

Quality That Counts

INDIANA DEPARTMENT OF REVENUE
ANNUAL REPORT

2007

Indiana Department of Revenue 2007 Annual Report

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LETTER FROM THE COMMISSIONER

October 1, 2007

The Honorable Mitchell E. Daniels, Jr.
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204-2797

Dear Governor Daniels:

The following document represents the Indiana Department of Revenue's annual report, covering Fiscal Year 2007 (July 1, 2006 – June 30, 2007), as required by Indiana law.

Fiscal Year 2007 was a continuation of the work we began in 2005, and proved to be a fruitful year in a number of areas we have targeted for improvement. Particularly, we have focused on enforcement and collection efforts, as well as our internal processes. To that end, we have reorganized the Department to reflect seven centers of excellence, reallocated and realigned our workforce to provide more timely, more knowledgeable answers to taxpayers, and have discovered and leveraged more efficient and effective means of collecting on outstanding tax debt owed to the state.

The Department reorganization and improvements in internal and external processes has resulted in the following accomplishments:

- Collected more than \$100 million in outstanding and unfiled trust taxes (sales and withholding) through a regular billing process, in which the Department issues tax bills monthly – as opposed to quarterly or semi-annually.
- Collected approximately \$22 million in post-amnesty tax debts via the use of contract professional collection agencies.
- Launched mandatory bi-annual renewal of the registered retail merchant certificate.
- Leveraged sanctions, such as garnishments and levies, to encourage payment of outstanding tax debts; this effort has resulted in more than \$12 million in collections from these mechanisms alone.
- Gathered qualitative feedback from more than 2,000 taxpayers, which has garnered valuable improvement suggestions for the Department's online filing and payment services.
- Implemented customer-service performance scoring of representatives' handling of taxpayer calls and walk-in customers.
- Expanded online business-tax filing and payment services to accommodate more tax types, such as fuel tax.
- Increased I-File usage by 16 percent over the 2006 filing season.
- Increased overall electronic filing (I-File and e-File combined) by 35 percent over the past two years.
- Increased training to develop more knowledgeable and effective staff.

But there is more to do. In FY 2008, the Department will focus on the following for further improvements and efficiencies:

- Leverage newly created case-management system, which consolidates taxpayer billings, payments, information and actions into one centralized account profile.
- Use statistical evaluation to select audits.
- Send notifications regularly and directly to responsible officers of businesses that are delinquent in paying their taxes.
- Issue customer-satisfaction surveys to taxpayers who have interacted with the Department to determine representatives' knowledge and timeliness in assisting them.

Throughout FY 2008, the Department will remain committed to reshaping the agency in ways that make it more nimble, efficient, effective and more customer focused in resolving issues timely and completely. We believe our efforts continue to demonstrate the type of results that will assist in restoring and preserving Indiana's fiscal health.

Sincerely,


John Eckart
Commissioner

TAXPAYER BILL OF RIGHTS
Public Law 332-1989

Indiana Taxpayer Rights and Responsibilities

All Indiana taxpayers have certain rights and responsibilities that correspond to the Indiana tax laws. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana Taxpayers:

- I** Quality taxpayer service
- II** Taxpayer Advocate to help taxpayers in the preservation of their rights
- III** Taxpayer education and information
- IV** A fair collection process
- V** Appointed hearing time and representation
- VI** Demand Notices
- VII** Warrants for collection of tax
- VIII** Judgment liens against property
- IX** Annual Public Hearing and Department Report
- X** Taxpayer responsibilities

Quality That Counts

In serving the people of Indiana, the Department of Revenue seeks to achieve the following vision through its mission, values and four cornerstone strategies:

Our Vision:

The citizens of Indiana will look upon the Department of Revenue with respect and confidence that it is achieving with distinction its charged obligations.

Our Mission:

Administering tax laws in a fair, consistent and efficient manner that supports the State and local budgets, which allow Indiana to be a highly desirable place to live, work and do business.

Our Values:

- **Pride** - Presenting the best of ourselves and our work.
- **Respect** - Treating each other, taxpayers and vendors with respect.
- **Highest standards** - Setting the bar in customer service and ethical behavior.
- **Trust** - Doing what we say we will do, and doing it right.
- **Teamwork** - Working in alignment, with pride, respect and trust to achieve the highest standards.

Our Four Cornerstone Strategies:

- **Customer focused** - Considering how our actions and decisions affect the taxpayers and the State of Indiana.
- **Efficient** - Ensuring we work smart and at the least cost to taxpayers.
- **Effective** - Striving to offer the best service and the most beneficial results possible - consistently.
- **Right people in the right jobs** - Ensuring Department employees are people who have the best skills and talents for the job.

