

TAX DISPATCH



January 2013

Commissioner Reappointment

*Legislative
Changes*

Automatic
Taxpayer
Refund

Tax Dispatch

January 2013



Editorial

Publisher: Commissioner Michael J. Alley

Editor: Chetrice Mosley

Art Director/Graphic Design: Shane Doss

Web Design: Anita Walton

Contributors: Diane Blankenship

Robert Dittmer

Michelle Drake

Megan Wade

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EVERYTHING

OLD IS

NEW AGAIN

Welcome to the “new look” of
Tax Dispatch!

We have been working hard to revamp and redesign our newsletters.

The focus of our redesign has been in three distinct areas:

- 1. Delivery.** In the past we delivered the newsletter via static and traditional webpages. Our new methodology is to use a “flip book” format that is similar to reading magazines online and books and magazines on tablet computers. Pages turn like a magazine, and the whole product looks better and is easy to read and enjoy.
- 2. Design.** We have redesigned the newsletter to look and feel like a magazine. It has a cover with photos and a new banner. It has pages that look like magazine pages with more photos and more color and a much more interesting and engaging design.
- 3. Content.** You’ll find more stories and more photos. There will be longer stories, allowing us to address some things in more depth and detail.

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 FullScreen 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 little arrows pointing out from each corner. Additionally, you can download the entire issue or just selected pages as PDF documents. Just click the Download button—the fourth 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.

Bob Dittmer, APR



Director, Public Relations



Commissioner Reappointed

On Dec. 5, Commissioner Mike Alley was asked by Governor-elect Mike Pence to continue as commissioner of the Department of Revenue and agreed to do so with enthusiasm.



“We have accomplished much over the past six months and have an exciting and aggressive agenda ahead to make the department increasingly efficient, consistently accurate, and effectively open and accountable,” said Commissioner Alley. “I look forward to working with Governor-elect Pence and his administration to continue to make Indiana a wonderful place to live, work, and grow businesses.”

Commissioner Alley recently completed the sixth of his planned visits to district offices to speak with department employees and practitioners. Between August and November, the commissioner visited the Columbus, Merrillville, Evansville, Terre Haute, Muncie, and South Bend district offices. During each visit, he spoke with employees at the district office and then conducted an open meeting with tax professionals in the area.

“These meetings have been very productive and informative. I have learned just how valuable our district offices are to practitioners, and I will continue to support their mission and tasks as we move forward,” the commissioner said. “These meetings have also been a great opportunity for me to learn where we are successful and where we need to do more work in our support of the tax professional community.”

With winter and its accompanying bad weather already here, the commissioner’s tour is on a short hiatus. He will be visiting more district offices in the spring and plans to continue this visitation program throughout the year as a standard method of maintaining contact with employees and practitioners.



LEGISLATION SUM

The 2012 Indiana General Assembly passed several bills that affect Indiana taxes.

NON SUMMARIZATION

A Brief Summary of Changes to Business/Corporate Tax Effective July 1, 2012:

- Anyone who files more than 25 W-2G, 1099-R, or WH-18 statements must file them electronically.
- The sales tax deduction for retail merchants selling E85 fuel is repealed.
- Partnerships must report periodic withholding payments to nonresident partners by March 15 after the end of their tax year, instead of within 30 days of the tax year's end.
- Partnerships that make only annual payments to nonresident partners must report those by April 15 after the end of their tax year, instead of within 30 days of the tax year's end.
- The due date for annual one-time withholding for shareholders of an S corporation is now April 15 instead of March 15.
- The enhanced prepaid wireless charge on each retail transaction has increased from \$.25 to \$.50.
- The new employer tax credit has been extended to Dec. 31, 2016.
- The alternative fuel vehicle manufacturing credit has been extended until Dec. 31, 2016.

Effective Jan. 1, 2013:

- All retail merchants must report and remit sales tax online.
- All withholding agents must report and remit withholding taxes online.
- Withholding taxes may be filed annually if the total tax due for the year is less than \$1,000. This eliminates the current requirements for quarterly and semi-annual filing.

Effective upon passage:

- Retail merchants convicted of selling or offering to sell a synthetic drug (typically called “spice”) will have their RRMC suspended for one year.

