

TAX DISPATCH



January 2015

Legislative Updates

*ID Protection
Program Update*

Electronic IT-20S

*2014 Annual
Report Released*

Tax Dispatch

January 2015



Editorial

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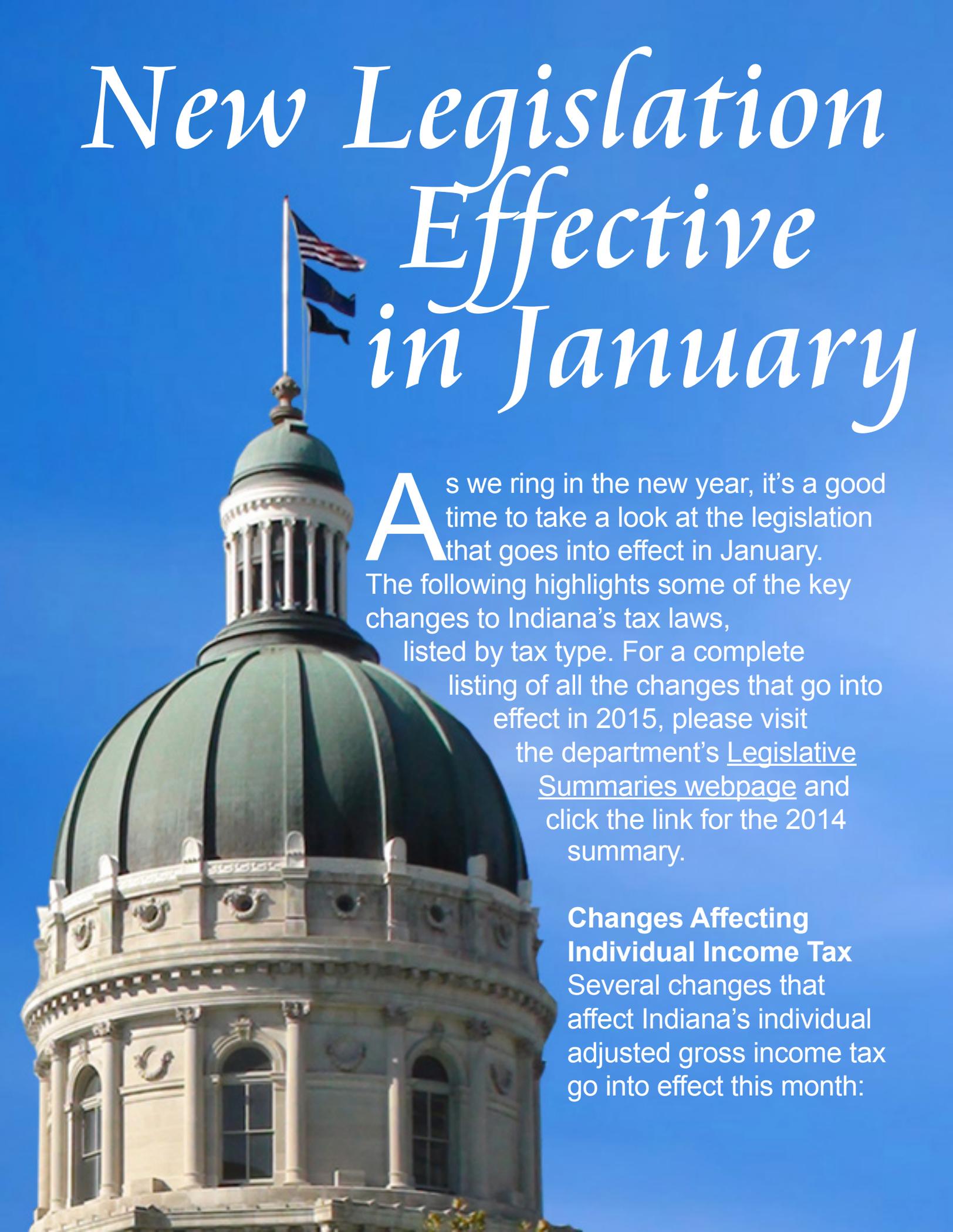
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The background of the entire page is a photograph of the Indiana State Capitol building. The central focus is the large, green-patina dome, which is topped with a smaller, white-topped cupola. An American flag flies from a tall pole to the left of the dome. The building's facade is made of light-colored stone with classical architectural details like columns and arched windows. The sky is a clear, bright blue.

