



February 1, 2013

HOUSE BILL No. 1171

DIGEST OF HB 1171 (Updated January 30, 2013 5:21 pm - DI 51)

Citations Affected: IC 6-2.5.

Synopsis: Research and development property. Expands the sales tax exemption for research and development equipment to include any tangible personal property directly or indirectly used for research and development, regardless of whether the person acquiring the property is the ultimate manufacturer or seller of the product that is the subject of the research and development.

Effective: July 1, 2013.

Heuer, Kubacki, Truitt, Hale

January 10, 2013, read first time and referred to Committee on Commerce, Small Business and Economic Development.
January 31, 2013, amended, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.

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February 1, 2013

First Regular Session 118th General Assembly (2013)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2012 Regular Session of the General Assembly.

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HOUSE BILL No. 1171

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-2.5-5-40, AS ADDED BY P.L.193-2005,
2 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2013]: Sec. 40. (a) As used in this ~~chapter~~, **section**, "research
4 and development activities" does not include any of the following:
5 (1) Efficiency surveys.
6 (2) Management studies.
7 (3) Consumer surveys.
8 (4) Economic surveys.
9 (5) Advertising or promotions.
10 (6) Research in connection with literary, historical, or similar
11 projects.
12 (7) Testing for purposes of quality control.
13 (b) As used in this section, "research and development equipment"
14 means tangible personal property that:
15 (1) consists of or is a combination of:
16 (A) laboratory equipment;
17 (B) computers;

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- 1 (C) computer software;
 2 (D) telecommunications equipment; or
 3 (E) testing equipment;
 4 (2) has not previously been used in Indiana for any purpose; and
 5 (3) is acquired by the purchaser for the purpose of research and
 6 development activities devoted directly to experimental or
 7 laboratory research and development for:
 8 (A) new products;
 9 (B) new uses of existing products; or
 10 (C) improving or testing existing products.
 11 **(c) As used in this section, "research and development**
 12 **property" means tangible personal property that:**
 13 **(1) has not previously been used in Indiana for any purpose;**
 14 **and**
 15 **(2) is acquired by the purchaser for the purpose of research**
 16 **and development activities devoted to experimental or**
 17 **laboratory research and development for:**
 18 **(A) new products;**
 19 **(B) new uses of existing products; or**
 20 **(C) improving or testing existing products.**
 21 **(d) A retail transaction:**
 22 **(1) involving research and development equipment; and**
 23 **(2) occurring after June 30, 2007, and before July 1, 2013;**
 24 **is exempt from the state gross retail tax.**
 25 **(e) A retail transaction:**
 26 **(1) involving research and development property; and**
 27 **(2) occurring after June 30, 2013;**
 28 **is exempt from the state gross retail tax.**
 29 **(f) The exemption provided by subsection (e) applies:**
 30 **(1) regardless of whether the research and development**
 31 **property is used directly or indirectly in the research and**
 32 **development activities described in subsection (c)(2); and**
 33 **(2) regardless of whether the person who acquires the**
 34 **research and development property is a manufacturer or**
 35 **seller of the new or existing products specified in subsection**
 36 **(c)(2).**
 37 **(g) For purposes of this section, as amended by HEA 1171-2013,**
 38 **a retail transaction shall be considered as having occurred after**
 39 **June 30, 2013, to the extent that delivery of the property**
 40 **constituting selling at retail is made after that date to the**
 41 **purchaser or to the place of delivery designated by the purchaser.**
 42 **However, a transaction shall be considered as having occurred**

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1 before July 1, 2013, to the extent that the agreement of the parties
 2 to the transaction was entered into before July 1, 2013, and
 3 payment for the property furnished in the transaction is made
 4 before July 1, 2013, notwithstanding the delivery of the property
 5 after June 30, 2013. This subsection expires January 1, 2017.

