# BIZTAX

June 2014

## Governor Pence's Tax Conference

## Legislative Update

## Fuel Tax Update

BizTax
June 2014

## A Publication for Indiana Businesses

If you are having trouble reading the text in the newsletter and wish it was a little bigger, there is a way to do that. View it in full-screen mode by clicking the Enable Full Screen button. You'll find it in the menu of buttons along the bottom of your screen—it's the very first button from the left and looks like a square with a little arrow pointing out from each corner.

You also can download the entire issue or just selected pages as PDF documents. Just click the Download button—the fifth button from the left that looks like a downward-pointing arrow with a line underneath it. This opens the issue as a PDF, which you can then save or print.

**Editorial**

Publisher: Commissioner Mike Alley
Chief Editor: Chetrice Mosley
Editor: Aunjalee Bhullar
Art Director/Graphic Design: Mike Garrard
Web Design: Anita Walton
Contributors: Diane Blankenship
Kelsey Kotnik
Megan Wade-Taxter

INDIANA
A State that Works™

# BIZTAX contents


4 New Legislation for 2014

10 Fuel Tax Updates

14 Alcohol and Tobacco Electronic Mandate

16 Business Education Program Continues in 2014

18 Governor Pence's Tax Conference

20 Filing Tips

22 Great Resources

24 Important Dates

28 Contact Us

# New Legislation for 2014

With the 2014 Indiana General Assembly over, it's time to take a look at the legislation that was passed and consider how it will affect Hoosier taxpayers and the department. The following highlights some of the key changes to Indiana's tax laws, listed by tax type. For a complete listing of all the changes for 2014 and changes that go into effect in 2015, please visit the department's Legislative Summaries webpage (**www.in.gov/dor/3656.htm**) and click the link for the 2014 summary.

## Changes Affecting Individual Income Tax

*The following changes affect Indiana's individual adjusted gross income tax:*

- Effective Jan. 15, 2015, the law extends the state individual extension of time to file due date from June 15 to Oct. 15 (plus 30 days, or until Nov. 14) of the tax year. Also provides that any penalty shall be based on the amount of tax not paid on or before the end of the extension period (Nov. 14).
- Effective Jan. 1, 2015, taxpayers may claim a state adoption credit. The credit will be limited to the lesser of 10% of the adoption credit granted of the taxpayer's federal tax return or the annual state tax liability.
- Effective Jan. 1, 2014, pass-through entities are eligible to claim the Industrial Recovery Tax Credit.
- Effective Jan. 1, 2015, the income limitation for purposes of calculating the Lake County Residential Income Tax Credit will be based on Indiana adjusted gross income instead of earned income.
- Effective July 1, 2014, taxpayers may continue to carry forward any unused tax credit from a prior taxable year even after the tax credit has been repealed.
- Effective July 1, 2014, the Venture Capital Investment Credit is repealed.
- Several tax credits have been repealed, effective Jan. 1, 2015: the Indiana Riverboat Building Credit, Voluntary Remediation Credit, Blended Biodiesel Credit, Ethanol Production Credit, Prison Investment Credit, and New Employer Credit.
- Effective Jan. 1, 2014 (retroactive), the credit for natural gas-powered vehicles no longer applies to vehicles using alternative fuel and no longer requires the vehicle to be used in providing public transportation. The credit also now requires that the vehicle be purchased or leased from a dealer in Indiana to be eligible.

## Changes Affecting Corporate Income Tax

*The following changes affect Indiana's corporate adjusted gross income tax:*

- Effective July 1, 2014, taxpayers may continue to carry forward any unused tax credit from a prior taxable year even after the tax credit has been repealed.
- Two tax credits have been repealed, effective July 1, 2014: the Venture Capital Investment and Energy Star credits.
- Several tax credits have been repealed, effective Jan. 1, 2015: the Indiana Riverboat Building Credit, Voluntary Remediation Credit, Blended Biodiesel Credit, Ethanol Production Credit, and New Employer Credit.
- Effective Jan. 1, 2014 (retroactive), the credit for natural gas-powered vehicles no longer applies to vehicles using alternative fuel and no longer requires the vehicle to be used in providing public transportation. The credit also now requires that the vehicle be purchased or leased from a dealer in Indiana to be eligible.

