The owner shall, by registered or certified mail, forward a copy of the exemption claim to the Indiana department of environmental management. The department shall acknowledge its receipt of the claim.

(e) The Indiana department of environmental management may investigate any claim. The department may also determine if the property for which the exemption is claimed is being utilized as an industrial waste control facility. Within one hundred twenty (120) days after a claim is mailed to the department, the department may certify its written determination to the township or county assessor with whom the claim was filed.

(f) The determination of the department remains in effect:

(1) as long as the owner owns the property and uses the property as an industrial waste control facility; or

(2) for five (5) years;

whichever is less. In addition, during the five (5) years after the department's determination the owner of the property must notify the county assessor and the department in writing if any of the property on which the department's determination was based is disposed of or removed from service as an industrial waste control facility.

(g) The department may revoke a determination if the department finds that the property is not predominantly used as an industrial waste control facility.

(h) The township assessor, if any, or county assessor, in accord with the determination of the department, shall allow or deny in whole or in part each exemption claim. However, if the owner provides the assessor with proof that a copy of the claim has been mailed to the department, and if the department has not certified a determination to the assessor within one hundred twenty (120) days after the claim has been mailed to the department, the assessor shall allow the total exemption claimed by the owner.

(i) The assessor shall reduce the assessed value of the owner's personal property for the year for which an exemption is claimed by the amount of exemption allowed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-2)*

50 IAC 4.2-11.1-3 Industrial waste facilities; action on exemption claim
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-11

Sec. 3. A determination by the Indiana department of environmental management under section 4 of this rule may be appealed by the property owner to the circuit court of the county in which the property is located. The court shall try the appeal without a jury. Either party may appeal the circuit court's decision in the same manner that other civil cases may be appealed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-3)*

50 IAC 4.2-11.1-4 Industrial waste control facility; action on exemption claim treated as assessment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-14

Sec. 4. The action taken by a township assessor, if any, or county assessor on an exemption claim filed under section 4 of this rule shall be treated as an assessment of personal property. Thus, the assessor's action is subject to all the provisions of this article pertaining to notice, review, or appeal of personal property assessments. *(Department of Local Government Finance; 50 IAC 4.2-11.1-4)*

50 IAC 4.2-11.1-5 Waiver of exemption
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-11-1

Sec. 5. An exemption is a privilege which may be waived by a person who owns property that would qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, it waives the exemption. If the exemption is waived, the property is subject to taxation (IC 6-1.1-11-1). *(Department of Local Government Finance; 50 IAC 4.2-11.1-5)*

50 IAC 4.2-11.1-6 Personal property in economic revitalization area; schedule; filing requirements; township assessor or county assessor review; change in property ownership; appeal
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-12.1

Sec. 6. (a) A taxpayer must file Form 103-ERA with the taxpayer's personal property return with the township assessor, if any, or county assessor in which the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment is located. Except as provided in subsection (d), the deduction is applied in the amount claimed in the Form 103-ERA that a person files with:

(1) a timely personal property return under IC 6-1.1-3-7(a) or IC 6-1.1-3-7(b); or

(2) a timely amended personal property return under IC 6-1.1-3-7.5.

(b) The taxpayer must file an equipment list (Form 103-EL) in the first year that the equipment is claimed. The taxpayer must file a copy of the form SB-1/PP and the resolution granting the deduction from the designating body when required.

(c) Forms 103-ERA and CF-1/PP must be filed under this section in the year in which the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment is installed and in each of the immediately succeeding years the deduction is allowed.

(d) The township assessor, if any, or the county assessor may:

(1) review the deduction schedule; and

(2) before the March 1 that next succeeds the assessment date for which the deduction is claimed, deny or alter the amount of the deduction. If the assessor does not deny the deduction, the county auditor shall apply the deduction in the amount claimed in the deduction schedule or in the amount as altered by the assessor. An assessor who denies a deduction under this subsection or alters the amount of the deduction shall notify the person that claimed the deduction and the county auditor of the assessor's action. The county auditor shall notify the designating body and the county property tax assessment board of appeals of all deductions applied under this section.

(e) If the ownership of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment changes, the deduction continues to apply to that equipment if the new owner:

(1) continues to use the equipment in compliance with any standards established; and

(2) files Form 103-ERA required by this section.

(g) The amount of the deduction for the new owner is the percentage that would have applied if the ownership of the property had not changed multiplied by the current assessed value of the equipment for the year the deduction is claimed by the new owner.

