ARTICLE 4.2. ASSESSMENT OF TANGIBLE PERSONAL PROPERTY

NOTE: Reinstated by IC 6-1.1-3-22, effective July 1, 2003.

Rule 1. Administration; Procedure

50 IAC 4.2-1-1 Primary definitions (Repealed)

Sec. 1. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-1-1.1 Primary definitions

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 1.1. (a) The definitions in this section apply throughout this article.

(b) "Assessed value" or "valuation" means an amount equal to the true tax value of property rounded to the nearest ten dollars ($10).

(c) "Assessing official" means a:

(1) township assessor, if any;

(2) county assessor; or

(3) member of a county property tax assessment board of appeals.

(d) "Assessment date" means March 1.

(e) "Construction in process" means tangible personal property not placed in service. The term includes tangible personal property that has not been depreciated and is not yet eligible for federal income tax depreciation under the Internal Revenue Code. The term does not include inventory, special tools, leased property, or returnable containers.

(f) "Critical spare parts" means parts that are maintained for possible future replacement of parts in use in operating equipment. Critical spare parts are maintained on-site, sometimes for a considerable period of time, to avoid a disruption of production if replacement of a failed part cannot otherwise be made immediately.

(g) "Depreciable personal property" means all personal property that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article.

(h) "Filing date" means the May 15 date on which every person owning, holding, possessing, or controlling tangible personal property with a tax situs within the state of Indiana as of March 1 of any year is required to file a personal property tax return unless an extension of time to file is obtained. If the filing date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the filing date.

(i) "Inventory" means:

(1) materials held for processing or for use in production;

(2) finished or partially finished goods of a manufacturer or processor;

(3) property held for sale in the ordinary course of trade or business; and

(4) items that qualify as inventory under 50 IAC 4.2-5-1.

The term excludes items that are or should be subject to federal tax depreciation and that are or should be reported for Indiana property tax purposes at cost per 50 IAC 4.2-2-2 in Pool 1 (50 IAC 4.2-4-5) including rent to own assets; DVD, CD, and video games held for rent; and equipment held for rent that is fully expensed in its first year.

(j) "Nonsubstantial compliance" means a tax return that:

(1) omits five percent (5%) or more of the cost per books of the tangible personal property at the location in the taxing district for which a return is filed;

(2) omits leased property and other nonowned personal property assessable under 50 IAC 4.2-2-4(b) where such omitted property exceeds five percent (5%) of the total assessed value of all reported personal property; or

(3) is filed with the intent to evade personal property taxes or assessment.

(k) "Original personal property return" means a personal property tax return filed with the proper assessing official by May

15 or, if an extension is granted, the extended filing date.

(l) "Personal property":

(1) has the meaning set forth in IC 6-1.1-1-11; and

(2) also includes nonautomotive equipment attached to excise vehicles.

(m) "Personal property and real property guide" means a listing of items of machinery, equipment, or structures as to their assessability as real or personal property for Indiana assessment purposes. Generally, if the item is directly used for manufacturing or a process of manufacturing, it is to be considered as personal property. If the item is land or a building improvement, it is to be considered as real property.

(n) "Placed in service" means the asset is ready and available for a specific use whether in a trade or business, the production of income, or a tax exempt activity. An asset is assessed until it is retired from service. An asset is retired property from service when it is permanently withdrawn from use by:

(1) sale or exchange of the property;

(2) conversion to personal use;

(3) abandonment;

(4) transfer to a supply or scrap account; or

(5) property is destroyed.

(o) "Special tools" includes, but is not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns acquired or made for the production of products or product models which are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Those items of "special tools" being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 4.2-5.

(p) "State board of tax commissioners" means the department of local government finance.

(q) "Tax rate" means a tax rate that is levied at a rate of tax per one hundred dollars ($100) of assessed valuation by each taxing district.

(r) "Tax payment date" means property taxes that are based on the amount of the March 1 assessment for a given year and are due in two (2) equal installments on May 10 and November 10 of the following year. If any due date falls on a Saturday, a Sunday, a national legal holiday recognized by the federal government, or a statewide holiday, the next succeeding business day that is not a Saturday, Sunday, or federal or state holiday becomes the due date.

(s) "Taxing district" means an area within a township having tax levies and rates different from the tax levies and rates in other areas within the same township.

(t) "True tax value" as used in this article means the resultant value of property determined in accordance with the rules issued by the department, exclusive of those portions of the rules related to determining assessed value. *(Department of Local Government Finance; 50 IAC 4.2-1-1.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-1-2 Powers and duties of the department of local government finance

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 2. The department of local government finance (hereafter department) is responsible under Indiana law for promulgating rules, appraisal manuals, bulletins, directives, returns, and forms to govern the assessment of personal property subject to the ad valorem (tax on value) property tax. Duly appointed personnel of the department have the responsibility for holding hearings and recommending changes in the assessment of the taxpayer's property. The department may reconsider the evidence submitted at the original hearing or consider additional information submitted subsequent to the original hearing. The department has the administrative authority to determine the final assessment of personal property. *(Department of Local Government Finance; 50 IAC 4.2-1-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 819, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-1-3 All property taxable

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1; Article 10, Section 1 of the Constitution of the State of Indiana

Sec. 3. Unless specifically exempted by law, generally, all property shall be taxed as personal property, real property, public utility, commercial vessel, mobile home, motor vehicle excise, aircraft excise, intangible, or subject to the bank tax act. *(Department of Local Government Finance; 50 IAC 4.2-1-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-1-4 Amendments to rules

Authority: IC 6-1.1-31-1
Affected: IC 4-22-2

Sec. 4. This article may be amended in whole or in part at the discretion of the department. The procedure for the amendment is specified in IC 4-22-2 and IC 6-1.1-32-8 *[IC 6-1.1-32 was repealed by P.L.41-1993, SECTION 53, effective July 1, 1993.]*, which provide as follows:

(1) A notice shall be published in a newspaper of general circulation printed and published in Marion County, Indiana, in the Indiana Register at least twenty-one (21) days prior to the date set for a hearing which states the time and place of said hearing and will indicate the subject matter of the rules or amendments. In addition to the notice as prescribed above, copies of such proposals shall be forwarded to the members of the advisory council, all duly elected members of the Indiana General Assembly, and to all county and township assessors not serving as members on the advisory council, together with any supporting data or statistical matter, at least twenty-one (21) calendar days prior to the public hearing required by law to be held on the same. Members of the advisory council shall, before or at the public hearing, make their views known in writing to the department, with respect to such proposals. All commentary, opinions, judgments, and similar statements made by members of the advisory council shall be public records and shall be maintained as such by the department.

(2) Five (5) copies of the proposed amendment shall be on file in the office of the department in Indianapolis and two (2) copies shall be delivered to the legislative council, after the notice pursuant to subdivision (1) is given, for any interested party to review.

(3) A hearing will be held on the date indicated in the notice to provide any interested party or attorney for any interested party an opportunity to present facts, arguments, views, or written data relevant to the proposed amendments.

(4) Six (6) copies of the rule or rules or amendment or amendments will be submitted to the attorney general for approval as to legality and, when so approved, to the governor for approval.

(5) The original and one (1) copy of the approved amendments must be filed with the secretary of state and one (1) duplicate approved copy must be filed with the legislative council. The rule or amendment shall be effective thirty (30) days from the date and time filed with the secretary of state.

(Department of Local Government Finance; 50 IAC 4.2-1-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-1-5 Instructional bulletins

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-35-1

Sec. 5. (a) The department may issue instructional bulletins. The instructional bulletins, designated I-09-1, I-09-2, etc., are used to instruct taxing officials of their duties and provide administrative forms to be used by taxpayers, local and county officials as required by the various rules of the department. These instructional bulletins are effective for the year designated and will remain in effect for subsequent tax years unless specifically rescinded or revised by subsequent directives or instructional bulletins.

(b) Copies of instructional bulletins issued pursuant to this article may be obtained for a fee of twenty-five cents ($.25) per page plus mailing costs by contacting:

Department of Local Government Finance
Assessment Division
100 North Senate, Room N1058
Indianapolis, IN 46204

(Department of Local Government Finance; 50 IAC 4.2-1-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 820, eff Mar 1, 1989; reinstated

by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-1-6 Administrative adjudications by the department; effect

Authority: IC 6-1.1-31-1
Affected: IC 4-21.5

Sec. 6. (a) The department may, at its discretion, issue an administrative adjudication determination on the ad valorem tax consequences of a taxpayer's proposed transaction or unusual circumstances prior to the filing date of May 15 for the assessment year in question. If the taxpayer has received an extension for filing from the assessor, the date shown in the assessor's letter of extension will be the date used in this section. This administrative adjudication determination will be effective only for the tax year designated in the determination.

(b) The taxpayer should make a written request not later than March 31 of the assessment year in question stating all the facts and circumstances that affect the transaction on which a determination is requested.

(c) The administrative adjudication determination as issued by the department will be in writing and executed by the department.

(d) Reliance. The taxpayer may rely upon the administrative adjudication determination for the tax year designated. The administrative adjudication determination as granted is conditioned upon the following:

(1) That the facts and circumstances as submitted by the taxpayer are representative of the facts and circumstances that actually exist.

(2) That all of the facts and circumstances related to the transaction have been disclosed to the department.

(Department of Local Government Finance; 50 IAC 4.2-1-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-1-7 Practice before state board (Repealed)

Sec. 7. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 2. Filing Requirements

50 IAC 4.2-2-1 Place of filing; assessment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. (a) A personal property tax return must be filed in each taxing district where property has a tax situs subject to the qualifications contained in this article. A return may cover all business locations in a single taxing district. However, if the property is located in two (2) or more taxing districts within the same township, a separate return must be filed reporting the property in each of the taxing districts.

(b) Personal property that is owned by a person who is a resident of this state shall be assessed at the place where the owner is a resident except where personal property has a tax situs on the assessment date at another location in the state and the property is regularly used or permanently located, in which instance the assessment shall be made in such location.

(c) Personal property that is owned by a person who is a nonresident of this state shall be assessed at the place where the owner's principal office within this state is located, except where personal property has a tax situs on the assessment date at another location within the state where it is regularly used or permanently located. In such an instance, the return or returns should be filed in the taxing district where the property is permanently located or regularly used. When the owner does not have a principal office in the state, the property will be assessed where located on the assessment date.

(d) To the extent that residence determines the place of assessment of personal property held by a fiduciary in their fiduciary capacity, the residence of the fiduciary shall govern, except that in the assessment of personal property of an estate of a deceased person, the actual residence in this state of the deceased person immediately before death shall be applicable until such property

has been distributed.

(e) Questions regarding proper place of assessment. If a controversy arises concerning the appropriate taxing district for assessing personal property, the determination made as follows shall be summary and final:

(1) The county assessor shall determine the correct taxing district for assessment purposes if a question arises as to the appropriate taxing district within the county.

(2) The department shall determine the proper county for assessment if the question arises as to which county within the state is the proper tax situs.

(Department of Local Government Finance; 50 IAC 4.2-2-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 821, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-2-2 Who must file

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-3-7

Sec. 2. Every person, including any firm, company, partnership, association, corporation, fiduciary, or individual owning, holding, possessing, or controlling personal property with a tax situs within the state on March 1 of any year is required to file a personal property tax return on or before May 15 of that year unless an extension of time to file a return is obtained pursuant to section 3 of this rule. The obligation to file a return is not diminished or affected by the failure of an assessor to deliver or mail forms to a taxpayer. It is the responsibility of the taxpayer to obtain forms from the assessor and file a timely return in compliance with this article. *(Department of Local Government Finance; 50 IAC 4.2-2-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-2-3 Extension of time to file returns

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 3. (a) The township assessor, if any, or the county assessor may grant an extension of not more than thirty (30) days (to June 14) provided an extension is requested in writing prior to May 15 of the current year. The application must clearly state the reason for the request.

(b) The request must be made to the assessor with whom the return should be filed. The assessor may, at their discretion, approve or disapprove the request in writing. The approved request or a copy must be attached to each taxpayer's return required to be filed. *(Department of Local Government Finance; 50 IAC 4.2-2-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-3.1 Single return

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7; IC 6-1.1-37-7

Sec. 3.1. (a) If:

(1) a taxpayer has personal property subject to assessment in more than one (1) township in a county; and

(2) the total assessed value of the personal property in the county is less than one million five hundred thousand dollars ($1,500,000);

the taxpayer filing a return shall file a single return with the county assessor and attach a schedule listing, by township, all the taxpayer's personal property and the property's assessed value. The taxpayer shall provide the county assessor with the information necessary for the county assessor to allocate the assessed value of the taxpayer's personal property among the townships listed on the return, including the street address, the township, and the location of the property.

(b) The county assessor shall provide to each affected township assessor, if any, in the county all information filed by a taxpayer under subsection (a) that affects the township.

(c) The county assessor may refuse to accept a personal property tax return that does not comply with subsection (a). For

purposes of IC 6-1.1-37-7, a return to which subsection (a) applies is deemed filed on the date it is filed with the county assessor with the schedule required by subsection (a) attached. *(Department of Local Government Finance; 50 IAC 4.2-2-3.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-4 Liability

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 4. (a) The owner of any personal property on the assessment date of a year is liable for the taxes imposed for that year on the property. The owner of any personal property is generally the holder of legal title except when:

(1) title passes on March 1 of any year, only the person last obtaining title on said date shall be deemed to have title on March 1; and

(2) personal property is security for a debt and the debtor is in possession of such property, such debtor shall be deemed to be the owner.

(b) Possessory interests. A person holding, possessing, or controlling any personal property on the assessment date of a year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of owner, or the owner is liable for the taxes under a contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). When a person other than the owner pays any property taxes as required by this section, that person may recover the amount paid from the owner unless the parties have agreed to other terms in a contract.

(c) The assessor shall assess the taxable property in the name of the owner of the property to the extent the owner has been identified. A person holding, possessing, controlling, or occupying any personal property on the assessment date of the year is liable for the taxes imposed for that year on the property unless they establish that the property is being assessed and taxed in the name of the owner or the owner is liable for the taxes under contract with that person and that person files a correct Form 103-N (section 9 of this rule) supplemental information return on or before the due date (May 15 with extension). *(Department of Local Government Finance; 50 IAC 4.2-2-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 822, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-5 Full disclosure

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 5. (a) The taxpayer shall, in completing the return, make a full and complete disclosure of such information as may be required by the department, relating to the value, nature, and location of all the personal property of which the taxpayer was the owner or which the taxpayer held, possessed, or controlled, in any capacity whatsoever, on the assessment date of the current year.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return on Form 102 or Form 103 (section 9 of this rule), in the taxing district where the property had a tax situs as of the assessment date. In addition to the above reporting requirement, the owner of property, under circumstances in which possession is transferred to another person, but ownership is retained, shall be required to furnish in the taxing district where the property is located a complete listing on Form 103-O (section 9 of this rule), of such property showing the name and address of the person or persons in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation in order to provide a means of verification and cross reference by the assessing official or officials that all property is being properly reported for assessment and taxation. (See special instructions in 50 IAC 4.2-8 for reporting leased personal property.)

(c) The person holding, possessing, or controlling any tangible property in any capacity, which personal property is subject to taxation under this rule, is required to file and attach with the return a complete listing on Form 103-N (section 9 of this rule), of all not owned property. The listing is to be filed in the taxing district where the property is located and must include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) per this article and any other information requested on the appropriate form. (See special instructions in 50 IAC 4.2-8 for reporting leased personal

property.)