Changes to Sales Tax

Effective July 1, 2012:

- A utility is not required to charge sales tax for utilities that are separately metered or predominately used by a person engaged in recycling after Dec. 31, 2011, or engaged in processing, repairing, floriculture, or arboriculture after Dec. 31, 2012.

- A taxpayer is allowed to file a claim for refund for sales tax paid on exempt utilities if the claim is filed within 36 months of the service being provided. Current law requires the claim to be filed within 18 months of the service being provided.

Miscellaneous Changes

Effective Jan. 1, 2013:

- Trusts and estates are not required to file a fiduciary tax return if the gross receipts of the entity are less than \$600. This corresponds to federal requirements for trusts and estates contained in Section 6012(a) of the Internal Revenue Code.
- All practitioners who filed more than 50 Indiana individual income tax returns in 2012 are required to file individual income tax returns electronically in 2013. Beginning 2013, when a practitioner files 10 or more Indiana individual income tax returns, he will be required to file individual income tax returns electronically in the immediately following calendar year.

For more details on the legislative changes, see the 2012 legislative synopsis by clicking [here](#).



Electronic Filing M

This year the Indiana legislature passed a few laws that change the way business taxpayers will be required to file and remit sales and withholding taxes.

Beginning January 2013, all sales and withholding taxes must be filed electronically, which can include using vendors certified by the department or the department's free INtax application.

Additionally, businesses will be required to remit their sales and withholding taxes electronically via the department's INtax application or an electronic funds transfer (EFT).

INtax Is Available to Practitioners

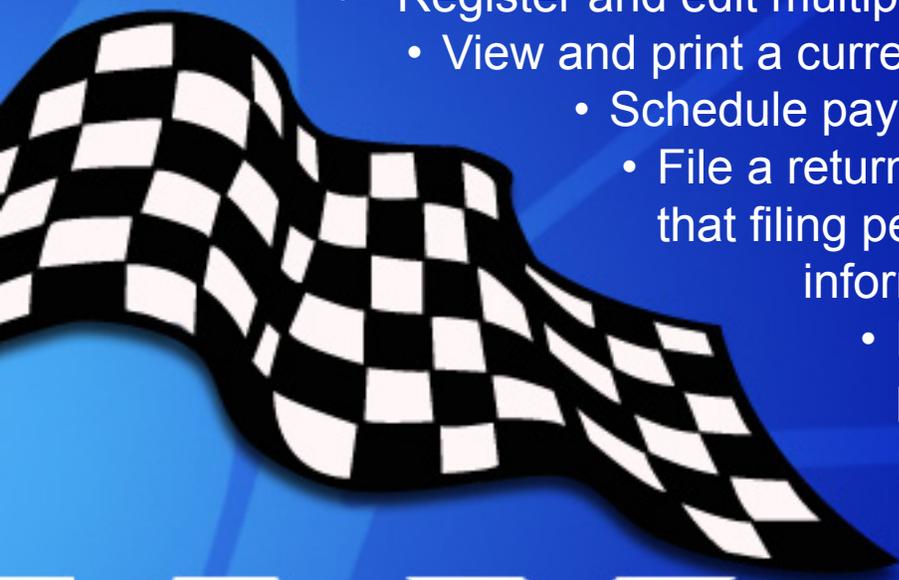
INtax is not only a great tool for business owners themselves but is also a great tool for practitioners.

With INtax, a practitioner can file and pay their client's business taxes; take care of several other record-keeping tasks; and manage several business tax types, including Indiana retail sales, out-of-state sales, prepaid sales, metered pump sales, tire fees, fuel taxes, and withholding taxes, and more.

Mandate and INtax

Here are just a few of the other tasks a practitioner can complete using INtax:

- Correspond with the Department of Revenue online through a confidential, secure inbox
 - Register and edit multiple clients
 - View and print a current client list
 - Schedule payments up to 30 days ahead
 - File a return even when no tax is due for that filing period so clients can avoid best information available (BIA) bills
 - Make a separate electronic payment for each client or pay multiple client accounts through a bulk payment upload
 - View the client's payment and return history at any time



INtax.IN.gov

Although a client is not required to be registered with INtax before a practitioner can add the client, the client still has the option to register for INtax to be able to access his account information, as well as view the activities of the practitioner. Whether the client registers for INtax or not, he is notified that a practitioner is managing his state taxes using INtax.