Quality That Counts Spotlight



Roger Atkison

Besides creating the Department's time-card system, Family Medical Leave Program tracking database, the Indiana Tax Amnesty dashboard, Atkison (left) most recently created a job ticket system for the public relations division. The database has reduced the number of vendor sign offs from hours to minutes. After receiving the award, Atkison said, "I appreciate having the opportunity to do the things I love to do."

Right People in the Right Jobs

Customer Focus

Efficiency

Right People in the Right Jobs

Accomplishments, Initiatives and Improvements

Throughout FY 2007, the Department focused on the policies, practices and processes of its enforcement and collection efforts, and concentrated on internal processes across the agency. A complete reorganization also was implemented, which resulted in the reallocation of employees to operational areas with the greatest need, and a reduction in middle management. Divisions were reduced from 14 to seven, in which areas of expertise were consolidated into these new divisional “centers of excellence.” With new legislation going into effect Jan. 1, 2007, coupled with new and improved internal and external processes, the Department was able to provide *Quality That Counts* in the following key areas.

Enforcement and collections – Senate Enrolled Act (SEA) 362 went into effect Jan. 1, 2007, bringing with it a number of opportunities to more efficiently and effectively enforce tax filings and payments:

- **Tax protests and appeals** – As of Jan. 1, 2007, taxpayers in Indiana have only 45 days to protest a tax assessment, and only 90 days, thereafter, to file a case in tax court. This reduces the overall time to appeal a tax billing to one year, compared with the previous timeframe, which allowed the tax appeal to continue on for almost two years before collection efforts could begin.
- **Trust taxes** – Collection of trust taxes (sales and withholding) has been a primary focus for the Department over the past year. Using a range of tools available to the Department under Indiana law, the Department has collected more than \$100 million in delinquent trust taxes.
- **Garnishments and levies** – These mechanisms have long been available for the Department’s use in collecting from delinquent tax payers. In FY 2007, the Department began to use these methods as a standard collection practice, when all other methods have failed. To date, the Department has collected more than \$12 million from levies and garnishments alone.
- **Registered retail merchant certificate (RRMC) renewal** – SEA 362 requires that all businesses in Indiana that practice retail sales renew their RRMCs every two years. (Prior to the passage of SEA 362, RRMCs were good for the life of the business.) However, in addition to required renewal every two years, businesses also must be current on their sales-tax filings and payments to be able to renew their RRMCs. Letters to revoke RRMCs were issued after the close of FY 2007, but early results are promising, with more than \$5 million collected to date in FY 2008.
- **Regular billings** – Part of the success the Department has experienced in collecting more than \$100 million in trust taxes in FY 2007 is due to a new initiative to issue monthly billings to businesses that fall delinquent in their tax filings and payments. This monthly issuance is one of the Department’s efforts to begin collections as early as possible, and to help businesses from becoming seriously delinquent.
- **Best information available billings** – In the fall of FY 2007, the Department began issuing bills to businesses that were on record with the state, but had not filed trust taxes regularly. Using industry averages for each business type, or where available actual historical experience, estimated bills were issued to bill more than 20,000 businesses throughout Indiana. As a result, more than \$9 million was collected in FY 2007 from this initiative alone.

Processes and services – Having the right information to make the best decisions is crucial to achieving efficient and effective operations. Therefore, the Department not only realigned its operations to ensure the right people were in the right jobs in FY 2007, but it also realigned processes (and continues to do so) to ensure it has the best information readily available to make quick and quality decisions, and to provide improved services that deliver results. The following is a list of those initiatives:

- **Case management** – The Department has consolidated taxpayer issues into individual files within each taxpayer account. This new approach enables the Department to have better, more complete information about taxpayers’ accounts, filings, etc. It also helps to reduce errors, redundancy and time to resolve taxpayer questions.

- **Taxpayer feedback** – Using formal survey research, the Department gathered feedback from more than 2,000 taxpayers in FY 2007. That information has been used to help determine the satisfaction level with key electronic tools, and to solicit suggestions from taxpayers on how to improve existing online programs.
- **INtax** – An expansion of online filing and payment services for business taxpayers via the Department’s INtax Web tool has resulted in a significant increase in business-tax collections through this vehicle: \$663 million (FY 2007) versus \$270 million (FY 2006). In FY 2007, the Department added renewal of the RRMCS to the INtax tool, as well as the payment of fuel tax and printing of tax-filing coupons. Additional services are planned for the near future.
- **I-File and electronic filing** – Using taxpayer feedback gathered from more than 1,500 taxpayers about the state’s I-File program, improvements to the online tool were made for the FY 2007 filing season. In addition, the Department focused its marketing efforts on 2-D barcode filers, based on feedback from more than 500 individual taxpayers, to deliver an increase in FY 2007 I-Filing of 16 percent. Overall, electronic filing with the Department has increased 35 percent over the past two years, and accounted for more than 50 percent of the state’s overall individual filings at the end of the FY 2007.
- **Customer service** -- The Department continues to provide training customized for each division’s needs in responding to and resolving taxpayer concerns timely and completely. The training initiatives are receiving positive reviews from the employees, who are now starting to see themselves in a more confident light – and taxpayer feedback indicates that confidence is having a positive impact. Additionally, customer-contact representative calls and interactions are routinely monitored and scored according to new customer-service standards. These evaluations are used to help our representatives become more effective in providing respectful, timely and quality assistance.

