TITLE 50 STATE BOARD OF TAX COMMISSIONERS

Proposed Rule
LSA Document #01-347

DIGEST

Adds 50 IAC 5.2 for the assessment of public utility owned property. Repeals 50 IAC 5.1. Partially effective 30 days after filing with the secretary of state and partially effective March 1, 2002.

50 IAC 5.1
50 IAC 5.2

SECTION 1. 50 IAC 5.2 IS ADDED TO READ AS FOLLOWS:

ARTICLE 5.2. PUBLIC UTILITY ASSESSMENT

Rule 1. Definitions

50 IAC 5.2-1-1 Applicability
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 1. Unless otherwise indicated, the definitions contained in 50 IAC 4.3-1-1 also apply to this article. However, if a definition in 50 IAC 4.3-1-1 conflicts with a definition contained in this article, the definition under this article controls with respect to the assessment and taxation of public utility property. The definitions in this rule apply throughout this article. (State Board of Tax Commissioners; 50 IAC 5.2-1-1)

50 IAC 5.2-1-2 “Annual report” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-19

Sec. 2. “Annual report” means the statement required by IC 6-1.1-8-19. (State Board of Tax Commissioners; 50 IAC 5.2-1-2)

50 IAC 5.2-1-3 “Base year value” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 3. (a) The base year value of the leased property, plus freight and installation costs, must be used in determining the value of leased personal property subject to assessment.

(b) “Base year value” means the dollar amount that a willing buyer would pay the owner in an arm’s-length transaction to acquire the personal property encumbered by the lease at the beginning of the lease term.

(c) For purposes of applying this definition to a specific situation, “base year value” shall be computed in the following order of preference:
   (1) The alternative acquisition cost, which is the amount stated in the lease the lessee would have had to pay to purchase the leased property instead of leasing it. This will be deemed to be the base year value, provided that the local assessor or state board does not determine that such amount is not reflective of the market value.
of the leased property.
(2) The factory delivered price for the personal property subject to the lease plus freight, installation costs, and a profit factor.
(3) The present value of the lease payments at the inception of the lease computed in accordance with 50 IAC 5.2-10.
(4) The insurable value in the year the lease was first consummated.
(5) The capitalized value of the annual lease payments over the term of the lease.

(d) If the state board issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to this article, such prescribed value shall be the base year value of the property. (State Board of Tax Commissioners; 50 IAC 5.2-1-3)

50 IAC 5.2-1-4 “Bridge company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 4. “Bridge company” means a company that owns or operates a toll bridge or an approach or facility operated in connection with a toll bridge. (State Board of Tax Commissioners; 50 IAC 5.2-1-4)

50 IAC 5.2-1-5 “Bus company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 5. “Bus company” means a company (other than a street railway company) that is principally engaged in the business of transporting persons, for hire, by bus on regularly scheduled routes in or through two (2) or more townships of this state. The term does not include a company that exclusively operates charter buses, which do not have scheduled routes. (State Board of Tax Commissioners; 50 IAC 5.2-1-5)

50 IAC 5.2-1-6 “Capital lease” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 6. “Capital lease” means a financing instrument and 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:
(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 that 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.
In addition, the leases are or should be capitalized by the lessee for federal income tax purposes. (State Board of Tax Commissioners; 50 IAC 5.2-1-6)

50 IAC 5.2-1-7 “Construction in process” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 7. “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. It does not include inventory, leased property, or returnable containers. (State Board of Tax Commissioners; 50 IAC 5.2-1-7)

50 IAC 5.2-1-8 “Definite situs” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2
Sec. 8. “Definite situs” means the location where property is regularly used or permanently located within one taxing district. *(State Board of Tax Commissioners; 50 IAC 5.2-1-8)*

50 IAC 5.2-1-9 “Distributable property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 9. “Distributable property” means property owned or used by a public utility company that is not locally assessed real property or locally assessed personal property. Distributable property is that property used to furnish the public utility service. It consists of the public utility company’s transportation system, production plant, transmission system, distribution system, and right-of-way. The state board shall distribute the assessed value of such property to the appropriate taxing district. *(State Board of Tax Commissioners; 50 IAC 5.2-1-9)*

50 IAC 5.2-1-10 “Express company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 10. “Express company” means a company that:
(1) is engaged in the business of transporting property by land, air, or water; and
(2) does not itself operate the vehicles (except for terminal pickup and delivery vehicles) of transportation. *(State Board of Tax Commissioners; 50 IAC 5.2-1-10)*

50 IAC 5.2-1-11 “Fixed property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 11. “Fixed property” means property that is assessed by an assessing official in the taxing district where it is located. The term may include both locally assessed personal property and locally assessed real property. Fixed property is also known as locally assessed property. *(State Board of Tax Commissioners; 50 IAC 5.2-1-11)*

50 IAC 5.2-1-12 “Inventory” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-11; IC 6-1.1-8-2

Sec. 12. “Inventory” means the following:
(1) Property defined under IC 6-1.1-3-11, and includes the aggregate of those elements of cost incurred to acquire or produce items of tangible personal property as defined in 50 IAC 4.3-1-1(11), that are:
   (A) held for sale in the ordinary course of business;
   (B) currently in the process of production for subsequent sale;
   (C) ultimately to be consumed in the production of the goods or services to be available for sale;
   (D) used in marketing or distribution activities; or
   (E) critical spare parts.
(2) The term includes the following:
   (A) Goods or commodities awaiting sale, which include, but are not limited to, the following:
      (i) The merchandise of a retail or wholesale concern.
      (ii) The finished goods of a manufacturer.
      (iii) Commodities from farms, mines, and quarries.
      (iv) Goods that are used or trade-in merchandise and byproducts of a manufacturer.
   (B) 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.
   (C) 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, the following:
      (i) Raw materials.
      (ii) Supplies.
      (iii) Repair parts.
(iv) Critical spare parts.
(v) Expendable tools.
(vi) Samples.
(D) To the extent that critical spare parts are depreciated for federal tax purposes, they shall be treated as such and subject to 50 IAC 5.2-6.

(State Board of Tax Commissioners; 50 IAC 5.2-1-12)

50 IAC 5.2-1-13 “Leased property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 13. “Leased property” means those units of tangible personal property defined in 50 IAC 4.3-1-1(11), excluding inventory and returnable containers as defined in 50 IAC 4.3-1-1(7) and 50 IAC 4.3-6-3, 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. The term includes, but is not limited to:
(1) business machines;
(2) postage meters;
(3) machinery;
(4) equipment;
(5) furniture;
(6) fixtures;
(7) coin-operated devices;
(8) tools;
(9) burglar alarms;
(10) signs and other advertising devices; and
(11) motor vehicles;
to the extent taxable as personal property that 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. (State Board of Tax Commissioners; 50 IAC 5.2-1-13)

50 IAC 5.2-1-14 “Light, heat, or power company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 14. “Light, heat, or power company” means a company that is engaged in the business of furnishing light, heat, or power by electricity, gas, or steam. Light, heat, and power companies may be:
(1) investor-owned electric and steam heat companies;
(2) rural electric membership corporations or cooperatives; or
(3) natural gas distribution companies.
(State Board of Tax Commissioners; 50 IAC 5.2-1-14)

50 IAC 5.2-1-15 “Locally assessed personal property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 15. “Locally assessed personal property” means tangible personal property owned or used by the public utility company (except for a railroad company) that is not used as part of the company’s production plant, transmission system, or distribution system. For a railroad company, “locally assessed personal property” means tangible personal property owned or used by the railroad company that is not used in the operation of the railroad. (State Board of Tax Commissioners; 50 IAC 5.2-1-15)