To get started using INtax, visit www.intax.in.gov and register as a “service provider.” To see just how easy INtax is to use, watch the online tutorial for service providers at <https://www.intax.in.gov/Web/Tutorial/SPINtaxDefault.htm> or download an "INtax Service Provider Guide." This guide will help practitioners register for INtax and navigate through the website. A PDF copy of the guide will be available no later than Jan. 15 at www.in.gov/dor/3338.htm.

Exceptions—What Are They and Who Is Eligible?

The department recognizes that not all businesses will be able to comply with the law due to special circumstances. With that in mind, the department will allow a few exceptions.

The exceptions will include

- Religious beliefs
- Policy of organization that prohibits electronic filing (short-term exception)
- No computer/Internet access (short-term exception)

If a taxpayer presents her case on why she is not able to follow the law, and if the reason appears to be one of the acceptable reasons, a department analyst will collect some additional information. The taxpayer then will be contacted via a letter; enclosed will be a form the taxpayer must complete and submit to the department to officially request an exception from the law.

After the taxpayer has submitted the exception form, the department will approve or deny the request and notify the taxpayer via letter.

If the taxpayer would like to speak to someone further about his exception, please have him call (317) 232-2337.

The INtax Service Providers Guide

This guide will help practitioners register for INtax and navigate through the website. Instructions and tips will cover the following topics:

- Registering in INtax as a service provider
- Logging in to INtax
- Quick overview of INtax
- Controlling user security
- Adding clients
- Editing and deleting client information
- Editing client EFT information
- Filing and paying taxes
- Bulk filing and paying taxes

A PDF copy of the guide will be available no later than Jan. 15 at www.in.gov/dor/3338.htm.



Automatic Taxpayer Re

The Indiana General Assembly passed legislation providing for an ATR credit for eligible Indiana taxpayers when the state budget surplus exceeds the amount needed to protect against a downturn in the economy.

Although tax year 2012 is the first year the credit is available, it could be available every budget year (odd year) if a state budget surplus exceeds a statutory threshold.

Most taxpayers are eligible for the credit, but they must meet three main qualifications. An eligible taxpayer must

- Have timely filed (including extensions) an Indiana income tax return for tax year 2011, reflecting the taxpayer(s) is a full-year resident
- Timely file (including extensions) an Indiana income tax return for tax year 2012, reflecting the taxpayer(s) is a full-year resident
- Owe some tax to the state for 2012 (have a modified state tax liability*)

*The modified state tax liability is figured as follows:

1. Multiply state taxable income by .034.
2. Subtract all credits except for withholding (state and county) estimated tax/extension payment, and local offset credits (Schedule 6/Schedule G lines 1 – 3).

Refund Announced

To qualify for the ATR credit, the remaining balance due must be \$1 or more.

The refundable credit that has been authorized for 2012 is \$111 per eligible taxpayer (\$222 for an eligible married couple filing a joint return). Dependents are not eligible to claim the ATR unless they are filing their own state tax return.

The credit can be claimed on the 2012 IT-40, IT-40EZ, and IT-40PNR (in cases where a couple is married filing jointly and one of the taxpayers is a full-year Indiana resident).

Note.

- The ATR credit may be claimed on form IT-40PNR only when married filing jointly, and only one spouse can be eligible to claim the credit.
- Taxpayers cannot allocate state taxable income when married filing jointly.
- The ATR credit cannot be claimed on Form SC-40, Form IT-40RNR.

To learn more about the ATR credit, see page 9 of the [IT-40 instruction booklet](#).



2 0 1 2
INDIANA
IT-40 Full-Year Resident
Individual Income Tax Booklet
freefile.dor.in.gov FAST • FRIENDLY • FREE



2 0 1 2
INDIANA
IT-20 CORPORATE
Income Tax Booklet
www.intax.in.gov



2 0 1 2
INDIANA
IT-40EZ
Individual Income Tax Booklet
freefile.dor.in.gov FAST • FRIENDLY • FREE



2 0 1 2
INDIANA
IT-40PNR Part-Year and Full-Year Nonresident
Individual Income Tax Booklet
freefile.dor.in.gov FAST • FRIENDLY • FREE

Forms and Booklets Available Online

The 2012 individual and corporate tax forms and instruction booklets are now available on the department's website. You can find the individual forms at www.in.gov/dor/4657.htm and the corporate forms at www.in.gov/dor/4721.htm.