Leadership at the Department of Revenue

It takes exceptional leadership to make certain that the vision and goals of the Department are met in a way that consistently delivers *Quality That Counts*. In 2007, the Department reorganized from 14 divisions to seven – concentrating our efforts into “centers of excellence” to provide the most complete and timely service possible to the taxpayers of Indiana. Our executive team, made up of the commissioner, deputy commissioners and executive-level directors, lead these centers of excellence, and are in constant pursuit of new and better ways to serve Hoosiers.

Leadership at the Department of Revenue



Commissioner John Eckart comes to Indiana government with more than 30 years of private sector management experience. John has served in several positions of progressively responsible executive roles. He held positions of controller, vice president of finance and executive vice president in subsidiaries of Avatar Utilities, and was responsible for the start up of its service company Consolidated Water Services, Inc. In 1993, John was named vice president of finance for Indiana American Water Company and in 1997 named president. American Water also elected him in 1999 as president of Ohio American Water and Michigan American Water. John holds his bachelor's degree in finance from the University of Evansville and his master's in business administration from the University of Indianapolis.



Special Tax and Support Administration Deputy Commissioner Jim Poe came to the Indiana Department of Revenue in 1976. Prior to taking on the responsibility of deputy commissioner of Special Tax and Support Administration, Jim served as the administrator of the Department's Motor Carrier Services division. In February 2006, Jim also was honored with one of the first Governor's Public Service Achievement Awards by Indiana Governor Mitch Daniels. Jim graduated from Indiana State University with his bachelor's in business in 1972.



Tax Administration Deputy Commissioner Joe VanDevender brings decades of tax related and business-management experience to Tax Administration. Before coming to the Department, Joe was a primary owner of CIPROMS, Inc., one of the 40 largest medical billing companies in the United States. Joe taught business law and federal income taxes at Indiana University at Kokomo. Joe received his juris doctorate from Indiana University School of Law. He also received his bachelor of science in accounting from Indiana University. Joe currently holds his CPA license and is a member of the American Institute of CPAs and the Indiana CPA Society.



Enforcement Deputy Commissioner Jeff Coulter has more than 30 years of experience as a certified public accountant, specializing in audit, litigation support, forensic accounting, bankruptcy services and public-company accounting and reporting. His experience includes serving as a partner and audit and accounting director for the accounting firm of BGBC Partners of Indianapolis. Jeff holds an undergraduate degree in accounting and business administration from Ball State University and his CPA license.



General Counsel Lynne Goodin brings more than 23 years of business experience to the Department, with specialties in accounting and banking. Lynne has worked at Deloitte & Touche, KeyBank, National City Bank, Fifth Third Bank of Indiana and several banks outside of Indiana. She holds her bachelor of arts degrees in both accounting and finance from the University of Alabama, in addition to her masters of business administration from Duquesne University in Pittsburgh, and her juris doctorate in law from Indiana University School of Law.



Finance Director Darrel Anderson brings more than 20 years of business experience to the Department, specifically cost/general accounting, strategic planning, research and analysis. Before coming to the Department, Darrel served as finance vice president for Union City Body Company and the Commercial Marketing Group of Work Horse Custom Chassis in Union City, Ind., and as managerial consultant for RHI Management Resources in Cleveland, Ohio. Darrel holds a master of accountancy from the University of Missouri and a bachelor of arts in business administration from MidAmerica Nazarene University. Darrel is also a certified management accountant.



