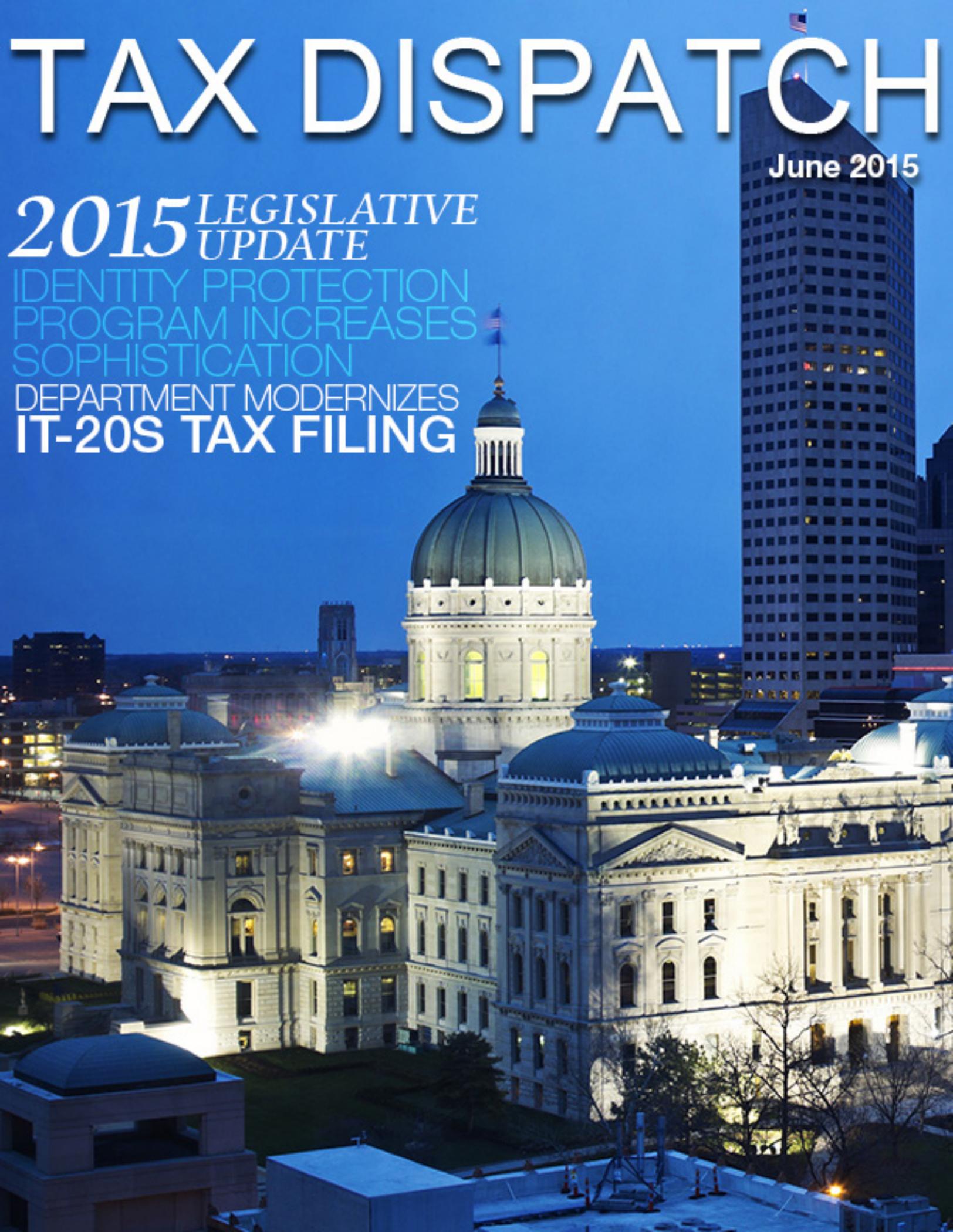


TAX DISPATCH

A nighttime photograph of the Illinois State Capitol building in Springfield, Illinois, illuminated against a dark blue sky. The building's central dome is prominent, and its facade is lit up. To the right, a tall, modern skyscraper with many lit windows stands against the sky. The foreground shows some lower-level buildings and trees, also partially illuminated.

June 2015

2015 LEGISLATIVE
UPDATE

IDENTITY PROTECTION
PROGRAM INCREASES
SOPHISTICATION
DEPARTMENT MODERNIZES
IT-20S TAX FILING

Tax Dispatch

June 2015



Story Ideas?

Do you have a topic or questions you'd like addressed in Tax Dispatch? We'd love your suggestions! Send suggestions and feedback to feedback@dor.in.gov with the subject line "Tax Dispatch Feedback." We look forward to hearing from you!