Remember that tax practitioners are allowed one form order per season, with a limit of 25 total forms. The IT-40 packet and IT-40 PNR packet will include the tax form and subsequent schedules. However, each packet counts as one form and tax practitioners are limited to one IT-40 and IT-40 PNR packet this year. For example, a tax practitioner can order:

Quantity	Form Name
1	IT-40 Packet (limit is one)
1	IT-40 PNR Packet (limit is one)
10	IT-40 NOL
5	IT-2210
5	CC-40
3	SC-40

Total Forms Ordered = 25 (23 stand-alone forms and 2 packets)

All forms and booklets can be found on our website, at www.in.gov/dor/3489.htm.

The covers of the 2012 instruction booklets feature historical state buildings. Clockwise from upper-left: The IT-40 booklet shows the current capitol building; the IT-20 booklet shows the 1811 capitol building in Corydon; the IT-40PNR booklets shows the first of the two capitol buildings located in Marion County; the IT-40EZ booklet shows the original capitol building in Vincennes.

Other Electronic Mandate

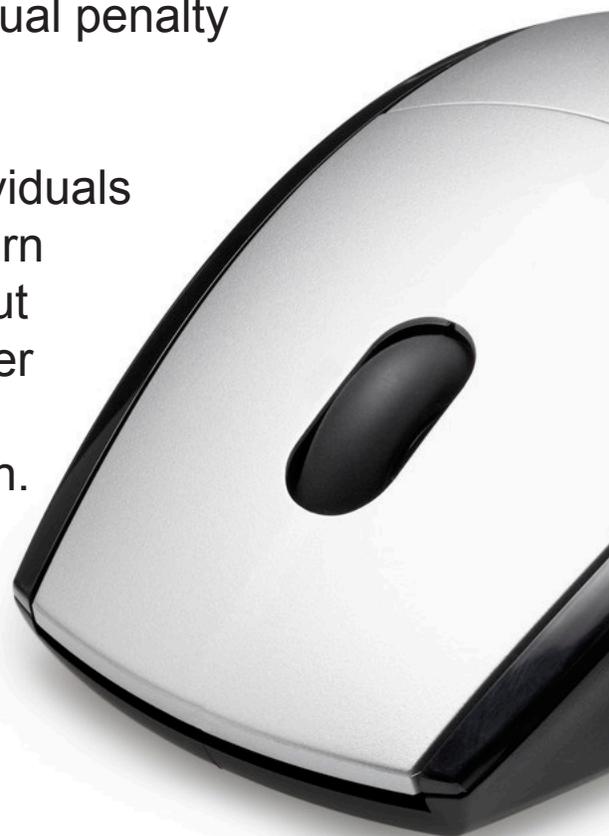
Individual Income Tax

All practitioners who filed more than 50 Indiana individual income tax returns in 2012 are required to file individual income tax returns electronically in 2013. Beginning in 2013, when a practitioner files 10 or more Indiana individual income tax returns, he will be required to file individual income tax returns electronically in the immediately following calendar year.

A penalty of \$50 will be imposed for each return that is not filed electronically, with a maximum annual penalty of \$25,000.

The exception to this mandate is when individuals opt-out of the requirement to have their return electronically filed. Each individual opting out must sign and file Form IN-OPT; the preparer is then required to keep this on file and indicate the opt-out on the individual's return.

The department does not require the IT-40PNR or IT-40RNR to be electronically filed for the 2012 filing tax season.



WH-3

An employer or any person or entity acting on behalf of an employer who is required to file more than 25 W-2, W-2G, 1099-R, and/or WH-18 statements with the department in a calendar year must file all the forms, including WH-3 annual withholding tax reports, electronically.



For example, an employer withholds on wages of its employees, using a withholding account location of 001. The company has 20 employees and 20 W-2s. The same employer also withholds on distributions made to its nonresident partners/shareholders, using a separate withholding account location of 002. The company (partnership/S-Corp) has 15 partners/shareholders. Because the company has 20 W-2s and 15 WH-18s, the company has 35 total withholding statements. Even though the W-2s and WH-18s do not individually exceed 25 forms, the 25-statement threshold has been exceeded by the aggregate number of forms; therefore, the company must file the withholding statements related to its employees and its partners/shareholders, including the WH-3s, electronically.