(f) A person may appeal a determination of the assessor under subsection (d) to deny or alter the amount of the deduction by requesting in writing a preliminary conference with the assessor not more than forty-five (45) days after the assessor gives the person notice of the determination. Except as provided in subsection (h), an appeal initiated under this subsection is processed and determined in the same manner that an appeal is processed and determined under IC 6-1.1-15.

(g) In the event of noncompliance with the requirements set forth in IC 6-1.1-12.1-11.3(a) for a taxpayer to receive the deduction, a designating body may by resolution waive noncompliance described under IC 6-1.1-12.1-11.3(a) under the terms and conditions specified in the resolution. Before adopting a waiver, the designating body shall conduct a public hearing on the waiver.

(h) The county assessor is recused from any action the county property tax assessment board of appeals takes with respect to an appeal under subsection (f) of a determination by the county assessor. *(Department of Local Government Finance; 50 IAC 4.2-11.1-6)*

50 IAC 4.2-11.1-7 Waiver of noncompliance
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-12.1

Sec. 7. (a) This section applies only to the following requirements:

(1) Failure to provide the completed statement of benefits form to the designating body before the hearing required by IC 6-1.1-12.1-2.5(c).
(2) Failure to submit the completed statement of benefits form to the designating body before the:
(A) initiation of the redevelopment or rehabilitation;
(B) installation of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment; or
(C) occupation of an eligible vacant building; for which the person desires to claim a deduction under IC 6-1.1-12.1.
(3) Failure to designate an area as an economic revitalization area before the initiation of the:
(A) redevelopment;
(B) installation of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment;
(C) rehabilitation; or
(D) occupation of an eligible vacant building; for which the person desires to claim a deduction under IC 6-1.1-12.1.
(4) Failure to make the required findings of fact before designating an area as an economic revitalization area or authorizing a deduction for new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment under IC 6-1.1-12.1-2, IC 6-1.1-12.1-3, IC 6-1.1-12.1-4.5, or IC 6-1.1-12.1-4.8.
(5) Failure to file a:
(A) timely; or
(B) complete;
deduction application under IC 6-1.1-12.1-5, IC 6-1.1-12.1-5.3, or IC 6-1.1-12.1-5.4.

(b) This section does not grant a designating body the authority to exempt a person from filing a statement of benefits or exempt a designating body from making findings of fact.

(c) A designating body may by resolution waive noncompliance described under subsection (a) under the terms and conditions specified in the resolution. Before adopting a waiver under this subsection, the designating body shall conduct a public hearing on the waiver. *(Department of Local Government Finance; 50 IAC 4.2-11.1-7)*

50 IAC 4.2-11.1-8 Enterprise zone investment deduction primary definitions
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45-2; IC 6-1.1-45-5; IC 6-1.1-45-7

Sec. 8. (a) "Base year assessed value" equals the total assessed value of the personal property assessed at an enterprise zone location on the assessment date in the calendar year immediately preceding the calendar year in which a taxpayer makes a qualified investment with respect to the enterprise zone location.

(b) "Enterprise zone location" means a lot, parcel, or tract of land located in an enterprise zone created under IC 5-28-15.

(c) "Qualified personal property investment" means the purchase of new manufacturing or production equipment and/or the costs associated with retooling existing machinery. *(Department of Local Government Finance; 50 IAC 4.2-11.1-8)*

50 IAC 4.2-11.1-9 Enterprise zone investment deduction filing requirements; extension of time to file; late filings
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45

Sec. 9. (a) A taxpayer that desires to claim the deduction for a particular year shall file the Form EZ-2 with the county auditor before May 15 of the assessment year to obtain the deduction. A copy of the taxpayer's business personal property tax return for the same assessment date must be attached to the Form EZ-2.

(b) The county auditor may grant a taxpayer an extension of not more than thirty (30) days to file the Form EZ-2 if the taxpayer submits a written application before May 15 and provides a sufficient reason for the request.

(c) If a taxpayer fails to file a timely or complete deduction application, the deduction would not be granted for the subject year unless an urban enterprise association created under IC 5-28-15-13 conducts a public hearing and adopts a resolution to waive the failure to timely file or complete the deduction application. *(Department of Local Government Finance; 50 IAC 4.2-11.1-9)*

50 IAC 4.2-11.1-10 Amount of enterprise zone investment deduction
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45

Sec. 10. The amount of the deduction is equal to the remainder of:
(1) the total amount of the assessed value of the taxpayer's enterprise zone personal property on a particular assessment date; minus
(2) the total amount of the base year assessed value.
(Department of Local Government Finance; 50 IAC 4.2-11.1-10)