(d) A Form 103-N (section 9 of this rule), is required to be filed by the possessor even if the owner is liable for the taxes under a contract to assure that the assessing official has the necessary information to correctly assess the property in question. *(Department of Local Government Finance; 50 IAC 4.2-2-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-5.1 Amended returns

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7; IC 6-1.1-3-7.5; IC 6-1.1-15-12

Sec. 5.1. (a) A taxpayer may file an amended personal property tax return after the later of the following:

(1) If no extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within six (6) months of the original due date of the return.

(2) If an extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within six (6) months of the extended filing date.

(b) A taxpayer who files a personal property tax return under IC 6-1.1-3 may file no more than one (1) amended return under IC 6-1.1-3-7.5.

(c) A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable as if the adjustment or exemption had been claimed on the original personal property return.

(d) A taxpayer must file the amended return on the same form prescribed by the department for the filing of an original personal property return, indicating that it is amended in a conspicuous place on the front of the return. The amended personal property return must be completed and filed with the township assessor, if any, or county assessor in the same manner as is required for the original personal property return.

(e) Except as provided in this article, an amended return remains subject to the review and adjustment of assessing officials in the same manner as original personal property returns.

(f) The township assessor, if any, or the county assessor must report the assessed value resulting from an amended return to the county auditor on forms prescribed by the department.

(g) Within ten (10) days of receipt of an amended return submitted under subsection (e), the county auditor shall reflect the assessed value resulting from amended returns on the auditor's records of assessed valuation.

(h) A taxpayer that files a personal property tax return under IC 6-1.1-3 is not entitled to petition under this section for the correction of an error made by the taxpayer on the taxpayer's personal property tax return. If the taxpayer wishes to correct an error made by the taxpayer on the taxpayer's personal property tax return, the taxpayer must instead file an amended personal property tax return under IC 6-1.1-3-7.5. *(Department of Local Government Finance; 50 IAC 4.2-2-5.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-6 Additional filing requirements (Repealed)

Sec. 6. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-7 Returns filed in duplicate

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 7. (a) When the assessed value of the personal property declared on all returns filed in a taxing district by a taxpayer is one hundred fifty thousand dollars ($150,000) or more, each return must be filed in duplicate. A legible, reproduced copy will satisfy this requirement.

(b) Whether or not a taxpayer has filed the return in duplicate, each township assessor, if one exists, must forward to the county assessor, on or before July 31 of each year, a copy of each personal property tax return filed by a taxpayer who has a total

assessed valuation declared on all returns filed in a taxing district of one hundred fifty thousand dollars ($150,000) or more.

(c) Each year, on or before the time prescribed by the department, each township assessor of a county, if any, shall deliver to the county assessor a copy of each business personal property return that the taxpayer is required to file in duplicate and a copy of any supporting data supplied by the taxpayer with the return. Each year, the county assessor shall:

(1) review and may audit the business personal property returns that the taxpayer is required to file in duplicate; and

(2) determine the returns in which the assessment appears to be improper.

(Department of Local Government Finance; 50 IAC 4.2-2-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 823, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-2-8 Short form returns

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7

Sec. 8. When the assessed value of personal property required to be reported in a township is less than one hundred fifty thousand dollars ($150,000), the taxpayer may elect to file Form 103-Short Form (section 9 of this rule) if:

(1) the business is not a manufacturer or processor;

(2) no exemptions or deductions are claimed that affect the business personal property assessment; and

(3) no special valuation adjustments, such as equipment not placed in service, special tooling, permanently retired equipment, interstate carrier mileage allocation, or abnormal obsolescence, are claimed in determining the value of the business personal property.

(Department of Local Government Finance; 50 IAC 4.2-2-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-2-9 Authorized forms

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-1; IC 6-1.1-37-3

Sec. 9. (a) The department is required by statute to adopt tax return forms and schedules for personal property assessment purposes.

(b) The following are the authorized return forms provided for personal property assessment purposes pursuant to this article:

No.	Forms
102	Confidential Farmers Tangible Personal Property Return
103-SR	Single Confidential Business Tangible Personal Property Return
103-Short	Short Form Confidential Business Tangible Personal Property Return
103-Long	Long Form Confidential Business Tangible Personal Property Return
103-I	Confidential Return of Interstate Fleet of Commercial Carriers
103-N	Return of Not Owned Personal Property
103-O	Return of Owned Personal Property Not in Possession of Owner
103-P	Confidential Claim for Exemption of Air or Water Pollution Control Facilities
103-P5	Depreciable Assets in Pool 5
103-T	Confidential Return of Special Tools
104	Business Tangible Personal Property Return
104-SR	Single Business Tangible Personal Property Return
106	Confidential Schedule of Adjustments to Business Tangible Personal Property

(c) In lieu of using the actual return form prescribed in subsection (b), a taxpayer may use a computer or machine prepared substitute tax return form or schedule if that substitute:

(1) contains all of the information as set forth in the prescribed form;

(2) properly identifies the form or schedule being substituted; and

(3) is approved by the department pursuant to 50 IAC 4.2-1-6 prior to being used.

(d) The following are certain authorized administrative forms provided for personal property assessment purposes pursuant to this article:

No.	Forms
111/PP	Notice of Review of Current Year's Assessment for Personal Property by Assessing Official or County Property Tax Assessment Board of Appeals
113/PP	Notice of Assessment or Change in Assessment by Assessing Official
114/PP	Notice of Hearing on Petition - Personal Property (by County Property Tax Assessment Board of Appeals)
115/PP	Notice of Assessment of Personal Property by County Property Tax Assessment Board of Appeals
116	Notice of Hearing and Review of Assessment
117	Notice of Hearing on Petition
118	Notice of Final Assessment Determination
130	Petition to the County Property Tax Assessment Board of Appeals for Review of Assessment
134	Joint Report of Preliminary Informal Meeting on a Personal Property Appeal
MOD-1	Maritime Opportunity District Personal Property Tax Credit
EZ2	Enterprise Zone Investment Deduction Application
17-T	Petition for Refund of Taxes
103-ERA	Schedule of Deduction from Assessed Valuation for Personal Property in an ERA Area
CF-1/PP	Compliance with Statement of Benefits
SB-1/PP	Statement of Benefits for Personal Property
103-P5/ERA	Schedule of Deduction from Assessed Valuation for Pool 5 Property in an ERA Area

(e) Every person required to file a personal property tax return pursuant to section 2 of this rule must report all personal property on the form currently authorized as provided herein. The return form as provided in subsections (a) through (b) does not constitute a return unless it is signed under the penalties of perjury by a person authorized to file such return. *(Department of Local Government Finance; 50 IAC 4.2-2-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 824, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-10 Penalties

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 10. (a) Any person who willfully makes and subscribes any return, statement, or other document which is verified under oath, which is certified as to the truth of the information contained therein, or which contains a written declaration that is made under the penalties of perjury and which he or she does not believe to be true and correct in every material respect shall be guilty of a crime and shall be subject to the same penalties as provided by law for perjury.

(b) If a person subject to IC 6-1.1-3-7(c) fails to include on a personal property return the information, if any, that the department requires under IC 6-1.1-3-9 or IC 6-1.1-5-13, the county auditor shall add a penalty to the property tax installment next due for the return. The amount of the penalty is twenty-five dollars ($25). The purpose of this penalty is to require a full disclosure of the information related to the value, nature, or location of personal property on the personal property tax return for that year which is necessary for an assessing official to review the return. If this information is not provided, a thorough review of the return as required by law cannot take place.

(c) Failure to file a return or be granted an extension of time to file a return by May 15 as required by law will result in the imposition of a twenty-five dollar ($25) penalty. In addition, if the return is not filed within thirty (30) days after such return is due, a penalty equal to twenty percent (20%) of the tax determined to be due will be imposed with respect to the personal property which should have been reported on the return. No return shall be considered due within the meaning of this article until the expiration of a period of any extension of time which may have been granted pursuant to section 3 of this rule.

(d) If the total assessed value that a person reports on a personal property return is less than the total assessed value that the person is required by law to report and if the amount of the undervaluation exceeds five percent (5%) of the value that should have

been reported on the return, then the county auditor shall add a penalty of twenty percent (20%) of the additional taxes finally determined to be due as a result of the undervaluation.

(e) Claims for deductions, exemptions, abnormal obsolescence, permanently retired equipment, and mathematical errors on the face of the return are excluded from the five percent (5%) undervaluation threshold of subsection (d). *(Department of Local Government Finance; 50 IAC 4.2-2-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 825, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-2-11 Interest (Repealed)

Sec. 11. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 3. Review and Appeal Procedures

50 IAC 4.2-3-1 Township assessor review (Repealed)

Sec. 1. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3-2 Direct review of assessment by county board of review (Repealed)

Sec. 2. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3-3 Appeal of assessments; stay (Repealed)

Sec. 3. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3-4 Schematic of appeal and review procedures (Repealed)

Sec. 4. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-5 Effect of pending review on duty to pay tax (Repealed)

Sec. 5. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-6 Direct review by state board; hearing of appeal (Repealed)

Sec. 6. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-7 Final determination of state board (Repealed)

Sec. 7. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-8 Indiana tax court established (Repealed)

Sec. 8. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-9 Appeal to tax court (Repealed)

Sec. 9. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-10 Rehearing of state board determinations (Repealed)

Sec. 10. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-11 Appeal by county executive (Repealed)

Sec. 11. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-12 Petition for correction of error (Repealed)

Sec. 12. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-13 Time limitation for changes to assessments (Repealed)

Sec. 13. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

50 IAC 4.2-3-14 Refunds; time limitation (Repealed)

Sec. 14. *(Repealed by Department of Local Government Finance; filed Mar 1, 2000, 7:53 a.m.: 23 IR 1616)*

Rule 3.1. Review Process and Appeal Procedures

50 IAC 4.2-3.1-1 Assessor review
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-15; IC 6-1.1-36-12

Sec. 1. The township assessor, if any, or county assessor shall:
(1) examine and verify; or
(2) allow a contractor under IC 6-1.1-36-12 to examine and verify;
the accuracy of each personal property return filed with the township assessor, if any, or county assessor by a taxpayer. If appropriate, the assessor or contractor under IC 6-1.1-36-12 shall compare a return with the books of the taxpayer and with personal property owned, held, possessed, controlled, or occupied by the taxpayer. *(Department of Local Government Finance; 50 IAC 4.2-3.1-1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-2 Examination of property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-15; IC 6-1.1-15; IC 6-1.1-37-7

Sec. 2. (a) In connection with the activities required by section 1 of this rule, or if a person owning, holding, possessing, or controlling any personal property fails to file a personal property return with the township or county assessor as required by this chapter, the township or county assessor may examine:
(1) the personal property of the person;
(2) the books and records of the person; and
(3) under oath, the person or any other person whom the assessor believes has knowledge of the amount, identity, or value of the personal property reported or not reported by the person on a return.

(b) After such an examination, the assessor shall assess the personal property to the person owning, holding, possessing, or controlling that property.

(c) As an alternative to such an examination, the township or county assessor may estimate the value of the personal property of the taxpayer and shall assess the person owning, holding, possessing, or controlling the property in an amount based upon the estimate. Upon receiving a notification of estimated value from the township or county assessor, the taxpayer may elect to file a personal property return within thirty (30) days from first notice of assessment, subject to the penalties imposed by IC 6-1.1-37-7. *(Department of Local Government Finance; 50 IAC 4.2-3.1-2; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-3 Conversion of property

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15

Sec. 3. If, from the evidence available, a township or county assessor determines that a person has temporarily converted any part of the person's personal property into property which is not taxable under this article to avoid the payment of taxes on the converted property, the township or county assessor shall assess the converted property to the taxpayer. *(Department of Local Government Finance; 50 IAC 4.2-3.1-3; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-4 Delivery of personal property lists

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15; IC 36-6-5-1

Sec. 4. (a) On or before June 1 of each year, each township assessor, if any, of a county shall deliver to the county assessor a list which states by taxing district the total of the personal property assessments as shown on the personal property returns filed with the township assessor on or before the filing date of that year, and in a county with a township assessor under IC 36-6-5-1 in every township the township assessor shall deliver the lists to the county auditor as prescribed in subsection (b).

(b) On or before July 1 of each year, each county assessor shall certify to the county auditor the assessment value of the personal property in every taxing district.

(c) The department of local government finance shall prescribe the forms required by this section. *(Department of Local Government Finance; 50 IAC 4.2-3.1-4; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-5 Change of assessed value; notice

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3; IC 6-1.1-15

Sec. 5. A township assessor, if any, or county assessor must make a change in the assessed value and give notice of the change on or before the latter of:

(1) September 15 of the year for which the assessment is made; or

(2) four (4) months from the date the personal property return is filed;

if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer has failed to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, the assessor has no limitation of time within which to act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of IC 6-1.1 and the rules of the department, the assessment may be changed if notice is given within three (3) years after the date the return is filed. *(Department of Local Government Finance; 50 IAC 4.2-3.1-5; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-6 Examination of property

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-7.5; IC 6-1.1-15

Sec. 6. Upon receiving a notification of estimated value from the township assessor, if any, or the county assessor, the taxpayer may elect to file a personal property return within thirty (30) days from the date of the written notice of assessment by the assessor subject to the penalties imposed under 50 IAC 4.2-2-8. This return cannot be amended by the taxpayer under IC 6-1.1-3-7.5. The notice shall instruct the taxpayer on the procedures necessary to obtain a review before the county property tax assessment board of appeals. *(Department of Local Government Finance; 50 IAC 4.2-3.1-6; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-7 Direct review of assessment by county property tax assessment board of appeals

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-13-1; IC 6-1.1-13-3; IC 6-1.1-15

Sec. 7. (a) The county property tax assessment board of appeals may review, at its own discretion, any assessment of any taxpayer within the county as described in IC 6-1.1-13-3.

(b) The county property tax assessment board of appeals may contract with a private vendor to assist in the review.

(c) The county property tax assessment board of appeals shall give the proper notice as described in IC 6-1.1-13-1.

(d) After the property tax assessment board of appeals has completed the review of the taxpayer's assessment, it shall notify the taxpayer by mail of the assessment on Form 115.

(e) When conducting a review of a taxpayer's personal property tax return, a county property tax assessment board of appeals must make a change in the assessed value, including the final determination by the board of an assessment changed by a township assessor, if any, or the county assessor, and give the notice of the change on or before the latter of:

(1) October 30 of the year for which the assessment is made; or

(2) five (5) months from the date the personal property return is filed;

if the return is filed after May 15 of the year for which the assessment is made provided the return has been filed in substantial compliance with this article. If the taxpayer fails to file a return, a notice of assessment must be given within the ten (10) year period after the date on which the return should have been filed. If a fraudulent return has been filed, there is no limitation of time within which it may act. If the taxpayer fails to file a personal property return that substantially complies with the provisions of this article, the assessment may be increased if notice is given within three (3) years after the date the return is filed. These time limitations apply to the review function of the property tax assessment board of appeals, but not the appeal function under IC 6-1.1-15. *(Department of Local Government Finance; 50 IAC 4.2-3.1-7; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-8 Direct review by the department of local government finance

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-14-10

Sec. 8. (a) The department, on its own initiative, may conduct an audit to review a taxpayer's personal property assessment under IC 6-1.1-14-10.

(b) A notice of audit of assessment on Form 116 will be mailed to the taxpayer advising the taxpayer at least ten (10) days in advance of the date, time, and place of the scheduled audit.