50 IAC 5.2-1-16 “Locally assessed property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 16. “Locally assessed property” means property that is assessed by an assessing official in the taxing
district where it is located. The term includes both locally assessed personal property and locally assessed real property. Locally assessed property is also known as fixed property. (State Board of Tax Commissioners; 50 IAC 5.2-1-16)

50 IAC 5.2-1-17 “Locally assessed real property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 17. “Locally assessed real property” means fixed real property owned or used by a public utility company that is assessed by an assessing official in the taxing district where it is located. Real property may include both land and improvements. It does not include the right-of-way of a public utility company. For a railroad company, it includes the right-of-way land and buildings leased to commercial tenants, the land adjoining the right-of-way devoted to industrial parks, any abandoned right-of-way, and railroad land and buildings not being used for railroad operations. (State Board of Tax Commissioners; 50 IAC 5.2-1-17)

50 IAC 5.2-1-18 “Materials and supplies” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 18. “Materials and supplies” shall have the meaning set forth in 50 IAC 4.3-1-1(7)(B)(iii). (State Board of Tax Commissioners; 50 IAC 5.2-1-18)

50 IAC 5.2-1-19 “Operating lease” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 19. “Operating lease” means a lease other than a capital lease. (State Board of Tax Commissioners; 50 IAC 5.2-1-19)

50 IAC 5.2-1-20 “Original return” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 20. “Original return” means a return filed with the state board by the statutory due date, or if an extension is granted, the extended filing date. (State Board of Tax Commissioners; 50 IAC 5.2-1-20)

50 IAC 5.2-1-21 “Pipeline company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 21. “Pipeline company” means a company that is engaged in the business of transporting or transmitting any gas or fluid (except water) through pipes. (State Board of Tax Commissioners; 50 IAC 5.2-1-21)

50 IAC 5.2-1-22 “Public utility company” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 22. “Public utility company” means a company that is subject to taxation under IC 6-1.1-8 regardless of whether the company is operated by an individual, a partnership, an association, a corporation, a fiduciary, or any other entity. (State Board of Tax Commissioners; 50 IAC 5.2-1-22)

50 IAC 5.2-1-23 “Public utility property” defined
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 23. “Public utility property” means property owned or used by a public utility company. (State Board of Tax Commissioners; 50 IAC 5.2-1-23)
50 IAC 5.2-1-24  “Railroad car company” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 24. “Railroad car company” means a company (other than a railroad company) which owns or operates cars for the transportation of property on railroads. (State Board of Tax Commissioners; 50 IAC 5.2-1-24)

50 IAC 5.2-1-25  “Railroad company” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 25. “Railroad company” means a company that owns or operates:
(1) a steam or electric railroad;
(2) a suburban or interurban railroad;
(3) a switching or terminal railroad;
(4) a railroad station, track, or bridge; or
(5) a facility that is part of a railroad system.  (State Board of Tax Commissioners; 50 IAC 5.2-1-25)

50 IAC 5.2-1-26  “Returnable containers” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 26. “Returnable containers” means those reusable items of tangible personal property which are used to package inventory or other property while in transit. Returnable containers include, but are not limited to, cooperage, skids, bottles, cases, and other reusable packaging devices. (State Board of Tax Commissioners; 50 IAC 5.2-1-26)

50 IAC 5.2-1-27  “Sewage company” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 27. “Sewage company” means a company that is engaged in the business of operating a sewage system or a sewage treatment plant. (State Board of Tax Commissioners; 50 IAC 5.2-1-27)

50 IAC 5.2-1-28  “Sleeping car company” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 28. “Sleeping car company” means a company (other than a railroad company) that owns or operates cars for the transportation of passengers on railroads. (State Board of Tax Commissioners; 50 IAC 5.2-1-28)

50 IAC 5.2-1-29  “State board” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 29. “State board” means the state board of tax commissioners. (State Board of Tax Commissioners; 50 IAC 5.2-1-29)

50 IAC 5.2-1-30  “Street railway company” defined
Authority:  IC 6-1.1-31-1
Affected:  IC 6-1.1-8-2

Sec. 30. “Street railway company” means a company which owns or operates a passenger transportation business principally within one (1) or more municipalities regardless of whether the transportation vehicles operate on tracks, by means of electric power transmitted through wires, or by means of automotive equipment. (State Board of Tax Commissioners; 50 IAC 5.2-1-30)
“System” defined

Sec. 31. “System” means all property owned or used by a public utility company or companies and operated as one (1) unit in furnishing a public utility service. The term does not include generating facilities collectively owned by multiple Rural Electric Membership Corporations (REMC) and the controlling REMC’s individually owned transmission facilities. (State Board of Tax Commissioners; 50 IAC 5.2-1-31)

“Telephone, telegraph, or cable company” defined

Sec. 32. “Telephone, telegraph, or cable company” means a company that is principally engaged in the business of communicating by electrical transmission, including the following:

1. Cellular telephone companies.
2. Local exchange telephone companies.
3. Interexchange companies.
4. Long distance companies.
5. Radio-telephone companies.
6. Paging services.

The term does not include a cable television company, tower leasing company, or a company owning fiber optic cable that is not being used by the owner to communicate by electrical transmission. (State Board of Tax Commissioners; 50 IAC 5.2-1-32)

“Tunnel company” defined

Sec. 33. “Tunnel company” means a company which owns or operates a toll tunnel. (State Board of Tax Commissioners; 50 IAC 5.2-1-33)

“Unit value” defined

Sec. 34. “Unit value” means the total value of all of the property of a public utility company determined under this article (including all leased property used by the company). (State Board of Tax Commissioners; 50 IAC 5.2-1-34)

“Water distribution company” defined

Sec. 35. “Water distribution company” means a company that is engaged in the business of selling or distributing water by pipe, main, canal, or ditch. (State Board of Tax Commissioners; 50 IAC 5.2-1-35)

Rule 2. Introduction; Companies Subject to Assessment

Sec. 1. (a) The purpose of this rule is to provide rules for the assessment of public utility property. This rule applies to all public utility companies.
(b) Under IC 6-1.1-8, the state board makes an annual assessment of each public utility company.

(c) The valuation made by the state board includes all real, personal, and distributable property of the public utility company, wherever located. The value of locally assessed real and personal property is deducted from the unit valuation to calculate the value of distributable property. The state board subtracts the value of locally assessed property, as reported by the county assessor from the unit valuation. The state board allocates the remainder, the distributable property, to the various taxing districts. (*State Board of Tax Commissioners; 50 IAC 5.2-2-1*)

50 IAC 5.2-2-2 Property subject to assessment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 2. The property owned or used by a public utility company is subject to assessment according to this rule. Property that is used by the public utility company under an agreement whereby the public utility company exercises the beneficial rights of ownership for a major part of a year is assessed to the public utility company. Leased property may be subject to assessment to the public utility company, see 50 IAC 5.2-10. (*State Board of Tax Commissioners; 50 IAC 5.2-2-2*)

50 IAC 5.2-2-3 Companies subject to assessment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 3. Except as provided in section 4 of this rule, the following companies are subject to assessment as public utility companies under this article:

(1) A company engaged in the business of transporting persons or property, including:
   (A) bus companies;
   (B) express companies;
   (C) pipeline companies;
   (D) railroad companies;
   (E) railroad car companies;
   (F) sleeping car companies;
   (G) street railway companies; and
   (H) tunnel companies.

(2) A company engaged in the business of selling or distributing electricity, gas, steam, or water.

(3) A company engaged in the business of transmitting messages for the general public by wire, airwaves, fiber optic, or similar media.

(4) A company engaged in the business of operating a sewage system or a sewage treatment plant. (*State Board of Tax Commissioners; 50 IAC 5.2-2-3*)

50 IAC 5.2-2-4 Companies excluded

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 4. The following companies are not subject to assessment as public utility companies under this article:

(1) Aviation companies.