New Legislation Effective in January

As we ring in the new year, it's a good time to take a look at the legislation that goes into effect in January.

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 that go into effect in 2015, please visit

the department's [Legislative](#)

[Summaries webpage](#) and

click the link for the 2014

summary.

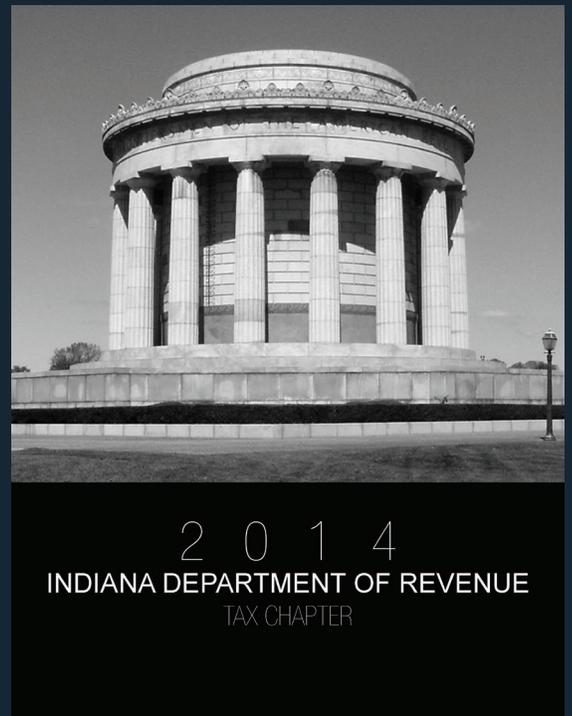
Changes Affecting Individual Income Tax

Several changes that affect Indiana's individual adjusted gross income tax go into effect this month:

- Effective Jan. 1, 2015, the state adjusted gross income tax rate for individuals decreases to 3.3% for tax years 2015 and 2016. Be sure to keep this in mind when you begin filing the 2015 estimated tax payments. Eight counties also have changed their county income tax rates effective Jan. 1, 2015. See [Departmental Notice #1](#) for details.
- Effective Jan. 1, 2015, taxpayers may claim a state adoption credit. The credit is limited to the lesser of 10% of the adoption credit granted on the taxpayer's federal tax return or the annual state tax liability.
- 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.
- Several tax credits have been repealed, effective Jan. 1, 2015: the Indiana Riverboat

Bonus Resource!

Our recently published Tax Chapter helps tax professionals prepare for the 2015 tax season. It includes information about how to handle new legislation and new processes. Find the Tax Chapter and a PDF of the Tax Chapter presentation at www.in.gov/dor/3338.htm underneath the "Professional Development" subhead.tails about the online filing.





Building Credit, Voluntary Remediation Credit, Blended Biodiesel Credit, Ethanol Production Credit, Prison Investment Credit, and New Employer Credit.

- Effective Jan. 15, 2015, the state individual extension of time to file due date changes from June 15 to October 15 (plus 30 days, or until November 14). Also any penalty shall be based on the amount of tax not paid on or before the end of the extension period (November 14).

Changes Affecting Corporate Income Tax

The following credits are repealed effective Jan. 1, 2015:

- Blended Biodiesel
- Ethanol Production
- Indiana Riverboat Building
- New Employer
- Voluntary Remediation

Changes Affecting Local Option Income Tax

There's just one change affecting LOIT (other than rates) that goes into effect in January:

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



Last tax season the department implemented an identity protection program that stopped identity theft criminals from stealing more than \$88 million from Hoosier taxpayers and the state of Indiana via ID theft and fraudulent tax returns in 2014.

The magnitude of identity theft is clear and demonstrates that taxpayers and their tax practitioners must be vigilant in properly securing personal information and documentation.

IDENTITY PROTECTION PROGRAM STOPS

8 MILLION

IN ATTEMPTED IDENTITY THEFT

The department also will be vigilant in protecting Hoosier refunds and state revenues by continuing the identity protection program in 2015.

This means taxpayers can expect to see similar security measures during the 2015 tax season, including the Identity Confirmation Quiz, a two-minute quiz asking some taxpayers to verify their identities.

The extent of 2014's stopped identity theft includes:

- \$88 million in tax refunds, based on stolen or manufactured identities, stopped (out of \$800 million in total requested refunds).

- 74,000 fraudulent returns were identified (out of 2.2 million total returns requesting refunds).
- 3.5 percent of all tax returns were fraudulent.