50 IAC 4.2-11.1-11 Review and appeal procedures for enterprise zone investment deduction
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45

Sec. 11. (a) The county auditor shall review the deduction claimed by the taxpayer and shall notify the taxpayer of the determination on the deduction before August 15 of the year in which the Form EZ-2/PP is filed.
(b) A taxpayer may appeal the determination of the county auditor by filing a complaint in the office of the clerk of the circuit or superior court not later than forty-five (45) days after the county auditor gives notice of the determination.
(Department of Local Government Finance; 50 IAC 4.2-11.1-11)

SECTION 49. 50 IAC 4.2-14-1.1 IS ADDED TO READ AS FOLLOWS:

50 IAC 4.2-14-1.1 Principal business activity codes
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 1.1. (a) This section prescribes the use of the principal business activities and their associated six-digit codes based upon the North American Industry Classification System (NAICS), and used on a taxpayer's federal tax return.
(b) It is a requirement that each taxpayer determine the business activity and the associated six-digit activity code referenced in subsection (a) and enter it on the front page of the Form 102, Form 103-Short, Form 103-Long, and Form 103-SR in the box titled "principal business activity code". *(Department of Local Government Finance; 50 IAC 4.2-14-1.1)*

SECTION 50. 50 IAC 4.2-15-1 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-15-1 Subjects covered; incorporation of "directives"; availability
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 1. ~~(a) The state board has previously issued "directives" to interpret the property tax laws and rules and to set forth state board policies. These directives, previously designated as D78-1, D78-2, etc., have been repealed and replaced by this rule. Sections 2 through 14 of this rule, prescribe the methods of valuation for specific types of property. These sections are not included in the printing of this article as provided to local assessing officials for general distribution to taxpayers. Taxpayers with property for which a specific valuation method has been prescribed may obtain a copy of the appropriate section(s) from the assessor of the county where the property is located.~~
~~(b)~~ The following summarizes the remaining sections of this rule:

~~50 IAC 4.2-15-2~~	~~Assessment of boats, motors, boat trailers, campers, camping trailers, travel trailers, pick-up truck campers, fold down campers, snowmobiles, off-road vehicles, self-propelled motor homes, nonfactory produced units (homemade), antique cars, and aircraft~~
~~50 IAC 4.2-15-3~~	~~Penalty provisions which apply to Form 101, individual's tangible personal property return, place of assessment, and evidence of filing~~
50 IAC 4.2-15-4	Assessment of servicemen for personal property
~~50 IAC 4.2-15-5~~	~~Assessment of grain in storage~~
~~50 IAC 4.2-15-6~~	~~Assessment of farm commodities and livestock~~

50 IAC 4.2-15-7 Assessment of refined petroleum products, marketing equipment, crude oil, and natural gas at wellhead
50 IAC 4.2-15-8 Assessment of leased data processing equipment
~~50 IAC 4.2-15-9 Assessability of state and federal taxes on liquor, wine, beer, and cigarettes including goods held in bonded warehouse~~
~~50 IAC 4.2-15-10 Assessment of used equipment, appliances, vehicles, and other tangible personal property~~
~~50 IAC 4.2-15-11 Reporting requirements and disclosure information~~
~~50 IAC 4.2-15-12 Assessment of outdoor advertising signs~~
~~50 IAC 4.2-15-13 Assessment of interstate motor truck carriers under the international registration program~~
50 IAC 4.2-15-14 Present value of personal property leases
(Department of Local Government Finance; 50 IAC 4.2-15-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 888, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 51. 50 IAC 4.2-15-7 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-15-7 Assessment of~~,~~ marketing equipment of refined petroleum products
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 7. (a) Under 50 IAC 4.2-7-1 the following procedures will be utilized by the ~~state board~~ **department** to determine the prices to be used for the assessment of certain marketing equipment of petroleum products.

~~(b) The products covered by this section include crude oil, natural gas, grease, gasoline (all grades), motor oil (all grades), LP gas, and distillate fuel. Distillate fuel includes kerosene, fuel oil, tractor fuel, jet fuel, and diesel fuel.~~

~~(c) The price to be utilized for the valuation of crude oil and other petroleum products will be based upon commodity prices reported in the Oil Daily, Oil and Gas Journal, and the Wall Street Journal as of March 1 of the assessment year. Since these prices must be as of March 1 of each assessment year, we will issue the actual prices for each of these commodities shortly after March 1 of the assessment year.~~

