

COUNTY AUDITORS' 2013 FALL CONFERENCE

EXCISE TAX

***presented by
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Auditor of State's Office***

Excise Tax Topics

- Excise tax accounting
- Sources of excise tax
- Bureau of Motor Vehicle excise tax reporting
- Excise tax accounting on county treasurer's records
- Excise tax accounting on county auditor's records
- Excise tax settlement and distribution
- Excise surtax and wheel tax
- Excise tax cut replacement distributions

Excise Accounting Foundation

- Solid excise accounting is accomplished by leaving no gaps
- Gaps occur when not all excise tax transactions are accounted for
- On the treasurer's side post all deposits, receipts, disbursements and adjustments of excise tax to the cash book
- On the auditor's side post all receipts, disbursements and adjustments of excise tax to the excise tax ledger
- Monthly treasurer and auditor excise tax balances reconciliation is recommended, must be reconciled at settlement or settlement doesn't get approved
- The key to maintaining reconciling excise tax balances is timely accounting and good communications between the treasurer and the auditor

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Bureau of Motor Vehicles

- **Bureau of Motor Vehicles (BMV)**
 - **Collects for counties**
 - **Motor Vehicle License Excise Tax**
 - **Motor Vehicle Excise Surtax and Wheel Tax**
 - If adopted by county
 - **Watercraft (Boat) Excise Tax**
 - **Education Plate Fees**

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Department of Revenue

- **Department of Revenue (DOR)**
 - **Collects for counties**
 - **Through the Motor Carrier Division**
 - **Wheel Tax**
 - **Under IC 6-6-6.5**
 - **Aircraft Excise Tax**
 - **Under IC 6-6-9**
 - **Auto Rental Excise Tax**

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Auditor of State

- **Auditor of State (AOS)**
 - **Distributes monthly**
 - **Boat excise tax**
 - **Education Plate Fees**
 - **Excise tax cut replacement**

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BMV

- **Deposits Daily To:**
 - **County Treasurer BMV Bank Account**
 - **Motor Vehicle License Excise Tax**
 - **Motor Vehicle Excise Surtax and Wheel Tax**
 - If adopted by county

 - **State Treasurer Bank Account**
 - **Watercraft (Boat) Excise Tax**
 - **Education Plate Fees**

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DOR

- **Deposits Daily To:**
 - **State Treasurer Bank Account**
 - **Wheel Tax**
 - **Aircraft Excise Tax**
 - **Auto Rental Excise Tax**

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BMV

- **Creates Daily and Places on FTP Site:**
 - **Vehicle Registration Text File**
 - **Vehicle Registration Report - Auditor Copy**
 - **Vehicle Registration Report - Assessor Copy**
 - **Deposit Report**

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BMV

- **Explanation of filename structure using Benton County 2/28/2013 Vehicle Registration Report**
- **Filename 04120130228MV1941**
 - **First two numbers = county number**
 - **Third number = report identifier, 1 is the identifier for the vehicle registration report**
 - **Fourth through seventh number = year**
 - **Eighth and ninth number identifies the month**
 - **Tenth and eleventh number = day**

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Vehicle Registration Text File

- **Vehicle registration and excise tax information in a computer readable format**
- **Text files enable county auditors to use software or computer spreadsheets to determine taxing district allocations of motor vehicle excise tax and lottery credit**

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Vehicle Registration Report - Auditor Copy

- **Vehicle registration and motor vehicle excise tax information by taxing district in a report format**
- **Motor vehicle excise tax is reported by registration and taxing district total**
- **Lottery credit is reported by taxing district total**

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Vehicle Registration Report - Assessor Copy

- If a county has excise surtax and wheel tax, then the report contains excise surtax tax and wheel tax information
- For all counties the report contains the registrations exempt from motor vehicle excise tax
- Excise surtax and wheel tax is reported by registration and taxing district total

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BMV Deposit Report

- A single page report with the amounts deposited for the day to the county treasurer's BMV bank account for
 - Excise tax - treasurer's receipt
 - Wheel tax - quietus
 - Surtax - quietus
 - Total - deposit to treasurer's BMV bank
- These reports can and should be used as the basis for the treasurer's receipt, auditor's quietus, if applicable, and entries to treasurer's cashbook