Editorial

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CONTENTS

Commissioner's Notes	4
2015 Legislative Update	6
Individual Filing Season a Success	12
Identity Protection Program Increases Sophistication ..	16
Department Modernizes IT-20S Tax Filing	20
Department to Stop Support for 2D Barcoded Tax Returns.....	22
Utility Sales Tax Exemption Resources	24
Coming Soon: INtax Upgrade	28
Updated Bulletins, Notes, Directives	32
Stay Connected	35

Commissioner's Notes

The 2015 tax season was a success! The department has received and processed 93 percent of the returns expected from the 3.3 million individual Hoosier taxpayers. Electronic filing continues to be the preferred method for individual taxpayers with more than 85 percent choosing this option.



The department's Customer Interaction Center (CIC) had a very busy tax season handling more than 130,000 calls pertaining to individual income tax or identity protection, with an average 1,542 calls each day. While 82 percent of all calls were handled successfully (the caller was able to speak with the correct department representative), 97 percent of calls received on our dedicated practitioner line were handled successfully. For more information about the successful tax season, see the full article on page 12.

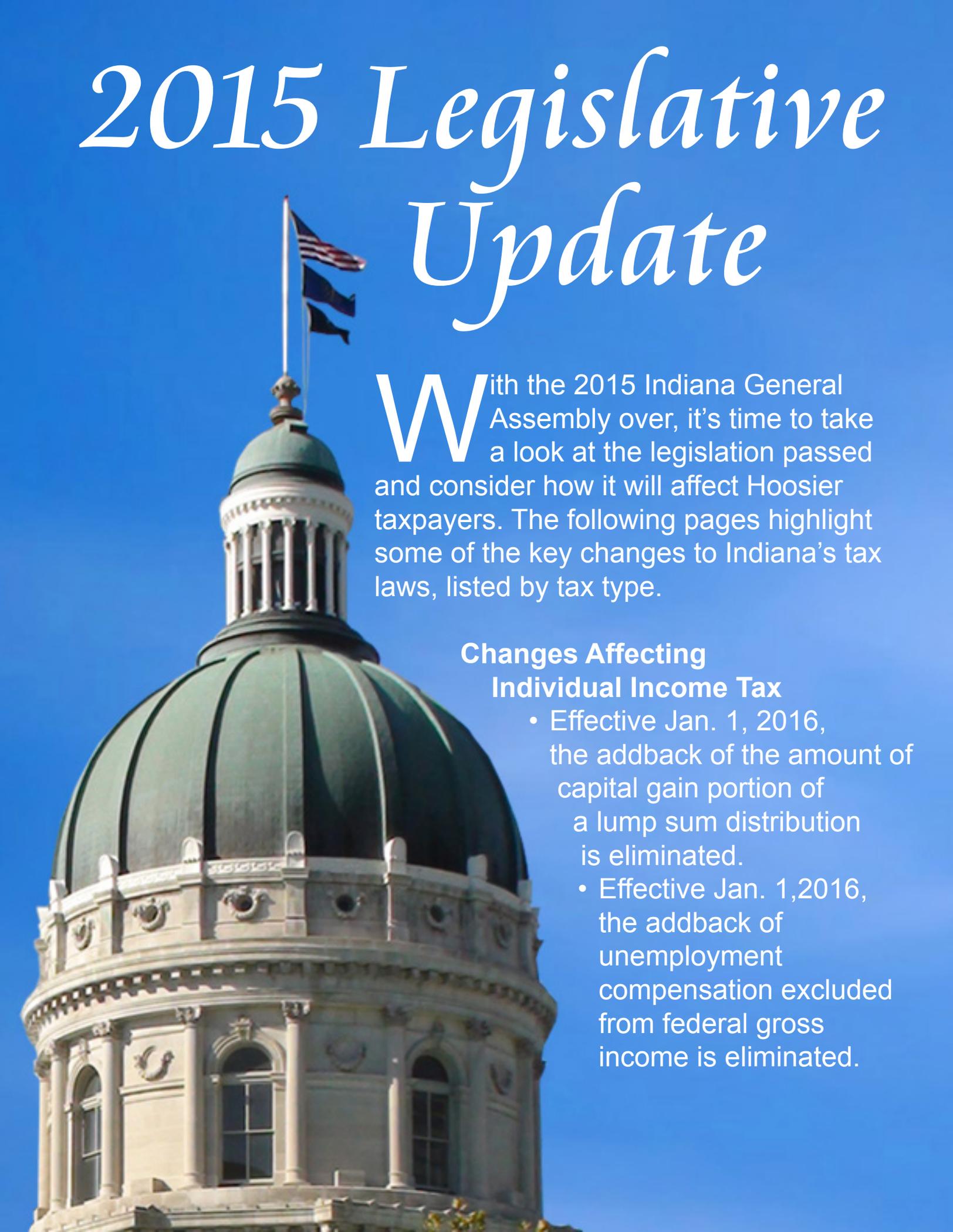
The department's identity protection and fraud prevention efforts continued in 2015. The amount of fraud stopped by the 2015 program continues to evolve as returns are processed and identities confirmed. To date, more than \$11.6 million in attempted identity theft and tax refund fraud has been identified and stopped. However, the success of Indiana's program is not just stopping fraud but deterring it. As such, we may find less fraud in future years as the program continues. More information about the department's sophisticated program is available on page 16.

