

# TAX DISPATCH



July 2014

Legislative Updates  
*Governor Pence's*  
*Tax Conference*  
Records Retention

# Tax Dispatch

July 2014



## Editorial

Publisher: Commissioner Michael J. Alley

Chief Editor: Chetrice Mosley

Editor: Aunjalee Bhullar

Art Director/Graphic Design: Shane Doss

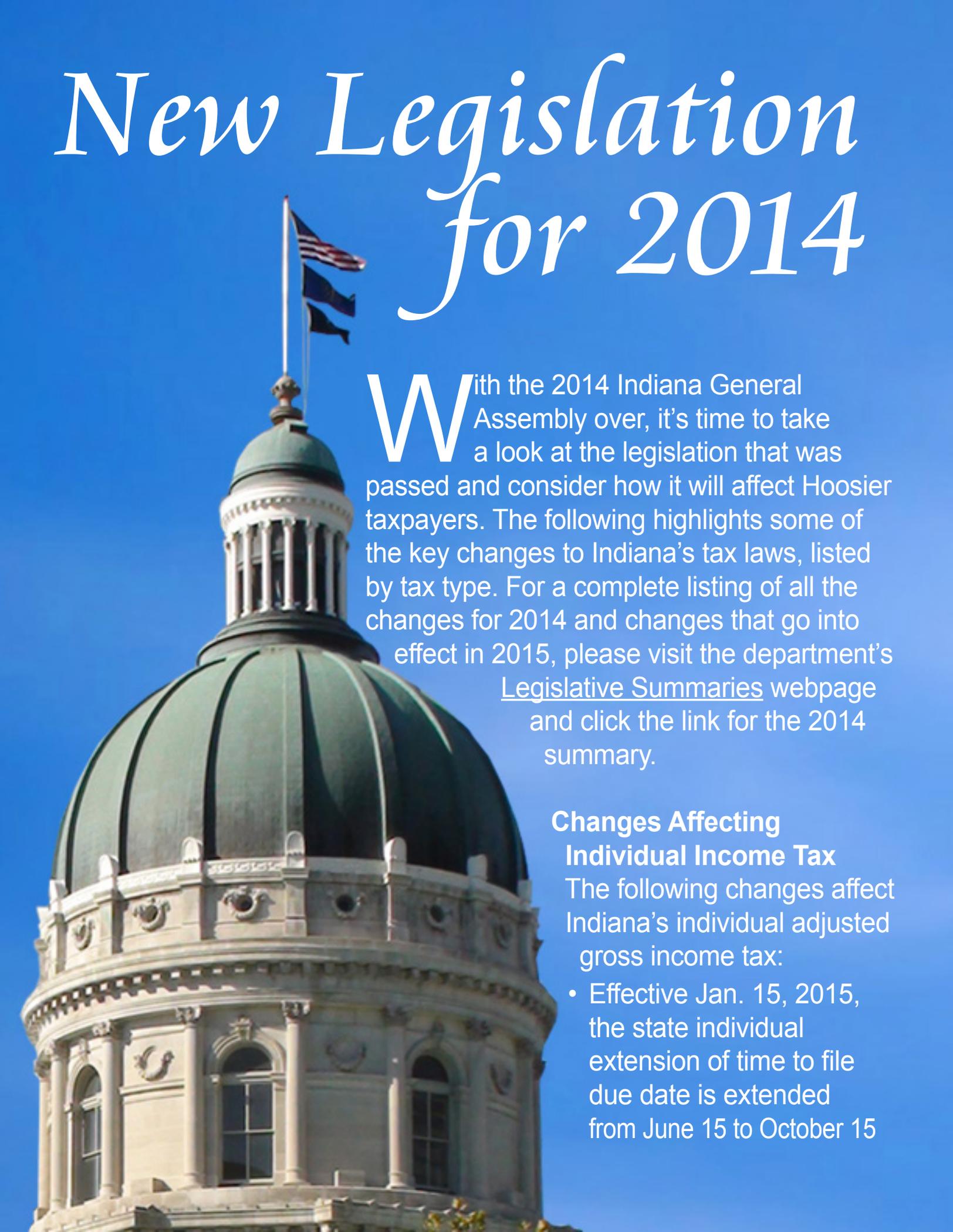
Web Design: Anita Walton

Contributors: Kelsey Kotnik

Megan Wade-Taxter

# CONTENTS

New Legislation for 2014 .....	4
Governor Pence's Tax Conference .....	10
Alcohol and Tobacco Electronic Mandate .....	12
July Brings New Gasoline Use Tax .....	14
Out-of-State Motor Vehicle Sales Tax.....	18
Records Retention.....	20
Updated Bulletins, Notes, Directives .....	24
Stay Connected .....	26