## Changes Affecting Local Option Income Tax (LOIT)

- Effective July 1, 2014, the following Indiana counties may adopt an ordinance to have a referendum to increase their LOIT for purposes of funding central Indiana transportation; Delaware, Johnson, Hamilton, Hancock, Madison, and Marion. If the county(s) does not adopt an ordinance to have a referendum,

townships in the county(s) can request a referendum if the township is located adjacent to a county or another township where a public transportation project has been approved. If a township approves the referendum, the additional tax rate applies to only county taxpayers who reside in the township where the voters have approved a referendum.

- Effective Jan. 1, 2015, the credit for local taxes paid outside of Indiana may be used to offset the county economic development income tax.

## Changes Affecting Special Taxes

*The following changes affect Indiana's special taxes:*

- Effective Jan. 1, 2014 (retroactive), owners of vehicles propelled by alternative fuel must obtain an annual alternative fuel decal for the vehicle.

- Effective Jan. 1, 2014 (retroactive), owners of vehicles propelled by alternative fuel and that are registered outside of Indiana but operate on a public highway in Indiana must obtain a temporary trip permit.
- Effective July 1, 2014, the department may deny or suspend an oversize/overweight permit if the applicant or permit holder is delinquent in paying Indiana State Police escort fees.
- Effective July 1, 2014, all reports and taxes relating to cigarette taxes must be filed and remitted in electronic format.
- Effective July 1, 2014, all reports and taxes relating to other tobacco products taxes must be filed and remitted in electronic format.

- Effective July 1, 2014, all reports and taxes relating to alcohol taxes must be filed and remitted in electronic format.
- Effective July 1, 2014, the department will no longer administer or enforce the hazardous waste disposal tax. The IDEM will manage the collection of this tax.
- Effective July 1, 2014, the department will no longer collect the underground storage tank fee.

## ROUNDING

Effective July 1, 2014, computing the sales tax, a seller may elect to round the sales tax on an item basis or an invoice basis. However, the seller may not round the tax on an item basis to circumvent the tax that otherwise would be imposed on a transaction using an invoice basis.

# Fuel Tax Updates

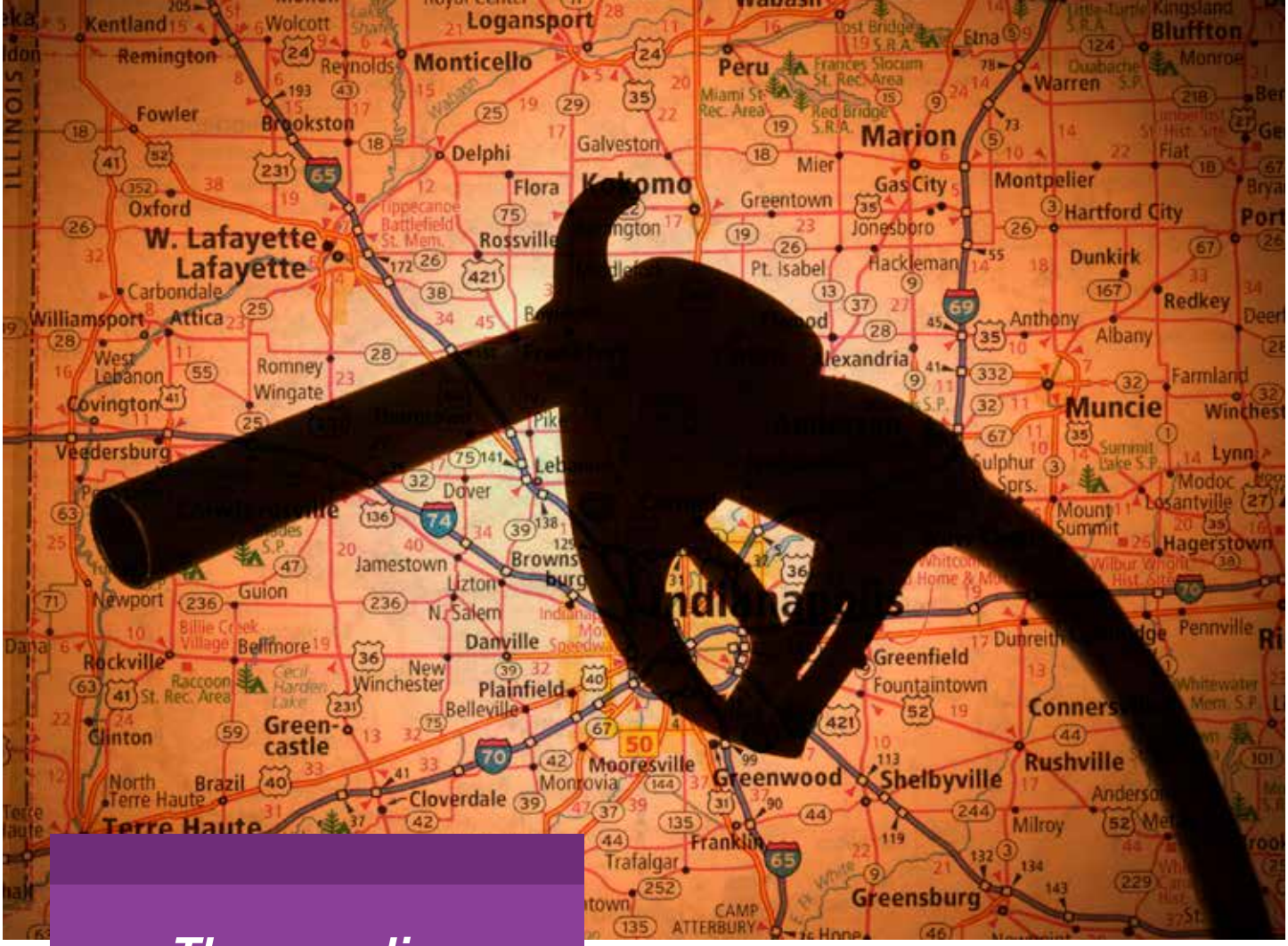
Key legislation will bring many changes to fuel taxes this summer. In July, the gasoline use tax which was passed in the 2013 legislative session goes into effect. In June, retail merchants and their customers claim the new propane sales tax credit, passed as a result of this year's harsh winter and propane shortage.