In thousands of cases, the increased security features helped taxpayers from Indiana and other states realize their identities had been stolen and used to file for an Indiana tax refund.

Tax practitioners will be kept up-to-date with new identity protection program features through special monthly emails during the 2015 tax season. Taxpayers with questions about protecting their identities can visit the department's Stop ID Theft website at www.in.gov/dor/4794.htm for answers to frequently asked questions, identity protection tips, a video and additional resources.





50,000

TAXPAYERS PROTECTED THEIR IDENTITIES BY TAKING THE IDENTITY CONFIRMATION QUIZ

74,000

FRAUDULENT IDENTITIES FOUND



During the 2014 individual tax filing season, the department implemented an Identity Protection Program to reduce taxpayer identity theft and the disbursement of fraudulent tax refunds.

DEPARTMENT PROVIDES ELECTRONIC IT-20S

The Indiana Department of Revenue has taken an important modernization step that we know will make you and your S corporation clients celebrate!

This year, the department will join other state revenue departments in offering modernized electronic filing (MeF) for the IT-20S. The department has worked for months to provide this major tax filing simplification.

Previously, S corporations' only tax filing option was to file on paper or barcode. Filing electronically provides higher security and simplifies the filing process, allowing better filing accuracy. It's also easier and faster for everyone involved.

Businesses and tax practitioners who want to ensure their preferred vendor provides the electronic filing option should be sure to let them know of their interest. So far, several tax filing vendors and products have registered to support the electronic IT-20S.

Questions regarding unacknowledged and rejected returns should be directed to the practitioner's transmitter. If the transmitter is not able to resolve an issue with a rejected return, practitioners and CPAs should contact the electronic filing coordinator.

Visit www.in.gov/dor/5239.htm for an up-to-date list of registered vendors, more information about the electronic filing option and answers to frequently asked questions.



Helpful Hints

Tax season opens: Both the department and the IRS will open the 2015 tax filing season and begin processing individual income tax returns on Jan. 20, 2015.

Subscribe: We have a lot of exciting news updates in 2015. Make sure you and your team stay up-to-date with the latest Indiana tax news. Sign up to receive updates specialized just for tax practitioners, accountants and CPAs. Visit www.in.gov/dor/3338.htm and click on the red “subscribe for email updates” icon.

Convenience stores: Do you serve clients that operate convenience stores or gas stations? Refer them to our convenience store handbook at www.in.gov/dor/5183.htm. It provides thorough guidance on how to collect and remit various taxes.

INtax update: Don't forget, food and beverage tax and county innkeeper's tax are now available in INtax.

Same-sex Marriage Tax Filings



One of the questions we receive in preparation for tax season is how to handle tax filings for same-sex marriages.

Effective with the Supreme Court decision in October 2014 taxpayers in same-sex marriages from states that recognize them are now able to file their taxes in Indiana as married filers.

If taxpayers filed with Indiana as single filers and want to amend their current and/or prior-year filings to reflect their married filing status for those years, they may do so by filing Form IT-40X. Note that the Indiana filing status must mirror the federal filing status for the same tax year (for example, taxpayers cannot file single federal and married Indiana).

Nearly 2 million Hoosier taxpayers will qualify
for Indiana freefile!



Almost 120 thousand taxpayers
have used INfreefile already.

Shouldn't you?

2014 Tax Forms Available

You know tax season is coming when you start seeing tax forms out there. And we know tax season is around the corner because the 2014 individual and corporate tax forms and instruction booklets are officially available to the public on the department's website.

To ensure you'll be ready to field taxpayers' questions about the revised forms, we've included a list of the most significant changes made to the forms.

FORMS AND BOOKLETS AVAILABLE ONLINE

The following changes have been made to the 2014 tax forms and booklets.

Individual

Extension of Time to File Update

Indiana's extension of time to file, Form IT-9, now matches the federal extension of time to file timeline (6 months instead of 3 months), plus 30 days.

Olympic/Paralympic Medal Winners Deduction

A new deduction is available for winning a medal in the Olympic/Paralympic games.



2 0 1 4

INDIANA

IT-20S

S Corporation Income Tax Booklet

www.intax.in.gov



2 0 1 4

INDIANA

IT-20 CORPORATE

Income Tax Booklet

www.intax.in.gov



2 0 1 4

INDIANA

IT-65

Partnership Return Booklet

www.intax.in.gov

Natural Gas Commercial Vehicle Credit

A credit is available for certain vehicles powered with natural gas (CNG or LNG) if the vehicle weighs more than 33,000 pounds.