(c) The taxpayer is required to make available to the auditor of the department sufficient books, records, federal and state income tax returns, and related data to determine the assessment of the property in question. If the books, records, tax returns, and related data are not made available, a subpoena or a subpoena duces tecum will be issued to obtain this information unless in the judgment of the department other action would be more appropriate.

(d) Upon the completion of the audit, the auditor from the department shall make his findings and proposed assessed valuation known to the taxpayer.

(e) Upon the completion of the audit, the auditor from the department shall make a report to the department that includes recommendations and proposed assessed valuation. *(Department of Local Government Finance; 50 IAC 4.2-3.1-8; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-3.1-9 Final determination of the department of local government finance

Authority: IC 6-1.1-31-1
Affected: IC 4-21.5; IC 6-1.1

Sec. 9. (a) The report required by section 8(e) of this rule, proposed assessment, and related information shall be considered by the department in determining the assessment of the taxpayer.

(b) If the taxpayer does not agree with the assessment recommended by the auditor, the taxpayer may petition the department to consider additional information, provided that the petition is made before the determination of the final assessment.

(c) If the taxpayer wants a hearing, the taxpayer must submit a letter requesting an administrative hearing to the department. Accompanying the letter should be a written brief or statement, along with any evidence, supporting the taxpayer's request for a hearing. The brief or statement should include a concise statement of the question in dispute and a summary of laws, regulations, and facts in support of such question.

(d) The department may hold an administrative hearing or appoint personnel to hold an administrative hearing at its discretion provided that the taxpayer has properly requested a hearing and the department determines that the taxpayer's facts and circumstances warrant an administrative hearing. The discussion at the hearing will be limited to the issues presented in the request for hearing unless, at the discretion of the department, it determines other issues should be discussed.

(e) If a hearing is held by the department, the department shall issue written findings of fact and conclusions of law related the administrative hearing.

(f) A written notice, Form 118, of the final assessment will be given to the taxpayer, township assessor (if one exists), county assessor, and county auditor when an audit was conducted by department on its own initiative.

(g) Any change in assessment by the department must be made and the notice of the assessment sent not later than October 1 of the year following the year of the assessment. If an extension of time to file was granted, the department has sixteen (16) months from the date the personal property tax return was filed to change the assessment. This general statute of limitations does not apply in the following circumstances:

(1) There is a three (3) year limitation on the ability to change an assessment when a taxpayer has not filed a property tax return in substantial compliance with the provisions of this article.

(2) A ten (10) year limitation on the ability to change an assessment when a taxpayer is required to file a tax return as provided by law under this article and fails to file a return.

(3) An unlimited statute of limitations applies to the ability to change an assessment when the taxpayer files a fraudulent personal property return or files a return with the intent to evade the payment of property taxes.

(Department of Local Government Finance; 50 IAC 4.2-3.1-9; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-3.1-10 Appeal of assessments

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-15-1; IC 6-1.1-15-5

Sec. 10. If the taxpayer does not agree with the assessment made by an assessing official, an appeal may be made as follows:

(1) The taxpayer may appeal an assessment made by a township assessor, if any, or a county assessor to the county property tax assessment board of appeals by filing an appeal with the county assessor in the county where the property was assessed pursuant to IC 6-1.1-15-1(b).

(2) A taxpayer or county assessor who disagrees with the assessment determined by the county property tax assessment board of appeals may petition for review of that determination.

(3) Appeal to the Indiana tax court under IC 6-1.1-15-5.

(Department of Local Government Finance, 50 IAC 4.2-3.1-10; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 4. Valuation of Depreciable Tangible Personal Property

50 IAC 4.2-4-1 "Depreciable personal property" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 1. In general, "depreciable personal property", as used in this article, is all tangible personal property that is used in a trade or business, used for the production of income, or held as an investment that should be or is subject to depreciation for federal income tax purposes, except to the extent that property is treated otherwise in this article. In general, except as otherwise provided in this article, personal property will be deemed to become depreciable property when a depreciation deduction is allowable for federal income tax purposes. *(Department of Local Government Finance; 50 IAC 4.2-4-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 838, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-2 Book cost determinative

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 2. (a) The cost of depreciable property, both real and personal, as recorded on the taxpayer's books and records, must be utilized in determining the value of the depreciable personal property subject to assessment.

(b) The cost of all depreciable property of a taxpayer shall be the total amount reflected on the books and records of the taxpayer as of the assessment date except as provided in section 3 of this rule. Per the provisions of this article and the Internal Revenue Code, the cost of depreciable personal property must include, but not be limited to, direct costs and an appropriate portion of indirect costs attributable to its production or acquisition and preparation for use. The cost of machinery, furniture, tools, computers (excluding application software), and other plant assets includes all costs necessary to place the asset in condition and in place, ready for use. These costs include, but are not limited to, the purchase price, transportation costs to the place of use, and installation costs, foundations and electrical wiring, interest incurred during construction and installation, and sales tax. If the asset is constructed by the company, the original cost must be made up of, but not limited to, the following costs:

(1) Direct and indirect labor costs and fringe benefits.
(2) Direct material costs.
(3) Designing.
(4) Supervision.
(5) Insurance.
(6) Depreciation of equipment used in construction.
(7) Claims for damage during construction not compensated for by insurance.
(8) Taxes and insurance during construction.
(9) Interest incurred during construction.
(10) Sales taxes.
(11) Other costs directly chargeable to construction.

No profit should be added to the actual costs since the company cannot make a profit on itself. Any credits in the form of sales of scrap materials, discounts received on purchases of materials, and return premiums on surrender of insurance policies should be subtracted from the gross costs of construction to determine the actual cost of the asset.

(c) The cost of additions and betterments must be added to the original cost of the asset. If an additional part is added or some other change is made in the fixed asset which increases its estimated useful life, its production, or efficiency, or changes it to a different use, such an expenditure is a betterment and should be capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part would be shown as a new acquisition while the part replaced would be removed from the original cost of the asset when acquired. The cost of additions, betterments, or replacements would be reported as an addition, betterment, or replacement in the year the actual expenditure occurred.

(d) In the event a taxpayer cannot determine from its books and records the cost of the depreciable property on the assessment date, they must use:

(1) the cost per books as of the close of its annual financial period immediately prior to the assessment date and so indicate on their return;

(2) the book cost as of the close of its last financial period will then be adjusted to reflect all acquisitions and disposals of depreciable property which have occurred between such date and the assessment date;

(3) this adjustment should be taken as provided in section 4 of this rule; and

(4) installation costs and foundations applicable to machinery and equipment shall be reported and assessed on the same basis as the asset to which they apply.

(e) A taxpayer must be able to reconcile the cost of the depreciable personal property reported on the tax returns required to be filed with the cost of all depreciable property as recorded on the taxpayer's books and records on the assessment date. A personal property and real property guide is included in section 10 of this rule to assist in the reconciliation.

(f) Taxpayers with locations in more than one (1) taxing district in this state may fulfill the requirements of this section by making one (1) computation as required in subsection (e) for the entire state, provided that the cost of the depreciable personal property for each taxing district where the taxpayer has property on the assessment date is identified in such computation. *(Department of Local Government Finance; 50 IAC 4.2-4-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 839, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-3 Fully depreciated, retired, or nominally valued property; computer equipment; report and valuation

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 3. (a) Depreciable personal property that has not been retired from use must be reported for personal property assessment purposes whether or not the cost of the property has been:

(1) removed from;

(2) recorded on; or

(3) recorded at a nominal value on;

the taxpayer's books and records.

(b) Any fully depreciated personal property that:

(1) has been written off the taxpayer's books and records; and

(2) is:

(A) on hand at the tax situs; and

(B) not permanently retired;

on the assessment date;

must be reported in the return. The cost of the property must be clearly shown as an adjustment in the space provided on the tax return as provided in section 4 of this rule.

(c) "Permanently retired depreciable personal property" means depreciable personal property that has been removed from the manufacturing process on the assessment date, or has been removed from services other than manufacturing on the assessment date, and is awaiting disposition and must be scheduled to be scrapped, removed, or disposed of and will be considered to be permanently retired providing the taxpayer actually scraps or sells such property.

(1) Depreciable personal property that is:

(A) on hand at the tax situs on the assessment date, included in the cost per books as reported by the taxpayer in its return; and

(B) permanently retired on the assessment date as herein defined;

is subject to an adjustment as herein provided if the taxpayer so elects.

(2) The cost per books of permanently retired depreciable property can be taken as an adjustment from book cost of depreciable property on the return provided the cost of the property is included in the cost per books actually reported on the return.

(3) In order to qualify for this adjustment, a taxpayer will need to substantiate that the property was:

(A) permanently retired; and

(B) not in use.

(d) Permanently retired depreciable personal property should be valued at its net scrap or net sale value. The valuation of this property:

(1) should be shown separately on the tax return; and

(2) will not be subject to the thirty percent (30%) limitation of original cost.

(e) Depreciable personal property recorded on the books and records at a nominal or no value must be recorded at its actual acquisition cost determined by reference to the insurable value in the year of acquisition for Indiana property tax assessment purposes. This category of property includes, but is not limited to, bulk purchase or the acquisition of a going business concern.

(f) Valuation of computer equipment. Computers are made up of the following three (3) elements:

(1) Hardware.

(2) Operational software.

(3) Application software.

Computers (including hardware and operational software) must be reported at the actual acquisition cost regardless of how this property may be valued on the taxpayers books and records.

(g) Computers are made up of the following elements:

(1) Hardware, composed of:

(A) mechanical;

(B) magnetic;

(C) electrical; and

(D) electronic;

devices and other components that constitute the physical computer assembly.

(2) Operational software. The operational program:

(A) controls the hardware;

(B) actually makes the machine operational;

(C) is fundamental and necessary to the functioning of the computer hardware itself;

(D) performs such functions as loading, scheduling, supervision, and data management;

(E) represents the internalized instruction codes that translate information into a form usable by the equipment;

(F) controls the basic operations of the central processing unit to perform arithmetic or logical operations, or both, automatically by means of programmed instructions; and

(G) is not normally accessible or modifiable by the user.

(3) Application software. The application program is a written sequence of instructions that details the operations the equipment is to perform in order to achieve a specific objective of the user.

(h) If the value recorded on the books and records reflects charges for customer support services such as educational services, maintenance, or application software that relate to future periods and not to the value of the tangible personal property, the charges may be deducted as nonassessable intangible personal property (to the extent that a separate charge or value can be identified).

(i) The true tax value at the time of acquisition of computer application software may be identified using the following:

(1) An independent, professional appraisal:

(A) must be made in conformance with generally accepted standards for appraisal practice;

(B) shall not be based on a contingent fee arrangement;

(C) shall include consideration of the cost, market, and income approaches; and

(D) shall distinguish the boundary in the equipment between exempt intangible application software and nonexempt tangible operational software.

The appraiser must have demonstrated competence in the valuation of software.

(2) In lieu of an independent professional appraisal, the taxpayer can evaluate existing assets already listed on its books and records and adjust them accordingly to reflect the software content using the valuation methods described in subdivision (1)(C).

(j) The allocation of interest incurred during construction and installation must be made (capitalized) for personal property tax purposes regardless of the fact that Section 263 of the Internal Revenue Code is not applicable in certain cases. *(Department of Local Government Finance; 50 IAC 4.2-4-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 840, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Jul 31, 2006, 8:30 a.m.: 20060830-IR-050050252FRA; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-4 Adjustments to cost

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 4. (a) The adjusted costs of the assessable depreciable personal property as computed in subsection (d) must be reported at the tax basis of such property as defined in the Internal Revenue Code unadjusted by Sections 167 (depreciation) and 179 (expense deduction) of that Code or any credits (such as investment tax credit) that diminished the cost basis of the property. Therefore, if the tax basis of the taxpayer's assessable depreciable personal property is different than the cost per books of such property, except for the depreciable personal property defined and required to be reported by section 3 of this rule, an adjustment must be made to the cost per books of the assessable depreciable personal property reported on the Indiana property tax return.

(b) The adjustment from book to tax basis must be computed on Form 106 (50 IAC 4.2-2-9) and shown in the taxpayer's return on line 2 of Form 103 - Long Form (50 IAC 4.2-2-9), Schedule A.

(c) The adjustment is required to be made regardless of whether it is an increase or decrease of the cost per books.

(d) The adjusted cost of depreciable personal property is the resultant amount obtained by adjusting the cost per books, as defined in section 2 of this rule (cost per books), 50 IAC 4.2-11.1-3 (air pollution control system), and 50 IAC 4.2-11.1-4 (industrial waste control facility). *(Department of Local Government Finance; 50 IAC 4.2-4-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 841, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-5 Pools of property; determination of costs by acquisition year

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 5. (a) The adjusted cost of depreciable personal property as computed in section 4 of this rule is required to be segregated for Indiana property tax purposes into four (4) separate pools. The depreciable life utilized for federal income tax purposes determines the pool to be utilized for Indiana property tax purposes. The pools to be utilized for Indiana property tax purposes are as follows:

(1) Pool No. 1: All assets that have a life of one (1) through four (4) years for federal income tax purposes.

(2) Pool No. 2: All assets that have a life of five (5) through eight (8) years for federal income tax purposes.

(3) Pool No. 3: All assets that have a life of nine (9) through twelve (12) years for federal income tax purposes.

(4) Pool No. 4: All assets that have a thirteen (13) years or longer life for federal income tax purposes.

(b) The useful life used to determine the proper classification of the pool in which an asset must be included is to be based upon the actual life utilized to compute depreciation on the federal income tax return of the taxpayer unless as follows:

(1) The department determines that such life is either unrealistic in relation to all of the taxpayer's facts and circumstances or when the life used on the federal tax return has been changed by the Internal Revenue Service on audit.

(2) The useful lives utilized by taxpayers for a particular category of assets are varied and the department, in order to obtain equalization in assessments, determines that a uniform life should be used by all such taxpayers in the state, the department may prescribe the useful life of such assets for all of these taxpayers in the state pursuant to 50 IAC 4.2-7-2.

(Department of Local Government Finance; 50 IAC 4.2-4-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 841, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-4-6 Determination of the year of acquisition

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 6. (a) After the allocation of adjusted cost of depreciable tangible personal property, as provided in section 5 of this rule, it will be necessary to determine the cost by year of acquisition for each pool. The number of years that are required to be segregated by year of acquisition will depend upon the particular pool.

(b) Each pool is required to be segregated as follows:

(1) Pool No. 1 requires the cost to be determined by year of acquisition for the three (3) years immediately preceding the

assessment date. The balance of the cost of the assets in this pool will be includable in the fourth category.

(2) Pool No. 2 requires the cost by year of acquisition be determined for the six (6) years preceding the assessment date. The balance of the cost would be includable in the seventh category.

(3) Pool No. 3 requires that cost by year of acquisition be determined for the ten (10) years preceding the assessment date. The balance of such account would be includable in the eleventh category.

(4) Pool No. 4 requires that the cost by year of acquisition be determined for the twelve (12) years preceding the assessment date with the balance of the cost of such pool includable in the thirteenth category.

(c) *[Voided by P.L.245-2015, SECTION 1, effective July 1, 2015.]*

(d) For Indiana property tax purposes it will be presumed that the disposal of depreciable personal property occurs on a first-in, first-out basis unless the taxpayer establishes that such was not the case. Therefore, absent evidence to the contrary, all disposals will be deemed to occur from the remaining category in each pool. *(Department of Local Government Finance; 50 IAC 4.2-4-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 842, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-7 True tax value determination; exception

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 7. (a) The true tax value for Indiana property tax purposes is computed by multiplying the adjusted cost of each year's acquisitions in the respective pool by a percentage factor obtained in subsection (b). The percentage factors in the table automatically reflect all adjustments for Indiana property tax purposes, except abnormal obsolescence, as provided in section 8 of this rule.