## July Brings New Gasoline Use Tax

Beginning July 1, 2014, a gasoline use tax will be imposed on gasoline and gasohol fuels. The gasoline use tax replaces the prepaid sales tax on gasoline collected from the retail merchant.

The Indiana Department of Revenue will determine the gasoline use tax rate based on a rolling, monthly, statewide average retail price per gallon of gasoline. We will publish an updated gasoline use tax rate monthly in Departmental Notice #2 at **www.in.gov/dor/reference/files/dn02.pdf**.

The initial rate, for July 2014 is now available. Rates will be published between the 16th and 22nd of each month for the next month. The easiest way to keep up with these rate changes is to "subscribe" to the Departmental Notices webpage at **www.in.gov/dor/3618.htm**. This system will automatically notify you by email when a new or updated notice is published.




*The gasoline use tax will be collected when a qualified distributor sells gasoline to a nonqualified distributor.*

The gasoline use tax will be collected when a qualified distributor sells gasoline to a nonqualified distributor. The tax will not be collected when a qualified distributor sells to a qualified distributor or exports the gasoline to another state. The qualified distributor must collect and remit the tax from the nonqualified distributor to the Indiana Department of Revenue.

Retail stations should include the gasoline use tax in the pump price of gasoline. Retail stations are reimbursed for the gasoline

use tax in the same way they are reimbursed for gasoline or special fuel taxes included in the pump price.

The gasoline use tax does not affect **form MF-360**, and licensed gasoline distributors will need to continue to report gasoline. In addition, the tax does not affect collecting, remitting, or reporting Indiana's 18 cents per gallon gasoline tax and 1 cent per gallon oil inspection fee.

For more information about gasoline use tax, including instructions on how to file and pay, visit **www.in.gov/dor/5081.htm** or contact the department at (317) 615-2630.

## Harsh Winter Brings Propane Sales Tax Credits

Due to the propane shortage this past winter, a propane sales tax credit for sales tax charges related to bulk propane sales has been established. The credit

essentially eliminates the sales tax obligation on any propane bought in bulk for more than $2.50 per gallon from Jan. 1 to March 31, 2014.

A retail merchant that sells bulk propane for retail in Indiana is allowed to claim this credit on its state sales tax return, filed before June 30, 2014.The credit amount is equal to the aggregate amount of the sales tax paid by all of the merchant's customers on bulk propane purchases between Jan. 1 and March 31, 2014, minus the aggregate amount of sales tax that would have been paid by the customers during that same time period if the price per gallon had been $2.50.