(2) Broadcasting companies, including radio and television broadcasting companies and cable television companies.

(3) Water transportation companies.

(4) Companies that are operated by a municipality or a municipal corporation, except those utility companies owned or held in trust by a first class city. (*State Board of Tax Commissioners; 50 IAC 5.2-2-4*)

Rule 3. Reporting Requirements

50 IAC 5.2-3-1 Who must file
Sec. 1. (a) Each year a public utility company shall file an annual report with the state board concerning the value and description of the property that is either owned or used by the public utility company.

(b) In completing a report or statement, a public utility company shall make a complete disclosure of all information, required by the state board, that is related to the value, nature, and location of property that the public utility company:
   (1) owned; or
   (2) held, possessed, controlled, or occupied.

(c) The public utility company shall certify the truth of all information appearing in the report or statement and all data accompanying the report or statement. (State Board of Tax Commissioners; 50 IAC 5.2-3-1)

50 IAC 5.2-3-2 What to file; annual report to state board
Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19; IC 6-1.1-8-21

Sec. 2. (a) The state board has designated Form UD-45, Annual Report of Public Utility Company, as the annual report to be filed with the state board by all public utility companies, other than railroad companies and railroad car companies.

(b) Railroad companies shall annually file Form UD-32, Annual Report of Railroad Company, with the state board.

(c) Railroad car companies shall annually file Form RC-1, Railcar Tax Report, with the state board.

(d) Along with the required filings listed in subsections (a) and (b), a public utility, including railroad companies shall submit to the state board information requested by the state board, including:
   (1) the most recent financial statements;
   (2) information concerning depreciation records; and
   (3) the most recent annual report to shareholders or members;
   to the extent that such reports, records, or statements exist.

(e) Railroad companies shall also submit to the state board the Interstate Commerce Commission Form R-1, if the railroad company is required to file Form R-1 with the Interstate Commerce Commission.

(f) A public utility company may submit a substitute computer or machine generated annual report form or schedule that is a part of the annual report, in lieu of using the actual annual report form or schedule, provided that the report or schedule:
   (1) contains all of the required information as set forth in the actual report or schedule;
   (2) properly and clearly identifies the report or schedule being substituted; and
   (3) is approved by the state board under 50 IAC 4.3-1-6 prior to its use. (State Board of Tax Commissioners; 50 IAC 5.2-3-2)

50 IAC 5.2-3-3 What to file; local reporting requirement
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-23

Sec. 3. (a) In addition to Form UD-45, public utility companies shall also file Form 1, Annual Return of Local Personal Property, with the assessor of each township in which the public utility company’s locally assessed personal property is subject to assessment. If a public utility company has locally assessed personal property in two (2) or more taxing districts within the same township, the public utility company shall file a separate Form 1 reporting the locally assessed personal property in each taxing district.
(b) A substitute computer or machine generated Form 1 may be used in lieu of the actual Form 1, if such form is approved by the state board under 50 IAC 4.3-1-6 prior to its use. (State Board of Tax Commissioners; 50 IAC 5.2-3-3)

50 IAC 5.2-3-4 Time to file
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19

Sec. 4. (a) A public utility company, except a railroad car company, shall file its annual report with the state board on or before March 1 of each year unless a filing extension has been granted by the state board under section 6 of this rule.

(b) A railroad car company shall file its annual report with the state board on or before May 1 of each year unless a filing extension has been granted by the state board under section 6 of this rule.

(c) A public utility company shall also file Form 1, Annual Return of Local Personal Property, with the assessor of each township in which the public utility company’s locally assessed personal property is subject to assessment on or before March 1 of each year unless a filing extension has been granted by the state board under section 6 of this rule. (State Board of Tax Commissioners; 50 IAC 5.2-3-4)

50 IAC 5.2-3-5 Duty to file
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19

Sec. 5. (a) It is the responsibility of the public utility company to obtain the necessary report forms and timely file the required reports with the state board.

(b) The state board will furnish each public utility company with the appropriate forms to complete their respective annual reports. However, the obligation to file the required report is not diminished or affected by the failure of the state board to deliver or mail forms to the public utility company.

(c) It is also the responsibility of the public utility company to file the required report (Form 1) with each of the assessors of the townships in which the public utility company has locally assessed personal property subject to assessment. (State Board of Tax Commissioners; 50 IAC 5.2-3-5)

50 IAC 5.2-3-6 Extension of time
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19

Sec. 6. (a) The state board may extend the due date up to thirty (30) days for the forms identified under section 4 of this rule.

(b) An extension of the due date shall be considered by the state board if:
(1) the public utility company submits a written request for an extension at least fifteen (15) days prior to the due date; and
(2) the public utility company cannot file on or before the due date because of extraordinary and unusual circumstances.

(c) An extension granted by the state board under subsection (b) shall be in writing. A copy of the extension shall accompany the taxpayer’s annual report. (State Board of Tax Commissioners; 50 IAC 5.2-3-6)

50 IAC 5.2-3-7 Disclosure of information
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-3-9; IC 6-1.1-8-21

Sec. 7. (a) In completing the annual report, a public utility company shall make a complete disclosure of all
information required by the state board.

(b) A public utility company that holds, possesses, controls, or occupies property that it does not own must make a full disclosure of the not-owned property. The required information shall include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) as required by this article, and any other information requested. (See special instructions in 50 IAC 5.2-10-3 for reporting leased personal property.)

(c) Failure to properly disclose property that a public utility company holds, possesses, or controls shall result in the assessment of the property to the public utility company.

(d) Information is required to be submitted by the holder, possessor, or controller even if the owner is liable for the taxes under a contract to ensure that the assessing official has the necessary information to correctly assess the property in question. (State Board of Tax Commissioners; 50 IAC 5.2-3-7)

50 IAC 5.2-3-8 Penalty
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-8-20

Sec. 8. (a) If a public utility company does not file the annual report as required by this rule, the company will incur a penalty of one hundred dollars ($100) per day for each day that the annual report is late.

(b) An annual report is not considered to be complete unless the report contains the information required by the state board and is signed under the penalty for perjury by an authorized person. (State Board of Tax Commissioners; 50 IAC 5.2-3-8)

50 IAC 5.2-3-9 Amended returns
Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-3-9; IC 6-1.1-8-21

Sec. 9. (a) A taxpayer may file an amended return not more than six (6) months after the later of the following:
(1) If no extension was granted under section 6 of this rule, an amended return must be filed before September 1 of the year in which the original return was filed.
(2) If an extension was granted under section 6 of this rule, an amended return must be filed within six (6) months of the extended filing date.

(b) A taxpayer who files a return may file no more than one (1) amended return.

(c) In no case will a taxpayer be allowed to file an amended return if the original return was not filed timely or, in the case of an extension, by the extended filing date.

(d) A taxpayer must file the amended return on the same form prescribed by the state board for the filing of an original return, indicating that it is “amended” in a conspicuous place on the front of the return. The amended return must be completed and filed with the state board in the same manner as is required for the original return.