(b) Table to compute true tax value. The following table provides for each of the four (4) pools by year of acquisition the percentage of adjusted cost to compute true tax value. The sum of the true tax value for each of the four (4) pools is the true tax value of the personal property at the tax situs in question.

TABLE TO DETERMINE TRUE TAX VALUE FOR DEPRECIABLE PERSONAL PROPERTY BY PERCENTAGE OF ORIGINAL COST

Indiana Pools of Assets by Lives Utilized on Federal Tax Return

Year of Acquisition	Pool #1 (1-4 yrs)	Pool #2 (5-8 yrs)	Pool #3 (9-12 yrs)	Pool #4 (13 yrs and longer)
1	65%	40%	40%	40%
2	50%	56%	60%	60%
3	35%	42%	55%	63%
4	20%	32%	45%	54%
5		24%	37%	46%
6		18%	30%	40%
7		15%	25%	34%
8			20%	29%
9			16%	25%
10			12%	21%
11			10%	15%
12				10%
13				5%

(c) The true tax value of the depreciable personal property for the taxpayer on a December 31 federal tax year making the election to use federal tax year to compute the year of acquisition (see the EXAMPLES in sections 5 and 6 of this rule) would be computed as follows:

	Pool No. 1			Pool No. 3		
Jan 1 to March 1, 1989	$None	65 %	$-0-	$4,000	40 %	$1,600
1988	3,000	65 %	1,950	12,000	40 %	4,800
1987	4,000	50 %	2,000	10,000	60 %	6,000
1986	None	35 %	-0-	2,000	55 %	1,100
1985	13,000	20 %	2,600	4,000	45 %	1,800
1984				1,000	37 %	370
1983				None	30 %	-0-
1982				5,000	25 %	1,250
1981				30,000	20 %	6,000
1980				None	16 %	-0-
1979				None	12 %	-0-
1978				12,000	10 %	1,200
	$20,000		$6,550	$80,000		$24,120

Pool No. 1	$6,550
True tax value of all depreciable personal property	$30,670

(d) Exception. If personal property is leased, such property will not be valued for Indiana property tax purposes in accordance with this rule. Such personal property is to be reported in accordance with the provisions of 50 IAC 4.2-8. *(Department of Local Government Finance; 50 IAC 4.2-4-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 843, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-4-8 Adjustment for obsolescence

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 8. (a) A taxpayer may claim an adjustment for abnormal obsolescence as defined in 50 IAC 4.2-9-3, on business personal property provided that such taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 9. It includes the impairment of desirability and usefulness brought about by new inventions and improved processes for production, or the impairment of functional capacity or efficiency if the inadequacy or overadequacy causes

a loss in value and has made the property incapable of continued use for a prolonged period during the assessment year.

(b) No adjustment will be allowed for normal obsolescence as defined in 50 IAC 9. The table to determine true tax value, as provided in section 7(b) of this rule, automatically makes allowance for this type of obsolescence. The values arrived at as a result of this table reflect the application of the double declining balance depreciation method to the point where straight line depreciation would be more beneficial to the taxpayer. This accelerated depreciation, and use of a short useful life and historical cost reflect any physical, functional, or economic obsolescence except to the extent that these items qualify for abnormal obsolescence as defined.

(c) The term "abnormal obsolescence" will be strictly construed and be limited to a situation where unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe occurs, providing that such events have a direct effect upon the valuation of the depreciable personal property of the taxpayer on a going concern basis at the tax situs in question.

(d) The dollar amount of the adjustment for the depreciable personal property pursuant to this section in no event can exceed the tentative true tax value as computed in section 7 of this rule, for the specific unit or units of depreciable personal property on which the taxpayer claims the adjustment. If the property has been incapable of continued use for a prolonged period during the assessment year, for a reason identified as qualifying for abnormal obsolescence, it will be eligible for an adjustment to be computed as follows:

(1) If the cost-to-cure the cause of the abnormal obsolescence is equal to or less than the anticipated increase in utility, and hence value, it is economically feasible to repair or replace the impaired item and is thus deemed curable. The dollar amount of the cost-to-cure shall be the basis for determining the amount of abnormal obsolescence.

(2) If the cause of the impairment cannot be corrected, or the cost-to-cure the cause of abnormal obsolescence is in excess of its contribution to the value of the property, it shall be deemed to be incurable. The amount of adjustment therefore shall be based upon the scrap or salvage value of the affected item and shall be limited to the true tax value before adjustment for abnormal obsolescence of the affected item itself.

EXAMPLE 1

Taxpayer ABC has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is eight hundred thousand dollars ($800,000) and is less than the anticipated benefits to be obtained from the use of the affected asset. The depreciable asset has an adjusted basis of six million five hundred thousand dollars ($6,500,000), and an acquisition date and depreciable life that result in a true tax value factor of twenty percent (20%) (the total true tax value, of all of ABC's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is greater than thirty percent (30%) of the total adjusted cost). The taxpayer should compute the abnormal obsolescence adjustment as follows:

Reported basis of asset qualifying for abnormal obsolescence adjustment		$6,500,000		
Prescribed true tax valuation factor	×	20%		
True tax value of item prior to adjustment for abnormal obsolescence				$1,300,000
Less: cost–to–cure cause of abnormal obsolescence		$800,000		
Prescribed true tax valuation factor	×	20%		
Allowable adjustment for abnormal obsolescence–to Line 68, Schedule A, Form 103			–	160,000
True tax value of item				$1,140,000

In no instance may the adjustment for abnormal obsolescence exceed the true tax value of the affected item prior to such adjustment or result in a true tax value less than the scrap or net realizable value of the affected asset.

EXAMPLE 2

Taxpayer XYZ has depreciable personal property qualifying for an adjustment for abnormal obsolescence. The cost-to-cure the cause of the abnormal obsolescence is four hundred sixty thousand dollars ($460,000) and exceeds the benefits expected from any further use of the affected asset. The depreciable asset has an adjusted basis of two million three hundred thousand dollars ($2,300,000) and an acquisition date and depreciable life that result in a tentative true tax value factor of twelve percent (12%) (the total true tax value, of all of XYZ's depreciable personal property in this taxing district, computed by the application of the prescribed pool percentages is less than thirty percent (30%) of the total adjusted cost). The taxpayer is able to demonstrate that the salvage value of the affected item is seventy-two thousand dollars ($72,000). The taxpayer should compute the adjustment as follows:

Reported basis of asset qualifying for abnormal obsolescence adjustment		$2,300,000	
Prescribed true tax valuation factor	×	30%	
True tax value of item prior to adjustment for abnormal obsolescence			$690,000
Less: documented net realizable value			- 72,000
Allowable adjustment for abnormal obsolescence			$618,000

(Department of Local Government Finance; 50 IAC 4.2-4-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 843, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-4-9 Minimum valuation

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 9. (a) Notwithstanding the foregoing provisions of this rule, the total valuation of a taxpayer's assessable depreciable personal property in a single taxing district cannot be less than thirty percent (30%) of the adjusted cost of all such property of the taxpayer.

(b) Exception. This limitation shall be applied prior to any special adjustment for abnormal obsolescence as provided in section 8 of this rule. The limitation does not apply to equipment not placed in service, special tooling, and permanently retired depreciable personal property. *(Department of Local Government Finance; 50 IAC 4.2-4-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 845, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-4-9.1 Election of valuation method for special integrated steel mill or oil refinery/petrochemical equipment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-23

Sec. 9.1. (a) For purposes of this section, the following apply:

(1) "Adjusted cost" refers to the adjusted cost established in section 4 of this rule.

(2) "Depreciable personal property" has the meaning set forth in section 1 of this rule.

(3) "Integrated steel mill" means a person, including a subsidiary of a corporation, that produces steel by processing iron ore and other raw materials in a blast furnace in Indiana.

(4) "Oil refinery/petrochemical company" means a person that produces a variety of petroleum products by processing an annual average of at least one hundred thousand (100,000) barrels of crude oil per day.

(5) "Permanently retired depreciable personal property" has the meaning set forth in section 3 of this rule.

(6) "Pool" refers to a pool established in section 5(a) of this rule.

(7) "Special integrated steel mill equipment" or "oil refinery/petrochemical equipment" means depreciable personal property, other than special tools and permanently retired depreciable personal property:

(A) that:

(i) is owned, leased, or used by an integrated steel mill or an entity that is at least fifty percent (50%) owned by an affiliate of an integrated steel mill; and

(ii) falls within Asset Class 33.4 as set forth in IRS Rev. Proc. 87-56, 1987-2, C.B. 647; or

(B) that:

(i) is owned, leased, or used as an integrated part of an oil refinery/petrochemical company or its affiliate; and

(ii) falls within Asset Class 13.3 or 28.0 as set forth in IRS Rev. Proc. 87-56, 1987-2, C.B. 647.

(8) "Year of acquisition" refers to the year of acquisition determined under section 6 of this rule.

(b) Notwithstanding sections 4, 6, and 7 of this rule, a taxpayer may elect to calculate the true tax value of the taxpayer's special integrated steel mill equipment or oil refinery/petrochemical equipment by multiplying the adjusted cost of that equipment by the percentage set forth in the following table:

Year of Acquisition	Percentage
1	40%
2	56%

3	42%
4	32%
5	24%
6	18%
7	15%
8 and older	10%

(c) The department shall designate the table under subsection (b) as "Pool No. 5" on the business personal property tax return.

(d) The percentage factors in the table under subsection (b) automatically reflect all adjustments for depreciation and obsolescence, including abnormal obsolescence, for special integrated steel mill equipment or oil refinery/petrochemical equipment. The equipment is entitled to all exemptions, credits, and deductions for which it qualifies.

(e) The minimum valuation limitations under section 9 of this rule do not apply to special integrated steel mill equipment or oil refinery/petrochemical equipment valued under this section. The value of the equipment is not included in the calculation of that minimum valuation limitation for the taxpayer's other assessable depreciable personal property in the taxing district.

(f) An election to value special integrated steel mill equipment or oil refinery/petrochemical equipment under this section:

(1) must be made by reporting the equipment under this section on a business personal property tax return;

(2) applies to all of the taxpayer's special integrated steel mill equipment or oil refinery/petrochemical equipment located in the state (whether owned or leased or used as an integrated part of the equipment); and

(3) is binding on the taxpayer for the assessment date for which the election is made.

The department shall prescribe the forms to make the election available. Any special integrated steel mill equipment or oil refinery/petrochemical equipment acquired by a taxpayer that has made an election under this section is valued under this section.

(g) If fifty percent (50%) or more of the adjusted cost of a taxpayer's property that would, notwithstanding this section, be reported in a pool other than Pool No. 5 is attributable to special integrated steel mill equipment or oil refinery/petrochemical equipment, the taxpayer may elect to calculate the true tax value of all of that property as special integrated steel mill equipment or oil refinery/petrochemical equipment. The true tax value of property for which an election is made under this subsection is calculated under subsections (b) through (f). *(Department of Local Government Finance; 50 IAC 4.2-4-9.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-4-10 Determination of property as real or personal

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 10. (a) The following guide is intended to assist in the identification of property as either real or personal. The use of a unit of machinery, equipment, or a structure determines its classification as real or personal property. If the unit is directly used for manufacturing or a process of manufacturing, it is personal property. If the unit is a land or building improvement, it is real property.

(b) Land improvement – Real.

Retaining walls, piling and mats for general improvement of site, private roads, walks, paved areas, culverts, bridges, viaducts, subways and tunnels, fencing, reservoirs, dikes, dams, ditches, canals, and drainage.

Fixed river, lake, or tidewater wharves and docks.

Permanent standard gauge railroad trackage, bridges, and trestles.

Walls forming storage yards and fire protection dikes.

Note that on-site utility piping, such as sanitary and storm sewers, potable water and fire prevention lines, and gas lines are considered as on-site improvement costs and are valued with the land.

(c) Buildings – Real.

Structural and other improvements to buildings, including foundations, walls, floors, roof, insulation, stairways, partitions, loading and unloading platforms and canopies, areaways, systems for heating, air conditioning, ventilating, sanitation, fixed fire protection, lighting, plumbing, and drinking water, building elevators and escalators.

(d) Miscellaneous.

Agricultural irrigation system including distribution system above or below ground – Personal.

Air conditioning:
- Building air conditioning for comfort of occupants – Real.
- Package units, through the wall commercial – Real.
- Special process to maintain controlled temperature and humidity – Personal.

Air lines for machinery and equipment – Personal.
Aluminum pot lines – Personal.
Anhydrous ammonia tanks:
- Stationary – Real.
- Portable – Personal.

Ash handling system, pit and framing related to system – Personal.
Asphalt mixing plant and equipment (movable) – Personal.
Auto-call and telephone system – Personal.
Bar and equipment – Personal.
Bins – permanently affixed for storage – Real.
Boilers:
- Manufacturing process – Personal.
- Building service – Real.

Booths for welding – Personal.
Bowling alley lanes – Personal.
Bucket elevators (open or enclosed including casing) – Personal.
Building, such as special constructed storage, poultry, livestock processing buildings – (not including machinery or equipment) – Real.
Bulkheads making additional land area to be assessed with and as part of the improved land – Real.
Carpeting, commercial – (Real or Personal) – The real property assessment includes a finished floor. If the carpet is installed over an existing finished floor, then carpeting becomes personal property. If, as in the case of many newer buildings, carpeting has been specified and is the only finished floor, then carpeting is assessed as real property.
Cistern – Real.
Coal, handling system – Personal.
Cold storage:
- Built-in cold storage rooms – Real.
- Cold storage refrigeration equipment – Personal.
- Cold storage, prefab walk-in type – Personal.

Control booth – Personal.
Conveyor:
- Housing – Personal.
- Tunnels – Real.
- Unit including belt and drives – Personal.

Cooling Towers:
- Primary use for manufacturing – Personal.
- Primary use for building – Real.

Crane:
- Moving crane – Personal.
- Runways including supporting columns or structure and foundation inside or outside of buildings – Personal.

Dock levelers – Personal.
Drapes – Personal.
Drying rooms:
- Structure – Real.
- Heating System – Personal.

Dust catchers – Personal.