The Coal Combustion Product Credit

This credit is no longer available.

Airport Development Zone Employee Deduction

This deduction is no longer available.

Corporate

(Please note: All of the main forms had the line for the phone number under the personal representative's name changed to be for their email address.)

Schedule IN-DRE

This is a new schedule created this year to capture information from taxpayers claiming the disaster recovery exemption. It won't be submitted with any other form (eg., the IT-20). It will only be submitted upon the department's request.

Schedule IN-OCC

This is a new schedule created to capture any certified credits the taxpayer is claiming. These include the Hoosier Business Investment Credit, Hoosier Business Investment – Logistics Credit, Natural Gas Commercial Vehicle Credit, and School Scholarship Credit. Schedule IN-SSC has been replaced by this new schedule.

IT-20

Added line W, "This entity reports income from disregarded entities."

Changed Line 29 from a blank, 3-digit code line to a line for the total from Schedule IN-OCC.

IT-20S and IT-65

- Added a new line, “This entity reports income from disregarded entities” (line U on IT-20S and line T on IT-65).
- Inserted a new line for other certified credits (line 22 on IT-20S and line 13 on IT-65).
- Combined overpayment and refund lines into just one line (line 28 on IT-20S and line 19 on IT-65).

IT-20SCOMP and IT-65COMP

- Deleted the gray box instructing taxpayers to attach WH-18s.
- Deleted Column F.
- Changed Opt Out column (now Column G) to be “Excluded from Composite.”

IN K-1

- Combined the IT-65 IN K-1 and IT-20S IN K-1 into just one IN K-1.
- Changed text on Line (d) to include IT-6WTH and to “Enter federal ID number of the entity remitting withholding.”
- Added text to Line 4 to note that it is only for IT-65 filers.
- Changed Line 31 from being for IEDC-approved credits to being for “other certified credits.”
- Deleted Line 32.

IT-20NP

Inserted new Line 24 for other certified credits.

FIT-20

Inserted new Line 37 for other certified credits.



2 0 1 4

INDIANA

IT-40EZ

Individual Income Tax Booklet

freefile.dor.in.gov FAST • FRIENDLY • FREE



2 0 1 4

INDIANA

IT-40PNR Part-Year and Full-Year Nonresident

Individual Income Tax Booklet

freefile.dor.in.gov FAST • FRIENDLY • FREE



2 0 1 4

INDIANA

IT-65

Partnership Return Booklet

www.intax.in.gov

Indiana Forms Order No Longer Available

After careful review of the forms used and submitted to the department each year, the department has further reduced the number of forms and booklets printed in 2015. As a result, the department will not provide tax practitioners and volunteers printed forms and booklets. Individual exception requests will be considered with justification.

Forms and booklets will still be distributed to public libraries around the state.

Tax practitioners are encouraged to go to the department's current year forms website (www.in.gov/dor/3489.htm) where they can get any Indiana individual tax form and instruction anytime, anywhere.

TAX CONFERENCE REPORT RELEASED



INDIANA
TAX CONFERENCE
COMPETITIVENESS AND SIMPLIFICATION
TUESDAY, JUNE 24, 2014

If anyone knows how complicated Indiana taxes can be, it's Indiana tax practitioners, CPAs and accountants. In the last edition of *Tax Dispatch* we recapped Governor Mike Pence's Indiana Tax Competitiveness and Simplification Conference, which aimed to discuss ways the Indiana tax code could be simplified and make Indiana a more competitive state for growth.

In September, the Indiana Department of Revenue published a report of ideas and recommendations generated at the conference for consideration by the Indiana General Assembly.

The report is available at www.in.gov/dor/5119.htm. It provides a compendium of ideas and recommendations generated by tax experts, business leaders, state legislators and public comments during the tax conference. The recommendations suggest ways Indiana can simplify its taxes and make the state more competitive for businesses to create new jobs.

Read more and watch videos of the tax conference at www.in.gov/dor/5123.htm.



At the Indiana Department of Revenue, we strive not only to administer tax laws and collect taxes correctly and fairly, but to do so while helping taxpayers understand why, how and how much tax we collect. That's why we continuously focus special effort in writing our annual report.

The 2014 Annual Report was released in October and includes much more than just the numbers—it includes descriptions of our department initiatives, how we interact with taxpayers and our future goals.