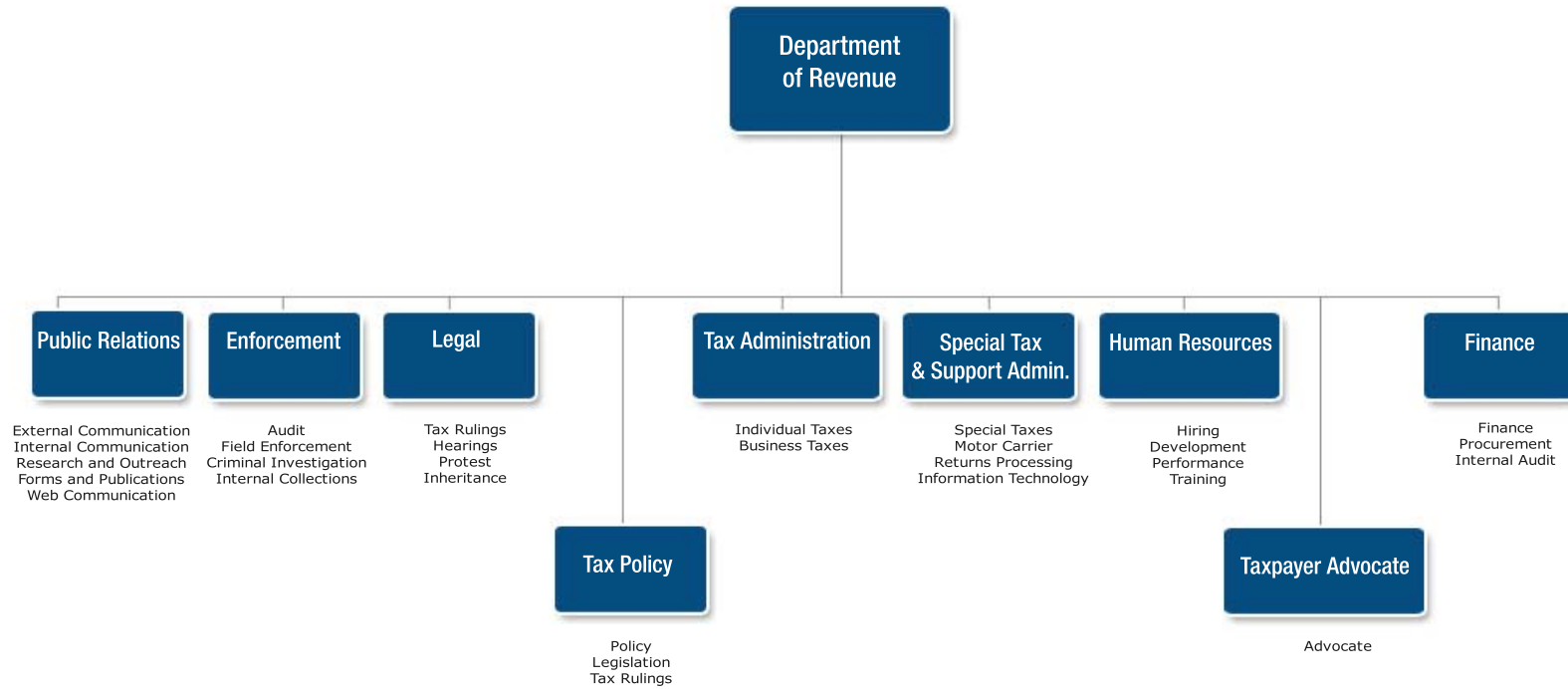
Public Relations Director Stephanie McFarland is a 16 year veteran of the public relations profession. Stephanie has honed her skills and judgment throughout the years at mid size and Fortune 500 corporations like Indianapolis Power and Light Company, Eli Lilly and Company and Sallie Mae. Stephanie is an accredited public relations professional through the Public Relations Society of America, and a certified crisis-communication consultant. She holds a bachelor's degree in English from Indiana University, as well as a master's of science in communication management from Syracuse University in New York.



Human Resource Director Bill Bahler brings to the Department more than two decades of broad human resource experience in both public and private-sector companies. After 27 years with Sears Roebuck in executive human resource and store management, Bill branched out to hold vice president and senior-level HR positions at organizations such as American Water Company, Primetech Inc., H.H. Gregg Appliance, Inc. and Sun TV and Appliances. Bill holds a bachelor's degree in industrial management from Purdue University.

Right People in the Right Jobs Customer Focus Efficiency Right People in the Right Jobs

Departmental Organizational Structure



2006-2007 *Quality That Counts* Award Recipients

As part of his efforts to recognize and reward employees for quality job performance, Gov. Daniels introduced a spot-bonus program in 2006. This program provides special compensation funding to agencies so that they may recognize and reward employees that help save the state money, work more efficiently, or find new and better ways to operate state government. The Department of Revenue launched the spot bonus in 2006 as one piece of its cultural-change initiative. As part of this cultural change, Revenue employees suggested and selected a theme that describes the new vision and direction of the agency. As a result, *Quality That Counts* became the new slogan for the Department, and the title name for a number of employee-performance initiatives. Employees that demonstrate *Quality That Counts* in their daily work and special projects are nominated and, if selected by a peer committee, receive the *Quality That Counts* Award – a one-time monetary bonus of \$100 to \$1,000.