Fence, security – Real.
Fire alarm system – Personal.
Fire walls, masonry – Real.
Floors, computer room – Real.
Foundations for machinery and equipment – Personal.
Gas lines for equipment or processing – Personal.
Grain bins, storage – Real.
Grain drying equipment – Personal.
Grain drying equipment (such as: augers, aerators) – Personal.
Grain elevators (commercial, industrial), storage, silos, tanks, cupolas, workinghouse, headhouse, milling space – Real.
Grain elevator machinery and equipment (commercial, industrial) such as legs (inside or outside), conveyors, spouting, hopper scales, man lifts, aeration systems, grain cleaners, grain dryers, mechanical grain dumping equipment, loading and unloading systems, truck scales, all processing machinery and equipment – Personal.
Grain storage tents (blow-up) – Personal.
Gravel plant – machinery and equipment – Personal.
Greenhouses:
    Building – Real.
    Building, plastic cover, in place on assessment date – Personal.
    Benches and heating system – Personal.
Hoist, hoist pits – Personal.
Hydraulic lines – Personal.
Irrigation equipment – Personal.
Kilns:
    Lumber, drying kiln structure – Real.
    Concrete block, drying kiln structure – Real.
    Laundry, steam-generating equipment – Personal.
Lighting:
    Yard – Personal.
    Special purpose, inside – Personal.
    Service station (except building) – Personal.
Mixers and mixing houses – Personal.
Ore bridge foundation – Personal.
Ovens, processing – Personal.
Piping, process piping above or below ground – Personal.
Pits for equipment or processing – Personal.
Pools, swimming, in-ground or above-ground – Real.
Power lines and auxiliary equipment – Personal.
Pumps and motors – Personal.
Pump house (including substructure) – Real.
Racks and shelving (portable or removable) – Personal.
Railroad siding (except belonging to railroad) – Real.
Ready-mix concrete batch plant and equipment – Personal.
Refrigeration equipment – Personal.
Refrigerated display cabinets – Personal.
Sanitary system – Real.
Satellite dishes:
    Commercial use – Personal.
Scale houses – Real.
Scales:

Truck or railroad scales including pit – Personal.
Dormant scales – Personal.
Security alarm system – Personal.
Septic system (priced with land) – Real.
Sheds or buildings:
Permanent, affixed or portable confinement buildings – Real.
Agricultural open portable pull-type – Personal.
Detached storage structures – Real.
Signs, including supports and foundation – Personal.
Silos:
Containing a manufacturing process – Personal.
Farm storage silos – Real.
Silo equipment – Personal.
Storage – Real.
Spray pond:
Masonry reservoir – Real.
Piping and equipment – Personal.
Sprinkler system – Real.
Stacks:
Supported individually and servicing heating boilers – Real.
Servicing personal property units or a process – Personal.
Steam electric generating plant and equipment – Personal.
Stone crushing plant, equipment – Personal.
Storage facilities, permanent of masonry or wood – Real.
Storage vaults and doors, including bank vaults and doors – Real.
Substation:
Building – Real.
Equipment – Personal.
Tanks:
Storage only (except as indicated below) above or below ground – Real.
Used as a part of a manufacturing process – Personal.
Underground gasoline tanks at service stations – Personal.
Towers, cellular, TV or radio broadcasting – Personal.
Transformers – Personal.
Tunnels – Real.
Tunnels, waste heat, or processing – Personal.
Unit heaters, nonportable – Real.
Unit heaters, portable – Personal.
Unloader runway – Personal.
Ventilating – Real.
Ventilating system for manufacturing equipment – Personal.
Walls, portable partitions – Personal.
Water lines, for processing above or below ground – Personal.
Water pumping station, building and structure – Real.
Water pumps and motors – Personal.
Water treating and softening plant building and structure – Real.
Water treating and softening equipment – Personal.
Wells, pumps, motors, and equipment – Personal.
Wiring – power wiring – Personal.

(Department of Local Government Finance; 50 IAC 4.2-4-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 845, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 5. Valuation of Inventory

50 IAC 4.2-5-1 "Inventory" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. (a) As used in this article, "inventory" means the aggregate of those elements of cost incurred to acquire or produce items of personal property that are:

(1) held for sale in the ordinary course of business;
(2) currently in the process of production for subsequent sale;
(3) ultimately to be consumed in the production of the goods or services to be available for sale; or
(4) utilized in marketing or distribution activities.

(b) The term "inventory" embraces the following:

(1) Goods or commodities awaiting sale which include, but are not limited to, the following:
  (A) The merchandise of a retail or wholesale concern.
  (B) The finished goods of a manufacturer.
  (C) Commodities from farms, mines, and quarries.
  (D) Goods that are used or trade-in merchandise and byproducts of a manufacturer.
(2) Goods or commodities that are in the course of production at the Indiana location, that is, items needing further processing to be considered finished or ready for shipment.
(3) Goods that will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, raw materials, supplies, repair parts, expendable tools, and samples.

(Department of Local Government Finance; 50 IAC 4.2-5-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 848, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-5-1.1 Inventory not subject to assessment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11; IC 6-1.1-2-7

Sec. 1.1. (a) Inventory is not subject to assessment and taxation under IC 6-1.1 pursuant to IC 6-1.1-2-7.

(b) Inventory is not personal property pursuant to IC 6-1.1-1-11. *(Department of Local Government Finance; 50 IAC 4.2-5-1.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-2 Inventory subject to assessment (Repealed)

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11; IC 6-1.1-31-1; IC 26-1

Sec. 2. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-3 Book cost (Repealed)

Sec. 3. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-4 Mandatory adjustments (Repealed)

Sec. 4. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-5 Definitions (Repealed)

Sec. 5. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-6 Inventory not on a perpetual basis (Repealed)

Sec. 6. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-7 Alternative method

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 7. (a) As an alternative to any other method(s) described in this article, a manufacturer or processor in this state who is in possession of inventory on the assessment date, which it manufactured or processed at the tax situs for which the return is prepared, may value finished goods and work in process inventory as follows:

(1) The cost of raw materials and supplies which must include the total cost directly or indirectly incurred, including freight, to bring the property to the location where it will be utilized in the manufacturing process. Manufacturers or processors acquiring manufactured products from related entities shall include in the accountability cost the sum of all costs directly or indirectly incurred in bringing the article to its existing condition and location on the assessment date.

(2) The cost of all direct production labor.

(3) The thirty-five percent (35%) valuation adjustment will not be allowed for work in process and finished goods inventory.

(4) Raw materials and supplies inventories will qualify for the thirty-five percent (35%) valuation adjustment, provided that such items have not entered the manufacturing process.

(5) Any adjustment taken from inventory valuation must be the same basis on which it was included in the tax return.

(6) This election must be applied to all locations within this state, except as noted in subdivision (7). If this alternative method is elected, the taxpayer may not use any other method to value inventory for any subsequent year unless a written request has been approved by the state board prior to the due date of the return.

(7) This election is available only for manufacturers' or processors' finished goods or work in process inventories to the extent that the goods have not entered another level of trade.

(b) Taxpayer's computation. Computations of the adjustments outlined in this section are required to be attached to the tax return and/or computed on Form 106 provided by the state board pursuant to 50 IAC 4.2-2-9. *(Department of Local Government Finance; 50 IAC 4.2-5-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 853, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-5-8 Reporting of inventory not carried on books of taxpayer (Repealed)

Sec. 8. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-9 Average method of valuation (Repealed)

Sec. 9. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-10 Average inventory election for perishable horticultural processors (Repealed)

Sec. 10. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-11 Optional method of valuation for retailers (Repealed)

Sec. 11. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-12 "Gross value of inventory subject to taxation before valuation adjustments" defined (Repealed)

Sec. 12. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-13 Valuation adjustment
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 13. Thirty-five percent (35%) of the adjusted cost of inventory as determined pursuant to section 12 of this rule, shall be allowable as a valuation adjustment for Indiana property tax purposes. This adjustment is in lieu of all other valuation adjustments except for the abnormal obsolescence adjustment provided in section 14 of this rule. The amount of this adjustment constitutes an inventory valuation reserve to provide for the normal valuation aspects provided by statute. The prices for farm products prescribed by the state board pursuant to 50 IAC 4.2-7-1, are computed using the alternative method (section 7 *[of this rule]*), therefore, the thirty-five percent (35%) valuation adjustment will not be allowed for those items. *(Department of Local Government Finance; 50 IAC 4.2-5-13; filed Dec 7, 1988, 9:35 a.m.: 12 IR 856, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-5-14 Abnormal obsolescence adjustment (Repealed)

Sec. 14. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-5-15 Determination of true tax value of inventory (Repealed)

Sec. 15. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 6. Valuation of Other Tangible Personal Property

50 IAC 4.2-6-1 Tangible personal property not placed in service; reporting
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 1. (a) Tangible personal property, other than inventory as defined in 50 IAC 4.2-5-1, with a tax situs within the state on the assessment date which has not been placed into service must be reported for property assessment purposes.

(b) "Tangible personal property not placed in service on the assessment date" means all property which has not been depreciated and is not eligible for federal income tax depreciation under Section 167 of the Internal Revenue Code of 1986. Real property as defined by law and rules of the state board, inventory, special tools, leased property, returnable containers, and property

described in subsection (d) are not included in this category.

(c) "Construction in process" means "tangible personal property not placed in service." This does not include the inventory of a contractor that is not a part of the real or personal property under construction. A contractor's inventory must be valued and reported as provided in 50 IAC 4.2-5-1.

(d) Special. Tangible personal property, normally assessed as inventory and held in abeyance or stored temporarily, and which possession may be transferred to another person to be attached to or become a part of an asset subject to assessment for personal property tax purposes, is taxable as inventory as provided in 50 IAC 4.2-5-1, and is not included in the definition of tangible personal property not placed in service.

(e) Valuation. The value of personal property not placed in service, including construction in process as defined in subsection (c), is the cost recorded on the taxpayer's books and records which is attributable to such personal property including all expenses incurred in acquiring or producing the assets not yet placed in service.

(1) Acquisitions. In the event the cost as recorded on the regular books and records of the taxpayer does not reflect acquisitions and transfers since the end of the financial period immediately preceding the assessment date, such acquisitions and transfers are required to be included.

(2) Advance payments or deposits. If the cost as recorded on the regular books and records of the taxpayer reflects advance payments or deposits, and if such amounts were attributable to tangible personal property, this amount shall be allowed as a deduction from book cost.

(f) True tax value. The true tax value of "tangible personal property not placed in service" as defined in subsection (b), is ten percent (10%) of the cost of such property. *(Department of Local Government Finance; 50 IAC 4.2-6-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 857, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-6-2 Reporting of special tools

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 2. (a) "Special tools", as defined in subsection (b), must be reported for Indiana property assessment purposes at the tax situs where located on the assessment date. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return pursuant to 50 IAC 2-2 *[50 IAC 2 was repealed filed Dec 13, 1989, 5:00 p.m.: 13 IR 864; errata filed Feb 19, 1990, 3:35 p.m.: 13 IR 1187.]*.

(b) "Special tools" includes, but is not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns acquired or made for the production of products or product models which are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Those items of "special tools" being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 4.2-5.

(c) Reporting special tools. Special tools are assessable whether the taxpayer elects to depreciate, amortize, treat as deferred cost, or expense at time of purchase or manufacture, and recovers cost through an increased unit price or any other method utilized in recapturing the costs. The owner is required to report special tools on Form 103-T (50 IAC 4.2-2-9), as an attachment to Form 103 (50 IAC 4.2-2-9). In addition to the requirement above, the owner is required to furnish a complete listing on Form 103-T (50 IAC 4.2-2-9) of all their special tools in the possession of another person(s) pursuant to 50 IAC 4.2-2-5. The person(s) holding, possessing, or controlling special tools, not owned, is required to furnish a complete listing on Form 103-T (50 IAC 4.2-2-9), of all not owned personal property pursuant to 50 IAC 4.2-2-5.

(d) Valuation of special tools. The total value of special tools, as defined in subsection (b), must be allocated in two (2) groups. The total value of special tools acquired between March 2 of the prior year and March 1 of the assessment year must be allocated in one (1) group, and the balance of the total value of the special tools on hand which were acquired prior to this period must be allocated into the other group. For purposes of this section, expenditures incurred by a taxpayer to refurbish existing special tools are deemed to be special tools acquired during the period in which such special tools were refurbished.

(1) Special tools owned by taxpayer. The total cost of producing or acquiring special tools regardless of the nature, whether capitalized or expensed, must be reported on Form 103-T (50 IAC 4.2-2-9), and attached to Form 103 (50 IAC 4.2-2-9).

(2) Special tools not owned by taxpayer. The total value of special tools not owned by the taxpayer must be based on the

original cost to the owner of such special tools, if available. If the original cost to the owner is not available, the value shall be based upon the best information available; however, the true tax value of the special tools not owned by the taxpayer cannot be less than the insured value of such property. Special tools not owned must be reported on Form 103-T (50 IAC 4.2-2-9), and attached to Form 103 (50 IAC 4.2-2-9).

(e) True tax value of special tools. The total true tax value of special tools is the sum of thirty percent (30%) of the total valuation of "special tools" acquired between March 2 of the prior year and March 1 of the current assessment year which are on hand on the assessment date and three percent (3%) of the total valuation of all other special tools on hand. *(Department of Local Government Finance; 50 IAC 4.2-6-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 858, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-6-3 Improvement to leased real or personal property

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 3. (a) Whenever a taxpayer makes any expenditure for an improvement to real or personal property not owned by such taxpayer, such expenditure shall be assessable as personal property to the extent it is not real property.

(b) The following examples of leasehold improvements that are personal property:

(1) Leasehold improvements to personal property are personal property. Leasehold improvements will include, but not be limited to, foundations and pilings related to the installation and use of personal property.

(2) Improvements to real property that are personal property include, but are not limited to, personal property attached to the real property to the extent such items are related to activities or processes conducted in the building if the personal property is an integral part of such activity. For example, improvements to real property would include shelving, bins, counters, and related items; nonpermanent partitions; supplemental heating and air conditioning; extraordinary lighting; electrical and plumbing facilities; carpeting and draperies.

(c) The taxpayer must report and value the property for personal property assessment purposes and in the same manner as any other depreciable personal property that it may own in accordance with provisions of 50 IAC 4.2-4. *(Department of Local Government Finance; 50 IAC 4.2-6-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 859, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-6-4 Returnable containers; reporting

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 4. (a) Returnable containers, as defined in subsection (b), must be reported for property assessment purposes at the tax situs where located on the assessment date by the taxpayer owning the returnable containers. In addition to the filing requirement above, the owner is required to furnish a complete listing, on Form 103-O (50 IAC 4.2-2-9), of all their personal property which is in possession of another person(s) pursuant to 50 IAC 4.2-2-5. The person(s) holding, possessing, or controlling returnable containers, not owned, is required to furnish a complete listing on Form 103-N (50 IAC 4.2-2-9), of all not owned personal property pursuant to 50 IAC 4.2-2-5.

(b) "Returnable containers" means those items of tangible personal property which are used to package inventory or other property while in transit which are reusable. Returnable containers include, but are not limited to, cooperage, skids, bottles, cases, and other packaging devices.

(c) Valuation. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation pursuant to 50 IAC 4.2-2-5. The value of returnable containers is computed by extending the quantity of such property on hand by:

(1) the amount of deposit required for such item;

(2) the refund entitled thereto when such returnable containers are returned to the owner;

(3) the sales price of the returnable property; or

(4) the cost of such returnable containers in the hands of the owner since the owner is liable to assessment.

The resultant cost must then be valued pursuant to 50 IAC 4.2-4-5 through 50 IAC 4.2-4-7, in the same manner as any other depreciable personal property. *(Department of Local Government Finance; 50 IAC 4.2-6-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 859, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-6-5 Duties of assessing officials

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 5. The township assessor, if any, or county assessor, county property tax assessment board of appeals, or the department shall assess personal property in the name of the owner of the property in the taxing district where the property is situated as of the assessment date to the extent that the owner of said property is identified. However, if as of the filing date (May 15 with extension) the owner of the property as of the assessment date is unknown by the assessor, said property shall be assessed to the person in possession of such property. The complete reporting requirements for property not in the owner's possession are contained in 50 IAC 4.2-2-5. *(Department of Local Government Finance; 50 IAC 4.2-6-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-6-6 Reporting critical spare parts

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 6. (a) Critical spare parts must be reported for Indiana property assessment purposes at the tax situs where located on the assessment date. The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation on their personal property tax return. Critical spare parts are assessable whether the taxpayer elects to depreciate, amortize, treat as deferred cost, or expense at time of purchase or manufacture and recovers cost through an increased unit price or any other method utilized in recapturing the costs.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation pursuant to section 1(e) of this rule. *(Department of Local Government Finance; 50 IAC 4.2-6-6; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 7. Other

50 IAC 4.2-7-1 Lists of readily ascertainable values

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 1. (a) In the case of certain types of personal property which it determines has a readily ascertainable value, the department may determine the true tax value of such property and so designate in 50 IAC 4.2-15 or issue instructional bulletins for the unit valuations of such property to be used for personal property tax purposes.