(e) Notwithstanding the provisions of this article, an amended return remains subject to the review and adjustment by the state board in the same manner as original returns. (State Board of Tax Commissioners; 50 IAC 5.2-3-9)

50 IAC 5.2-3-10 Authorized forms
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-2-4; IC 6-1.1-3-9; IC 6-1.1-8-21; IC 6-1.1-35-9

Sec. 10. (a) The state board is required by statute to adopt tax return forms and schedules for public utility
(b) The following are the authorized return forms and schedules for public utility assessment purposes pursuant to this article:

<table>
<thead>
<tr>
<th>Form #</th>
<th>Form Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC-1</td>
<td>Report of Railcar Tax</td>
</tr>
<tr>
<td>UD 32</td>
<td>Annual Report—Railroad Property</td>
</tr>
<tr>
<td>UD 45</td>
<td>Annual Report</td>
</tr>
<tr>
<td>A-3</td>
<td>Schedule for Air Pollution Control Equipment</td>
</tr>
<tr>
<td>A-4</td>
<td>Schedule for Water Pollution Control Equipment</td>
</tr>
<tr>
<td>A-5</td>
<td>REMC schedule (optional)</td>
</tr>
<tr>
<td>A-6</td>
<td>Schedule for Pipe Valuation</td>
</tr>
<tr>
<td>A-7</td>
<td>Schedule for Utility Distributable Property of Pipeline Companies</td>
</tr>
<tr>
<td>A-8</td>
<td>Schedule for Value of Buses and Tires</td>
</tr>
<tr>
<td>1</td>
<td>Tax Return—Fixed Personal Property of Public Utilities (locally assessed)</td>
</tr>
<tr>
<td>1-N</td>
<td>Information Return of Not Owned Locally Assessed Personal Property</td>
</tr>
</tbody>
</table>

(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 provided that the 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 state board.

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

<table>
<thead>
<tr>
<th>Form Number</th>
<th>Form Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11A</td>
<td>Notice of Tentative Assessment</td>
</tr>
<tr>
<td>34C</td>
<td>Certification by County Assessor (of railroad and public utility assessments)</td>
</tr>
<tr>
<td>34T</td>
<td>Certification by Township Assessor (of railroad and public utility assessments)</td>
</tr>
</tbody>
</table>

(e) Prescribed Forms RC-1, UD32, UD45, Form 1, and all attachments, together with any schedules or other information attached thereto, are confidential in that no local assessing official or employee or official of the state board shall disclose it to any person unless specifically authorized by law. For further information on confidentiality see IC 6-1.1-35-9.

(f) Public utility property is a self-assessment method of taxation requiring the taxpayer to complete the assessment return in accordance with the rules prescribed by the state board. The taxpayer is responsible for the accuracy of the information on the return and for assuring that it is a complete return that has been prepared in accordance with the law and rules of the state board. *(State Board of Tax Commissioners; 50 IAC 5.2-3-10)*

Rule 4. Assessment, Appeal, and Review

50 IAC 5.2-4-1 Tentative assessment
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Sec. 1. (a) Each year the state board shall determine the true tax value of the property of each public utility company. Except for railroad car companies, the state board shall determine the true tax value by first determining the value of each public utility company’s Indiana property. The value of the distributable property of a public utility company, other than a railroad car company, equals the remainder of:
   (1) the value of the company’s Indiana property; minus
   (2) the value of the company’s Indiana fixed property.

(b) The value of the distributable property of a railroad car company equals the unit value of all of the company’s distributable property multiplied by the allocation factor provided in IC 6-1.1-8-12(b).

(c) In order to determine the value of a public utility company, the state board may consider the following:
   (1) Book value.
   (2) The cost of replacement or reproduction, less depreciation.
   (3) The cost of establishing and developing the business.
   (4) The amount and market value or sales price of outstanding securities.
   (5) Valuations determined by another governmental agency or indicated by a judicial decision, including, but not limited to, determinations made for rate making purposes.
   (6) Statistics and reports prepared or filed by the company.
   (7) Statistics and reports prepared by another governmental agency or by a private organization if the organization is considered reliable by investors and investment dealers.
   (8) Earnings capitalized at a reasonable rate.
   (9) Any other information which the state board considers relevant.

(d) Except for railroad car companies, the state board shall notify each public utility company of its tentative assessment on or before June 1. The state board shall notify each railroad car company of its tentative assessment on or before September 1. 

50 IAC 5.2-4-2 Failure to file or disclose information
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-22

Sec. 2. (a) The state board shall assess the property of a public utility company based upon the information available to the state board if the public utility company does not:
   (1) file a statement which is required under 50 IAC 5.2-3-2;
   (2) permit the state board to examine the public utility company’s property, books, or records; or
   (3) comply with a summons issued by the state board.

(b) An assessment that is made by the state board under this section is final unless the public utility company establishes that the state board committed actual fraud in making the assessment. 

50 IAC 5.2-4-3 Notice; objection; hearings
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-22; IC 6-1.1-8-28

Sec. 3. (a) Each year the state board shall notify each public utility company of the state board’s tentative assessment of the company’s distributable property.

(b) The state board shall give the notice on or before September 1, in the case of railroad car companies, and shall give the notice on or before June 1, in the case of all other public utility companies.

(c) Within ten (10) days after a public utility company receives notice of the state board’s tentative assessment, the company may:
file with the state board its objections to the tentative assessment; and
(2) demand that the state board hold a hearing on the tentative assessment.

(d) If the public utility company does not file with the state board its objections to the tentative assessment within the time allowed, the tentative assessment is final and may not be appealed. (State Board of Tax Commissioners; 50 IAC 5.2-4-3)

50 IAC 5.2-4-4 Hearing; final assessment; notice
Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-29

Sec. 4. If a public utility company files its objections to, and demands a hearing on, a tentative assessment within the time allowed, the state board shall hold a hearing on the tentative assessment at a time and place fixed by the state board. After the hearing, if any, the state board shall make a final assessment of the company’s distributable property and shall notify the company of the final assessment. However, the state board must give notice of the final assessment before September 30, in the case of railroad car companies, and before June 30 in the case of all other public utility companies. (State Board of Tax Commissioners; 50 IAC 5.2-4-4)

50 IAC 5.2-4-5 Appeal of final assessment; Indiana board of tax review
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-30

Sec. 5. If a public utility company files its objections to the state board’s tentative assessment in the manner prescribed in section 4 of this rule, the company may appeal the state board’s final assessment of that property to the Indiana board of tax review. However, the company must initiate the appeal within twenty (20) days after the date of the notice of the state board’s final assessment. (State Board of Tax Commissioners; 50 IAC 5.2-4-5)

50 IAC 5.2-4-6 Appeal of final assessment; tax court
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-30

Sec. 6. The company may appeal the Indiana board’s final determination to the tax court. However, the company must:
(1) petition for judicial review; and
(2) mail to the county auditor of each county in which the public utility company’s distributable property is located:
   (A) a notice that the complaint was filed; and
   (B) instructions for obtaining a copy of the complaint.
(State Board of Tax Commissioners; 50 IAC 5.2-4-6)

50 IAC 5.2-4-7 Appeal of township assessor’s assessment of fixed property
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-33; IC 6-1.1-15

Sec. 7. A public utility company may appeal a township assessor’s assessment of locally assessed property in the manner provided in IC 6-1.1-15. (State Board of Tax Commissioners; 50 IAC 5.2-4-7)

50 IAC 5.2-4-8 Omitted property
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-39

Sec. 8. The annual assessments of a public utility company’s property are presumed to include all the company’s property that is subject to taxation. However, this presumption does not preclude the subsequent assessment of a specific item of tangible property that is clearly shown to have been omitted from the assessments for a particular year. The appropriate township assessor shall make assessments of omitted fixed property. The state board shall make assessments of omitted distributable property. However, the state board
may not assess omitted distributable property after the expiration of ten (10) years from the last day of the year in which the assessment should have been made. (State Board of Tax Commissioners; 50 IAC 5.2-4-8)

50 IAC 5.2-4-9 Return not on file
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-39

Sec. 9. If a public utility company owning, holding, possessing or controlling any property that is subject to taxation fails to file a return with the state board or township assessor, the appropriate township assessor shall make assessments of fixed property and the state board shall make assessments of distributable property. However, the state board and township assessor may not assess such distributable or fixed property after the expiration of ten (10) years from the last day of the year in which the assessment should have been made. (State Board of Tax Commissioners; 50 IAC 5.2-4-9)