Elimin

Tax Specialist
Michelle Drake

Before INtax became available, and before the online BT-1 filing process, it typically took a business 4 to 6 weeks to get registered. However, S corporations and partnerships required to make a nonresident withholding payment do not always know weeks in advance that they were required to make a nonresident withholding payment at the time of registration.

Therefore, the DB020W-NR was developed. It was included in the IT-20S and IT-65 instruction booklets and enabled S corps and partnerships to establish a nonresident withholding account and remit a payment. We called it a “2-1”—the BT-1 and a WH-1 rolled into one form. This way, the S corp and/or partnership could file the DB020W-NR with remittance on the due date and still be timely, assuming the postmark date was timely.

ation of DB020W-NR

By Michelle Drake

The DB020W-NR was intended to be used only the first time an S corp or partnership remitted nonresident withholding to establish the nonresident withholding account. In the following years, the taxpayer was provided with a WH-1 to remit their withholding.

Now, though, S corps and partnerships can create a nonresident withholding account through INtax and then make a withholding payment. With the new mandate that businesses must file and remit their withholding payments electronically, the DB020W-NR is obsolete.

However, if a taxpayer has met the exception to the rule of not filing electronically, they can call the Corporate Tax section at (317) 232-2337 and request that a paper form be mailed to them.

Several Counties Change Local Income Tax Rates



Departmental Notice #1 has recently been updated with several counties' changes, which affect businesses and tax professionals.

Carroll, Hancock, Perry, and Starke counties changed their withholding income tax rates at the end of 2012.

The changes are as follows:

- Carroll – The resident rate has increased from .015039 to .017039.
- Hancock – The nonresident rate has increased from .004 to .0045.
- Perry – The resident rate has increased from .0106 to .0156, and the nonresident rate has increased from .00685 to .01185.
- Starke – The resident rate has increased from .0106 to .0171, and the nonresident rate has increased from .0081 to .0146.

Local income tax rates are established or adjusted by county officials and reported to the Department of Revenue. The list of rates for all 92 Indiana counties is available on the department's website (www.in.gov/dor/reference/files/dn01.pdf). These rates affect businesses with employees who live or work in any of these counties and have income tax withholdings.

Indiana law allows counties' local tax rates to change throughout the year. Rates adopted by the county:

- On or before Sept. 30, 2012, take effect Oct. 1, 2012
- After Sept. 30, 2012, and before Oct. 16, 2012, take effect Nov. 1, 2012
- After Oct. 15, 2012, and before Nov. 1, 2012, take effect Dec. 1, 2012



POWER AT

Tax Analyst
Anthony Tobias

Although casual conversations with a taxpayer's representative who does not have a Power of Attorney on file are permitted, neither tax return information nor taxpayer-specific information will be disclosed to a representative unless a properly executed Power of Attorney has been filed with the Indiana Department of Revenue.

A Power of Attorney ([POA-1](#)) form and procedures are intended to balance the need to ensure taxpayer information is secure with the need representatives have in assisting their clients.

POWER OF ATTORNEY POLICY

Taxpayers wishing to authorize a representative to have Power of Attorney on their behalf for state tax matters must make sure that a properly completed POA-1 form is submitted to the department in one of the following formats:

- A hardcopy of the original;
- A faxed copy; or
- A signed, electronic image (PDF, JPEG, GIF, etc.) of the form.

Only when the department has received the properly completed POA-1 can a department employee speak with the representative about the specific tax type and period indicated in the POA-1 form. Please note that the POA-1 form does not need to be notarized.

Note: For joint returns, a POA does not require the signature of both filers.

TAX PRESENTATIONS

A SUCCESS

Throughout 2012, department representatives gave more than 50 presentations to a variety of audiences to help provide information on legislative changes, new procedures and technology, policy changes, and a host of other topics.

Doing outreach like this yields great benefits—it fosters good working relationships between the department and taxpayers and preparers, it helps taxpayers and preparers get the information they need to correctly file their tax returns, and that in turn helps the department because compliance rates increase and the number of suspended returns decreases.

You can find more information about Indiana tax schools, view the department's General Update presentation, and download the department's 2012 Tax Chapter at www.in.gov/dor/3338.htm under "Professional Development."



Effective Jan. 1, 2013, ALL businesses in Indiana must file and pay their sales and withholding taxes electronically.