The Department recognized the following individuals and teams during FY 2007 with *Quality That Counts* Awards:

Legal Chief Doug Klitzke	Tax Advocate Specialist Susie Evans
Applications Systems Analyst Roger Atkison	Tax Advocate Specialist Carla Bracken
Personnel Officer Allen Kahn	Program Director Tammy Jones
CDL Supervisor Mary Fleehearty	Senior Purchasing Agent Mark Fasbinder
CDL Program Coordinator Sheree Hardin	Tax Analyst Angela Nyagu
CDL Program Coordinator Cindy Hernandez	Corporate Income Tax Supervisor Michelle Drake
CDL Program Coordinator Carolyn Hill	Field Investigator Heather Murrell
CDL Program Coordinator Jennifer Jones	Business Administrator Diana Eaton
CDL Program Coordinator Laura Terhune	Systems Analyst Specialist Janis Wright
CDL Program Coordinator Debby Lindsey	Account Clerk Erin Hutchinson
CDL Program Coordinator Kay Reynolds	Account Clerk Portia Riegel
CDL Program Coordinator Tracey Sanders	Human Resource Generalist Liz Foga
System Application Analyst Jack McCrobie	Field Examiner Melinda Bates
System Application Analyst Kedari Reddy	Field Examiner Julie Unger
System Application Analyst Alan Bolden	Audit Field Examiner Penelope Kendall
Administrative Secretary Judy Holt	Audit Field Examiner Robert Muller
Support Manager Alice Quakenbush	Attorney and Administrative Law Judge Bruce Kolb
Tax Analyst Willia Ford	Field Examiner Lisa Lafferty
	Tax Analyst Patty Dunn

Quality That Counts Spotlight



Liz Foga

During the Department's restructure, Human Resource Generalist Liz Foga has been responsible for working with all division leaders to update job descriptions and organizational charts to reflect employee movement. Although these tasks weren't outside of her normal job responsibilities, Foga has put in several 10 hour days, in addition to giving up several Saturdays and Sundays to complete her responsibilities on deadline.

So why does Foga do it? She had the perfect words: "I love what I do, and I love working for all of you."

Department Employee Receives Governor's Public Service Achievement Award

The week of May 16, 2007, was an exciting week for 47 state employees who were presented with the Governor's Public Service Achievement Award – and one Department of Revenue employee was among the group of honorees.

Governor Mitch Daniels honored System Applications Analyst **Jack McCrobie** for developing a Web services tool for the Streamlined Sales Tax project that saved the Department more than \$220,000 in outside costs.

The Web-services tool allows communication between technology systems from across different companies, throughout the United States, that collect and pay Indiana sales tax from online and other interstate sales transactions. This practice is part of the national Streamlined Sales Tax (SST) Agreement, a collective effort of 14 different states (including Indiana) to standardize sales-tax collections across state lines.

"Don't ever imagine that your work goes unnoticed or doesn't have an effect on Hoosiers," said Daniels during the presentation of the third-annual awards recognition event. "When it's done with measurable results, there's really no nobler of calling."

Facing a Tough Challenge

McCrobie's intense effort to provide *Quality That Counts* in his work is the stuff that the governor is looking for in all state employees.

"Being considered for such an award, as a result of the recommendation from our agency head, gives me a great feeling of pride," said McCrobie.

Despite having no prior experience in Web-service technology, McCrobie spent numerous hours researching technical Web sites and reading more than a dozen books. McCrobie was able to successfully develop and implement the Web services tool by the Department's deadline, and reduced the Department's project cost to \$40,000.

"Receiving this award also means a lot to me since it will bring recognition to the Department for some of the work we do," said McCrobie. "I have appreciated the opportunity to work with such a great group of people, and I am now looking forward to the next challenge."

McCrobie was also a recipient of a 2006 *Quality That Counts* Award.

Quality That Counts Spotlight

Jack McCrobie, Kedari Reddy and Alan Bolden

The Department called upon systems application analysts Jack McCrobie (right with Gov. Daniels), Kedari Reddy and Alan Bolden to develop a reliable and secure Web service for the Streamlined Sales Tax (SST) project. After researching the cost, the Department found that an outside vendor would charge \$260,000 for this type of service. McCrobie, Reddy and Bolden took on the challenge to create the SST Web service themselves in house. The team successfully completed the task by the Aug. 20, 2006, deadline, resulting in a cost-savings of more than \$220,000.



Right People in the Right Jobs

Customer Focus

Efficiency

Right People in the Right Jobs

Indiana Tax Descriptions and Receipts

All amounts are in thousands. Percentage change reflects increase from FY06 to FY07, unless otherwise indicated. Significant differences reflected in the tax receipts for FY06 may be due to Indiana Tax Amnesty.

Aircraft License Excise Tax

Excise tax, due at the time of registration, is determined by weight, age and type of aircraft. All excise tax is distributed to the county where the aircraft is usually located, when not in use.

FY97	\$ 377.6	FY01	\$ 513.8	FY05	\$ 753.4
FY98	\$ 381.8	FY02	\$ 548.9	FY06	\$ 592.6
FY99	\$ 392.9	FY03	\$ 649.7	FY07	\$ 580.1
FY00	\$ 430.0	FY04	\$ 641.8	CHANGE	--2.11%

Alcoholic Beverage Tax

Per gallon rates are as follows: beer, \$.115; liquor/wine (21 percent alcohol or more), \$2.68; wine (less than 21 percent alcohol), \$0.47; mixed beverages (14 percent or less), \$0.47.