Electronic filing is not just for individual taxpayers. The 90,000 Indiana S Corporations now can file their 2014 annual business tax filings (IT-20S) electronically. (See page 20 for more information about the IT-20S.) Businesses also are able to file both FAB and CIT via INtax, and the department now receives more than 80 percent of these filings electronically. (INtax is being upgraded; check out page 28 for more information.) Ninety-six percent of all trust taxes now are filed electronically. As the department continues its modernization efforts, look for the ability to electronically file the IT-65 next year.

The Indiana Tax Competitiveness and Simplification Conference held last June explored a wide range of topics that led to legislative change, such as the simplification of some deductions and credits, the elimination of the throwback rule, and the modification of the double direct test to simplify it for material handling equipment. A more complete summary of the legislative changes from the 2015 session is available on page 6.

One such piece of legislation authorizes the department to conduct a tax amnesty. Any liability that was due and payable before January 1, 2013 will be eligible to participate in the amnesty to be conducted between September 15 and November 16, 2015. (Taxpayers who participated in the 2005 amnesty will not be eligible to participate again.) Amnesty allows for the collection of outstanding tax liabilities while waiving attendant penalties and interest. More information will be provided as it becomes available.

As the department continues to work through its challenges to make necessary technology improvements, build the knowledge base of the team, and continue enhancing data security, the relationship with our tax practitioner partners remains highly valued. For ways to stay connected to the department, see page 35.

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 cupola with columns. Above the cupola, an American flag flies on a tall pole. The building's facade is made of light-colored stone with arched windows and classical architectural details. The sky is a clear, bright blue.

2015 Legislative Update

With the 2015 Indiana General Assembly over, it's time to take a look at the legislation passed and consider how it will affect Hoosier taxpayers. The following pages highlight some of the key changes to Indiana's tax laws, listed by tax type.

Changes Affecting Individual Income Tax

- Effective Jan. 1, 2016, the addback of the amount of capital gain portion of a lump sum distribution is eliminated.
- Effective Jan. 1, 2016, the addback of unemployment compensation excluded from federal gross income is eliminated.

- Effective Jan. 1, 2016, the addback of qualified disaster assistance property is eliminated.
- Effective Jan. 1, 2016, the addback of qualified refinery property is eliminated.
- Effective Jan. 1, 2016, the addback of loss from the sale or exchange of preferred stock in the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation is eliminated.
- Effective Jan. 1, 2016, the addback of amount claimed as an election under Section 179C of the IRC is eliminated.
- Effective Jan. 1, 2016, the addback of the amount allowed under the IRC for wages, reimbursements, or other payments made for services if the person was prohibited from being hired as an employee because the person was an unauthorized alien.
- Effective Jan. 1, 2015, the civil service annuity deduction is increased from \$2,000 to \$8,000.

Bonus Resource!

For a complete listing of all the changes for 2015 and changes that go into effect in 2016, please visit the Indiana Department of Revenue's [Legislative Summaries webpage](#) and click the link for the 2015 summary.

- Effective Jan. 1, 2016, the deduction for insulation is repealed.
- Effective Jan. 1, 2016, the deduction for solar-powered roof vents and fans is repealed.
- Effective Jan. 1, 2016, the deduction for the first \$1,200 of lottery winnings is repealed.
- Effective Jan. 1, 2016, funds put into a medical care savings account by an employer for an employee are no longer exempt income to the employee in the taxable year the money was deposited.
- Effective Jan. 1, 2015, an individual employed as a teacher is entitled to a credit for purchases of classroom supplies. The credit is equal to the lesser of \$100 or the total amount expended for classroom supplies during a taxable year.