(b) The unit valuations will be published pursuant to 50 IAC 4.2-1-5. However, in providing for the classification of personal property and included in the factors used to determine the true tax value of personal property the state board shall not include the value of land as a cost of producing tangible personal property subject to assessment.

(c) The types of personal property to be valued pursuant to this section will be so designated in 50 IAC 4.2-15 or an instructional bulletin. *(Department of Local Government Finance; 50 IAC 4.2-7-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-7-2 Uniform useful lives of assets; publication

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 2. The department may prescribe and publish the useful life of assets if it determines that a uniform life should be required for all taxpayers in order to obtain equalization of assessments as provided in 50 IAC 4.2-4-5 and 50 IAC 4.2-4-6. *(Department of Local Government Finance; 50 IAC 4.2-7-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 8. Valuation of Leased Personal Property

50 IAC 4.2-8-1 "Leased personal property" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 1. In general, leased personal property includes those units of tangible personal property, excluding inventory, as defined in 50 IAC 4.2-5-1, special tools, as defined in 50 IAC 4.2-6-2, and returnable containers, as defined in 50 IAC 4.2-6-4, which are leased, rented, or otherwise made available to a person other than the owner under a bailment agreement, written or unwritten, on the assessment date. Leased personal property includes, but is not limited to, business machines, postage meters, machinery, equipment, furniture, fixtures, coin-operated devices, tools, burglar alarms, signs and other advertising devices, and motor vehicles to the extent taxable as personal property which are loaned, leased, used, or otherwise held in the possession of a person other than the owner on the assessment date whether or not any fees are charged. *(Department of Local Government Finance; 50 IAC 4.2-8-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-8-2 "Capital and operating leases" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31

Sec. 2. (a) Types of leases. Generally, agreements which convey the right to use property for a stated period of time are termed leases and are usually classified as either capital leases or operating leases.

(b) "Capital leases" includes sales-type leases, direct financing leases, and leveraged leases. These leases must meet one (1) or more of the following conditions to be so classified and are or should be capitalized by the lessee for federal income tax purposes:

(1) Ownership of the property is transferred to the lessee at or before the end of the lease term.

(2) The lease permits the lessee to purchase the property or renew the lease at a price or rental which is substantially less than the estimated market value or fair rental of the leased property at the time the option to purchase or renew the lease is exercised.

(3) The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property.

(4) The present value of the minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property at the inception of the lease.

(c) "Operating leases" includes all other leases. *(Department of Local Government Finance; 50 IAC 4.2-8-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 860, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-8-3 Operating leases

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 3. (a) Operating leases must be reported for assessment and taxation by the owner (lessor) of the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date.

(b) In addition to the reporting requirement stated in subsection (a), the owner is required to furnish a complete listing, on Form 103-O (50 IAC 4.2-2-9), of all their personal property that was the subject of an operating lease on the assessment date in each taxing district where the property is located showing the name and address of the person or persons in possession, model, description, location, quantities, date of installation, and value per this article reported for assessment and taxation.

(c) The person holding, possessing, or controlling (lessee) tangible personal property subject to the conditions of an operating lease shall file and attach with their return in the taxing district where such property was situated a complete listing, on Form 103-N (50 IAC 4.2-2-9), of all not owned (leased) personal property. The listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value (if known) per this article. *(Department of Local Government Finance; 50 IAC 4.2-8-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-8-4 Capital leases

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 4. (a) Capital leases must be reported for assessment and taxation by the person holding, possessing, or controlling (lessee) the personal property on Form 103 (50 IAC 4.2-2-9), Schedule A, in the taxing district where the property was situated as of the assessment date. The value of the property must be computed in accordance with sections 7 through 9 of this rule, rather than 50 IAC 4.2-4.

(b) In addition to the reporting requirement stated in subsection (a), the lessee is required to furnish a complete listing, of all not owned personal property, on Form 103-N (50 IAC 4.2-2-9), in each taxing district where the property was situated. This listing must include the name and address of the owner (lessor), model, description, location, quantities on hand, date of installation, and value per this article.

(c) The owner of personal property that is termed capital leases above must file a complete listing showing the name and address of the person or persons in possession, model, description, location, quantities, date of installation, and value per this article, on Form 103-O (50 IAC 4.2-2-9), in each taxing district where the property was situated as of the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-8-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-8-5 Liability for taxes

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-31

Sec. 5. (a) The owner (lessor) of personal property covered by operating leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was situated on the assessment date. This section does not relieve the person holding, possessing, or controlling personal property covered by operating leases of the responsibility to file a complete listing, on Form 103-N (50 IAC 4.2-2-9), of not owned personal property and the responsibility to pay such taxes if they are not paid by the owner of the property as provided in 50 IAC 4.2-2-2.

(b) The person holding, possessing, or controlling (lessee) personal property covered by capital leases has the responsibility for reporting such property for assessment and taxation in the taxing district where the property was situated on the assessment date. This section does not relieve the owner (lessor) of the responsibility to file a complete listing, on Form 103-O (50 IAC 4.2-2-9), in the taxing district where the property was situated on the assessment date of all owned personal property which was in the possession of another person nor does it relieve the owner of the tax liability if not paid by the lessee. *(Department of Local Government Finance; 50 IAC 4.2-8-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-8-6 Assessment of leased personal property

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4

Sec. 6. The assessor, county property tax assessment board of appeals, or the department shall assess leased or rented personal property in the manner described in sections 3 through 5 of this rule in the taxing district where the property is situated as of the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-8-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 861, eff Mar*

1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-8-7 Valuation; base year value defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 7. (a) The base year value of the leased or rented property plus freight and installation costs must be utilized in determining the value of leased or rented property subject to assessment.

(b) "Base year value" means the amount, measured in money, that a willing buyer in an arm's length transaction would pay to acquire the item of tangible personal property subject to the lease under consideration at the time the lease or bailment was first consummated. For purposes of applying this definition to a specific factual situation, the amount stated in the agreement as the amount which the lessee would have had to pay to acquire the leased property instead of leasing the property will be deemed to be the base year value, provided that the department does not determine that such amount is unrealistically low in relation to the other terms contained in the agreement.

(c) If an alternative acquisition cost is not shown in the lease agreement, the base year value will be the factory delivered price for the tangible personal property subject to the lease plus freight, installation costs, and a profit factor.

(d) If the factory delivered price cannot be determined, the base year value will be the present value of the lease payments at the inception of the lease computed in accordance with 50 IAC 4.2-15-14.

(e) If the present value of the lease payments cannot be determined, the following alternative factors will be used to determine the base year value:

(1) the insurable value in the year the lease was first consummated; or

(2) the capitalized value at eight (8) times the annual lease or rental payments.

(f) If the department issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to 50 IAC 4.2-7-1, such prescribed value shall be the base year value of the property. *(Department of Local Government Finance; 50 IAC 4.2-8-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-8-8 Pools for base year values; summation by year placed in service

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 8. (a) The base year value of all leased personal property being reported in a tax return is required to be segregated for Indiana property tax purposes into four (4) separate pools. The determination of the proper classification of the pool in which leased property should be included is to be based upon the useful life of property determined in accordance with the ADR regulation guideline life published by the Internal Revenue Service in Regulation 1.167(a)-11. The pools to be utilized for Indiana property tax purposes are:

(1) Pool No. 1: One (1) through four (4) year life.

(2) Pool No. 2: Five (5) through eight (8) year life.

(3) Pool No. 3: Nine (9) through twelve (12) year life.

(4) Pool No. 4: Thirteen (13) year or longer life.

(b) Summation of base year value by pool by the year the leased personal property is placed in service. After the appropriate pool is determined for each unit of leased property, the base year values must be summarized by the year during which the leased property is placed into service. *(Department of Local Government Finance; 50 IAC 4.2-8-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-8-9 Determination of true tax value

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 9. (a) Computation. The true tax value of leased personal property for Indiana property tax purposes is computed by multiplying the base year values of leased personal property in the respective pool by the percentage factor obtained in subsection (b). The percentage factor in the table automatically reflects all adjustments, except for abnormal obsolescence, as provided in section 10 of this rule.

(b) Table to compute true tax value of leased personal property. The following table provides for each of the four (4) pools, the percentage factors of which, when applied to base year value, compute true tax value. The sum of the true tax values in each of the four (4) pools is the true tax value of the leased personal property at the tax situs in question.

TABLE TO DETERMINE TRUE TAX VALUE FOR LEASED PERSONAL PROPERTY BY PERCENTAGE OF BASE YEAR VALUE

Year Leased Property is Placed In Service	Pool #1 (1-4 yrs)	Pool #2 (5-8 yrs)	Pool #3 (9-12 yrs)	Pool #4 (13 yrs and longer)
1	65%	40%	40%	40%
2	50%	56%	60%	60%
3	35%	42%	55%	63%
4	20%	32%	45%	54%
5		24%	37%	46%
6		18%	30%	40%
7		15%	25%	34%
8			20%	29%
9			16%	25%
10			12%	21%
11			10%	15%
12				10%
13				5%

(c) Limitation of the total valuation of a taxpayer's depreciable personal property.

(1) General limitation. Notwithstanding the foregoing provisions of this rule, the total valuation of a taxpayer's assessable depreciable personal property in a single taxing district cannot be less than thirty percent (30%) of the adjusted cost of all such property of the taxpayer.

(2) Exception. This limitation shall be applied prior to any special adjustment for abnormal obsolescence as provided in section 10 of this rule. This limitation does not apply to equipment not placed in service, special tooling, and permanently retired equipment.

(Department of Local Government Finance; 50 IAC 4.2-8-9; filed Dec 7, 1988, 9:35 a.m.: 12 IR 862, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)

50 IAC 4.2-8-10 Abnormal obsolescence adjustment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 10. (a) The tentative true tax value computed in section 9 of this rule should be adjusted for abnormal obsolescence to the extent that the property meets the qualifications as set forth in 50 IAC 4.2-9-3.

(b) Adjustment. For the purposes of this section, abnormal obsolescence will be determined in accordance with the provisions of 50 IAC 4.2-9-3. Providing a taxpayer has abnormal obsolescence, as defined in 50 IAC 4.2-9-3, they may claim an adjustment for abnormal obsolescence for leased personal property at the tax situs in question subject to the requirements, conditions, and provisions of 50 IAC 4.2-9-3. In no event shall any adjustment for abnormal obsolescence exceed the true tax value of the specific unit or units of property involved.

(c) Limitation. No adjustment will be allowed for normal obsolescence, as defined in 50 IAC 4.2-9-2. The table contained

in section 9 of this rule automatically reflects this type of obsolescence. *(Department of Local Government Finance; 50 IAC 4.2-8-10; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

Rule 9. Obsolescence

50 IAC 4.2-9-1 "Obsolescence" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 1. "Obsolescence" means the reduction in value of business personal property that occurs through use, technological improvements, passage of time, changes in market values, and physical deterioration or destruction. *(Department of Local Government Finance; 50 IAC 4.2-9-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-9-2 "Normal obsolescence" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 2. "Normal obsolescence" means the anticipated or expected reduction in the value of business personal property that can be foreseen by a reasonable, prudent businessman when property is acquired and placed into service. In general, it includes the expected, declining value through use, gradual decline in value because of expected technological improvements, the gradual deterioration or obsolescence through the mere passage of time, and the general assumption that such property will have a minimum value at the end of its useful life. *(Department of Local Government Finance; 50 IAC 4.2-9-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-9-3 "Abnormal obsolescence" defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 3. (a) "Abnormal obsolescence" means that obsolescence which occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessman prior to the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe that has a direct effect upon the value of the personal property of the taxpayer at the tax situs in question on a going concern basis.

(b) An example of unforeseen change in market value is a government ban on the sale of a drug or chemical due to a new discovery or determination may cause that item or the production equipment used to produce it to be abnormally obsolete. A specific example of this would be cyclamate. In this case the equipment used to produce it may be eligible for abnormal obsolescence.

(c) An example of exceptional technological obsolescence is abnormal obsolescence due to exceptional technological obsolescence should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaption to a different use. The invention of a newer, more productive piece of equipment which would produce a better quality item or utilization of state of the art technology that produces more efficiently at a lower cost of production does not cause an older, currently used asset to be considered abnormally obsolete. If the asset is still capable of performing the function for which it was acquired, and is producing both on and before the assessment date, no adjustment shall be allowed. The use of historical cost, short useful life, and accelerated depreciation in developing the prescribed true tax value percentages result in an equitable assessment on the property in question.

(d) An example of destruction by catastrophe is abnormal obsolescence due to catastrophe should be recognized to the extent that it has a direct effect on the value of a particular item. Property which has been destroyed or damaged by catastrophe as of the assessment date would qualify for such an adjustment. A chemical or production process which, due to an irreparable malfunction, emits a toxic gas or deadly chemical into the outside atmosphere, would qualify for such an adjustment to the extent the property

is incapable of use.

(e) An example of abnormal obsolescence due to government action is a government order to shut down certain production equipment due to improper emission levels may result in abnormal obsolescence if the cost to cure the delinquent equipment results in incurable obsolescence, that is, the cost-to-cure exceeds the contribution or increase in value of the impaired item or the impairment cannot be corrected. *(Department of Local Government Finance; 50 IAC 4.2-9-3; filed Dec 7, 1988, 9:35 a.m.: 12 IR 863, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-9-4 Allowance of obsolescence claim

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the property qualifies for the adjustment and the taxpayer is able to substantiate the facts, circumstances, and amount of the claim in order to properly determine the true tax value of the subject property.

(b) A taxpayer wishing to claim an adjustment for abnormal obsolescence must provide documentation of the resulting valuation of the personal property at the tax situs in question on the assessment date on a going concern basis.

(c) The adjustment for abnormal obsolescence must be computed in accordance with this rule and 50 IAC 4.2-4-8, 50 IAC 4.2-8-10, or 50 IAC 4.2-10-4. *(Department of Local Government Finance; 50 IAC 4.2-9-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-9-5 Full disclosure

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 5. When the reporting requirements for an adjustment for abnormal obsolescence have been met (a full disclosure), but for some reason the adjustment is not allowed or the value is changed, the amount disallowed is considered to be an interpretive difference and is not subject to the undervalued personal property tax penalty as set forth in 50 IAC 4.2-2-10(d). *(Department of Local Government Finance; 50 IAC 4.2-9-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

50 IAC 4.2-9-6 Adjustment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 6. No adjustment will be allowable for normal obsolescence. The methods of valuation of business tangible personal property automatically reflect this type of obsolescence by using historic cost, short depreciable life, and accelerated depreciation on depreciable assets. An adjustment for abnormal obsolescence will be allowed provided a taxpayer can substantiate abnormal obsolescence. The provisions of this part of the regulation and the specific portions of this regulation applicable to the class of property involved must be followed and the books and records of the taxpayer must not have reflected the abnormal obsolescence on the assessment date. *(Department of Local Government Finance; 50 IAC 4.2-9-6; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-9-7 Administrative adjudication on adjustment for abnormal obsolescence

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 7. (a) The taxpayer may, prior to the filing of the property tax return for the year in question, petition the department pursuant to 50 IAC 4.2-1-6, for an administrative adjudication determination regarding an abnormal obsolescence adjustment. If this determination is granted, it will be effective only for the tax year in question and will not be effective for subsequent

assessments.