6 SECTION 2. IC 6-2.5-6-16 IS REPEALED [EFFECTIVE JULY 1,
 7 2013]. Sec. 16. (a) As used in this section, "research and development
 8 equipment" has the meaning set forth in IC 6-2.5-5-40.

9 (b) A person is entitled to a refund equal to fifty percent (50%) of
 10 the gross retail tax paid by the person under this article in a retail
 11 transaction occurring after June 30, 2005, and before July 1, 2007, to
 12 acquire research and development equipment.

13 (c) To receive the refund provided by this section, a person must
 14 claim the refund under IC 6-8.1-9 in the manner prescribed by the
 15 department.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Commerce, Small Business and Economic Development, to which was referred House Bill 1171, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, delete lines 1 through 17, begin a new paragraph and insert:

"SECTION 1. IC 6-2.5-5-40, AS ADDED BY P.L.193-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 40. (a) As used in this ~~chapter~~, **section**, "research and development activities" does not include any of the following:

- (1) Efficiency surveys.
- (2) Management studies.
- (3) Consumer surveys.
- (4) Economic surveys.
- (5) Advertising or promotions.
- (6) Research in connection with literary, historical, or similar projects.
- (7) Testing for purposes of quality control.

(b) As used in this section, "research and development equipment" means tangible personal property that:

- (1) consists of or is a combination of:
 - (A) laboratory equipment;
 - (B) computers;
 - (C) computer software;
 - (D) telecommunications equipment; or
 - (E) testing equipment;
- (2) has not previously been used in Indiana for any purpose; and
- (3) is acquired by the purchaser for the purpose of research and development activities devoted directly to experimental or laboratory research and development for:
 - (A) new products;
 - (B) new uses of existing products; or
 - (C) improving or testing existing products.

(c) As used in this section, "research and development property" means tangible personal property that:

- (1) has not previously been used in Indiana for any purpose; and**
- (2) is acquired by the purchaser for the purpose of research and development activities devoted to experimental or laboratory research and development for:**
 - (A) new products;**

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- (B) new uses of existing products; or**
(C) improving or testing existing products.

~~(e)~~ **(d)** A retail transaction:

- (1) involving research and development equipment; and
 (2) occurring after June 30, 2007, **and before July 1, 2013;**

is exempt from the state gross retail tax.

(e) A retail transaction:

- (1) involving research and development property; and**
(2) occurring after June 30, 2013;

is exempt from the state gross retail tax.

(f) The exemption provided by subsection (e) applies:

- (1) regardless of whether the research and development property is used directly or indirectly in the research and development activities described in subsection (c)(2); and**
(2) regardless of whether the person who acquires the research and development property is a manufacturer or seller of the new or existing products specified in subsection (c)(2).

(g) For purposes of this section, as amended by HEA 1171-2013, a retail transaction shall be considered as having occurred after June 30, 2013, to the extent that delivery of the property constituting selling at retail is made after that date to the purchaser or to the place of delivery designated by the purchaser. However, a transaction shall be considered as having occurred before July 1, 2013, to the extent that the agreement of the parties to the transaction was entered into before July 1, 2013, and payment for the property furnished in the transaction is made before July 1, 2013, notwithstanding the delivery of the property after June 30, 2013. This subsection expires January 1, 2017.

SECTION 2. IC 6-2.5-6-16 IS REPEALED [EFFECTIVE JULY 1, 2013]. Sec. 16: (a) As used in this section, "research and development equipment" has the meaning set forth in IC 6-2.5-5-40.

(b) A person is entitled to a refund equal to fifty percent (50%) of the gross retail tax paid by the person under this article in a retail transaction occurring after June 30, 2005, and before July 1, 2007; to acquire research and development equipment.

(c) To receive the refund provided by this section, a person must claim the refund under IC 6-8.1-9 in the manner prescribed by the department."

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Delete pages 2 through 3.
and when so amended that said bill do pass.
(Reference is to HB 1171 as introduced.)

MESSMER, Chair

Committee Vote: yeas 12, nays 0.

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