STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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MEMORANDUM

TO: All Public Utility Companies

SUBJECT: Important Instructions for Taxpayers for the Investment Deduction Credit (Form UD-ID)

FROM: Keilah K. Heffington, Utility Specialist

DATE: March 2006

In 2005, the Indiana General Assembly enacted the Investment Deduction for both real and personal property, including utilities, effective for the March 1, 2006, assessment. The Investment Deduction forms are filed with the Township Assessor. Township assessors' addresses, telephone, and fax numbers are available on our website. (http://www.in.gov/serv/dlgf_officials)

The type(s) of property excluded from this deduction are listed under number 10 of the instructions; property contained within a Tax Increment Financing District (TIF District); or property with an Economic Revitalization Area (ERA) Abatement deduction. The deduction may, however, be requested for property in an ERA that has not been approved for abatement.

For state distributable property, attach a copy of Form 11A with the county filing as verification of an increase in assessed value. This form must be filed within 30 days of the issuance date on the Form 11A. If filing for property reported on Form 1, Locally Assessed Personal Property of a Public Utility, attach a copy of Form 1. Extensions of time to file are solely at the discretion of the Township Assessor.

Per discussion with the department's General Counsel, the jobs created or retained by the investment must be at the site of investment or otherwise closely related to it.

In the first year of reporting on the UD-45, additions are generally reported at 40 percent of true tax value (federal tax value minus federal tax depreciation, rounded to the nearest $10), due to the gross additions credit. In some cases, a small business may depreciate their added property completely to the 30 percent floor. In that case, a net true tax value (TTV) of 30 percent has still been added. For purposes of this deduction, you may not be lower than the net TTV. In years 2 and 3 of the deduction, the net TTV should also be used as the starting point for the deduction.

Please refer to IC 6-1.1-12.4 (http://www.in.gov/legislative/ic/code/title6/ar1.1/ch12.4.html) and Title 50 IAC 22 (proposed rule available at: http://www.in.gov/dlgf/pdfs/LSADoc_05_144.pdf) for specific information on investment deductions. Taxpayers may be required to provide documentation in regard to meeting the qualifications for taking this deduction at the discretion of the local governing official. Please see IC 6-1.1-12.4-6.

Questions or comments about the forms may be addressed to Keilah Heffington (317) 232-3756 (kheffington@dlgf.IN.gov) or Julie Waddell (317) 232-3765 (jwaddell@dlgf.IN.gov).