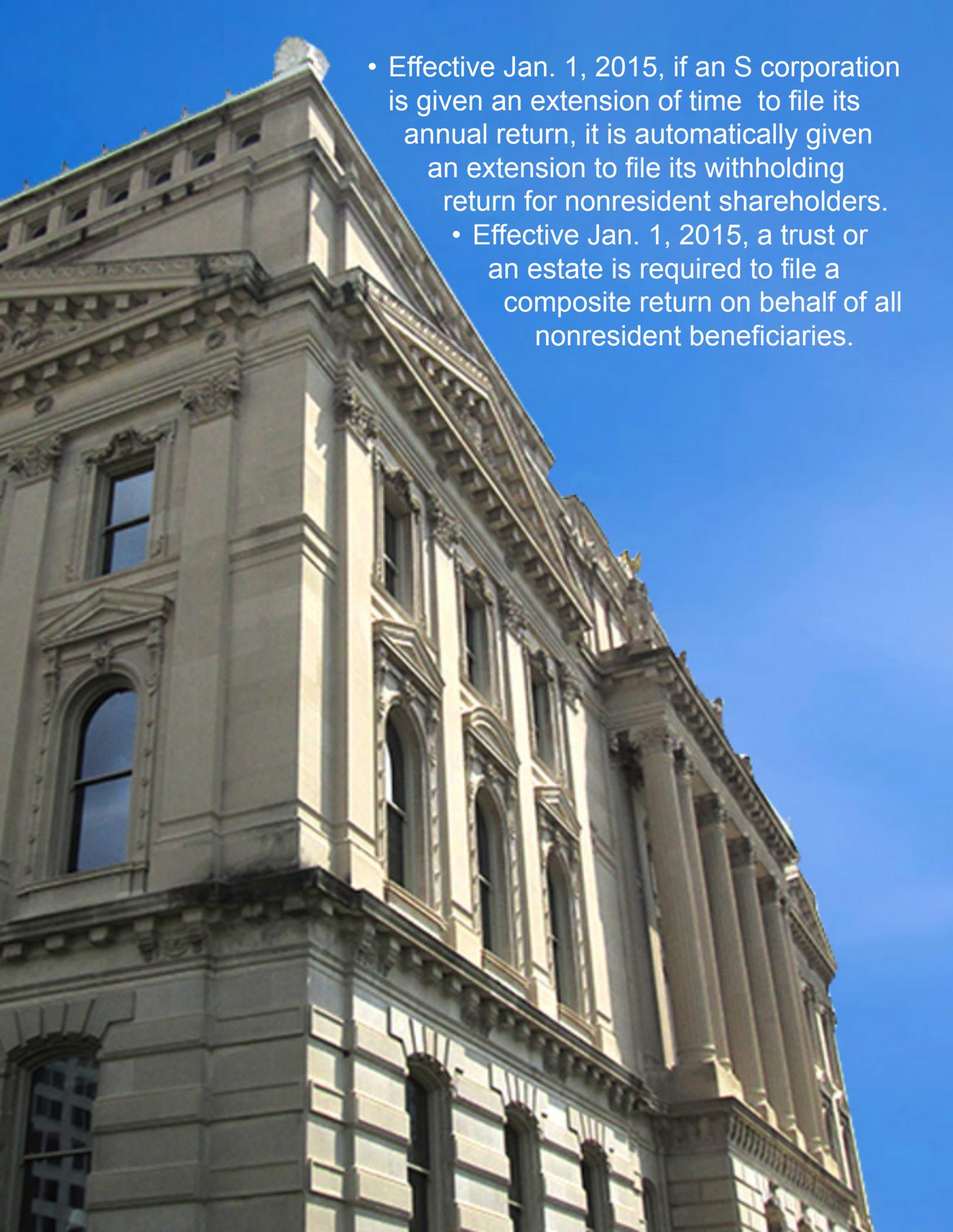
Changes Affecting Corporate Income Tax

- Effective Jan. 1, 2016, the “throwback rule” is eliminated for apportioning income to Indiana if the taxpayer is not taxable in the state of the purchaser.
- Effective Jan. 1, 2016, the addback of the amount of capital gain portion of a lump sum distribution is eliminated.
- Effective Jan. 1, 2016, the addback of qualified disaster assistance property is eliminated.



- Effective Jan. 1, 2016, the addback of qualified refinery property is eliminated.
- Effective Jan. 1, 2016, the addback of loss from the sale or exchange of preferred stock in the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation is eliminated.
- Effective Jan. 1, 2016, the addback of amount claimed as an election under Section 179C of the IRC is eliminated.
- Effective Jan. 1, 2016, the addback of the amount allowed under the IRC for wages, reimbursements, or other payments made for services if the person was prohibited from being hired as an employee because the person was an unauthorized alien.
- Effective Jan. 1, 2016, a for-profit hospital subject to the AGI tax and meets certain requirements is eligible for a credit for 10% of the property taxes paid in Indiana for the taxable year the property was used as a hospital.
- Effective Jan. 1, 2015, a pass-through entity is not required to withhold tax or file a composite return for a nonresident member if the entity is a publicly traded partnership; meets the IRC Section 7704(c) exception; and agrees to file an annual information return reporting the name, address, and TID number for each member.





- Effective Jan. 1, 2015, if an S corporation is given an extension of time to file its annual return, it is automatically given an extension to file its withholding return for nonresident shareholders.
- Effective Jan. 1, 2015, a trust or an estate is required to file a composite return on behalf of all nonresident beneficiaries.

- Effective July 1, 2015, the recycling exemption is amended to exclude any collection of recycling materials from the definition of “recycling,” not limited to collection by licensed motor vehicles. “Occupationally engaged in recycling” is defined to engage in recycling with the intention of doing so at a profit. “Recycling cart” is defined to be a manually propelled container with a capacity of not more than 100 gallons. The double direct test for property acquired to be used in recycling is eliminated.
- Effective Jan. 1, 2016, the sales tax exemption for agricultural machinery, tools, and equipment is expanded to include material-handling equipment purchased for transporting materials into such activities from an onsite location.