The background of the page features a photograph of the Indiana State Capitol building. The central focus is the large, green-patina dome, which is topped by 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 for 2014*

**W**ith 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. 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 and click the link for the 2014 summary.

## **Changes Affecting Individual Income Tax**

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

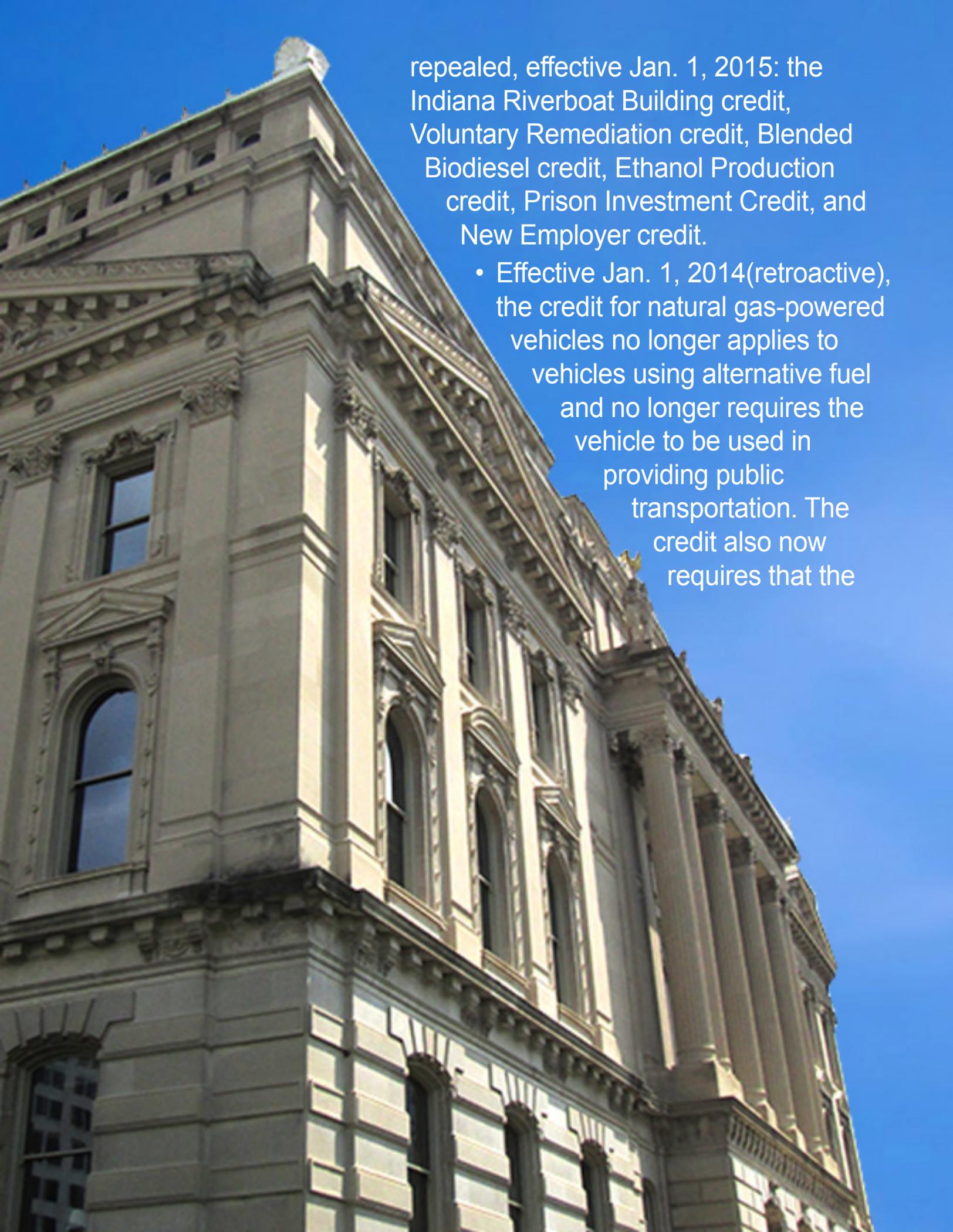
- Effective Jan. 15, 2015, the state individual extension of time to file due date is extended from June 15 to October 15