50 IAC 5.2-4-10 Omitted property and return not on file; rate of assessment; interest
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-40

Sec. 10. When the state board assesses distributable property that was omitted from, or the taxpayer failed to file a return for, the assessment for a particular year, the state board shall assess such distributable property in the same manner that the state board assesses other distributable property. The taxes due on the distributable property shall be calculated by using the same tax rates that were applicable for the tax year that the distributable property was to be assessed. The public utility company shall pay interest on the taxes due on such distributable property at the rate of two percent (2%) per month or fraction of a month. The interest due shall be calculated on the period of time beginning with January 1 of the year following the year in which the property was to be assessed and ending with the day the taxes are paid. However, the state board may waive any portion of the interest due under this section at the time the state board makes its final assessment of such distributable property. (State Board of Tax Commissioners; 50 IAC 5.2-4-10)

50 IAC 5.2-4-11 Return not on file; penalty
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-40

Sec. 11. (a) If a public utility company does not file a statement with the state board on or before the date prescribed by this article, the company shall pay a penalty of one hundred dollars ($100) per day for each day that the statement is late.

(b) The state board shall notify the attorney general if a public utility company fails to file a statement on or before the due date. The attorney general shall then bring an action in the name of this state to collect the penalty due under this section. (State Board of Tax Commissioners; 50 IAC 5.2-4-11)

Rule 5. Use of Other Factors

50 IAC 5.2-5-1 Value as a going concern; adjustments; use of other factors
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. (a) The state board or Indiana board, on its own motion or on petition of a public utility company, may, in determining the just value of a public utility company, authorize or require the use of factors other than those normally used in determining a unit value of a company as a going concern.

(b) The use of other factors is permitted only in situations where the use of other factors is necessary to:
(1) ensure equal and nondiscriminatory treatment of all public utility companies within the same classification; or
(2) provide for a unit value that is not clearly unreasonable or unfair to the state or the public utility company. (State Board of Tax Commissioners; 50 IAC 5.2-5-1)
50 IAC 5.2-5-2 Readily ascertainable values
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. In the case of certain types of property that the state board determines have readily ascertainable values, for example, certain types of petroleum products, the state board may determine the true tax value of such property. The state board will issue instructional bulletins listing the unit values of such property. These bulletins will be published in the Indiana Register as nonrule policy statements. (State Board of Tax Commissioners; 50 IAC 5.2-5-2)

50 IAC 5.2-5-3 Uniform useful life
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 3. (a) The state board may prescribe the useful life of certain items of personal property if the state board determines that a uniform useful life should be required for all affected public utility companies in order to obtain uniformity of assessment.

(b) If the state board prescribes a uniform useful life for a certain item of personal property, the state board shall notify all affected taxpayers. (State Board of Tax Commissioners; 50 IAC 5.2-5-3)

Rule 6. Valuation of Depreciable Personal Property

50 IAC 5.2-6-1 Definitions
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26; IC 6-6-6.5

Sec. 1. The following definitions apply throughout this rule:
(1) “Adjusted cost of depreciable personal property” has the meaning set forth in 50 IAC 4.3-4-5.
(2) “Cost of depreciable personal property” has the meaning set forth in 50 IAC 4.3-4-2.
(3) “Depreciable personal property” has the meaning set forth in 50 IAC 4.3-1-1(5) and 50 IAC 4.3-4-1.
(4) “Permanently retired depreciable personal property” has the meaning set forth in 50 IAC 4.3-4-3(c).
(State Board of Tax Commissioners; 50 IAC 5.2-6-1)

50 IAC 5.2-6-2 Book cost determinative
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26; IC 6-1.1-31

Sec. 2. (a) The cost of depreciable property, both real and personal, as recorded on the public utility company’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 personal property of a public utility company shall be the total amount reflected on the books and records of the company as of the assessment date except as provided in section 3 of this rule.

(c) Property may be depreciable personal property regardless of the account in which the property is carried on the books and records of the public utility company. For example, property classified on the public utility company’s books and records as real property may nevertheless be depreciable personal property within the meaning of this article. This treatment is necessary to ensure the proper assessment of property, regardless of the accounting system used by the public utility company.

(d) Except as otherwise provided in this article, property is deemed to be depreciable personal property when a depreciation deduction is allowable for federal income tax purposes.

(e) The cost of additions and betterments is added to the original cost of the depreciable personal property. If an additional part is added or some other change is made in the fixed asset that increases its estimated useful
life, production, or efficiency, or converts the property to a different use, it is a betterment. The expenditure is capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part is shown as a new acquisition while the part replaced is deducted from the original cost of the asset.

(f) In the event a taxpayer cannot determine from its books and records the cost of the depreciable property on the assessment date, it 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 its 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 the acquisition or disposal date and the assessment date; and
   (3) 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.
   (State Board of Tax Commissioners; 50 IAC 5.2-6-2)

50 IAC 5.2-6-3 Mandatory adjustment
   Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
   Affected: IC 6-1.1-8-26; IC 6-1.1-31

Sec. 3. (a) The cost of depreciable personal property as computed in section 2 of this rule must be reported at the tax basis of such property as defined in Section 1012 of the Internal Revenue Code of 1994. The cost of depreciable personal property shall not be reduced by Sections 167 (depreciation) or 179 (expense election deduction) of the Internal Revenue Code or any credits (such as investment tax credit) which would otherwise diminish the cost basis of the property.

(b) If the tax basis of the depreciable personal property is different from the cost reflected on the books and records of the taxpayer, an adjustment must be made to the cost per books of the assessable depreciable personal property. The cost reflected on the books and records must be adjusted to the tax basis of the property.

(c) The adjustment of the cost of depreciable personal property to its tax basis is required to be made regardless of whether it is an increase or decrease to the cost recorded on the books and records. (State Board of Tax Commissioners; 50 IAC 5.2-6-3)

50 IAC 5.2-6-4 Fully depreciated property
   Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
   Affected: IC 6-1.1-8-26

Sec. 4. Depreciable personal property that has not been retired from use is reported for assessment purposes whether or not the cost of the property has been removed from the taxpayer’s books and records. (State Board of Tax Commissioners; 50 IAC 5.2-6-4)

50 IAC 5.2-6-5 Nominally valued depreciable personal property
   Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
   Affected: IC 6-1.1-8-26

Sec. 5. Depreciable personal property recorded on the books and records at a nominal value or at no value must be valued at its actual acquisition cost determined by reference to the insurable value in the year of acquisition. This category of property includes, but is not limited to:
   (1) bulk purchases; or
   (2) the acquisition of a going business concern.
   (State Board of Tax Commissioners; 50 IAC 5.2-6-5)

50 IAC 5.2-6-6 Computer equipment
   Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
   Affected: IC 6-1.1-8-26
Sec. 6. (a) Computer equipment is made up of the following elements:
(1) “Hardware” means physical equipment used for input, processing, and output activities in an information system. It is composed of mechanical, magnetic, and electronic devices and other components that constitute the physical computer assembly.
(2) “System software” means a set of generalized programs that manage the computer’s resources, such as the central processor, communication links, and peripheral devices. It is not normally accessible or modifiable by the user. Also system software may be referred to as the operating system.
(3) “Application software” means programs written for a specific application to perform functions specified by end users.

(b) Computer hardware and system software must be reported at the actual acquisition cost regardless of how it may be valued on the taxpayers books and records.