Changes Affecting Special Taxes

- Effective Jan. 1, 2016, the annual registration date for aircraft is the last day of December instead of the last day of February.
- Effective July 1, 2015, an aircraft that has a total time in service exceeding 50 hours is no longer considered in inventory and is subject to registration and all applicable taxes.

In addition to these changes, the legislature changed the structure of the local option income tax. This new structure will take effect Jan. 1, 2017. The department is working with the Department of Local Government Finance to determine the impact of the changes. For more information and a complete listing of all the legislation affecting 2015 tax filings, visit the [Legislative Summaries](#) page of the department’s website and click the link for 2015.

INDIVIDUAL FILING SEASON A SUCCESS

The Indiana Department of Revenue recently wrapped up another efficient and productive individual income tax filing season. As of June 29, the department had processed nearly 3.1 million individual tax returns.

Electronic filing continues to be a popular filing option, with more than 85 percent of individual income tax returns filed electronically this season. Nearly 100,000 taxpayers took advantage of the INfreefile program this year.

Although electronic filing is a hit with many taxpayers, the department continues to receive tens of thousands of paper returns every year. As of June 29, the Returns Processing Center (RPC) has stayed busy processing the more than 500,000 paper returns received this tax season.





The Customer Interaction Center (CIC) handled more than 130,000 phone calls pertaining to individual income tax or identity protection this tax season, with an average of 1,542 calls per day. Nearly 270,000 calls in all categories were handled during the season. The CIC again this year focused its efforts on decreasing call wait times and completion times. And the effort was well worth it, considering that the CIC maintained an average wait time of only seven minutes and an average handle time of less than five minutes per call. Employees at each of the district offices also saw an increase in traffic on tax day and kept busy assisting walk-in taxpayers and answering hundreds of phone calls.

“Employees across the entire agency did a remarkable job ensuring accuracy and efficiency this tax season,” said Commissioner Mike Alley. “Success is truly a team effort.”

Your clients may be eligible to take advantage of Tax Amnesty 2015 and pay past due tax liabilities free of penalty, interest, and collection fees!

September 15, 2015 – November 16, 2015



Existing tax liabilities, for all tax types, for periods ending prior to Jan. 1, 2013, are eligible to participate in Tax Amnesty 2015.

(Taxpayers who participated in the 2005 amnesty program are not eligible to participate in Tax Amnesty 2015.)

Visit www.taxamnesty.in.gov for more information.

IDENTITY PROTECTION PROGRAM ENHANCES SOPHISTICATION

Protecting your clients' identities continued to be a major initiative in the 2015 individual tax season. In fact, the Indiana Department of Revenue stopped \$11.6 million in attempted identity theft to date (June 29, 2015) represented by more than 4,300 fraudulent tax returns.