(plus 30 days, or until November 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, 2014, Olympic winners will be able to deduct an amount up to the value of an Olympic medal and prize money paid by the United States Olympic Committee.
- 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 on 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

## Rounding

Effective July 1, 2014, when computing 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.



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 credit and Energy Star credits.
- Several other 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

# Department Provides IT-20S Online Filing

Indiana tax practitioners, accountants, CPAs, and businesses have been requesting the Indiana Department of Revenue join many other state revenue departments in offering online filing for annual business tax filings.

The department heard your response and is working this year to offer modernized electronic filing (MeF) for the IT-20S. The department will soon issue electronic filing instructions to vendors and will work with them to provide the electronic filing for S corporations' 2014 taxes to be filed in 2015.

Stay tuned in the next few months for more details about the online filing.

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**

- 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, a township 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. These will be administered by the Indiana Department of Environmental Management (IDEM).
- Effective July 1, 2014, the department will no longer collect the underground storage tank fee. IDEM now administers this fee.



# GOVERNOR PENCE'S TAX CONFERENCE



**G**overnor 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, tax practitioners, key administrators, 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](http://www.in.gov/dor/5119.htm). To view complete videos of the conference discussions, visit [www.in.gov/dor/5123.htm](http://www.in.gov/dor/5123.htm).

The public was encouraged to share ideas for the conference about simplifying Indiana tax laws and making Indiana a more competitive business state. Ideas can still be submitted through August 15 at [www.in.gov/dor/5120.htm](http://www.in.gov/dor/5120.htm). Public suggestions received so far can be viewed online at [www.in.gov/dor/5121.htm](http://www.in.gov/dor/5121.htm).

The department will soon publish a report summarizing the conference's ideas and efforts. The report will be available on the [conference webpage](#).



# ALCOHOL & TOBACCO

ELECTRONIC  
MANDATE

**T**he 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 begin filing and paying electronically by July, the department understands taxpayers may need more time to comply. Therefore, the department has deferred accepting returns electronically until later this year. Alcohol and OTP taxpayers will file electronically beginning with the October 2014 filing period. Cigarette taxpayers must file electronically beginning with the January 2015 return, but the department will be able to accept electronic returns beginning Nov. 1, 2014, if taxpayers choose to file their October 2014 returns electronically.

The extra time allows affected businesses to prepare to bulk file their returns. The department is still developing the bulk upload capability, and a [bulk upload guide](#) is available online.

Additionally, the department is helping taxpayers prepare by sending letters with more information to alcohol, cigarette, and OTP taxpayers who are registered with the department. The letters introduce electronic filing, introduce webpages for the special tax e-mandate, announce bulk upload testing availability, and remind taxpayers of the filing deadline.

For more information visit the following webpages:

- Alcohol: [www.in.gov/dor/5162.htm](http://www.in.gov/dor/5162.htm)
- OTP: [www.in.gov/dor/5168.htm](http://www.in.gov/dor/5168.htm)
- Cigarette: [www.in.gov/dor/5173.htm](http://www.in.gov/dor/5173.htm)

# July Brings New *Gasoline* Use Tax

**O**n July 1, 2014, a gasoline use tax was imposed on gasoline and gasohol fuels. The gasoline use tax replaced the prepaid sales tax on gasoline collected from the retail merchant.

The Indiana Department of Revenue now determines the gasoline use tax rate based on a rolling, monthly, statewide average retail price per gallon of gasoline. The initial rate, for July 2014, was \$0.229 per gallon.

The gasoline use tax rate is published monthly in [Departmental Notice #2](#). Rates are 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](http://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 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 the tax from the nonqualified distributor and remit it 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. The rates now charged are:

- Federal excise tax = \$.184
- State gasoline tax = \$.18
- Indiana oil inspection fee = \$.01
- Gasoline use tax, which replaced the prepaid sales tax on gasoline
  - July 2014: \$0.229
  - August 2014: \$0.217

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



# *Out-of-State Motor Vehicle Sales Tax*

**T**ax practitioners manage clients who make purchases, receive income, and own properties in other states. Because rates differ from state to state, this can become complex. However, a recent law simplifies out-of-state car purchases.