In turn, after claiming the credit retail merchants must provide a credit to their customer's next bulk propane purchase. Alternatively, a retail merchant may issue a qualifying customer a check worth the value of the credit or a voucher to be used on a future purchase. Retail merchants are allowed an additional 1 percent collection allowance for administering the credits.

Retail merchants that claim this credit on their sales tax returns must administer these credits until June 30, 2015.

For more information about calculating and administering the sales tax credit for bulk sales of propane, read **Sales Tax Information Bulletin #81**.

# Alcohol & Tobacco Electronic Mandate

The 2014 general assembly passed a new electronic mandate for several special taxes. As a result, effective July 1, 2014, all businesses in Indiana must file and pay their alcohol excise taxes, cigarette taxes, and other tobacco product (OTP) taxes electronically. Additionally, all informational returns must be submitted electronically.

Although the law requires taxpayers to begin filing and paying electronically by July, the department understands taxpayers may need more time to comply. Therefore,

the department is not accepting returns electronically until later this year. Alcohol and OTP taxpayers will file electronically beginning with the October 2014 filing period. Cigarette taxpayers will not start filing electronically until the January 2015 filing period. However, the department will be able to accept electronic cigarette returns beginning November 1, 2014, so these taxpayers can choose to file their October 2014 returns electronically.

***Alcohol and OTP taxpayers will file electronically beginning with the October 2014 filing period.***

The extra time allows affected businesses to prepare to bulk file their returns. The department is developing the bulk upload capability and will soon make available a bulk upload guide with more information.

Additionally, the department will help taxpayers prepare by sending letters with more information to alcohol, cigarette, and OTP taxpayers who are registered with the department. These letters, which will be sent the next several weeks, will introduce electronic filing, introduce webpages for the special tax e-mandate, announce bulk upload testing availability, and remind taxpayers of the filing deadline.

The alcoholic beverage tax website is available at **www.in.gov/dor/5162.htm**, the OTP website is at **www.in.gov/dor/5168.htm**, and the cigarette website is at **www.in.gov/dor/5173.htm**.

# Business Education Program Continues in 2014

Forty-nine percent of businesses fail in the first five years, according to the Small Business Administration (SBA).

One factor that can contribute to business failure is failing to understand taxes. When new and small Hoosier businesses have difficulty with taxes it is often due to not understanding Indiana regulations regarding filing and paying taxes in Indiana.

To address this issue, the department created a business education outreach program in the fall of 2013. The program's goal is to help businesses thrive with better taxpayer education earlier in the business formation process.

**This year, the department is partnering for a second time with the Indiana CPA Society to host three free new and small business seminars throughout the state.** The presentations will discuss pertinent tax information for new businesses, and attendees will have the opportunity to have questions answered by an experienced department representative and network with community business members.

The department also is supporting business education efforts by working with chambers of commerce across the state to hold free seminars about essential business taxes, including sales tax and income tax withholding. So far, the department has completed 10 presentations this year. These presentations have a direct impact on members and communities.

If you or your organization is interested in hosting a seminar or having a representative speak to your members, please contact the department at (317) 234-5432.

*The presentations discuss pertinent tax information for new businesses, and attendees will have the opportunity to have questions answered by an experienced department representative and network with community business members.*

# Governor Pence's Tax Conference

Governor Mike Pence

Governor Mike Pence held the Indiana Tax Simplification and Competitiveness Conference on June 24. The day-long event was hosted by Governor Pence, the Office of Management and Budget, and the Indiana Department of Revenue.

The conference generated ideas to make Indiana more competitive for businesses and to simplify filing and paying taxes in Indiana.

In addition to key presentations by national speakers, the conference included six panel discussions, each addressing a separate topic, including:

- Corporate tax
- Individual income tax
- Local tax
- Sales and use tax
- Tax competitiveness
- Tax simplification

The event brought together national and Indiana tax experts, key administration, state legislators, business leaders, and local government to discuss simplifying

Indiana's tax laws. For a complete list of the speakers and the conference agenda, visit **www.in.gov/dor/5119.htm**. To view a complete video of the conference discussions, visit **www.in.gov/dor/5123.htm**.

Hoosiers were encouraged to submit suggestions for simplifying Indiana tax laws and making Indiana a more competitive business state. You can still share your ideas through July 30, at **www.in.gov/dor/5120.htm**. The public suggestions can be viewed online at **www.in.gov/dor/5121.htm**.