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Flow of BMV Collections to County Treasurer's Records

- **BMV deposits daily to county's BMV bank account the excise tax and, if applicable, surtax and wheel tax collected 14 days earlier**
- **At least monthly, preferably daily, the county treasurer enters to the Cash Book the BMV collections**
 - **Total collections entered to the BMV bank in the Bank Deposits Section of the Cashbook**
 - **Treasurer's receipt issued for the excise tax and is entered to the Excise Tax Account in the Other Sources Section of the Cash book**
 - **If applicable, surtax and wheel tax is quietus to the county auditor's Wheel Tax / Surtax Fund and is entered in the Funds Ledger Section of the county treasurer's Cash Book**

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BMV Bank on Treasurer's Cashbook

- **Treasurer's BMV bank must be included with the banks listed in the Bank Deposits Section of the Cashbook**
- **Increases to the bank balance should be the BMV Deposit Reports**
- **At least monthly the cashbook bank balance must be reconciled to the bank statement balance**

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Flow of DOR Collections to County Treasurer's Records

- **DOR distributes to counties via auditor of state (AOS) check or ACH deposit**
 - **Aircraft excise quarterly**
 - **January, April, July and October**
 - **Auto rental excise tax semi-annually**
 - **May and November**
 - **Wheel tax monthly**
- **County treasurer issues a treasurer's receipt for aircraft and auto rental excise and enters to excise accounts in the Other Sources Section of Cash Book**
- **Wheel tax is quietus to the county auditor's Wheel Tax / Surtax Fund and is entered in the Funds Ledger Section of the county treasurer's Cash Book**

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Flow of AOS Distributions to County Treasurer's Records

- **AOS distributes monthly to counties**
 - **Watercraft (Boat) Excise Tax**
 - **Education Plate Fee**
 - **Excise Tax Cut Replacement**
- **County treasurer issues a treasurer's receipt for watercraft excise and monthly excise tax cut replacement distributions and enters to excise accounts in the Other Sources Section of Cash Book**
- **Education plate fee is quietus to the county auditor's Education Plate Fee Fund and is entered in the Funds Ledger Section of the county treasurer's Cash Book**

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Recording of Excise Data in County Auditor's Records

- **The county auditor should have an excise tax ledger to record**
 - **Motor vehicle excise**
 - **Watercraft (Boat) excise**
 - **Aircraft excise**
 - **Auto rental excise**
 - **Lottery credit**
 - **Excise tax cut replacement distributions**

County Auditor's Excise Tax Ledger

- **The structure or organization of the ledger should be;**
 - **A separate ledger or subsidiary ledger for each taxing district**
 - **A control or summary ledger containing the sum of all of the separate taxing district ledgers**

County Auditor's Excise Tax Ledger

- Each separate ledger or subsidiary ledger should have a separate column or structured in a manner that enables the separate posting of each of the following
 - Motor vehicle excise
 - Watercraft (Boat) excise
 - Aircraft excise
 - Auto rental excise
 - Lottery credit
 - Excise tax cut replacement distributions

County Auditor's Excise Tax Ledger

- Within each taxing district ledger the postings should be segregated by month and there should be monthly totals and a cumulative or running total
- Following is posting guidance for each type of excise tax
- The posting month will vary by excise type
 - Motor vehicle excise and lottery credit
 - The recommended posting date is determined by the transaction date and not by report date or deposit date
 - The report date and deposit date is 14 days after the transaction date
 - » For example, April 14 reported transaction and April 14 deposited transaction is a March 30 excise tax and lottery credit transaction and should be posted in the ledger as March excise
 - This methodology will make reconciling with the treasurer and allocation of the excise tax cut replacement distributions easier

County Auditor's Excise Tax Ledger

- **Posting guidance (continued)**
 - **Watercraft (Boat) excise, aircraft excise, auto rental excise and excise tax cut replacement distributions**
 - **Post in month received**