The easiest way tax practitioners can electronically file and pay these taxes is through Indiana's free online program INTax.

www.intax.in.gov

Coming Jan. 15! Learn how to register and use INTax by downloading the "INTax Service Providers Guide" at www.in.gov/dor/3338.htm.

Annual Report Reflects Department's History

Do you know when the department got its first desktop computers? How about when we started to use email? Do you know where the original district offices were? If not, you can find out in this year's annual report.

This year's annual report not only covered the accomplishments, collections, audit statistical study, legislative changes, etc. for fiscal year 2012, but also went one step further into time. The 2012 annual report theme focused on the department's achievements and pivotal milestones through a historical timeline. The report covered important moments beginning in 1933 when the department was created all the way through FY 2012.

Additional enhancements to the annual report include linked table of contents, code cites, exhibits within the document, and external websites. And for those with a smartphone, the report even has a scannable QR code!

In addition to highlighting major milestones, the report highlights *Quality That Counts* winners for FY 2012, as well as compliments sent to the department from taxpayers and even other state agencies. To check out the annual report, click [here](#).



INDIANA DEPARTMENT OF REVENUE
ANNUAL REPORT
 2012

Quality That Counts in Leadership



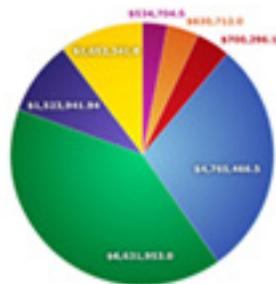
From left to right: Greg Evers, David Briggman, Dr. Fred Mitchell, Mike Anderson, Jeff Goffe, Bob Wills, Teresa Jones, Mike Hines, STEPHEN W. WILSON, Mike Conroy, Steve Gable

1997 **100%** of all tax returns filed in 1997, a major milestone for individual taxpayers.

1997 **100%** of the department began meeting Federal Information Security Act.

SUMMARY OF FISCAL YEAR 2012 TAX RECEIPTS

In FY 2012, the Indiana Department of Revenue collected more than \$16 billion representing 44 active tax types.



- Sales and Use Tax
- Individual Adjusted Gross Income Tax
- Other Taxes
- Local Option Income Taxes
- Corporate Income Taxes
- Workforce Repealing Tax
- Gasoline Tax

Practitioners be aware of clients who are illegally selling drugs marketed as “spice,” “incense,” “potpourri,” “plant food,” and “bath salts.” Manufacturing, distributing, or possessing these products and certain ingredients is a class A misdemeanor.

Additionally, the offense is a felony if banned synthetic drugs are distributed to minors, if more than 2 grams of the banned

SYNTHETIC DRUGS



synthetic drug is manufactured or distributed, or if an individual has a prior synthetic drug conviction under the act.

Furthermore, it is a felony to deal in a substance represented to be a controlled substance or that reasonably appears to be a controlled substance, even if the chemical compositions of such items do not exactly match the current statutory description of synthetic drugs.



DRUG WARNING

Other remedies, penalties, and consequences for legal violations in relation to synthetic drug production and distribution include:

- Revocation of retail merchant certificates (IC 6-2.5-8-7)
- Civil actions for court-ordered injunctions and payment of civil penalties
- Actions to abate public health and drug nuisances
- Seizure of inventory and assets used to facilitate violations
- Enforcement of unpaid sales tax
- Enforcement actions for violations of the Indiana Deceptive Consumer Sales Act (IC 24-5-0.5), which can include injunctions, civil penalties, and restitution orders
- Enforcement actions for violations of the Indiana Uniform Food, Drug, and Cosmetics Act (IC 16-42-1-1, et seq.), which can include injunctions, civil penalties, cease and desist orders, inventory seizures, and inventory destruction

If you suspect a client is selling synthetic drugs, report them to the authorities immediately.

New and Updated Tax Bulletins and Notices Available Online

Income and Sales Tax Information Bulletins

- [Corporate Income Taxes](#)
- [Warranties and Maintenance Contracts](#)

Departmental Notices

- [How to Compute Withholding for State and County Income Tax](#)
- [Prepayment of Sales Tax on Gasoline](#)
- [Interest Rates for Calendar Year 2013](#)
- [Form Specifications for Software Developers](#)
- [Electronic Filing and Payment Mandates](#)

Be sure to check the department's website regularly for additional updates to tax bulletins, directives, and notices at www.in.gov/dor/3330.htm.