Beginning July 1, out-of-state vehicle buyers are now charged the buyer's state sales tax rate rather than Indiana's 7 percent rate. Allowing purchasers to use their state's sales tax rate will help Indiana dealerships, especially those on the border, remain competitive. This new legislation helps minimize regulatory burden for small businesses and simplifies the tax filing process.

The new law applies to both motor vehicles delivered to another state and vehicles the buyer intends to transport, register, or use in another state within 30 days of delivery. In these cases, the purchase must be charged the sales tax rate of the state the buyer intends to transport the vehicle to and register it in, and it must exclude the state's locally imposed taxes.

In addition, the regulation applies only to motor vehicles subject to the annual license excise tax if they are used in Indiana. The regulation does not apply to RV and water craft sales.

Dealers that sell vehicles to out-of-state buyers will be required to complete an affidavit detailing each transaction. Read [Sales Tax Information Bulletin #84](#) for more information.



# RECORDS RETENTION

**T**ax practitioners play a key role in record retention by ensuring clients properly retain records to prepare accurate tax returns. Accurate returns are important for both the business and practitioner because the department analyzes returns to see if businesses accurately estimate their income and tax payments.

In addition to ensuring their clients properly retain records, tax practitioners often play a critical role by managing client records and maintaining simple book keeping. The department has



found that small businesses without external help often don't retain the necessary schedules, summaries, or financial records. Although some businesses might think hiring a tax practitioner is expensive, the consequences of not properly managing records are even more costly during an audit.

In an audit, the department will use other techniques to estimate income and tax due if a business cannot accurately provide this information. Using a combination of resources, including business standards and industry websites, the department will assess a tax due that must be paid unless the business can prove they owe a different amount. Accurate financial records are the critical decision factor.

To maintain proper records, it's imperative bookkeepers 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 made
- 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 utilized 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



# New and Updated Tax Bulletins and Notices Available Online

## **Departmental Notices**

- [2 – Gasoline Use Tax Rate](#)
- [13 – Shelby County Innkeepers' Tax \(Deleted\)](#)
- [23 – Allen County Innkeepers' Tax \(Deleted\)](#)
- [24 – Starke County Innkeepers' Tax \(Deleted\)](#)
- [32 – Marion County Innkeepers' Tax \(Deleted\)](#)
- [36 – Electronic Filing and Payment Mandates](#)
- [41 – Carryforward of Repealed Tax Credits](#)

## **Income and Sales Tax Information Bulletins**

- [12 – Corporate Income Taxes](#)
- [33 – Exemption from the Retail Sales Tax on Unitary Transactions of Seven Cents \(\\$.07\) or Less](#)
- [74 – Sales and Use Tax Exemption for Aircraft Being Repaired or Remanufactured](#)
- [83 – Gasoline Use Tax](#)
- [84 – Sales Tax Collection on Sales of Motor Vehicles](#)
- [87 – Historic Building Rehabilitation Tax Credit](#)
- [98 – Indiana College Choice 529 Education Savings Plan](#)
- [108 – Income Tax Credit for Contributions to a Scholarship-granting Organization](#)
- [109 – Income Tax Credit for Natural Gas-powered Vehicles](#)

## Commissioner's Directives

14 – Financial Institutions Tax

21 – Streamlined Sales Tax  
Agreement Provisions

43 – Other Tobacco Products Tax

51 – Tax Withholding for  
Race Teams

52 – Disaster Recovery  
Tax Exemptions

Note that information bulletins, departmental notices, and commissioner's directives are not legally binding, but they do offer useful 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 look over the current tax bulletins, directives, and notices, visit [www.in.gov/dor/3330.htm](http://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](http://www.twitter.com/INDeptofRevenue).
- Subscribe to our TaxTalk Blog at [www.in.gov/dor/3877.htm](http://www.in.gov/dor/3877.htm).
- Sign up for automatic email updates on the department's website at [www.in.gov/dor](http://www.in.gov/dor).

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](http://www.in.gov/dor/3325.htm).



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