2014 ANNUAL REPORT RELEASED

The customer service the department provides to taxpayers was the focus of this year's annual report. Several Taxpayer Focus articles feature real taxpayers who received above-and-beyond customer service from department employees. It also includes several highlight pages and infographics to quickly summarize some of this year's successes.

The department provides an annual report every year to the governor per Indiana law. Commissioner Mike Alley provided Governor Mike Pence the Indiana Department of Revenue's Fiscal Year 2014 Annual Report on Oct. 1, 2014. To read the 2014 or other years' reports, visit www.in.gov/dor/3600.htm.

OPERATIONS



The Operations Division supports taxpayers by providing assistance in resolving taxpayer issues, both small and complex, and delivering excellent customer service. This division distributes specialized knowledge about individual, corporate, business, and special taxes to Hoosier taxpayers. With Indiana supporting the largest fleet in the country, the Motor Carrier Services Division provides individualized support to commercial trucking companies.

The divisions in Operations include:



Tax Administration - Manages all aspects of individual, corporate, and business taxes including taxpayer customer service. Tax Administration strives to provide outstanding customer service to business and individual taxpayers in a cost-effective manner, including reducing duplication of effort and providing customer-friendly information and assistance to Indiana taxpayers.



Special Tax and Support Administration - Manages all special taxes and the Returns Processing Center. Special taxes include fuel, excise, and cigarette taxes that account for millions of tax revenue dollars to the state. The Returns Processing Center ensures that all returns and payments are received, processed, and posted in a timely and accurate manner.



Taxpayer Advocate - Manages complex tax issues needing specialized attention when other departmental channels have been unable to resolve a tax matter. This section fulfills the legislatively mandated taxpayer advocate responsibilities, works with taxpayers suffering financial hardships to fulfill their tax obligations despite limited financial resources, and acts as the agency's liaison with the Internal Revenue Service regarding federal data security.



Motor Carrier Services - Provides guidance and service to motor carrier companies, commercial drivers, and residents of Indiana through the administration of state and federal laws that govern the commercial use of Indiana's roads. MCS oversees many areas that affect the commercial transportation industry such as International Fuel Tax Agreement, International Registration Plan, oversize/overweight vehicle permitting, Unified Carrier registration, and US DOT numbers.

BUSINESS SUPPORT LOOK BACK

Financial Management - The Finance Division is committed to promoting and ensuring the financial integrity and accountability of the Indiana Department of Revenue to taxpayers, local constituents, and the state.

The division ensures that collected taxpayer revenues are protected and distributed in accordance with tax laws to enable the state to provide beneficial services to our communities. In addition, the division drives fiscally responsible agency spending and provides decision support and financial insight to the agency, state, and other key stakeholders.

In FY 2014, the Finance Division continued the transformative work begun during FY 2013 to evaluate and streamline processes and change processes. The division completed two phases of a revenue system-to-accounting system information integration, enabling the department to automate many thousands of journal entries recording taxpayer payments.

The division implemented an Assurance and Advisory Services Group to provide effective internal audit and review of the agency's operations and enterprise risks. The division also partnered with the IT and Collections divisions to develop dynamic collections and accounts receivable reporting tools that strengthen the department's collections capabilities and in turn convert noncompliant taxpayers into compliant ones going forward.

The Finance Division ensures that collected taxpayer revenues are distributed appropriately to other state agencies and local governments who provide beneficial services to taxpayers and others.

Although many of the customers the division directly interacts with are internal to the state, some areas within Finance have significant taxpayer interaction. The division serves business and non-business taxpayers in the walk-in customer area. Employees also answer calls and have correspondence with business taxpayers who need assistance registering for electronic funds transfer options or have questions about their accounts/electronic payments.

COMPLIANCE LOOK FORWARD

Improving Taxpayer Compliance to Create a Level Playing Field - As compliance looks to the future, four areas of concentration will lead to greater compliance and collection:

- Continue to work closely with the collection agency and counties to collect delinquent taxes.
- Fully implement new audit selection and tracking software.
- Perform database matching among state agencies.
- Execute multiple third-party vendor compliance programs.
- Increase internal efficiencies among staff and reporting.

Research indicates that about 10% of individual taxpayers simply do not file a return. The department will draw upon third-party vendors who have expansive databases that will help identify those individuals so the department can contact them to encourage their compliance.

Investment in third-party statistical and compliance tools and increased database information matching among Indiana state agencies will meaningfully improve the rate of compliance and increase tax revenues for the state. The department's goal is to permanently convert noncompliant taxpayers into compliant ones going forward, thus reducing the burden on all Hoosiers and ensuring individuals and businesses operate on a level playing field.