County Auditor's Excise Tax Ledger

- **At least monthly the county auditor must post to the taxing district ledgers in the county auditor's excise tax ledger**
 - **Motor vehicle excise**
 - **The basis of the amounts posted are the BMV deposits and the BMV motor vehicle registration data**
 - **Verify that the excise deposit for the date equals the total excise for the date**
 - **The BMV motor vehicle registration data is used to allocate the excise tax between taxing districts**
 - **The registration data can be either the BMV text files or the BMV reports**
 - **The text files can be used with computer software to allocate to taxing districts the entire month of excise data and create a report of the allocations to use to post to the excise ledger**
 - **If the BMV reports are used to allocate the excise data to taxing districts, then most likely the excise ledger will have to be posted daily because there is not a monthly report**

BMV Reports on FTP Site

- The BMV reports on the FTP site can and should be copied to the county's network or county's computer(s)
- **BUT THE REPORTS MUST NEVER BE MOVED TO THE COUNTY'S NETWORK OR A COUNTY COMPUTER**
- Moved reports can never be recovered if the reports are lost or destroyed on the county's computer

County Auditor's Excise Tax Ledger

- When received the county auditor must post to the taxing district ledgers in the county auditor's excise tax ledger
 - The AOS monthly Excise Tax Cut Replacement Distribution
 - The basis of the amounts posted are; the AOS excise tax cut replacement distribution, the AOS monthly instructions and the BMV motor vehicle registration data
 - The BMV motor vehicle registration data is used to allocate the lottery credit to taxing districts
 - The registration data can be either the BMV text files or the BMV reports
 - The text files can be used with computer software to allocate to taxing districts the entire month of lottery credit data and create a report of the allocations to use to post to the excise ledger
 - If the BMV reports are used to allocate the lottery credit data to taxing districts, then most likely the excise ledger will have to be posted daily because there is not a monthly report
 - The mechanics of the excise tax cut replacement posting is covered in the AOS monthly instructions

County Auditor's Excise Tax Ledger

- When received the county auditor must post to the taxing district ledgers in the county auditor's excise tax ledger
 - The AOS monthly Watercraft (Boat) Excise Tax Distribution
 - The basis of the amounts posted are the AOS distribution and the BMV watercraft registration data
 - The BMV watercraft registration data is used to allocate the watercraft excise tax to taxing districts
 - The watercraft registration data can be either the BMV text files or the BMV reports
 - The text files can be used with computer software to allocate to taxing districts the watercraft excise tax data and create a report of the allocations to use to post to the excise ledger
 - The BMV reports can also be used to allocate the watercraft excise tax data to taxing districts

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County Auditor's Excise Tax Ledger

- When received the county auditor must post to the taxing district ledgers in the county auditor's excise tax ledger
 - The DOR distributions of
 - Aircraft Excise Tax
 - Auto Rental Excise Tax
 - The basis of the amounts posted to the taxing district ledgers in the county auditor's excise tax ledger are the DOR distribution amounts and the DOR registration data
 - The DOR registration data is used to allocate the distribution amount to taxing districts

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Monthly Reconciliation of Treasurer's Cashbook Excise and Auditor's Excise Tax Ledger

- Using the AOS Auditor & Treasurer Excise Tax Reconciliation Worksheet as a guide the treasurer and auditor should reconcile excise tax balances monthly
- The first monthly reconciliation may be difficult, but once the treasurer and auditor balances are reconciled then future monthly reconciliations will be less difficult because only a month of transactions will need to be examined if there is a reconciliation problem
- If monthly reconciliations are done, the settlement reconciliation will certainly be much less difficult than it has been in the past

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Excise Tax Settlement

- **Excise tax to be included in settlement**
 - Motor vehicle excise tax
 - Monthly excise tax cut replacement distributions
 - Watercraft (Boat) excise
 - Aircraft excise
 - Auto rental excise

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Excise Tax Settlement

- The amount of excise to include in the settlement is the excise tax posted to the county auditor's excise tax ledger as of the excise tax cutoff date
- The cutoff date should be as of the end of a month keeping in mind time periods are determined by transaction dates and not report or deposit dates
- For most counties the cutoff dates have been April 30 for June Settlement and October 31 for the December Settlement
- With the BMV change to a 14 day lag time between the transaction date and the deposit and report date, counties may want to consider backing those dates up to March 31 and September 30

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Auditor & Treasurer Reconciliation