~~(d) Inventories of these commodities at the refinery will be valued at the total cost pursuant to 50 IAC 4.2-5 while inventories of these same items at the other levels of trade, namely the terminal, bulk plant, and retail stations will be valued to include the sum of the applicable expenditures and charges directly or indirectly incurred to bring these items to their existing condition and location as of the assessment date.~~

~~(e) All petroleum prices shall be listed in the return at the prices adopted by the state board less the normal thirty-five percent (35%) valuation adjustment as provided in 50 IAC 4.2-5-13 and assessed at thirty-three and one-third percent (33 1/3%) of that value.~~

~~(f)~~ **(b)** Under 50 IAC 4.2-7-2 the ~~state board~~ **department** has determined in order to provide for a uniform method of assessment as set out in 50 IAC 4.2-4-5 and to obtain equalization in the assessment of petroleum industry marketing facilities, the ~~state board~~ **department** establishes the useful life of all tangible personal property used in the marketing of petroleum products as being twelve (12) years with all such property being segregated into Pool No. 3 for Indiana property tax purposes.
(Department of Local Government Finance; 50 IAC 4.2-15-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 52 50 IAC 4.2-15-8 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-15-8 Assessment of leased data processing equipment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 8. (a) In recognition of the fact that certain intangible charges may be included in the base year value of the subject equipment, the board has authorized the following adjustment procedure:

(1) Base year value for leased data processing equipment shall be the current commercial published selling price for new equipment.

(2) If the current selling price as defined in subdivision (1) includes charges for one (1) or more of the following customer support services, such charges shall be allowable as an adjustment to base year value in Column B, Form 103 (50 IAC 4.2-2-9), to the extent that such charges can be segregated from the total selling price, supported by adequate records and such adjustments clearly shown on Form 106 (50 IAC 4.2-2-9). Customer support services shall be limited to:

(A) Educational services. Training and instruction in the use of electronic data processing equipment provided to the user

thereof, such as on site education, classroom instruction, and educational publications.

(B) Maintenance. This would be tests, measurements, replacements, adjustments, and repairs intended to keep data processing equipment in satisfactory working condition.

(C) Application software. The application program is a written sequence of instructions which details the operations the equipment is to perform in order to achieve a specific objective of the user.

Any adjustment for the above enumerated purposes must be factually documented by the taxpayer and shall not exceed ten percent (10%) of the total base year valuation of subject equipment.

(b) If there is a question as to the qualification of certain items under this section, the taxpayer may request an administrative adjudication determination pursuant to the provisions of 50 IAC 4.2-1-6. The ~~state board~~ **department** will review each request and issue its determination based upon the facts and evidence submitted by the taxpayer.

(Department of Local Government Finance; 50 IAC 4.2-15-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 53. 50 IAC 4.2-15-14 IS AMENDED TO READ AS FOLLOWS:

50 IAC 4.2-15-14 Present value of personal property leases

Authority: IC 6-1.1-31-1

Affected: IC 6-1-1-3

Sec. 14. Pursuant to 50 IAC 4.2-8-7(d) the ~~board~~ **department** has prescribed the following for the computation of the present value of leased personal property:

(1) If ownership of the property is transferred to the lessee (or may transfer if one (1) of the parties exercises an option) at or before the end of the lease, the term of the lease shall be the term used for computation of the present value.

(2) If title to the property is not transferred to the lessee, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(3) If the length of the lease is not specific, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(4) If the lease contains a "balloon" or "bubble" payment, such payment must be included in the present value computation. A "balloon" or "bubble" payment is a lump sum payment scheduled at the inception of, during, or at the conclusion of the lease.

(5) If the lease indicates the rate of interest included in the payments, such rate shall be used for computing the present value.

(6) If no interest rate is stated in the lease, the rate to be used in the computation shall be the prime commercial bank loan rate ~~(per Indiana National Bank, Indianapolis)~~ on the March 1 nearest to the inception of the lease.

The interest rates to be used for March 1 of certain years ~~is [sic.]~~ **are** as follows:

Year	Interest Rate	Year	Interest Rate
~~1988~~	~~8.50%~~	~~1982~~	~~16.50%~~
~~1987~~	~~7.50%~~	~~1981~~	~~18.50%~~
~~1986~~	~~9.50%~~	~~1980~~	~~16.50%~~
~~1985~~	~~10.50%~~	~~1979~~	~~11.75%~~
~~1984~~	~~11.00%~~	~~1978~~	~~8.00%~~
~~1983~~	~~10.50%~~		
2009	**3.25%**	**2003**	**4.25%**
2008	**6.00%**	**2002**	**4.75%**
2007	**8.25%**	**2001**	**8.50%**
2006	**7.50%**	**2000**	**8.75%**
2005	**5.50%**	**1999**	**7.75%**

2004 4.00% 1998 8.50%

The ~~state board~~ **department** shall publish subsequent rates annually.