(c) If the value for computer equipment 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, such charges may be deducted as intangible personal property to the extent that a separate charge or value can be identified. (State Board of Tax Commissioners; 50 IAC 5.2-6-6)

50 IAC 5.2-6-7 Valuation
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 7. (a) Except as provided in section 8 of this rule, the value of depreciable personal property is computed by subtracting federal depreciation from the adjusted cost of the depreciable personal property.

(b) Depreciation shall be computed using the method or methods of depreciation that the public utility company has used for federal income tax purposes for that property. If depreciable personal property is acquired prior to the establishment of the first reporting year for federal income tax purposes, depreciation shall be computed in the same manner as the public utility contemplates using for federal income tax purposes.

(c) The amount of depreciation computed in subsection (b) shall be increased by any expense election deduction or investment tax credit claimed on the property by the public utility company for federal income tax purposes. (State Board of Tax Commissioners; 50 IAC 5.2-6-7)

50 IAC 5.2-6-8 Minimum value
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 8. (a) The total value of the distributable depreciable personal property cannot be less than nine percent (9%) of the adjusted cost of the distributable personal property.

(b) The total value of the locally assessed depreciable personal property in a single taxing district cannot be less than nine percent (9%) of the adjusted cost of the locally assessed personal property in that taxing district.

(c) The nine percent (9%) minimum value test shall be applied prior to any adjustment for abnormal obsolescence or permanently retired depreciable personal property. (State Board of Tax Commissioners; 50 IAC 5.2-6-8)

50 IAC 5.2-6-9 Valuation of permanently retired depreciable personal property
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 9. (a) Permanently retired depreciable personal property that is on hand on the assessment date is subject to an adjustment at the election of the taxpayer.
(b) The value of permanently retired depreciable personal property is the net scrap or net sale value of such property.

(c) In order to qualify for this adjustment, a taxpayer will need to substantiate that the depreciable personal property was permanently retired and not in use.

(d) The adjustment for permanently retired depreciable personal property is computed as the difference between the true tax value of such property (computed under sections 6 through 8 of this rule) and its net scrap or net sale value.

(e) The adjustment for permanently retired depreciable personal property may not exceed the true tax value of such property. (State Board of Tax Commissioners; 50 IAC 5.2-6-9)

50 IAC 5.2-6-10 Abnormal obsolescence

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 10. (a) An adjustment for abnormal obsolescence, as defined in 50 IAC 5.2-11, may be permitted in accordance with 50 IAC 5.2-11.

(b) No adjustment will be allowed for normal obsolescence as defined in 50 IAC 5.2-11.

(c) The dollar amount of the adjustment for the depreciable personal property under this section may not exceed the tentative true tax value as computed in sections 7 and 8 of this rule for the specific unit or units of such property on which the taxpayer claims the adjustment. (State Board of Tax Commissioners; 50 IAC 5.2-6-10)

Rule 7. Valuation of Nondepreciable Property

50 IAC 5.2-7-1 Definitions

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. The following definitions apply throughout this rule:
(1) “Contributions in aid of construction” or “CIAC” means donated or contributed property, other than locally assessed real property, of a public utility company that is used by such company in providing the utility service.
(2) “Nondepreciable personal property” means any property, other than locally assessed real property, of a public utility company that is not subject to depreciation for federal income tax purposes. It does not include inventory, but may include both locally assessed personal property (excluding inventory) and distributable property. (State Board of Tax Commissioners; 50 IAC 5.2-7-1)

50 IAC 5.2-7-2 Book cost determinative

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. (a) The cost of nondepreciable property, both real and personal, as recorded on the public utility company’s books and records, must be utilized in determining the value of the nondepreciable property subject to assessment.

(b) A public utility company is subject to assessment for property owned or used by it. Contributions in aid of construction are used by the public utility company to deliver its service. Therefore, contributions in aid of construction are subject to assessment. The public utility company may not reduce the cost of property shown on its books and records by the amount of contributions in aid of construction or customer advances. (State Board of Tax Commissioners; 50 IAC 5.2-7-2)

50 IAC 5.2-7-3 Mandatory adjustment
Sec. 3. The cost of nondepreciable property as computed under section 2 of this rule must be reported at the tax basis of such property as defined in Section 1012 of the Internal Revenue Code of 1994. (State Board of Tax Commissioners; 50 IAC 5.2-7-3)

50 IAC 5.2-7-4 Valuation
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 4. (a) Except as provided in subsection (b), the value of nondepreciable property shall be the tax basis of such property as defined in Section 1012 of the Internal Revenue Code of 1994.

(b) Contributions in aid of construction that would be subject to depreciation for federal income tax purposes if owned by the public utility company are eligible for depreciation. Depreciation for contributions in aid of construction shall be computed using the method of depreciation that the owner would have used for federal income tax purposes. Depreciation is computed over the useful life of the contributions in aid of construction. For purposes of this subsection, useful life is the life that would have been used for federal income tax purposes by the owner. (State Board of Tax Commissioners; 50 IAC 5.2-7-4)

Rule 8. Valuation of Inventories

50 IAC 5.2-8-1 Valuation
Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. Inventory, materials, and supplies shall be valued in accordance with 50 IAC 4.3-5. (State Board of Tax Commissioners; 50 IAC 5.2-8-1)

Rule 9. Valuation of Other Tangible Personal Property

50 IAC 5.2-9-1 Construction in process
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. (a) The starting point for the valuation of construction in process is the cost recorded on the public utility company's books and records which is attributable to such property, excluding locally assessed real property, including all expenses incurred in acquiring or producing the assets not yet placed in service.

(b) In the event the cost as recorded on the regular books and records of the public utility company 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.

(c) If the cost as recorded on the regular books and records of the public utility company reflects advance payments or deposits, and if such amounts were attributable to property other than locally assessed real property, such amounts shall be allowed as a deduction from book cost.

(d) The true tax value of construction in process is eighty-seven percent (87%) of the cost of such property. (State Board of Tax Commissioners; 50 IAC 5.2-9-1)

50 IAC 5.2-9-2 Leasehold improvements
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. (a) Whenever a public utility company makes any expenditure for an improvement to locally assessed
real property, locally assessed personal property, or distributable property not owned by the public utility company, such expenditure shall be assessable as locally assessed personal property or distributable property to the extent it is not locally assessed real property.

(b) The following are examples of leasehold improvements which are personal property:
1. Foundations and pilings related to the installation and use of personal property.
2. Personal property attached to the real property, if such items are related to activities or processes conducted in or on the real property, if the personal property is an integral part of such activity. For example, improvements to real property that would be assessable as either locally assessed personal property or as distributable property may include:
   (A) shelving, bins, counters, and related items;
   (B) nonpermanent partitions;
   (C) supplemental heating and air conditioning;
   (D) extraordinary lighting;
   (E) extraordinary electrical and plumbing facilities; and
   (F) carpeting and draperies.

(c) Leasehold improvements are reported and valued in the same manner as other locally assessed personal property or distributable property which the public utility company may own. (State Board of Tax Commissioners; 50 IAC 5.2-9-2)

50 IAC 5.2-9-3 Returnable containers
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 3. (a) Returnable containers must be reported for property assessment purposes at the tax situs where located on the assessment date by the person owning the returnable containers.

(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. Returnable containers must be reported on the appropriate form on the public utility company’s annual report to the state board. If the returnable containers are locally assessed personal property, the returnable containers must also be reported to the township assessor.

(c) The possessor of not-owned returnable containers has the responsibility for disclosing such property to the local assessing officials and the state board.

(d) The cost 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 for assessment.