(b) If an administrative adjudication determination is obtained, a copy of the determination is required to be attached to the tax return claiming the adjustment. If the taxpayer has not requested an administrative adjudication determination, they may, if their circumstances meet the requirements contained herein, request an adjustment on the form prescribed by the department when filing the tax return for the year in question. The adjustment or adjustments, if requested, must:

(1) identify specifically all property for which an adjustment is requested;

(2) indicate the original cost of the property;

(3) indicate the true tax value of the property if no adjustment would be allowed; and

(4) quantify and document the true tax value of the property as a result of the requested adjustment.

(Department of Local Government Finance; 50 IAC 4.2-9-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 864, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 10. Interstate Carriers

50 IAC 4.2-10-1 Valuation of carriers' property

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 1. In general, commercial airlines and commercial buslines, as defined in sections 2 and 3 of this rule, must compute the true tax value of aircraft and transportation equipment required to be reported for the Indiana personal property assessment purposes in accordance with the provisions of 50 IAC 4.2-4. However, if such property is leased, the tentative true tax value is required to be computed in accordance with 50 IAC 4.2-8. The tentative true tax value thus computed is then subject to allocation as provided herein. *(Department of Local Government Finance; 50 IAC 4.2-10-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-10-2 Commercial airlines; allocation and tax value of aircraft

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31; IC 6-6-6.5

Sec. 2. (a) In general, commercial airlines must value the aircraft required to be reported for Indiana property tax purposes pursuant to section 1 of this rule.

(b) "Commercial airlines" means an airline with regularly scheduled flights and routes authorized and approved by the federal aeronautics administration.

(c) In general, commercial airlines are required to report the total value of the fleet of aircraft operating in this state. For this purpose, the commercial airline is required to report the value of all aircraft which it owns or operates of the type of aircraft operating in the taxing district. For example, if the airline owns or operates twenty (20) aircraft of type "x", ten (10) aircraft of type "y", and five (5) aircraft of type "z" and only type "x" aircraft are operated in the taxing district, the commercial airline is required to determine the tentative true tax value of all type "x" aircraft in its fleet of aircraft as provided in section 1 of this rule and report the value of all type "x" aircraft on its personal property tax return.

(d) The value of the aircraft required to be reported for Indiana property tax purposes is subject to allocation. This allocation must be made for each type of aircraft operated. The allocation factor for each type of aircraft is computed by dividing the total ground time of each type of aircraft for the preceding twelve (12) months in the taxing district by the total ground time of each type of aircraft operated in the system. In the example provided in subsection (c), the type "x" aircraft would be subject to allocation. The allocation is determined by computing a percentage obtained by dividing the total ground time for the preceding twelve (12) months of all type "x" aircraft in the taxing district by the total ground time for the preceding twelve (12) months of all type "x" aircraft in the fleet.

(e) The true tax value of the aircraft is determined by multiplying the percentages as computed in subsection (d) times the tentative true tax value of the aircraft computed in accordance with section 1 of this rule. For example, assume that the type "x" aircraft provided in the example in subsection (c) had a tentative true tax value of twenty million dollars ($20,000,000).

Furthermore, assume that the percentage determined in subsection (d) was five percent (5%). The true tax value of the aircraft for Indiana property tax purposes would be one million dollars ($1,000,000). *(Department of Local Government Finance; 50 IAC 4.2-10-2; filed Dec 7, 1988, 9:35 a.m.: 12 IR 865, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-10-3 Reporting by interstate motor truck carriers; allocation factor; true tax value (Repealed)

Sec. 3. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-10-3.1 Commercial busline; allocation and true tax value

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-1-11

Sec. 3.1. (a) As used in this rule, "commercial busline" means a company for hire that is principally engaged in the business of transporting persons by bus, and exclusively operates charter buses, which do not have scheduled routes.

(b) The fleet of the commercial busline includes the buses the taxpayer owns, holds, possesses, or controls that are used and operated in interstate commerce.

(c) The fleet of the commercial busline is required to be valued pursuant to section 1 of this rule.

(d) The allocation factor for the fleet is computed by dividing the total Indiana miles of the fleet for the preceding twelve (12) months by the total miles of the fleet for the same period.

(e) As an alternative to maintaining a mileage log of all trips, individual lessors, who do not maintain adequate records to compute their allocation factor, may use the same allocation factor as their lessee provided that the lessor's property is predominantly leased to that lessee. The lessor must meet the predominant use requirement in order to use the lessee's allocation factor. If the lessor does not meet the predominant use requirement, the lessor must use the actual allocation factor as determined in subsection (d). As used in this section, "predominant use" means:

(1) during the course of the year, more than fifty percent (50%) of the total mileage logged by the lessor's buses is logged by buses under lease to that lessee; or

(2) during the course of the year, the leased property is leased to that lessee for more than one-half (1/2) the number of days in that year.

(f) The total true tax value of the fleet subject to assessment under this section is determined by multiplying the true tax value as determined in section 1 of this rule by the allocation factor determined in subsection (d) or (e). *(Department of Local Government Finance; 50 IAC 4.2-10-3.1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-10-4 Abnormal obsolescence adjustment for commercial airlines and commercial buslines

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31-7

Sec. 4. (a) Commercial airlines and the buses of commercial buslines used and operated in interstate commerce may claim an adjustment for abnormal obsolescence, as defined in 50 IAC 4.2-9-3, on the tangible personal property reported pursuant to this section, if the taxpayer follows the procedures and meets the requirements regarding an adjustment for abnormal obsolescence contained in 50 IAC 4.2-9.

(b) No adjustment will be allowed for normal obsolescence as defined in 50 IAC 4.2-9. The determination of the tentative true tax value pursuant to 50 IAC 4.2-4 automatically makes an allowance for this type of obsolescence.

(c) The term abnormal obsolescence will be strictly construed and limited to a situation where unforeseen changes in market values, exceptional technological obsolescence, or where destruction by a catastrophe occurs if such events have a direct effect upon the valuation of the property at the tax situs in the state of Indiana.

(d) The dollar amount of the adjustment may not exceed the allocatable portion of the true tax value of the particular unit of property as determined pursuant to this section for which the carrier claims an adjustment. *(Department of Local Government*

Finance; 50 IAC 4.2-10-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-10-5 Scope of rule

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 5. This section is applicable only to the aircraft of the commercial airline and the buses of commercial buslines used and operated in interstate commerce and is not applicable to the other classes of business personal property which the taxpayer may own, possess, or control at the tax situs in question. The other classification of business personal property must be reported and valued pursuant to the other provisions of this article. *(Department of Local Government Finance; 50 IAC 4.2-10-5; filed Dec 7, 1988, 9:35 a.m.: 12 IR 867, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 11. Deductions and Exemptions for Tangible Personal Property Other than Inventory (Repealed)

(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 11.1. Deductions and Exemptions for Business Personal Property

50 IAC 4.2-11.1-1 Stationary or unlicensed mobile air pollution control system

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-12; IC 6-1.1-10-13; IC 36-5-1

Sec. 1. (a) Personal property is exempt from property taxation if:

(1) it is part of a stationary or unlicensed mobile air pollution control system of a private manufacturing, fabricating, assembling, extracting, mining, processing, generating, refining, or other industrial facility;

(2) it is not primarily used in the production of property for sale;

(3) it is employed predominantly in the operation of the air pollution control system;

(4) the air pollution control system is designed and used for the improvement of public health and welfare by the prevention or elimination of air contamination caused by industrial waste or contaminants;

(5) a sanitary treatment or elimination service for the waste or contaminants is not provided by public authorities; and

(6) it is acquired for the purpose of complying with any state, local, or federal environmental quality statutes, regulations, or standards.

(b) The property that is exempt under this section includes the following personal property:

(1) Personal property that is under construction or in the process of installation and that will be used for the purposes described in subsection (a) when placed in service.

(2) Spare parts held exclusively for installation in or as part of personal property that qualifies for the exemption under this section.

(c) The owner of personal property which is part of a stationary or unlicensed mobile air pollution control system who wishes to obtain the exemption provided in this section shall claim the exemption on the owner's annual personal property return. On the return, the owner shall describe and state the assessed value of the property for which the exemption is claimed.

(d) The township assessor, if any, or county assessor shall:

(1) review the exemption claim; and

(2) allow or deny it in whole or in part.

In making the decision, the township assessor, if any, or county assessor shall consider the requirements stated in subsection (a).

(e) The township assessor, if any, or county assessor shall reduce the assessed value of the owner's personal property for the year for which the exemption is claimed by the amount of exemption allowed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-1; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-2 Industrial waste control facility

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10

Sec. 2. (a) For purposes of this section, "industrial waste control facility" means personal property that is:

(1) included either as a part of or an adjunct to a privately owned manufacturing or industrial plant or coal mining operation; and

(2) used predominantly to:

(A) prevent, control, reduce, or eliminate pollution of a stream or a public body of water located within or adjoining this state by treating, pretreating, stabilizing, isolating, collecting, holding, controlling, or disposing of waste or contaminants generated by the plant; or

(B) meet state or federal reclamation standards for a coal mining operation.

The term includes personal property that is under construction or in the process of installation and that will be used for the purposes described in this subsection when placed in service. The term also includes spare parts held exclusively for installation in or as part of personal property that qualifies for the exemption under this section.

(b) An industrial waste control facility is exempt from property taxation if it is not used in the production of property for sale.

(c) The owner of an industrial waste control facility who wishes to obtain the exemption provided in section 9 of this chapter shall file an exemption claim along with the owner's annual personal property return. The claim shall describe and state the assessed value of the property for which an exemption is claimed.

(d) The owner shall, by registered or certified mail, forward a copy of the exemption claim to the Indiana department of environmental management. The department shall acknowledge its receipt of the claim.

(e) The Indiana department of environmental management may investigate any claim. The department may also determine if the property for which the exemption is claimed is being utilized as an industrial waste control facility. Within one hundred twenty (120) days after a claim is mailed to the department, the department may certify its written determination to the township or county assessor with whom the claim was filed.

(f) The determination of the department remains in effect:

(1) as long as the owner owns the property and uses the property as an industrial waste control facility; or

(2) for five (5) years;

whichever is less. In addition, during the five (5) years after the department's determination the owner of the property must notify the county assessor and the department in writing if any of the property on which the department's determination was based is disposed of or removed from service as an industrial waste control facility.

(g) The department may revoke a determination if the department finds that the property is not predominantly used as an industrial waste control facility.

(h) The township assessor, if any, or county assessor, in accord with the determination of the department, shall allow or deny in whole or in part each exemption claim. However, if the owner provides the assessor with proof that a copy of the claim has been mailed to the department, and if the department has not certified a determination to the assessor within one hundred twenty (120) days after the claim has been mailed to the department, the assessor shall allow the total exemption claimed by the owner.

(i) The assessor shall reduce the assessed value of the owner's personal property for the year for which an exemption is claimed by the amount of exemption allowed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-2; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-3 Industrial waste facilities; action on exemption claim

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-11

Sec. 3. A determination by the Indiana department of environmental management under section 4 of this rule may be appealed by the property owner to the circuit court of the county in which the property is located. The court shall try the appeal without a jury. Either party may appeal the circuit court's decision in the same manner that other civil cases may be appealed. *(Department of Local Government Finance; 50 IAC 4.2-11.1-3; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-4 Industrial waste control facility; action on exemption claim treated as assessment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-10-14

Sec. 4. The action taken by a township assessor, if any, or county assessor on an exemption claim filed under section 4 of this rule shall be treated as an assessment of personal property. Thus, the assessor's action is subject to all the provisions of this article pertaining to notice, review, or appeal of personal property assessments. *(Department of Local Government Finance; 50 IAC 4.2-11.1-4; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-5 Waiver of exemption

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-11-1

Sec. 5. An exemption is a privilege which may be waived by a person who owns property that would qualify for the exemption. If the owner does not comply with the statutory procedures for obtaining an exemption, it waives the exemption. If the exemption is waived, the property is subject to taxation (IC 6-1.1-11-1). *(Department of Local Government Finance; 50 IAC 4.2-11.1-5; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-6 Personal property in economic revitalization area; schedule; filing requirements; township assessor or county assessor review; change in property ownership; appeal

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1

Sec. 6. (a) A taxpayer must file Form 103-ERA with the taxpayer's personal property return with the township assessor, if any, or county assessor in which the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment is located. Except as provided in subsection (d), the deduction is applied in the amount claimed in the Form 103-ERA that a person files with:

(1) a timely personal property return under IC 6-1.1-3-7(a) or IC 6-1.1-3-7(b); or

(2) a timely amended personal property return under IC 6-1.1-3-7.5.

(b) The taxpayer must file an equipment list (Form 103-EL) in the first year that the equipment is claimed. The taxpayer must file a copy of the form SB-1/PP and the resolution granting the deduction from the designating body when required.

(c) Forms 103-ERA and CF-1/PP must be filed under this section in the year in which the new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment is installed and in each of the immediately succeeding years the deduction is allowed.

(d) The township assessor, if any, or the county assessor may:

(1) review the deduction schedule; and

(2) before the March 1 that next succeeds the assessment date for which the deduction is claimed, deny or alter the amount of the deduction. If the assessor does not deny the deduction, the county auditor shall apply the deduction in the amount claimed in the deduction schedule or in the amount as altered by the assessor. An assessor who denies a deduction under this subsection or alters the amount of the deduction shall notify the person that claimed the deduction and the county auditor of the assessor's action. The county auditor shall notify the designating body and the county property tax assessment board of appeals of all deductions applied under this section.

(e) If the ownership of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment changes, the deduction continues to apply to that equipment if the new owner:

(1) continues to use the equipment in compliance with any standards established; and

(2) files Form 103-ERA required by this section.

(f) The amount of the deduction for the new owner is the percentage that would have applied if the ownership of the property had not changed multiplied by the current assessed value of the equipment for the year the deduction is claimed by the new owner.

(g) A person may appeal a determination of the assessor under subsection (d) to deny or alter the amount of the deduction by requesting in writing a preliminary conference with the assessor not more than forty-five (45) days after the assessor gives the person notice of the determination. Except as provided in subsection (i), an appeal initiated under this subsection is processed and determined in the same manner that an appeal is processed and determined under IC 6-1.1-15.

(h) In the event of noncompliance with the requirements set forth in IC 6-1.1-12.1-11.3(a) for a taxpayer to receive the deduction, a designating body may by resolution waive noncompliance described under IC 6-1.1-12.1-11.3(a) under the terms and conditions specified in the resolution. Before adopting a waiver, the designating body shall conduct a public hearing on the waiver.

(i) The county assessor is recused from any action the county property tax assessment board of appeals takes with respect to an appeal under subsection (g) of a determination by the county assessor. *(Department of Local Government Finance; 50 IAC 4.2-11.1-6; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-7 Waiver of noncompliance

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-12.1

Sec. 7. (a) This section applies only to the following requirements:

(1) Failure to provide the completed statement of benefits form to the designating body before the hearing required by IC 6-1.1-12.1-2.5(c).

(2) Failure to submit the completed statement of benefits form to the designating body before the:

(A) initiation of the redevelopment or rehabilitation;

(B) installation of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment; or

(C) occupation of an eligible vacant building;

for which the person desires to claim a deduction under IC 6-1.1-12.1.

(3) Failure to designate an area as an economic revitalization area before the initiation of the:

(A) redevelopment;

(B) installation of new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment;

(C) rehabilitation; or

(D) occupation of an eligible vacant building;

for which the person desires to claim a deduction under IC 6-1.1-12.1.