FY97	\$ 33,942.4	FY01	\$ 36,597.8	FY05	\$ 38,719.4
FY98	\$ 33,087.8	FY02	\$ 37,458.3	FY06	\$ 40,529.6
FY99	\$ 35,148.9	FY03	\$ 37,678.6	FY07	\$ 39,704.3
FY00	\$ 36,240.5	FY04	\$ 38,509.2	CHANGE	-2.04%

Auto Rental Excise Tax

Rates are based on the gross retail income from the rental of a vehicle weighing less than 11,000 pounds for less than a 30-day period at a rate of 4 percent.

FY97	\$ 7,836.8	FY01	\$ 9,846.8	FY05	\$ 8,840.8
FY98	\$ 8,047.7	FY02	\$ 9,126.7	FY06	\$ 9,889.1
FY99	\$ 8,914.0	FY03	\$ 9,500.9	FY07	\$ 9,727.3
FY00	\$ 8,101.9	FY04	\$ 8,940.9	CHANGE	-1.64%

Charity Gaming Excise Tax

Tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10 percent of the wholesale price. Remitted by the licensed distributor or manufacturer (not the organization).

FY97	\$ 1,194.3	FY01	\$ 1,521.0	FY05	\$ 1,244.4
FY98	\$ 1,222.7	FY02	\$ 1,382.5	FY06	\$ 1,384.4
FY99	\$ 1,313.1	FY03	\$ 1,311.9	FY07	\$ 1,428.7
FY00	\$ 1,211.1	FY04	\$ 1,231.5	CHANGE	3.20%

Cigarette/Other Tobacco Tax

Levied against cartons or packs of cigarettes and cigarette papers, wrappers and tubes at the following rates: pack of 20 cigarettes, \$0.555; pack of 25 cigarettes, \$0.69375; other tobacco products, 18 percent of wholesale price. [NOTE: Effective July 1, 2007, the rate is \$.995 for a pack of 20 cigarettes, and 24 percent of wholesale for the tobacco products.]

FY97	\$ 128,420.3	FY01	\$ 120,827.4	FY05	\$ 343,077.9
FY98	\$ 127,969.1	FY02	\$ 123,214.8	FY06	\$ 355,525.0
FY99	\$ 127,634.1	FY03	\$ 352,375.1	FY07	\$ 367,632.4
FY00	\$ 125,151.5	FY04	\$ 338,715.7	CHANGE	3.41%

Controlled Substance Excise Tax

Imposes a tax on illegally delivered, manufactured or possessed controlled substances. (Prescription pharmaceuticals are exempt.) Tax based on the weight and schedule of substance. Rates vary from \$3.50 to \$40 per gram. Once paid, a taxpayer who can remain anonymous is given a receipt for the tax, which is valid for three days. The payment of this tax does not legalize the controlled substance or the activity associated with it.

FY97	\$ 192.9	FY01	\$ 86.5	FY05	\$ 30.4
FY98	\$ 101.2	FY02	\$ 44.4	FY06	\$ 352.6
FY99	\$ 55.5	FY03	\$ 82.5	FY07	\$ 53.5
FY00	\$ 60.2	FY04	\$ 33.9	CHANGE	-84.93%

Corporate Adjusted Gross Income Tax

The adjusted gross income tax was increased from 3.4 percent to 8.5 percent on Jan. 1, 2003.

FY97	\$ 924,048.3	FY01	\$ 842,546.3	FY05	\$ 608,370.0
FY98	\$ 950,488.6	FY02	\$ 687,877.6	FY06	\$ 796,118.2
FY99	\$ 1,006,572.4	FY03	\$ 307,178.8	FY07	\$ 746,392.9
FY00	\$ 950,323.9	FY04	\$ 443,078.0	CHANGE	-6.25%

County Adjusted Gross Income Tax (CAGIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt either the County Adjusted Gross Income Tax or the County Option Income Tax, but not both.)

FY97	\$ 243,561.6	FY01	\$ 308,062.2	FY05	\$ 338,871.6
FY98	\$ 254,264.0	FY02	\$ 343,479.4	FY06	\$ 388,450.7
FY99	\$ 265,759.0	FY03	\$ 321,835.7	FY07	\$ 428,978.0
FY00	\$ 284,537.8	FY04	\$ 343,586.3	CHANGE	10.43%

County Economic Development Income Tax (CEDIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary.

FY97	\$ 80,456.4	FY01	\$ 140,547.2	FY05	\$ 159,007.6
FY98	\$ 97,879.2	FY02	\$ 160,225.3	FY06	\$ 238,804.3
FY99	\$ 112,551.9	FY03	\$ 146,937.1	FY07	\$ 254,053.8
FY00	\$ 121,817.0	FY04	\$ 172,682.2	CHANGE	6.39%

County Innkeepers Tax (CIT)

Tax determined locally on the gross income derived from lodging income. Tax may be collected either by the Department or locally through the county treasurer's office.