(e) The value of returnable containers is computed in the same manner as other locally assessed personal property or distributable property which the public utility company may own. (State Board of Tax Commissioners; 50 IAC 5.2-9-3)

Rule 10. Valuation of Leased Property

50 IAC 5.2-10-1 Valuation

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. (a) Leased property reported for assessment by a public utility company shall be valued in the same
manner as property owned by the public utility company. The value is computed by subtracting depreciation from the base year value.

(b) Depreciation for leased property shall be computed using the method of depreciation that the owner would have used for federal income tax purposes. Depreciation is computed over the useful life of the leased property. For purposes of this subsection, useful life is that which would have been used for federal income tax purposes by the owner. \(\textit{(State Board of Tax Commissioners; 50 IAC 5.2-10-1)}\)

50 IAC 5.2-10-2 General reporting requirements

\begin{itemize}
  \item Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
  \item Affected: IC 6-1.1-8-26
\end{itemize}

Sec. 2. (a) In completing the annual report, a public utility company shall make a complete disclosure of all information relating to leased property that it owns, holds, possesses, or controls.

(b) If a public utility company holds, possesses, controls, or occupies leased property, the public utility company shall make a full disclosure, on the forms provided by the state board, of such property and information relating to that property. The required information shall include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) as required by this article, and any other information requested on the appropriate form. If the leased property is:

1. distributable property, the public utility company shall disclose such property on the appropriate form in its annual report to the state board; or
2. locally assessed personal property, the public utility company shall disclose such property on the appropriate form in its annual report to the state board and shall also disclose such property on Form 1, Annual Report of Local Personal Property.

(c) Failure by a public utility company to properly disclose property that it holds, possesses, or controls will result in the assessment of the property to the public utility company.

(d) Information is required to be submitted by the holder, possessor, or controller 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.

(e) Both the lessor (the owner) and the lessee (the holder, possessor, or controller) have specific reporting requirements. The purpose of these dual reporting requirements is to assure that property is disclosed to the local assessing officials who will ensure that the property is assessed. \(\textit{(State Board of Tax Commissioners; 50 IAC 5.2-10-2)}\)

50 IAC 5.2-10-3 Leased distributable property; specific reporting requirements

\begin{itemize}
  \item Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
  \item Affected: IC 6-1.1-8-26
\end{itemize}

Sec. 3. (a) The public utility company is primarily responsible for the reporting of the leased distributable property for assessment and taxation, whether such lease is a capital lease or an operating lease.

(b) The holder, possessor, or controller of leased distributable property (lessee) shall disclose the leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form.

(c) The owner (lessee) of leased distributable property is required to disclose the existence of the leased property to the state board. In completing the form designated for such disclosure, the owner shall include all of the information required by the form. \(\textit{(State Board of Tax Commissioners; 50 IAC 5.2-10-3)}\)

50 IAC 5.2-10-4 Locally assessed property subject to operating leases; specific reporting requirements

\begin{itemize}
  \item Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
\end{itemize}
Sec. 4. (a) The owner (lessor) of locally assessed leased property subject to an operating lease is primarily responsible for the reporting of the locally assessed leased property for assessment and taxation.

(b) If the owner of the locally assessed leased property is a public utility company and the locally assessed leased property is subject to an operating lease, the locally assessed leased property shall be assessed in the following manner:

(1) The owner shall disclose and report the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the owner shall include all of the information required by the form. The owner shall also complete Form 1, Annual Report of Local Personal Property, disclosing and reporting the locally assessed leased property for assessment and taxation.

(2) The holder, possessor, or controller (lessee) of locally assessed leased property subject to an operating lease is required to disclose the existence of the leased property to the state board and local assessing officials. The holder, possessor, or controller shall disclose the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form. The holder, possessor, or controller shall also disclose the locally assessed leased property on Form 1, Annual Report of Local Personal Property.

(State Board of Tax Commissioners; 50 IAC 5.2-10-4)

50 IAC 5.2-10-5 Locally assessed property subject to capital leases; specific reporting requirements

Sec. 5. (a) The holder, possessor, or controller (lessee) of locally assessed leased property subject to a capital lease is primarily responsible for the reporting of the locally assessed leased property for assessment and taxation.

(b) If the holder, possessor, or controller of the locally assessed leased property is a public utility company and the locally assessed leased property is subject to a capital lease, the locally assessed leased property shall be assessed in the following manner:

(1) The holder, possessor, or controller shall disclose and report the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form. The holder, possessor, or controller shall also complete Form 1, Annual Report of Local Personal Property, disclosing and reporting the locally assessed leased property for assessment and taxation.

(2) The owner (lessor) of locally assessed leased property subject to a capital lease is required to disclose the existence of the leased property to the state board and local assessing officials. The owner shall disclose the locally assessed leased property on the designated form. In completing the designated form, the owner shall include all of the information required by the form.

(State Board of Tax Commissioners; 50 IAC 5.2-10-5)

Rule 11. Obsolescence

50 IAC 5.2-11-1 “Obsolescence” defined

Sec. 1. (a) “Obsolescence” means a loss in value caused by inutility within the property or by changes in demand for the goods produced by the property. Obsolescence may be caused by:

(1) defects in:
   (A) design;
   (B) style; or
   (C) capacity;
(2) a deficiency;
(3) a superadequacy; or
(4) changes in the tastes of buyers in the market place.

(b) Functional obsolescence is a loss in value due to impairment of functional capacity as a result of inadequacy, over capacity, or changes in the state of the art.

c) External obsolescence is a loss in value arising from forces outside the property itself. (State Board of Tax Commissioners; 50 IAC 5.2-11-1)

50 IAC 5.2-11-2 “Normal obsolescence” defined
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. “Normal obsolescence” means the anticipated or expected reduction in the value of property that can be foreseen by a reasonable, prudent businessperson when property is acquired and placed into service. In general, it includes the expected gradual decline in value because of expected technological innovations and the general assumption that such property will have a minimum value at the end of its useful life. The depreciation allowed pursuant to 50 IAC 5.2-6 accounts for normal obsolescence as well as physical deterioration. (State Board of Tax Commissioners; 50 IAC 5.2-11-2)

50 IAC 5.2-11-3 “Abnormal obsolescence” defined
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 3. (a) “Abnormal obsolescence” means obsolescence that 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 businessperson before the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values and exceptional technological innovations that have a direct effect upon the value of the property. Any abnormal obsolescence that affects the property must be considered separately since it has not been accounted for in normal obsolescence or physical deterioration. Abnormal obsolescence is calculated using different methodologies depending upon the type of inutility it represents. There are numerous methodologies and, as a general rule, common appraisal concepts and methods may be used to determine abnormal obsolescence. However, any method used must qualify and quantify any abnormal obsolescence claimed. The invention of newer, more productive personal property that produces a better quality item, utilizes state-of-the-art technology, or 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 abnormal obsolescence shall be allowed.

(b) An example of unforeseen change in market value (external obsolescence) is a government restriction on the amount of pollutants released into the atmosphere. In this case, the equipment producing the pollutants may be eligible for abnormal obsolescence.

c) An example of exceptional technological innovation (functional obsolescence) is the development of digital switches that replace mechanical switches. Functional obsolescence should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaptation to a different use. (State Board of Tax Commissioners; 50 IAC 5.2-11-3)

50 IAC 5.2-11-4 Abnormal obsolescence claim
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the taxpayer can demonstrate that the property qualifies for abnormal obsolescence and can quantify the amount. This must be done through a presentation of the facts, circumstances, and methodology used in calculating the amount of the abnormal
obsolescence.

(b) The adjustment for abnormal obsolescence must be computed in accordance with this article for each respective item of property. (State Board of Tax Commissioners; 50 IAC 5.2-11-4)

50 IAC 5.2-11-5 Limitation
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 5. (a) The availability of abnormal obsolescence is limited to that which is not already reflected on the books and records of the taxpayer.

