

PREVAILED	Roll Call No. _____
FAILED	Ayes _____
WITHDRAWN	Noes _____
RULED OUT OF ORDER	

HOUSE MOTION _____

MR. SPEAKER:

I move that House Bill 1001(ss) be amended to read as follows:

- 1 Page 86, between lines 3 and 4, begin a new paragraph and insert:
2 "SECTION 100. IC 6-1.1-10-31.1, AS AMENDED BY
3 P.L.90-2002, SECTION 101, IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 31.1. A person
5 who:
6 (1) is required to file a personal property return;
7 (2) has personal property in a warehouse or a foreign trade zone
8 on the assessment date of any year; and
9 (3) wishes to claim the exemption provided under section 29,
10 29.3, 30, or 30.5, or **31.2** of this chapter;
11 shall report on the person's personal property return, in the manner
12 prescribed by the department of local government finance, the true tax
13 value of the property for which the exemption is claimed.
14 SECTION 101. IC 6-1.1-10-31.2 IS ADDED TO THE INDIANA
15 CODE AS A NEW SECTION TO READ AS FOLLOWS
16 [EFFECTIVE JANUARY 1, 2003]: **Sec. 31.2. (a) For purposes of this**
17 **section, "production inventory" for an assessment date means**
18 **inventory that is:**
19 **(1) not finished goods inventory; and**
20 **(2) held on the assessment date for use in the production of the**
21 **types of finished goods with respect to which the owner or**
22 **possessor claims exemption for the assessment date:**

- 1 (A) under section 29(b), 29(c), or 29(d) of this chapter;
 2 (B) under section 30(b), 30(c), or 30(e) of this chapter; or
 3 (C) as property placed in the foreign trade zone exclusively
 4 for export to a foreign country under section 30.5(a)(2) of
 5 this chapter.

6 (b) Production inventory is exempt from property taxation for
 7 an assessment date in the amount determined by dividing:

- 8 (1) the assessed value of the taxpayer's finished goods
 9 inventory that qualifies for exemption from property taxation
 10 under the provisions referred to in subsection (a)(2) for the
 11 assessment date; by

- 12 (2) the total assessed value of the taxpayer's finished goods
 13 inventory for the assessment date;

14 and applying this ratio to the taxpayer's total production inventory
 15 for the assessment date. A taxpayer that uses the allocation method
 16 shall keep records that adequately establish the validity of the
 17 allocation.

18 (c) A taxpayer who possesses production inventory owned by
 19 another person may claim an exemption provided by this section
 20 if:

- 21 (1) the taxpayer includes the production inventory on the
 22 taxpayer's personal property tax return; and

- 23 (2) the taxpayer is able to show that the owner of the
 24 production inventory would otherwise have qualified for an
 25 exemption under this section."

26 Page 134, between lines 37 and 38, begin a new paragraph and
 27 insert:

28 "SECTION 138. IC 6-2.5-5-4.5 IS ADDED TO THE INDIANA
 29 CODE AS A NEW SECTION TO READ AS FOLLOWS
 30 [EFFECTIVE JANUARY 1, 2003]: **Sec. 4.5. (a) As used in this**
 31 **section, "research and development equipment" means tangible**
 32 **personal property that:**

- 33 (1) is installed after December 31, 2002;

- 34 (2) consists of:

- 35 (A) laboratory equipment;
 36 (B) research and development equipment;
 37 (C) computers and computer software;
 38 (D) telecommunications equipment; or
 39 (E) testing equipment;

- 40 (3) is used in research and development activities devoted
 41 directly and exclusively to experimental or laboratory
 42 research and development for:

- 43 (A) new products;
 44 (B) new uses of existing products; or
 45 (C) improving or testing existing products;

- 46 (4) is acquired by the property owner for purposes described
 47 in this subsection; and

1 **(5) was never before used by the owner for any purpose in**
 2 **Indiana.**

3 **The term does not include equipment installed in facilities used for**
 4 **or in connection with efficiency surveys, management studies,**
 5 **consumer surveys, economic surveys, advertising or promotion, or**
 6 **research in connection with literacy, history, or similar projects.**

7 **(b) Transactions involving research and development equipment**
 8 **are exempt from the state gross retail tax."**

9 Page 183, between lines 33 and 34, begin a new paragraph and
 10 insert:

11 "SECTION 210. IC 6-3.1-23.8-10 IS ADDED TO THE INDIANA
 12 CODE AS A NEW SECTION TO READ AS FOLLOWS
 13 [EFFECTIVE JANUARY 1, 2003]: **Sec. 10. A taxpayer that is**
 14 **eligible with respect to the same production inventory (as defined**
 15 **in IC 6-1.1-10-31.2(a)) for:**