FY97	\$ 15,600.7	FY01	\$ 24,073.7	FY05	\$ 26,120.3
FY98	\$ 18,962.8	FY02	\$ 22,586.8	FY06	\$ 36,357.7
FY99	\$ 20,251.1	FY03	\$ 24,043.4	FY07	\$ 37,940.7
FY00	\$ 21,077.4	FY04	\$ 24,410.5	CHANGE	4.35%

County Option Income Tax (COIT)

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt the County Option Income Tax or the County Adjusted Gross Income Tax, but not both.)

FY97	\$ 314,942.0	FY01	\$ 437,437.3	FY05	\$ 401,887.5
FY98	\$ 344,646.5	FY02	\$ 497,555.7	FY06	\$ 492,320.2
FY99	\$ 368,343.2	FY03	\$ 463,054.0	FY07	\$ 524,919.6
FY00	\$ 394,089.4	FY04	\$ 424,603.1	CHANGE	6.62%

Estate Tax

Based on the difference between the state death tax credit allowed at the federal level and the amount paid in state inheritance tax. Federal estate tax credit for state calculations is being phased out, resulting in the reduction in Indiana estate tax paid.

FY97	\$ 8,886.0	FY01	\$ 28,936.1	FY05	\$ 2,085.2
FY98	\$ 11,241.3	FY02	\$ 17,979.7	FY06	\$ (68.5)*
FY99	\$ 24,700.4	FY03	\$ 32,264.5	FY07	\$ (32.2)*
FY00	\$ 21,022.0	FY04	\$ 7,732.4	CHANGE	-52.99%

*Due to the phase out of Estate Tax collection; resident and nonresident estate-tax amounts due to the state decreased, while refunds of those taxes increased. These events resulted in a negative net amount of revenue.

Financial Institutions Tax

Based on the federal taxable income at a rate of 8.5 percent for businesses which are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations.

FY97	\$ 100,682.9	FY01	\$ 55,594.3	FY05	\$ 91,977.7
FY98	\$ 95,967.3	FY02	\$ 63,644.4	FY06	\$ 87,229.7
FY99	\$ 81,883.8	FY03	\$ 123,444.4	FY07	\$ 76,355.5
FY00	\$ 79,365.8	FY04	\$ 79,608.6	CHANGE	-12.5%

Food and Beverage Tax

Tax determined locally for purchases of food and beverages for immediate consumption at a rate of 1 percent of retail sales price. Marion County and nine municipalities outside of Marion County have a 2-percent rate.

FY97	\$ 22,239.9	FY01	\$ 26,438.9	FY05	\$ 30,370.8
FY98	\$ 23,683.5	FY02	\$ 27,859.6	FY06	\$ 54,266.2
FY99	\$ 23,574.1	FY03	\$ 27,842.3	FY07	\$ 62,596.3
FY00	\$ 26,021.0	FY04	\$ 29,550.2	CHANGE	15.35%

Gasoline Tax

The gasoline tax is \$.18 per gallon for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

FY97	\$ 443,869.2	FY01	\$ 493,684.2	FY05	\$ 579,675.0
FY98	\$ 455,569.6	FY02	\$ 480,808.9	FY06	\$ 570,490.2
FY99	\$ 466,427.9	FY03	\$ 518,295.6	FY07	\$ 570,628.7
FY00	\$ 464,152.8	FY04	\$ 582,610.7	CHANGE	0.02%

Hazardous Waste Disposal Tax

Based on the amount of hazardous waste placed in a disposal facility or by means of underground injection at a rate of \$11.50 per ton.

FY97	\$ 2,390.1	FY01	\$ 1,542.5	FY05	\$ 3,281.3
FY98	\$ 2,603.0	FY02	\$ 1,304.5	FY06	\$ 3,178.9
FY99	\$ 1,744.7	FY03	\$ 1,122.6	FY07	\$ 2,251.2
FY00	\$ 1,770.1	FY04	\$ 1,219.2	CHANGE	-29.18%

Individual Adjusted Gross Income Tax

Based on the federal adjusted gross income with numerous adjustments for individual residents, partners, stockholders in S corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.4 percent.

FY97	\$ 3,197,117.8	FY01	\$ 3,779,805.4	FY05	\$ 4,213,210.2
FY98	\$ 3,433,445.9	FY02	\$ 3,540,819.1	FY06	\$ 4,381,548.1
FY99	\$ 3,699,316.6	FY03	\$ 3,644,159.4	FY07	\$ 4,580,441.2
FY00	\$ 3,753,339.5	FY04	\$ 3,807,860.9	CHANGE	4.54%

Inheritance Tax

Based on the taxpayer class (transferee's relationship to deceased); property's taxable value; residency status; and situs of real and tangible property and intangible property.