The department will publish a report summarizing the conference's ideas and efforts. The report will be available on the **conference webpage**.

# 2014 ANNUAL PUBLIC HEARING

Another way the public provides suggestions about Indiana taxes is through the department's annual public hearing. This year it was held on June 3. Each year, Indiana taxpayers are invited to share their thoughts and concerns about the administration of Indiana taxes with the Indiana Department of Revenue at the hearing.

Representatives from the Indiana CPA Society (INCPAS), a professional organization of certified public accountants and professional tax preparers, among others were in attendance and presented their suggestions and recommendations.

For the 2014 annual public hearing minutes and a complete audio file of the hearing, visit *www.in.gov/dor/4877.htm*.

# Filing Tips

Understanding taxes is one of the biggest challenges facing new and small businesses. When these businesses have difficulty with the department, it is often a result of not understanding how to follow regulations regarding filing and paying taxes in Indiana.

Each edition, BizTax will offer tips to help you understand what you need to pay, and how.

**One of the most important things you can do is know what resources are available and where to find them.**

The department provides a **New and Small Business Education Center**. This online resource will help you better understand state laws, the tax-filing process, and what services are available to help you as your business evolves.

The department's website also contains many answers to frequently asked questions. A list of business-related FAQs can be found **here**.

Now that all businesses in Indiana are required to file and pay their sales and withholding taxes electronically, the department's INtax system is a valuable resource for business owners. Through INtax, you can manage your Indiana sales and withholding taxes, as well as prepaid sales, metered pump sales, tire fees, and fuel taxes. It also gives you 24/7 access to business tax records.

*One of the most important things you can do is know what resources are available and where to find them.*

The department's **INtax webpage** provides a step-by-step guide on how to use INtax, as well as tutorials that walk you through filing and paying your business taxes online.

**www.intax.in.gov**

Watch for the next issue of *BizTax*, when we'll discuss some important do's and don'ts for managing your business taxes.

# Great Resources!

Several resources on the Indiana Department of Revenue's website provide taxpayers with detailed information about what the laws passed mean to business taxpayers. These resources include income and sales tax information bulletins, departmental notices, and commissioner's directives.

*The department has updated the following resources to provide further guidance to businesses.*

## Updated Directives, Notices, and Bulletins

Below is a listing of tax bulletins, directives, and notices that have been added or updated since March 2014.

And although the information bulletins, departmental notices, and commissioner's directives are not legally binding, they do offer quite a bit of information about these complex taxes.

You can even subscribe to each of the web pages with the documents so that when an update occurs, you will automatically get an email alerting you to the update. To subscribe and look over the current tax bulletins, directives, and notices, visit **www.in.gov/dor/3330.htm**.

## Income and Sales Tax Information Bulletins

- 74 – Sales and Use Tax Exemption for Aircraft Being Repaired or Remanufactured
- 81 – Sales Tax Credits for Bulk Sales of Propane
- 83 – Gasoline Use Tax