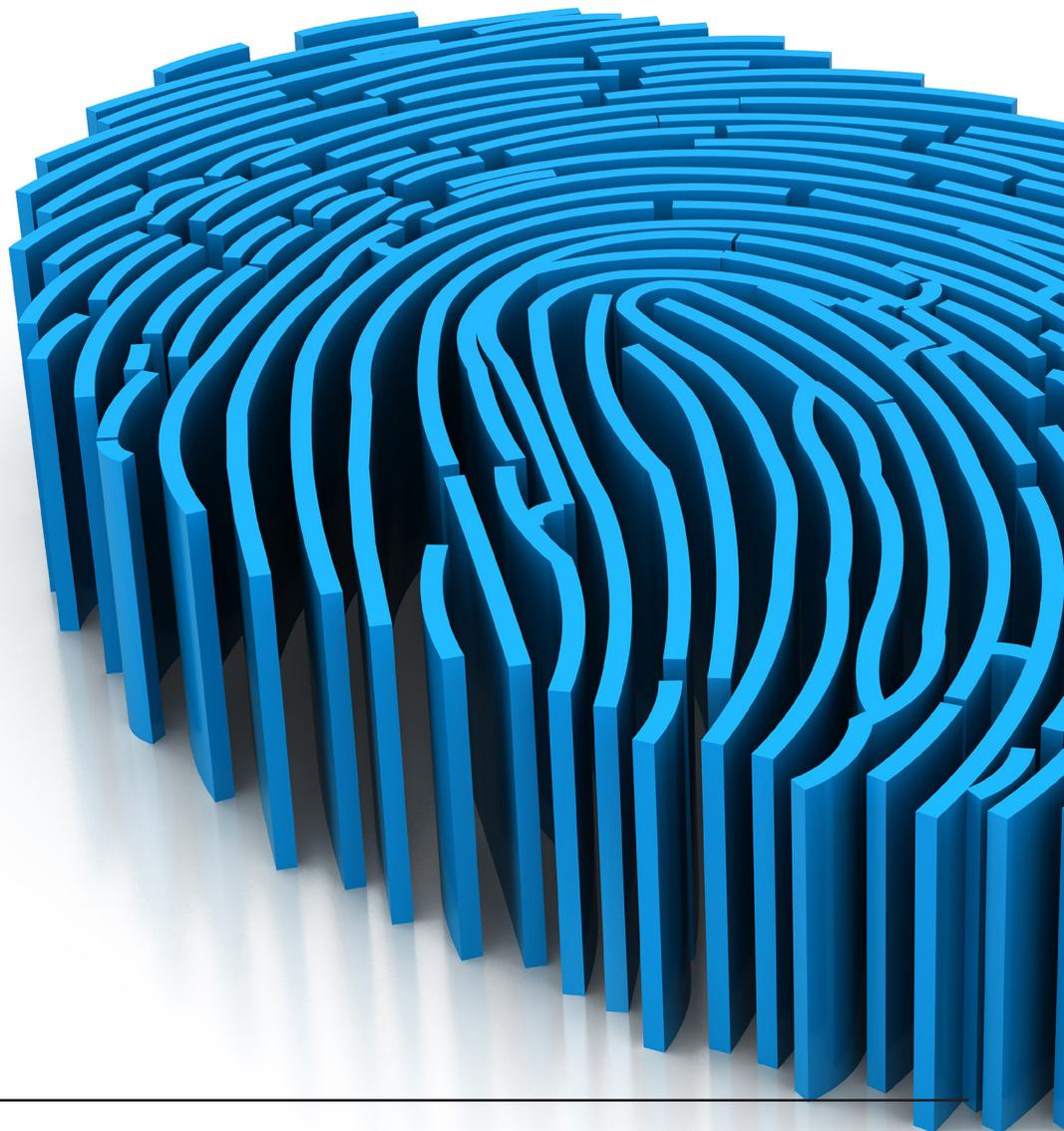
Though our identity protection program's sophistication increased, fewer identity theft returns have been received. The department believes this indicates its program's success in not just identifying identity theft, but deterring identity theft criminals from submitting fraudulent returns to Indiana.

Indiana's success has drawn national attention in the media and beyond. In March 2015, Commissioner Mike Alley [testified](#) before the U.S. Senate Finance Committee about Indiana's identity protection program.



The structure and success of this year's identity protection program can be attributed to lessons learned from the pilot program conducted in 2014. The department analyzed identity thieves' tricks and tactics for submitting fraudulent tax returns and built a program to combat them. Sophisticated and constantly improved filters used proven data to comb tax returns for identity validity.

The sophisticated filters caused the department to issue more Identity Confirmation Quiz letters than last year. By completing the simple four-question quiz, taxpayers helped the department quickly confirm and secure their identities. More than 173,900 taxpayers completed the 2015 Identity Confirmation Quiz.



The identity protection program will remain integrated in the department's tax return processing system. We continue learning more about identity theft and tax fraud crimes and improving our ability to keep Hoosier identities safe.

Was your client asked to complete the Identity Confirmation Quiz?!

Though the department sends initial and follow-up letters asking select taxpayers to complete the Identity Confirmation Quiz, there still are about 21,000 taxpayers who were selected but have not yet completed it. If your client has not received his tax refund within 14 days of acceptance, he may have been selected to complete the quiz. Call the tax practitioner hotline at (800) 462-6320 and enter 4367 to determine the source of the delay.



DEPARTMENT MODERNIZES IT-20S TAX FILING

The Indiana Department of Revenue heard your response, and Form IT-20S now is available electronically. The form set is available from six different software vendors and is another step in the department's modernization of tax filings in Indiana, one form set at a time.

Modernizing a tax form requires much effort and time. The department must develop its own system for collecting tax-related data for each form. The department then develops a schema that tells software developers how the department must receive the information. Through a careful and detailed process vendors build a successful interface to take information from the taxpayer and submit it directly to the department's system.

The IT-20S was chosen as the first corporate form to be modernized. It comprises roughly 45 percent, or a little more than 95,000, of corporate tax returns in Indiana. So far, more than 15,000 IT-20S returns have been filed electronically. The department looks to receive at least one-third of the IT-20S returns in 2015 electronically.