(4) Failure to make the required findings of fact before designating an area as an economic revitalization area or authorizing a deduction for new manufacturing equipment, new research and development equipment, new logistical distribution equipment, or new information technology equipment under IC 6-1.1-12.1-2, IC 6-1.1-12.1-3, IC 6-1.1-12.1-4.5, or IC 6-1.1-12.1-4.8.

(5) Failure to file a:

(A) timely; or

(B) complete;

deduction application under IC 6-1.1-12.1-5, IC 6-1.1-12.1-5.3, or IC 6-1.1-12.1-5.4.

(b) This section does not grant a designating body the authority to exempt a person from filing a statement of benefits or exempt a designating body from making findings of fact.

(c) A designating body may by resolution waive noncompliance described under subsection (a) under the terms and conditions specified in the resolution. Before adopting a waiver under this subsection, the designating body shall conduct a public hearing on the waiver. *(Department of Local Government Finance; 50 IAC 4.2-11.1-7; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-8 Enterprise zone investment deduction primary definitions

Authority: IC 6-1.1-31-1
Affected: IC 5-28-15; IC 6-1.1

Sec. 8. (a) "Base year assessed value" equals the total assessed value of the personal property assessed at an enterprise zone location on the assessment date in the calendar year immediately preceding the calendar year in which a taxpayer makes a qualified investment with respect to the enterprise zone location.

(b) "Enterprise zone location" means a lot, parcel, or tract of land located in an enterprise zone created under IC 5-28-15.

(c) "Qualified personal property investment" means the purchase of new manufacturing or production equipment and/or the costs associated with retooling existing machinery. *(Department of Local Government Finance; 50 IAC 4.2-11.1-8; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-9 Enterprise zone investment deduction filing requirements; extension of time to file; late filings

Authority: IC 6-1.1-31-1
Affected: IC 5-28-15-13; IC 6-1.1-45

Sec. 9. (a) A taxpayer that desires to claim the deduction for a particular year shall file the Form EZ-2 with the county auditor before May 15 of the assessment year to obtain the deduction. A copy of the taxpayer's business personal property tax return for the same assessment date must be attached to the Form EZ-2.

(b) The county auditor may grant a taxpayer an extension of not more than thirty (30) days to file the Form EZ-2 if the taxpayer submits a written application before May 15 and provides a sufficient reason for the request.

(c) If a taxpayer fails to file a timely or complete deduction application, the deduction would not be granted for the subject year unless an urban enterprise association created under IC 5-28-15-13 conducts a public hearing and adopts a resolution to waive the failure to timely file or complete the deduction application. *(Department of Local Government Finance; 50 IAC 4.2-11.1-9; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-11.1-10 Amount of enterprise zone investment deduction

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45

Sec. 10. The amount of the deduction is equal to the remainder of:

(1) the total amount of the assessed value of the taxpayer's enterprise zone personal property on a particular assessment date; minus

(2) the total amount of the base year assessed value.

(Department of Local Government Finance; 50 IAC 4.2-11.1-10; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-11.1-11 Review and appeal procedures for enterprise zone investment deduction

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-45

Sec. 11. (a) The county auditor shall review the deduction claimed by the taxpayer and shall notify the taxpayer of the determination on the deduction before August 15 of the year in which the Form EZ-2/PP is filed.

(b) A taxpayer may appeal the determination of the county auditor by filing a complaint in the office of the clerk of the circuit or superior court not later than forty-five (45) days after the county auditor gives notice of the determination. *(Department of Local Government Finance; 50 IAC 4.2-11.1-11; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 12. Deductions, Exemptions, and Credits for Inventory (Repealed)

(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 13. Tax Abatement Provisions; New Manufacturing Equipment in Approved Economic Revitalization Areas or Maritime Opportunity District (Repealed)

(Repealed by Department of Local Government Finance; filed Feb 8, 1996, 5:30 p.m.: 19 IR 1300)

Rule 14. Principal Business Activity Codes

50 IAC 4.2-14-1 Principal business activity codes (Repealed)

Sec. 1. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-14-2 Principal business activity codes
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 2. (a) This section prescribes the use of the principal business activities and their associated six-digit codes based upon the North American Industry Classification System (NAICS), and used on a taxpayer's federal tax return.

(b) It is a requirement that each taxpayer determine the business activity and the associated six-digit activity code referenced in subsection (a) and enter it on the front page of the Form 102, Form 103-Short, Form 103-Long, and Form 103-SR in the box titled "principal business activity code". *(Department of Local Government Finance; 50 IAC 4.2-14-2; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

Rule 15. Prescribed Methods of Valuation; Specific Types of Property

50 IAC 4.2-15-1 Subjects covered; incorporation of "directives"; availability
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 1. The following summarizes the remaining sections of this rule:

50 IAC 4.2-15-4	Assessment of servicemen for personal property
50 IAC 4.2-15-7	Assessment of refined petroleum products, marketing equipment, crude oil, and natural gas at wellhead
50 IAC 4.2-15-8	Assessment of leased data processing equipment
50 IAC 4.2-15-14	Present value of personal property leases

(Department of Local Government Finance; 50 IAC 4.2-15-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 888, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-15-2 Assessment of boats, motors, boat trailers, campers, camping trailers, travel trailers, pick-up truck campers, fold down campers, snowmobiles, off-road vehicles, self-propelled motor homes, nonfactory produced units (homemade), antique cars, and aircraft (Repealed)

Sec. 2. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-3 Penalty provisions which apply to Form 101, Individual's Tangible Personal Property Return, place of assessment, and evidence of filing (Repealed)

Sec. 3. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-4 Assessment of servicemen for personal property
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-31; IC 6-1.1-37-7

Sec. 4. (a) This section clarifies the liability of persons in the military or naval service for assessment and payment of personal property taxes in the state of Indiana. The Federal Soldiers' and Sailors' Civil Relief Act, as found in 50 U.S.C.A. Appendix, Section 574, provides as follows:

"(1) For the purposes of taxation in respect of any person, or of his personal property, income, or gross income, by any State, Territory, possession, or political subdivision of any of the foregoing, or by the District of Columbia, such person shall not be deemed to have lost a residence or domicile in any State, Territory, possession, or political subdivision of any of the foregoing, or in the District of Columbia, solely by reason of being absent therefrom in compliance with military or naval orders, or to have acquired a residence or domicile in, or to have become a resident in or a resident of, any other State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia, while, and solely by reason of being, so absent. For the purposes of taxation in respect of the personal property, income or gross income of any such person by any State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia, of which such person is not a resident or in which he is not domiciled, compensation for military and naval service shall not be deemed income for services performed within, or from sources within, such State, Territory, possession, political subdivision, or District, and personal property shall not be deemed to be located or present in or to have a situs for taxation in such State, Territory, possession, political subdivision, or District. Where the owner of personal property is absent from his residence or domicile solely by reason of compliance with military or naval orders, this section applies with respect to personal property, or use thereof, within any tax jurisdiction other than such place of residence or domicile, regardless of where the owner may be serving in compliance with such orders: Provided, That nothing contained in this section shall prevent taxation by any State, Territory, possession, or political subdivision of any of the foregoing, or the District of Columbia in respect of personal property used in or arising from a trade or business, if it otherwise has jurisdiction. This section shall be effective as of September 8, 1939, except that it shall not require the crediting or refunding of any tax paid prior to October 6, 1942."

The purpose thereof was to protect servicemen from having to pay taxes to states in which they were serving pursuant to military order, which state was not the state of residence by choice of the serviceman.

(b) Indiana law does not provide an exemption from tax liability with respect to servicemen who are residents of Indiana but rather provides that all personal property shall be assessed to the owner in the township, town, or city which is that of his residence on the first day of March each year.

(c) Mobile homes, if classified and assessed pursuant to 50 IAC 3.1 for Assessment of Mobile Homes (Regulation 13) and when owned by a serviceman who is a nonresident of Indiana, on duty in Indiana pursuant to military or naval orders, such mobile home is exempt from taxation by the state of Indiana even though physically located in this state, pursuant to the Soldiers' and Sailors' Civil Relief Act. Based upon the foregoing, we are summarizing below the effect of the Soldiers' and Sailors' Civil Relief Act and the laws of the state of Indiana upon the assessment and payment of taxes by a serviceman in the state of Indiana:

(1) Any serviceman who is a resident of another state, but who is temporarily stationed in Indiana pursuant to military or naval orders, is exempt from assessment and payment of personal property taxes in this state, except that used in a trade or business. However, the burden of proof is upon the serviceman and he should exhibit to the assessor evidence of the fact that he is a legal resident of another state. This evidence may be either a statement from the commanding officer, copy of orders to report for active duty, official military personnel identification card, or any other document which would disclose the place of the serviceman's residence or domicile to be other than Indiana.

(2) Personal property located in Indiana belonging to a nonresident serviceman, not used in trade or business, is exempt from assessment and taxation even though such is left with his wife, dependents, or others, in those situations in which he has been transferred to another state or overseas pursuant to military order.

(3) The exemption under subdivisions (1) and (2) would also extend to a mobile home of any nonresident serviceman.

(4) The above exemptions do not extend to personal property used in or arising from a trade or business, in which case a nonresident serviceman is subject to assessment therefore in the same manner as an Indiana resident.

(5) Any serviceman who is a legal resident of the state of Indiana is subject to assessment in this state.

(6) By the provisions of IC 6-1.1-37-7, the penalties for failure to file an assessment return shall not be applicable to any person, or the dependents of any person, in the military or naval forces of the United States on the assessment date covered by the provisions of the Federal Soldiers' and Sailors' Civil Relief Act.

(Department of Local Government Finance; 50 IAC 4.2-15-4; filed Dec 7, 1988, 9:35 a.m.: 12 IR 892, eff Mar 1, 1989; reinstated

by IC 6-1.1-3-22, eff Jul 1, 2003)

50 IAC 4.2-15-5 Assessment of grain in storage (Repealed)

Sec. 5. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-6 Assessment of farm commodities and livestock (Repealed)

Sec. 6. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-7 Assessment of marketing equipment of refined petroleum products

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 7. (a) Under 50 IAC 4.2-7-1, the following procedures will be utilized by the department to determine the prices to be used for the assessment of certain marketing equipment of petroleum products.

(b) Under 50 IAC 4.2-7-2, the department has determined in order to provide for a uniform method of assessment as set out in 50 IAC 4.2-4-5 and to obtain equalization in the assessment of petroleum industry marketing facilities, the department establishes the useful life of all tangible personal property used in the marketing of petroleum products as being twelve (12) years with all such property being segregated into Pool No. 3 for Indiana property tax purposes. *(Department of Local Government Finance; 50 IAC 4.2-15-7; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-8 Assessment of leased data processing equipment

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3

Sec. 8. (a) In recognition of the fact that certain intangible charges may be included in the base year value of the subject equipment, the board has authorized the following adjustment procedure:

(1) Base year value for leased data processing equipment shall be the current commercial published selling price for new equipment.

(2) If the current selling price as defined in subdivision (1) includes charges for one (1) or more of the following customer support services, such charges shall be allowable as an adjustment to base year value in Column B, Form 103 (50 IAC 4.2-2-9), to the extent that such charges can be segregated from the total selling price, supported by adequate records and such adjustments clearly shown on Form 106 (50 IAC 4.2-2-9). Customer support services shall be limited to the following:

(A) Educational services. Training and instruction in the use of electronic data processing equipment provided to the user thereof, such as on-site education, classroom instruction, and educational publications.

(B) Maintenance. This would be tests, measurements, replacements, adjustments, and repairs intended to keep data processing equipment in satisfactory working condition.

(C) Application software. The application program is a written sequence of instructions that details the operations the equipment is to perform in order to achieve a specific objective of the user.

Any adjustment for the above enumerated purposes must be factually documented by the taxpayer and shall not exceed ten percent (10%) of the total base year valuation of subject equipment.

(b) If there is a question as to the qualification of certain items under this section, the taxpayer may request an administrative adjudication determination pursuant to the provisions of 50 IAC 4.2-1-6. The department will review each request and issue its determination based upon the facts and evidence submitted by the taxpayer. *(Department of Local Government Finance; 50 IAC 4.2-15-8; filed Dec 7, 1988, 9:35 a.m.: 12 IR 895, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010,*

2:43 p.m.: 20100324-IR-050090576FRA)

50 IAC 4.2-15-9 Assessability of state and federal taxes on liquor, wine, beer, and cigarettes including goods held in bonded warehouse (Repealed)

Sec. 9. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-10 Assessment of used equipment, appliances, vehicles, and other tangible personal property (Repealed)

Sec. 10. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-11 Reporting requirements and disclosure of information (Repealed)

Sec. 11. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-12 Assessment of outdoor advertising signs (Repealed)

Sec. 12. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-13 Assessment of interstate motor truck carriers under the international registration program (Repealed)

Sec. 13. *(Repealed by Department of Local Government Finance; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)*

50 IAC 4.2-15-14 Present value of personal property leases

Authority: IC 6-1.1-31-1
Affected: IC 6-1-1-3

Sec. 14. Pursuant to 50 IAC 4.2-8-7(d), the department has prescribed the following for the computation of the present value of leased personal property:

(1) If ownership of the property is transferred to the lessee (or may transfer if one (1) of the parties exercises an option) at or before the end of the lease, the term of the lease shall be the term used for computation of the present value.

(2) If title to the property is not transferred to the lessee, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(3) If the length of the lease is not specific, the prescribed federal tax depreciable life of the asset at the inception of the lease shall be the term for computing the present value.

(4) If the lease contains a "balloon" or "bubble" payment, such payment must be included in the present value computation. A "balloon" or "bubble" payment is a lump sum payment scheduled at the inception of, during, or at the conclusion of the lease.

(5) If the lease indicates the rate of interest included in the payments, such rate shall be used for computing the present value.

(6) If no interest rate is stated in the lease, the rate to be used in the computation shall be the prime commercial bank loan rate on the March 1 nearest to the inception of the lease. The interest rates to be used for March 1 of certain years are as follows:

Year	Interest Rate	Year	Interest Rate
2009	3.25%	2003	4.25%
2008	6.00%	2002	4.75%
2007	8.25%	2001	8.50%
2006	7.50%	2000	8.75%
2005	5.50%	1999	7.75%
2004	4.00%	1998	8.50%

The department shall publish subsequent rates annually.

(7) If the amount of any payment or payments (including balloon payments) is not known at the inception of the lease, the present value of the lease payments cannot be computed and therefore may not be used as the base year value for personal property tax reporting purposes.

(8) If the present value computed in accordance with this section does not result in a reasonable valuation when other facts and circumstances are considered, the computed present value may not be used as the base year value.

(Department of Local Government Finance; 50 IAC 4.2-15-14; filed Dec 7, 1988, 9:35 a.m.: 12 IR 906, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003; filed Feb 26, 2010, 2:43 p.m.: 20100324-IR-050090576FRA)

Rule 16. Severability

50 IAC 4.2-16-1 Severability

Authority: IC 6-1.1-31-1
Affected: IC 1-1-1-8

Sec. 1. If any section or part of any rule of this article or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the other sections, parts, or applications of this article which can be given effect without the invalid section of any rule; and to this end the provisions of this article are severable. *(Department of Local Government Finance; 50 IAC 4.2-16-1; filed Dec 7, 1988, 9:35 a.m.: 12 IR 907, eff Mar 1, 1989; reinstated by IC 6-1.1-3-22, eff Jul 1, 2003)*

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