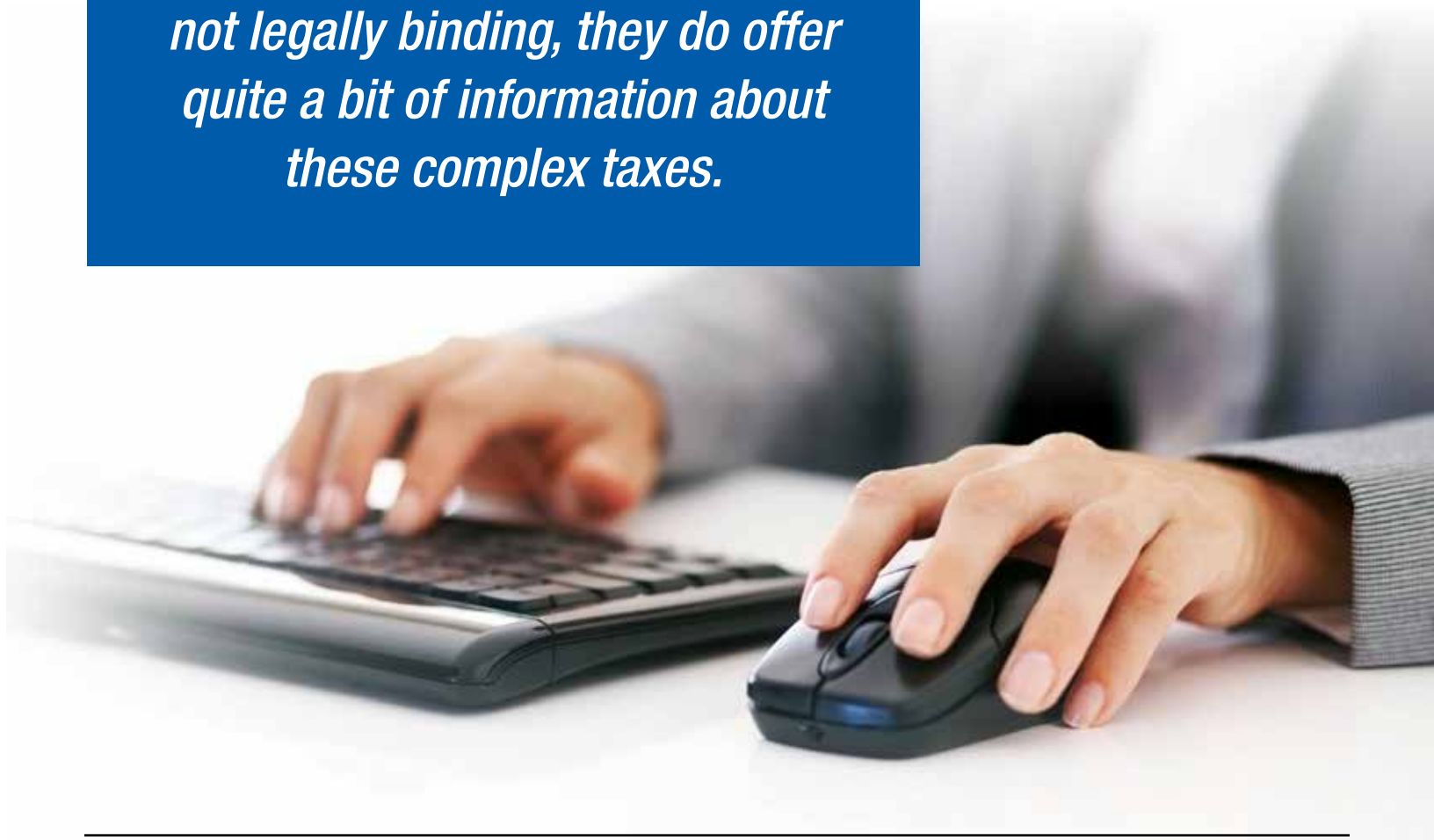
## Departmental Notices

- 40 – County Innkeeper's Taxes

## Commissioner's Directives

- 51 – Tax Withholding for Race Teams

*Although the information bulletins, departmental notices, and commissioner's directives are not legally binding, they do offer quite a bit of information about these complex taxes.*



# Important Dates

In each issue, we highlight some of the key dates for each month. You can find a complete list of tax due dates online at **www.in.gov/dor/3344.htm**.

Note that if the due date shown falls on a weekend or federal or state holiday, the payment is due on the next business day.

## June 30

- Unified Tax Credit for the Elderly (SC-40) – last day for qualified individuals to file for a refund
- Monthly Trust Tax Returns for May monthly filers due
- Recap of Prepaid Sales Tax by Distributors (ST-103DR) due
- Petroleum Severance Tax Return (MF-600) due

## July 10

- Solid Waste Management Fee Return (SW-100) due
- Prepaid Sales Tax on Gasoline (ST-103P) second filing due
- Primary Source Suppliers' Monthly Information Report for Beer and Malt (ABP1-B) due

## July 15

- International Registration Plan (IRP) Renewal is due for October
- Licensed Cigarette Distributor's Monthly Cigarette Tax Return (CT-5) due
- Other Tobacco Products Return (OTP-M) with supporting schedules due
- Type II Gambling Game Excise Tax (TTG-103) due