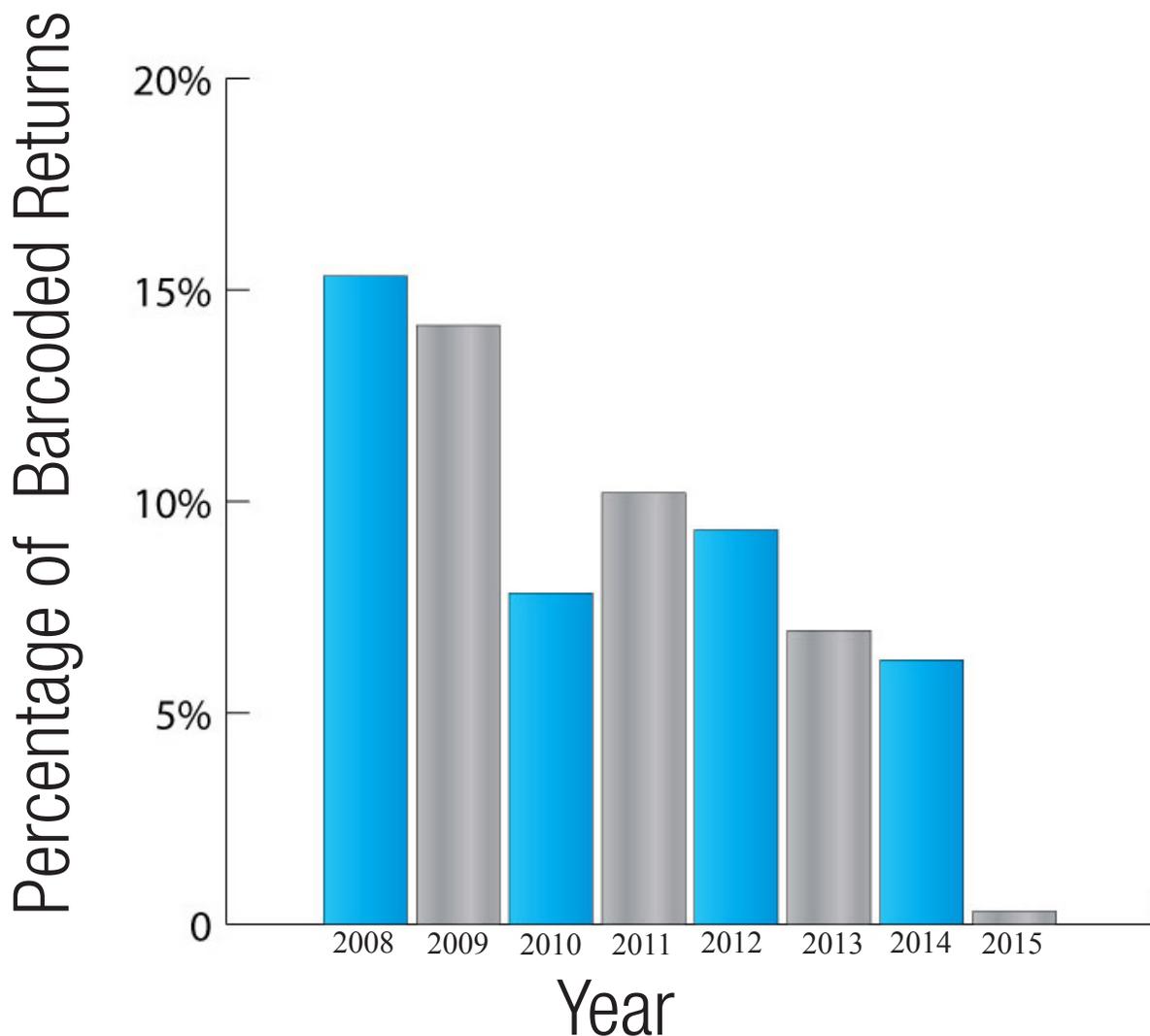
For a list of software vendors that currently support the electronic Form IT-20S, visit <http://www.in.gov/dor/5239.htm>.

To aid tax professionals and business owners around Indiana, the department aims to modernize more corporate tax forms in the future.



DEPARTMENT TO STOP SUPPORT FOR 2D BARCODED TAX RETURNS

Barcoded Returns By Year



The Indiana Department of Revenue will stop supporting 2D barcoded tax returns at the end of 2015. Due to the declining number of these returns, it is no longer cost-effective to support this system.

At its inception, 2D barcode support was a cost-effective measure. Returns encoded with the 2D barcode easily could be read by the department imaging systems and had a very low error rate. Those with an error in the barcode could be imaged like other mailed-in forms.

With the emergence of electronic filing, fewer bar-coded returns were being filed. However, the cost of programming the equipment to read barcodes remains the same. The machines must be programmed separately to read the barcodes, and again to read those without the barcode. Essentially, the department must pay to program its systems twice for one form. The cost of imaging the tax forms the same way as other mailed-in forms is lower per return than programming the machine twice.

In 2008, the department processed about 488,000 2D barcoded tax returns, or 15.33 percent of the total amount of returns received that year. In 2014, that number was reduced to about 210,000 and represented only 6.25 percent of returns. So far in 2015, the department has received just over 50,000 returns with a barcode.

Tax returns that have a barcode on them will still be accepted; however, they will be processed in the same manner as other mailed-in returns.

UTILITY SALES TAX EXEMPTION RESOURCES NOW AVAILABLE ONLINE

Utility sales tax exemptions can be cause for confusion for businesses and tax practitioners alike. To help educate Hoosier taxpayers, the Indiana Department of Revenue, in partnership with Duke Energy, recently hosted a series of webinars on the topic. The webinars were divided into two categories: utility sales tax exemptions for for-profit organizations and utility sales tax exemptions for nonprofit organizations.