(b) The adjustment for abnormal obsolescence may not exceed the true tax value of the property without consideration of the abnormal obsolescence adjustment.

(c) A taxpayer may not claim an adjustment for abnormal obsolescence as defined in section 3 of this rule for inventory. Adjustments provided in 50 IAC 4.3 with respect to the valuation of inventory allow the taxpayer to account for all forms of obsolescence. (State Board of Tax Commissioners; 50 IAC 5.2-11-5)

50 IAC 5.2-11-6 Reporting of abnormal obsolescence
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 6. The taxpayer may claim an adjustment for abnormal obsolescence on the form prescribed in this article when filing the tax return for the year in question. The adjustment or adjustments, if requested, must specifically:

(1) identify 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 as if no adjustment would be allowed;
(4) indicate the true tax value of the property as a result of the requested adjustment; and
(5) provide sufficient detail in order to effectively qualify and quantify the claim.

(State Board of Tax Commissioners; 50 IAC 5.2-11-6)

50 IAC 5.2-11-7 Full disclosure
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 7. A public utility company shall disclose any claim for an adjustment for abnormal obsolescence in the annual report filed with the state board under 50 IAC 5.2-3-2. (State Board of Tax Commissioners; 50 IAC 5.2-11-7)

50 IAC 5.2-11-8 Administrative adjudication on adjustment for abnormal obsolescence
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 8. A public utility company may, prior to the filing of the property tax return for the year in question, petition the state board under 50 IAC 4.3-1-6, for an administrative adjudication determination regarding an abnormal obsolescence adjustment. (State Board of Tax Commissioners; 50 IAC 5.2-11-8)

Rule 12. Exemptions, Deductions, and Credits
Sec. 1. A public utility company may qualify for certain exemptions, deductions, or credits. For specific information on exemptions, deductions, and credits, see IC 6-1.1-10, IC 6-1.1-11, IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-20.7, IC 6-1.1-20.8, IC 6-1.1-40, and IC 6-1.1-42. Unless otherwise indicated, the specific statutory requirements for obtaining the exemption, deduction, or credit must be followed under section 6 of this rule. (State Board of Tax Commissioners; 50 IAC 5.2-12-1)

50 IAC 5.2-12-2 Air pollution control exemption
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-10-12; IC 6-1.1-10-13; IC 6-1.1-11

Sec. 2. (a) Generally, personal property, such as paint spray booths or dust collectors, do not qualify for exemption under this section, since they are primarily used to remove particulates, dust, or fumes from the work area and/or in the production of property for sale. Dust collecting baghouses or stack scrubbers which are primarily designed and used to prevent or eliminate pollutant contamination of the air outside of, or away from, the production plant generally would qualify for exemption since such systems primarily benefit the general public. The specific facts and circumstances of each taxpayer’s equipment and operations must be considered in determining whether each item of property qualifies under this section.

(b) The amount of the exemption claimed is specifically limited to the value of the personal property that is attributable to the stationary or unlicensed mobile industrial air purification system. (State Board of Tax Commissioners; 50 IAC 5.2-12-2)

50 IAC 5.2-12-3 Air pollution control exemption; claim
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8; IC 6-1.1-10-12; IC 6-1.1-10-13; IC 6-1.1-11

Sec. 3. A public utility company that wishes to obtain an exemption for an air pollution control system must annually claim the exemption on the appropriate form included in its annual report. The public utility company must disclose such information about the property claimed to be exempt as an air pollution control system as required on the form. (State Board of Tax Commissioners; 50 IAC 5.2-12-3)

50 IAC 5.2-12-4 Water pollution control exemption
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-10-9; IC 6-1.1-10-10; IC 6-1.1-11

Sec. 4. (a) An industrial waste control facility may qualify for exemption from property taxation if it is not used in the production of property for sale.

(b) The amount of the exemption claimed is specifically limited to the value of the personal property that is attributable to the industrial waste control facility. (State Board of Tax Commissioners; 50 IAC 5.2-12-4)

50 IAC 5.2-12-5 Water pollution control exemption; claim
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-10-9; IC 6-1.1-10-10; IC 6-1.1-11

Sec. 5. (a) A public utility company that wishes to obtain an exemption for an industrial waste control facility must annually claim the exemption on the appropriate form included in its annual report. The public utility company must disclose such information about the property claimed to be exempt as an industrial waste control facility as required on the form.

(b) In addition to the requirements of subsection (a), the public utility company must, by registered or certified mail, forward a copy of the exemption claim to the department of environmental management. The department of environmental management shall acknowledge its receipt of the claim.

(c) The department of environmental management may investigate any claim. The department of environmental management 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 the copy of the claim is mailed to the department of environmental management, the department of environmental management may certify its written determination to the state board.

(d) The determination of the department of environmental management remains in effect as long as the owner owns the property and uses the property as an industrial waste control facility, or five (5) years, whichever is less.

(e) During the five (5) years after the department of environmental management’s determination, the owner of the industrial waste control facility must notify the state board and the department of environmental management in writing if any of the industrial waste control facility on which the department of environmental management’s determination was based is disposed of or removed from service as an industrial waste control facility.

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

(g) The state board shall allow or deny the claim for exemption as determined by the department of environmental management. If the department of environmental management fails to act within one hundred twenty (120) days, the state board shall allow the claim if the owner provides proof that a copy of the claim has been mailed to the department of environmental management.

(h) If the department of environmental management denies the claim for exemption, and the state board has previously issued its tentative assessment, the state board shall issue a revised tentative assessment.

(i) The attorney general, in O.A.G. No. 39, 1969, has taken the position that a sewage treatment plant built by and within the premises of a privately owned manufacturing or industrial facility qualifies as an industrial waste control facility, providing the taxpayer follows the procedure for claiming an exemption. (State Board of Tax Commissioners; 50 IAC 5.2-12-5)

50 IAC 5.2-12-6 Waiver of exemption
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-11-1

Sec. 6. An exemption is a privilege that may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with statutory procedures for obtaining an exemption, the exemption is waived. If the exemption is waived, the property is subject to taxation. (The complete text of the statute is contained in IC 6-1.1-11-1.) (State Board of Tax Commissioners; 50 IAC 5.2-12-6)

Rule 13. Severability

50 IAC 5.2-13-1 Severability
Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-42

Sec. 1. If any part of this article, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other parts of this article or the application thereof which can be given effect without the invalid part, and to this end the provisions of this article are severable. (State Board of Tax Commissioners; 50 IAC 5.2-13-1)

SECTION 2. 50 IAC 5.1 IS REPEALED.

SECTION 3. SECTION 2 of this document takes effect March 1, 2002.

Notice of Public Hearing
Under IC 4-22-2-24, notice is hereby given that on November 29, 2001 at 1:30 p.m., at the Indiana Government Center-South, 402 West Washington Street, Conference Center Auditorium, Indianapolis, Indiana the State Board of Tax Commissioners will hold a public hearing on proposed new rules governing the assessment of all public utility owned personal property for 2002 and thereafter. Parties interested in participating in the public hearing are encouraged to attend and submit written statements expressing their specific or general concerns, any suggested additions or revisions, and any documentation which may serve to support, clarify or supplement their concerns, suggestions, or proposed revisions. The State Board of Tax Commissioners also encourages any interested party who has concerns, suggestions, or proposed revisions to contact Kurt Barrow, Director, Assessment Division, State Board of Tax Commissioners, at (317) 232-3762. Copies of these rules are now on file at the Indiana Government Center-North, 100 North Senate Avenue, Room 1058 and Legislative Services Agency, One North Capitol, Suite 325, Indianapolis, Indiana and are open for public inspection.

Jon Laramore
Chairman
State Board of Tax Commissioners