## July 20

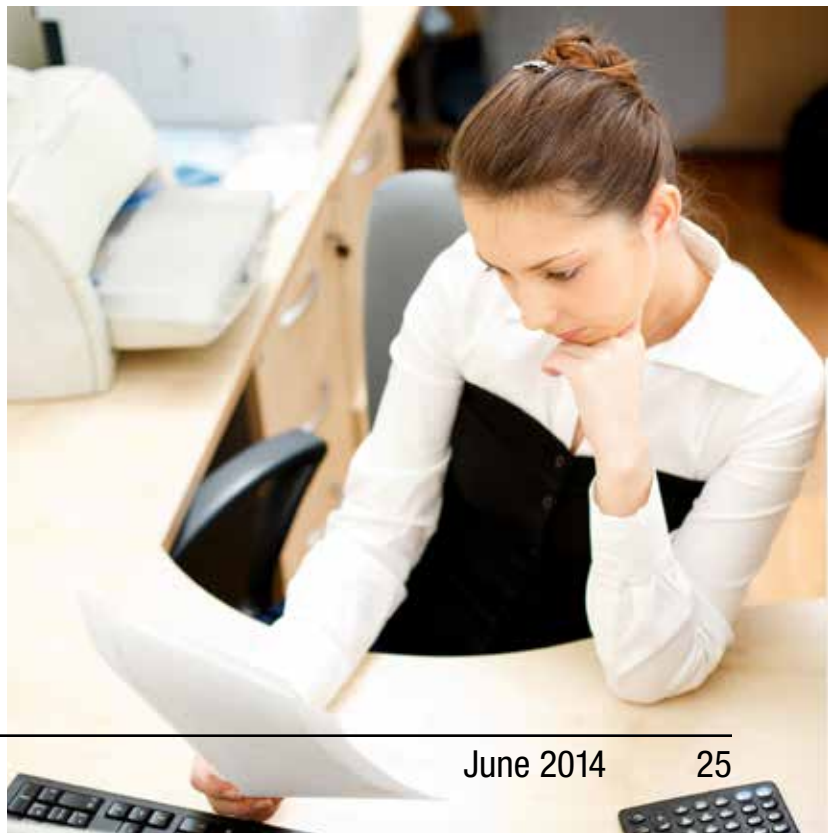
- Monthly Trust Tax Returns for June Earlier filers due
- Indiana Brewers Excise Tax Report (Form 910) due
- Charity Gaming Card Excise Tax Return (GCE-103) due
- Quarterly Hazardous Waste Disposal Tax Return (HW-020) due
- Special Weight Quarterly Trip Fees (M-213) second quarter due

## July 25

- Special Fuel Transporter Return (SF-401) due

## July 30

- Monthly Trust Tax Returns for June Monthly filers due
- Petroleum Severance Tax Return (MF-600) due



CALENDAR

## July 31

- Quarterly Trust Tax Return for April/May/June (WH-1) due
- Intrastate Motor Carrier Fuel Tax Second Quarter Return (MCFT-101) due
- International Fuel Tax Agreement Second Quarter Return (IFTA-101) due
- Proportional Use Claim Second Quarter (MCS-1789) due

## August 10

- Primary Source Suppliers' Monthly Information Report for Wine and Liquor (ABP1-WL) due
- Solid Waste Management Fee Return (SW-100) due

## August 15

- International Registration Plan (IRP) Renewal is due for November
- Licensed Cigarette Distributor's Monthly Cigarette Tax Return (CT-5) due
- Type II Gambling Game Excise Tax (TTG-103) due

## August 20

- Monthly Trust Tax Returns for July Earlier filers due
- Indiana Small Winery Excise Tax Report (Form 725) due
- Terminal Operator's Monthly Return (SF-501) due
- Fireworks Public Safety Fee (FPS-103) due

## August 25

- Special Fuel Transporter Return (SF-401) due

## August 30

- Petroleum Severance Tax Return (MF-600) due
- Monthly Trust Tax Returns for July Monthly filers due

KEEP
CURRENT.

# Contact Us

It is important for businesses to know the various ways in which they can contact the department if they are in need of help or want to receive critical updates from the department.

When you have a specific question that our website does not answer, you are encouraged to email us by visiting **www.in.gov/dor/3392.htm**. If you have an immediate concern, however, you can contact the department at (317) 233-4015.

In addition, the department offers several other ways for you to learn about important tax updates at your convenience:

- Become a **Facebook** fan by **clicking here**.
- Follow us on **Twitter** at **www.twitter.com/INDeptofRevenue**.
- Subscribe to our **TaxTalk Blog** at **www.in.gov/dor/3877.htm**.
- Sign up for **automatic email updates** on the department's website at **www.in.gov/dor**.
- Subscribe to our **New and Small Business Education Center** at **www.smallbiz.in.gov**.

# BizTax

June 2014