The presentations included detailed information about eligibility for utility sales tax exemptions, the application and approval process, and special considerations.

Some organizations are required to complete utility studies as part of the application process for a utility sales tax exemption. To help taxpayers better understand the process and requirements of utility studies, sample workpapers are available at www.in.gov/dor/5317.htm.



“For many organizations, the required utility studies are the most complicated part of the application process,” said Laura Rakaska, Deputy Director of Enforcement at the Indiana Department of Revenue. “Our goal is to give eligible Hoosier businesses and the tax practitioners who work with those businesses the knowledge and tools to help them successfully complete and obtain a utility sales tax exemption.”

These webinar presentations and additional information about utility studies and the exemption application and approval process are available for free at www.in.gov/dor/5317.htm.

For questions related specifically to utility sales tax exemptions, please email refundclaim@dor.in.gov or call the department at (317) 232-2339.





COMING SOON: **INTAX UPGRADE**

If you file Indiana business taxes, chances are you've spent a lot of time using INtax.

INtax is Indiana's online business tax reporting and payment application. It's a powerful tool. More than 303,000 businesses remit their taxes through INtax, and the application collected more than \$7 billion in Indiana taxes in 2014.

In August, the application will get even more powerful.



A major technology upgrade will turn INtax into a faster, more concise tax-processing machine.

Some key new features you'll notice will be:

- Clearer instructions, language, and alerts
- Faster-performing technology
- Consolidated screens (which mean less clicking!)
- A new INtax logo and interface

While the upgrade certainly will make your tax remittance and payment process easier and faster, don't worry about too much change. You'll still recognize the same overall INtax framework.

For those who need some extra help adjusting to the changes, there will be new tax practitioner guides for you and business guides to help your clients. Keep an eye out for these on the [INtax website](#) in August.



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

Learn how to register and use INtax by downloading the "Tax Professional's Guide to INtax" at www.in.gov/dor/3338.htm.

Updated Bulletins, Notes, Directives

Departmental Notices

- 1 – How to Compute Withholding for State and County Income Tax
- 2 – Gasoline Use Tax Rate
- 3 – Interest Rates for Calendar Year 2015
- 12 – State and Federal Excise Taxes Levied on Motor Fuel
- 27 – Sales Tax Collection Allowance for Retailers and Remitters of gasoline Use Tax
- 33 – Motor Carrier Vehicle Operation

Income and Sales Tax Information Bulletins

- 14 – Income Tax Credit for Donations to Colleges
- 15 – Extension of Time to File Indiana Corporation Income Tax Returns and Recognition of the Federal Extension of Time to File Indiana Corporation Income Tax Returns
- 18 – Instructions for Obtaining Extensions of Time to File Indiana Individual Income Tax Returns
- 26 – General Information Concerning Filing Requirements and Specific Tax Benefits Available to the Elderly
- 42 – Indiana Income Tax Forms and Schedules
- 59 – Summary of Tax Credits Available to Taxpayers Who File Income Tax Returns

- 64 – Interest Rates on Assessments of Delinquent Taxes and Refunds for Overpayment of Taxes for Listed Taxes under IC 6-8.1-1-1
- 66 – Enterprise Zones
- 98 – Indiana College Choice 529 Education Savings Plan
- 110 – Automatic Taxpayer Refund Credit
- 111 – Income Tax Credit for Eligible Adoptions

Commissioner's Directives

- 5 – Enforcement of the Income Tax Liability Incurred by Nonresident Athletes and Entertainers
- 18 – Utility Receipts Tax
- 26 – Confidentiality of Taxpayer Information
- 29 – Prohibition of Multiple Tax Credits for Same Investments





- 41 – Taxability of Products Transferred Electronically
- 50 – Sales of Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG)
- 51 – Tax Withholding for Race Teams
- 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 useful information about these complex taxes.

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

Stay Connected

It is vital that tax practitioners know the various ways in which they can contact the Indiana Department of Revenue if they need help or want to receive critical updates.

If 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, you can contact the department at (800) 462-6320 (enter 4367) to connect. This number is for tax practitioner use only. If a taxpayer would like to contact the department, he or she may do so by calling (317) 232-2240. Additionally, the department offers several other ways for you to learn about important tax updates.

- Like us on Facebook by clicking [here](#).
- Follow us on Twitter at www.twitter.com/INDeptofRevenue.
- Subscribe to our blog, TaxTalk, at www.in.gov/dor/3877.htm.
- Subscribe to our website at www.in.gov/dor to receive email notifications when pages are updated.

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

Hours of Operation

The district offices, main call center, and collection's call center of the Indiana Department of Revenue are open Monday through Friday from 8 a.m. to 4:30 p.m.

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

Tax Dispatch

June 2015