The department will initiate data-sharing collaboration with other state agencies. The intent is to match the department's databases to identify businesses registered in other agencies' systems but which are not reflected in the department's system. This would identify businesses that previously have not filed tax returns as required by law.

Similarly, the department will work with several third-party vendors that have developed sophisticated algorithms and data sources to identify fraudulent or duplicative names, addresses, bank accounts, etc. to determine returns that may be fraudulent. The department then can suspend these returns and request, investigate further, and avoid disbursing fraudulent refunds.

The Enforcement Division will continue to implement computer-based auditing technology that will substantially improve its enforcement capabilities. This system will provide a more robust identification of individual nonfilers using a broad spectrum of databases, including real property records, W-2s, 1099s, etc. This system also will make the management of business audits more efficient because it will integrate audit selection, audit procedures, audit workpapers, assessment reports, and billings all in one system.



Keeping the Right Records

“Do I need to keep this record? For how long?”

Do your clients ever ask you these questions? Do you find yourself struggling to provide them the right answers?

For many businesses, trying to keep the right records for the right amount of time can be challenging and confusing, making the thought of an audit daunting. Records retention plays a key role in preparing accurate tax returns, and it's up to business owners and their tax professionals to retain all the necessary records.

But, by retaining proper records, an audit can be quick, simple, and even helpful.

To maintain proper records, it's imperative to not only track sales and cash register tapes, but also translate daily transactions into monthly financial reports in addition to saving monthly tax records by reporting period. In general, the following documentation must be maintained to verify the correct amount of tax was remitted to the department:

- Federal income tax returns and related schedules
- Trial balances and general ledgers
- Sales records (invoices or receipts)
- Proof of exempt sales (exemption certificates)
- Invoices supporting all purchases
- Payroll records
- Copies of employees' W-2s
- Total merchandise sales listed with UPC codes if used for determining taxability
- Sales tax returns (Form ST-103MP or ST-103)
- Point of sale from the scanner/register
- Name of cash register system and software
- Cash register tapes issued daily or monthly, including "Z" tapes
- Monthly summaries used to report the amounts on the sales tax returns and other returns
- Reconciliation of total sales reported for sales tax purposes and gross receipts used to determine federal taxable or adjusted gross income
- Cash payout source documentation
- Inventory purchase invoices
- Depreciation schedules (list of asset acquisitions)
- Capital (asset) and general expense purchase invoices
- Exemption certificates (Form ST-105)
- Store hours and days open per year
- Detailed monthly reports of taxable and nontaxable sales

- Total amount of prepared foods sold
- Total amount of lottery sales
- Total amount of electronic benefit transfer (EBT) sales as shown in bank statements
- Total amount of money order charges
- Check registers or accounts payable records

In general, the magic number for records retention is three. These listed documents should be kept three years in addition to the current year.

During an audit, if a business cannot accurately provide the requested records for the requested time periods, the department is forced to use other techniques to estimate income and tax due. Using a combination of resources, including business and industry standards, the department will assess a tax due (if appropriate) that must be paid unless the business can prove they owe a different amount. Accurate and complete financial records are the critical factor.

Keeping good records makes audits much easier and could save our clients significantly in taxes paid.



New and Updated Tax Bulletins and Notices Available Online

Sales Tax Information Bulletins

12-Public Transportation

80-Assessment of Retail Sales Tax Liability for Certain Sellers Registered Under the Streamlined Sales and Use Tax Agreement (SSUTA)

86-Application of Sales and Use Tax to Demonstrator Automobiles

Departmental Notices

1-How to Compute Withholding for State and County Income Tax

2-Gasoline Use Tax Rate (updated monthly)

3-Interest Rates for Calendar Year 2015

33-Motor Carrier Vehicle Operation

40-County Innkeeper's Taxes

Commissioner's Directives

18-Utility Receipts Tax

29-Prohibition of Multiple Tax Credits for Same Investments

50-Sales of Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG)

54-Indiana Tax Exemption Relating to the National Collegiate Athletic Association and Its Affiliates

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

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



Stay 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 (enter 4367) to connect. 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.
- 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.
- We're now on Instagram! Follow us at www.instagram.com/INDeptofRevenue
- We're now on LinkedIn! Link to [Indiana Department of Revenue](#).

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

For more information about how to contact the department, visit www.in.gov/dor/3325.htm.



Tax Dispatch

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