(7) If the amount of any payment(s) (including balloon payments) is not known at the inception of the lease, the present value of the lease payments cannot be computed, and therefore may not be used as the base year value for personal property tax reporting purposes.

(8) If the present value computed in accordance with this section does not result in a reasonable valuation when other facts and circumstances are considered, the computed present value may not be used as the base year value.

~~EXAMPLE 1~~

~~XYZ leased a machine in December, 1982. The term of the lease is seven (7) years, and title to the equipment transfers to XYZ at the end of the lease. The monthly lease payments as stated in the lease are two hundred dollars ($200) and the option purchase price at the end of the lease is two thousand dollars ($2,000). The present value of the lease payments at the inception of the lease would be computed as follows:~~

~~P (monthly payment) = $200~~

~~i (monthly interest) = 0.875% (10.50%/12)~~

~~N (number of payments) = 84 (7 yrs □ 12 mos)~~

~~B (balloon payment) = $2,000~~

~~PV of monthly payments + PV of Balloon = $11,861.92 + 962.08 = $ 12,824 = Base Year Value of Leased Machine~~

~~EXAMPLE 2~~

~~ABC leased a piece of equipment in June, 1986. The term of the lease is four (4) years, but title to the property does not transfer to ABC. The prescribed depreciable life of the item for federal tax purposes (in effect at the inception of the lease) was five (5) years. The lease calls for monthly lease payments of one hundred fifty dollars ($150). The present value of the lease payments at the inception of the lease would be computed as follows:~~

~~P = $150~~

~~i = 0.79167% (9.50%/12)~~

~~N = 60 (5 □ 12)~~

~~PV = $7,142.22 = Base Year Value of Leased Equipment~~

(Department of Local Government Finance; 50 IAC 4.2-15-14; filed Dec 7, 1988, 9:35 a.m.: 12 IR 906, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

SECTION 54. THE FOLLOWING ARE REPEALED: 50 IAC 4.2-1-1; 50 IAC 4.2-1-7; 50 IAC 4.2-2-6; 50 IAC 4.2-2-11; 50 IAC 4.2-3-1; 50 IAC 4.2-3-2; ; 50 IAC 4.2-3-3; 50 IAC 4.2-3-4; 50 IAC 4.2-3-5; 50 IAC 4.2-3-6; 50 IAC 4.2-3-7; 50 IAC 4.2-3-8; 50 IAC 4.2-3-9; 50 IAC 4.2-3-10; 50 IAC 4.2-3-11; 50 IAC 4.2-3-12; 50 IAC 4.2-3-13; 50 IAC 4.2-3-14; 50 IAC 4.2-5-2; 50 IAC 4.2-5-3; 50 IAC 4.2-5-4; 50 IAC 4.2-5-5; 50 IAC 4.2-5-6; 50 IAC 4.2-5-8; 50 IAC 4.2-5-9; 50 IAC 4.2-5-10; 50 IAC 4.2-5-11; 50 IAC 4.2-5-12; 50 IAC 4.2-5-14; 50 IAC 4.2-5-15; 50 IAC 4.2-10-3; 50 IAC 4.2-11-1; 50 IAC 4.2-11-2; 50 IAC 4.2-11-3; 50 IAC 4.2-11-4; 50 IAC 4.2-11-5; 50 IAC 4.2-11-6; 50 IAC 4.2-11-7; 50 IAC 4.2-11-8; 50 IAC 4.2-11-9; 50 IAC 4.2-11-10; 50 IAC 4.2-12-1; 50 IAC 4.2-12-2; 50 IAC 4.2-12-3; 50 IAC 4.2-12-4; 50 IAC 4.2-12-5; 50 IAC 4.2-12-6; 50 IAC 4.2-12-7; 50 IAC 4.2-12-8; 50 IAC 4.2-12-9; 50 IAC 4.2-12-10; 50 IAC 4.2-12-11; 50 IAC 4.2-12-12; 50 IAC 4.2-14-1; 50 IAC 4.2-15-2; 50 IAC 4.2-15-3; 50 IAC 4.2-15-5; 50 IAC 4.2-15-6; 50 IAC 4.2-15-9; 50 IAC 4.2-15-10; 50 IAC 4.2-15-11; 50 IAC 4.2-15-12; 50 IAC 4.2-15-13.