Get Connected

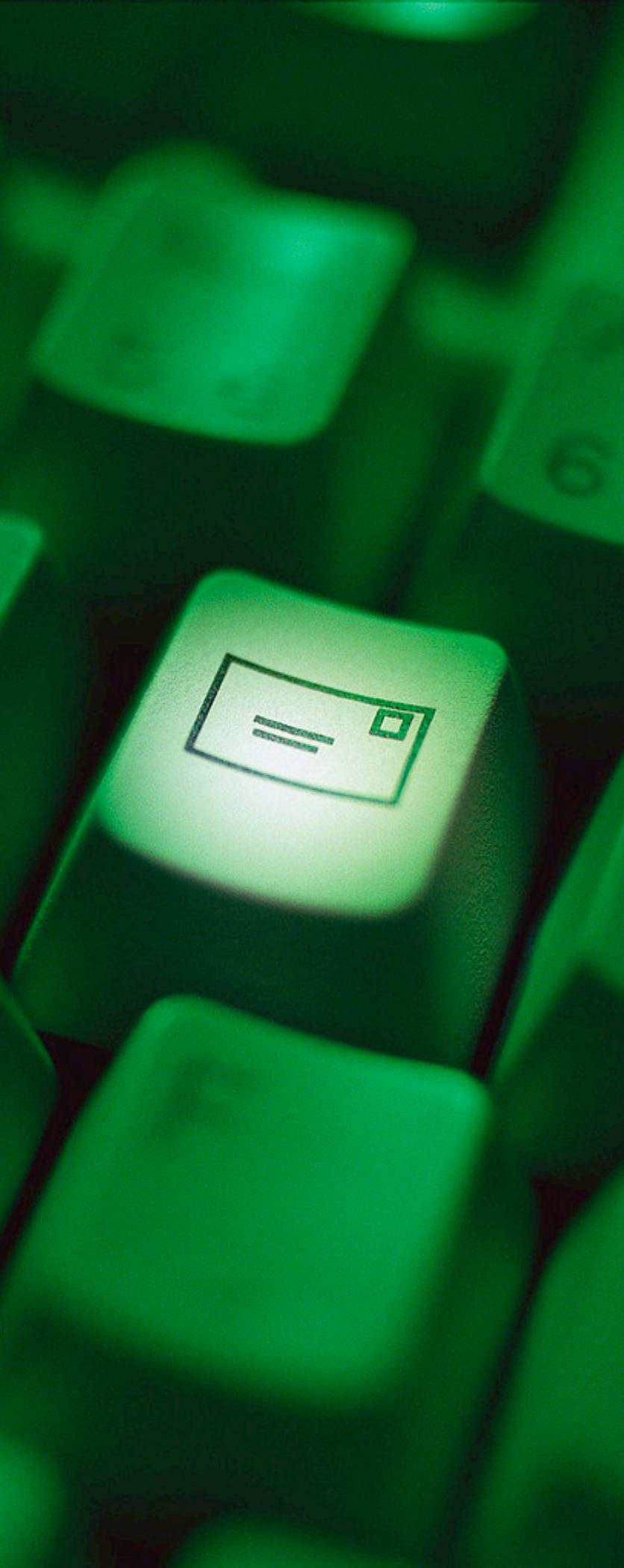
It is important for tax practitioners to know the various ways in which they can contact the department if they are in need of help or want to receive critical updates from the department.

When you have a specific question that our website does not answer, you are encouraged to use the online inquiry center to send your questions and concerns directly to our tax professional area. If you have an immediate concern, however, you can contact the department at (800) 462-6320 and enter 4367 when prompted. This number is for the use of tax practitioners only. If a taxpayer would like to contact the department, he or she can do so at (317) 232-2240.

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.
- Sign up for automatic email updates on the department's website at www.in.gov/dor.

For previous editions of the Tax Dispatch, click [here](#).



Hours of Operation Changes for the Season

To better serve taxpayers and practitioners, the department's office hours during tax season will be:

- January: Monday through Friday, 8 a.m. to 4:30 p.m. (EST)
- February through April: Monday through Thursday, 7:30 a.m. to 5:30 p.m. (EST) and Friday 8 a.m. to 4:30 p.m. (EST)

Tax Dispatch

January 2013