16 **(1) the credit under this chapter; and**

17 **(2) the credit under IC 6-3.1-26;**

18 **may elect to apply only one (1) of the two (2) credits."**

19 Page 188, between lines 23 and 24, begin a new paragraph and
 20 insert:

21 "SECTION 213. IC 6-3.1-26 IS ADDED TO THE INDIANA CODE
 22 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 23 JANUARY 1, 2003]:

24 **Chapter 26. Credit for Property Taxes Paid on Production**
 25 **Inventory**

26 **Sec. 1. As used in this chapter, "pass through entity" means:**

27 **(1) a corporation that is exempt from the adjusted gross**
 28 **income tax under IC 6-3-2-2.8(2); or**

29 **(2) a partnership.**

30 **Sec. 2. As used in this chapter, "production inventory" has the**
 31 **meaning set forth in IC 6-1.1-10-31.2(a).**

32 **Sec. 3. As used in this chapter, "state tax liability" means a**
 33 **taxpayer's total tax liability that is incurred under IC 6-3-1**
 34 **through IC 6-3-7 (adjusted gross income tax), as computed after**
 35 **the application of the credits that under IC 6-3.1-1-2 are to be**
 36 **applied before the credit provided by this chapter.**

37 **Sec. 4. (a) A taxpayer is entitled to a credit for a taxable year for**
 38 **the ad valorem property taxes paid by the taxpayer in the taxable**
 39 **year on production inventory.**

40 **(b) The amount of the credit is equal to the product of:**

41 **(1) the appropriate percentage specified in subsection (c);**
 42 **multiplied by**

43 **(2) the amount of property taxes paid on production inventory**
 44 **by the taxpayer during the taxable year.**

45 **(c) The percentage described in subsection (b)(1) is determined**
 46 **by the calendar year in which the property taxes on production**
 47 **inventory are paid and is set forth in the following table:**

1	CALENDAR YEAR	PERCENTAGE
2	2003	10%
3	2004	20%
4	2005	30%
5	2006	40%
6	2007	50%
7	2008	60%
8	2009	70%
9	2010	80%
10	2011	90%
11	2012 and thereafter	100%

12 (d) If a taxpayer pays property taxes in two (2) different
 13 calendar years during the taxpayer's same taxable year, the
 14 taxpayer shall apply the appropriate percentage specified for each
 15 calendar year to the property taxes paid in each calendar year to
 16 compute the credit for the taxable year.

17 **Sec. 5.** A taxpayer that is eligible with respect to the same
 18 production inventory for:

- 19 (1) the credit under this chapter; and
- 20 (2) the credit under IC 6-3.1-23.8;

21 may elect to apply only one (1) of the two (2) credits.

22 **Sec. 6. (a)** If the amount determined under section 4 of this
 23 chapter for a taxpayer in a taxable year exceeds the taxpayer's
 24 state tax liability for that taxable year, the taxpayer may not carry
 25 the excess:

- 26 (1) over to the following taxable years; or
- 27 (2) back to the previous taxable years.

28 (b) A taxpayer is not entitled to a refund of any unused credit.

29 **Sec. 7.** If a pass through entity does not have state income tax
 30 liability against which the tax credit may be applied, a shareholder
 31 or partner of the pass through entity is entitled to a tax credit equal
 32 to:

- 33 (1) the tax credit determined for the pass through entity for
 34 the taxable year; multiplied by
- 35 (2) the percentage of the pass through entity's distributive
 36 income to which the shareholder or partner is entitled.

37 **Sec. 8.** A taxpayer that possesses production inventory owned by
 38 another person may claim the credit under this chapter if:

- 39 (1) the taxpayer includes the property on the taxpayer's
 40 personal property tax return; and
- 41 (2) the taxpayer is able to show that the owner of the
 42 production inventory would otherwise have qualified for the
 43 credit under this chapter.

44 **Sec. 9.** To receive the credit provided by this chapter, a taxpayer
 45 must claim the credit on the taxpayer's state tax return or returns
 46 in the manner prescribed by the department. The taxpayer shall
 47 submit to the department proof of payment of an ad valorem

1 **property tax and all information that the department determines**
2 **is necessary for the calculation of the credit provided by this**
3 **chapter."**

4 Page 347, between lines 9 and 10, begin a new paragraph and insert:
5 "SECTION 382. [EFFECTIVE JULY 1, 2002] **IC 6-3.1-23.8-10**
6 **and IC 6-3.1-26, both as added by this act, apply only to taxable**
7 **years that begin after December 31, 2002."**

8 Renumber all SECTIONS consecutively.
(Reference is to HB 1001(ss) as printed June 3, 2002.)

Representative Kuzman