- Use AOS reconciliation worksheet to determine the difference between the excise the auditor is including in the settlement and the excise the treasurer certified on the 49TC
- The auditor should be including in the settlement the excise tax posted to the excise tax ledger as of the cutoff date
- The treasurer should be certifying on the 49TC the excise posted to the cash book as of the date the 49TC is completed

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Auditor & Treasurer Reconciliation

- The reconciliation is a matter of the auditor knowing what's in the excise tax to be included in settlement and the treasurer knowing what's in the amount certified
- The difference between the auditor and treasurer amount is a matter of what is in one amount and not in the other amount
- As long as the difference is one of the items on the reconciliation worksheet and the auditor and treasurer difference is reconciled to zero, the excise tax settlement can move on

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Excise Tax Distribution

- The excise tax to be distributed to taxing units is the excise tax amount in the county auditor's excise tax ledger as of the settlement cut off date less the welfare and school excise tax allocations to be sent to the AOS
 - The excise tax to be distributed is entered by the county auditor to the excise column of the 49TC
 - And is also entered by county auditor as the excise tax apportionment amount to the county's tax settlement system

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Excise Tax Distribution

- The excise tax included in settlement for each taxing district is deducted from the taxing district ledger in the county auditor's excise tax ledger
- The total amount deducted is quietus to the Settlement Fund
- The county treasurer will post the quietus as a transfer by quietus to the excise tax account or accounts in the Other Sources Section of Cash Book
- And will also post the quietus to the Funds Ledger Section of the Cash Book

Excise Surtax & Wheel Tax Fund

- Quietus BMV excise surtax and wheel tax deposits and DOR wheel tax distributions either into separate excise surtax and wheel tax funds, or into one combined fund
- County auditor distributes monthly from the separate funds or the combined fund the excise surtax and wheel tax to the county highway fund and to the cities and towns within the county

Excise Surtax & Wheel Tax Distributions

- **The county auditor uses the local road and street distribution formula to calculate the excise surtax and wheel tax distributions**
 - **The local road and street distribution formula allocates money between the county and the cities and towns within the county using a combination of road and street miles and populations**
 - **The total population of the county determines the percentage of dollars allocated by population and percentage of dollars allocated by road and street mileage**

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Excise Surtax & Wheel Tax Distribution Calculation

- **The excise surtax and wheel tax distribution is calculated as follows in counties with a total population of 50,000 or less;**
 - **20% of the distribution is allocated between the county, cities and towns by population**
 - **80% of the distribution is allocated between the county, cities and towns by road and street mileage**

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Excise Surtax & Wheel Tax Distribution Calculation

- **The excise surtax and wheel tax distribution is calculated as follows in counties with a total population greater than 50,000;**
 - **60% of the distribution is allocated between the county, cities and towns by population**
 - **40% of the distribution is allocated between the county, cities and towns by road and street mileage**

Excise Surtax & Wheel Tax Distribution Calculation

- **AOS provides population and mileage counts to county auditors**
- **AOS has a worksheet county auditors can use to calculate distributions**

Excise Tax Cut Replacement Distributions

- The mechanics of the January through November excise tax cut replacement distributions are as follows:
 - BMV includes lottery credit information in registration data provided to county auditors on the FTP site in the text files and the reports
 - County auditors use registration data to allocate lottery credit amounts to taxing districts and post the monthly credit amounts to the taxing district's ledger in the county auditor's excise tax ledger
 - BMV provides monthly lottery credit data to AOS and AOS uses the data to calculate the excise tax cut replacement percentage (%)
 - AOS determines the amount to distribute to the county by applying the % to county's total lottery credit for the month
 - County auditors determine the excise tax cut replacement distribution amount allocated to each taxing district by applying the % to the taxing district lottery credit amount posted to the taxing district's ledger in the county auditor's excise tax ledger for the month
 - The excise tax cut replacement distribution allocated to the taxing district is posted to the taxing district's ledger in the county auditor's excise tax ledger

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Excise Tax Cut Replacement Percentage

- The monthly excise tax cut replacement percentage is calculated as follows:
 - The monthly excise tax cut replacement percentage will always equal the lesser of 100% or the state excise tax cut replacement monthly appropriation divided by the statewide total lottery credit amount for the month
 - The monthly state appropriation amount is the combination of the state general fund amount appropriated under IC 6-6-5-9.5(f) which is \$16,974 and the Build Indiana Fund amount appropriated under IC 4-30-17-3.5(a) which is \$19,684,370
 - The total monthly appropriation amount is \$19,701,344 (\$16,974 plus \$19,684,370)
 - What all this means is that the maximum amount that can be distributed as excise tax cut replacement in any month is \$19,701,344.
 - And that is why the excise tax cut replacement percentage will equal the lesser of 100% or the statewide total lottery credit for the month divided by \$19,701,344
 - If in any month the statewide total lottery credit amount is less than \$19,701,344, then the amount distributed is the statewide total lottery credit amount and the replacement percentage is 100%, the undistributed portion of the \$19,701,344 is set aside to be included in the December excise tax cut replacement distribution

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December Excise Tax Cut Replacement Distribution

- The mechanics of the December excise tax cut replacement distribution are as follows:
 - The first step is to calculate the excise tax cut replacement percentage for the calendar year by dividing the excise tax cut replacement appropriation for the calendar year by the total statewide lottery credit for the calendar year
 - The calendar year excise tax cut replacement appropriation is equal to the monthly appropriation times 12 or \$19,701,344 times 12 which equals 236,416,128
 - The calendar year total statewide lottery credit equals the sum of January through December statewide lottery credits as reported by the BMV

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December Excise Tax Cut Replacement Distribution

- December excise tax cut replacement distribution mechanics (continued):
 - The second step is to multiply the excise tax cut replacement percentage for the calendar year calculated in step one times each county's total lottery credit for the calendar year
 - The result of the second step is the total lottery credit to be replaced for the calendar year for each county
 - The third step is to determine and sum for each county the total excise tax cut replacement distributions for the January through November and subtract the sum from the county's total lottery credit to be replaced for the calendar year determined in the second step
 - The result of the third step is the December Excise Tax Cut Replacement amount to be distributed to the county

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December Excise Tax Cut Replacement Distribution

- **December excise tax cut replacement distribution mechanics (continued);**
 - When received by the county auditor the December excise tax cut replacement distribution must be entered to the taxing district ledgers of the county auditor's excise tax ledger
 - The county auditor's first step in determining the amount to be entered in each taxing district ledger is to multiply the excise tax cut replacement percentage for the calendar year that was calculated by AOS in AOS's step one times each taxing district's total lottery credit for the calendar year
 - The result of the first step is the total lottery credit to be replaced for the calendar year for each taxing district
 - The county auditor's second step is to determine and sum for each taxing district the total excise tax cut replacement distribution amounts for January through November and subtract the sum from the taxing district's total lottery credit to be replaced for the calendar year determined in the first step

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December Excise Tax Cut Replacement Distribution

- **December excise tax cut replacement distribution mechanics (continued);**
 - The result of the second step is the amount to be entered to the taxing district ledger as the December excise tax cut replacement allocation
- **Some counties need to separately process a December excise tax cut replacement distribution and a final excise tax cut replacement distribution**
- **In those instances process the December excise tax cut replacement distribution as a zero dollar amount distribution and process our December distribution amount as the final excise tax cut replacement distribution**

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Excise Tax Conclusion

- **Examples**
 - There are handouts with examples of processes covered in this presentation
- **Flowchart**
 - There is a handout with an excise tax accounting & distribution flowchart
- **Questions?**

Excise Tax Contacts

- **Bureau of Motor Vehicles**
 - Harold Day 317-232-1955 hday@bmv.in.gov
 - Tamytha Cooper 317-232-6438 tcooper@bmv.in.gov
- **Auditor of State**
 - Janie Cope 317-233-3008 jcope@auditor.in.gov
 - Brenda Alyea 317-232-3336 balyea@auditor.in.gov
- **Department of Revenue**
 - Dave Paquette (Aircraft) 317-615-2659 dpaquette@dor.in.gov
 - Nurain Yusuf (Auto Rental) 317-232-5697 nyusuf@dor.in.gov
 - Randy Boone (Wheel Tax) 317-615-7212 rboone@dor.in.gov