FY97	\$ 106,470.1	FY01	\$ 134,748.2	FY05	\$ 150,315.5
FY98	\$ 113,141.7	FY02	\$ 123,905.6	FY06	\$ 148,976.6
FY99	\$ 124,011.8	FY03	\$ 165,710.5	FY07	\$ 150,322.2
FY00	\$ 119,198.1	FY04	\$ 132,262.8	CHANGE	0.90%

Marion County Admissions Tax

Specific to the RCA Dome, Victory Field and Conseco Fieldhouse in Indianapolis for any event at a rate of 6 percent of the admission price (does not include events sponsored by education institutions, religious or charitable organizations.)

FY97	\$ 966.3	FY01	\$ 4,527.7	FY05	\$ 5,212.6
FY98	\$ 931.4	FY02	\$ 4,247.0	FY06	\$ 6,273.3
FY99	\$ 1,209.9	FY03	\$ 4,457.0	FY07	\$ 6,689.6
FY00	\$ 4,567.5	FY04	\$ 5,041.8	CHANGE	6.64%

Marion County Supplemental Auto Rental Excise Tax

Based on the gross retail income from the rental of passenger motor vehicles and trucks in Marion County for less than a 30-day period at a rate of 4 percent. Revenue from the tax is paid to the Capital Improvement Board of Managers.

FY97	-----	FY01	\$ 1,658.7	FY05	\$ 1,941.3
FY98	\$ 1,330.1	FY02	\$ 1,950.4	FY06	\$ 3,319.7
FY99	\$ 1,667.8	FY03	\$ 1,772.5	FY07	\$ 4,126.0
FY00	\$ 1,658.7	FY04	\$ 1,827.3	CHANGE	24.29%

Motor Carrier Fuel Tax

Per gallon rate of \$0.16 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY97	\$ 7,431.2	FY01	\$ 3,727.0	FY05	\$ 6,034.3
FY98	\$ 9,869.4	FY02	\$ 5,068.7	FY06	\$ 3,481.2
FY99	\$ 7,039.4	FY03	\$ 5,186.2	FY07	\$ 3,295.0
FY00	\$ 5,745.2	FY04	\$ 6,759.4	CHANGE	-5.35%

Motor Carrier Surcharge Tax

Per gallon rate of \$0.11 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY97	\$ 61,220.0	FY01	\$ 90,891.2	FY05	\$ 84,280.2
FY98	\$ 93,552.6	FY02	\$ 79,466.6	FY06	\$ 91,040.2
FY99	\$ 90,232.4	FY03	\$ 79,540.8	FY07	\$ 100,613.0
FY00	\$ 76,747.4	FY04	\$ 85,343.2	CHANGE	10.51%

Motor Vehicle Excise Tax

Specific compliance program authorized by statute aimed at locating vehicles owned by Indiana residents and registered illegally out of state, thus avoiding state vehicle excise tax. Based on the age and class of vehicle, plus penalty and interest for the time period vehicle is illegally registered. (Except for this program, motor vehicle excise tax is otherwise collected by the Bureau of Motor Vehicles.)

FY97	\$ 732.1	FY01	\$ 20.4	FY05	\$ 148.6
FY98	\$ 468.6	FY02	\$ 14.1	FY06	\$ 175.1
FY99	\$ 281.4	FY03	\$ 10.9	FY07	\$ 31.3
FY00	\$ 122.1	FY04	\$ 11.2	CHANGE	-82.12%

Pari-Mutual Admission Tax

Imposed at \$0.20 for each person who pays an admission charge to a racetrack grounds or satellite facility.

FY97	\$ 34.8	FY01	\$ 18.3	FY05	\$ 3.7
FY98	\$ 29.6	FY02	\$ 13.9	FY06	\$ 4.1
FY99	\$ 26.0	FY03	\$ 9.7	FY07	\$ 3.5
FY00	\$ 21.4	FY04	\$ 8.0	CHANGE	-14.63%

Pari-Mutual Wagering Tax

A 2-percent levy is imposed on the total amount of money wagered on online races and simulcasts conducted at a permit holder's racetrack. The tax is 2.5 percent of the total amount of money wagered on simulcasts from satellite facilities.

FY97	\$ 3,450.2	FY01	\$ 3,534.3	FY05	\$ 4,515.1
FY98	\$ 3,499.1	FY02	\$ 3,537.4	FY06	\$ 4,398.8
FY99	\$ 3,648.5	FY03	\$ 3,744.8	FY07	\$ 4,188.3
FY00	\$ 3,751.7	FY04	\$ 4,154.2	CHANGE	-4.79%

Petroleum Severance Tax

Levied against producers or owners of crude oil or natural gas and imposed at the time these products are removed from the ground at a rate equal to the greater of either 1 percent of the petroleum value, or \$0.03 per 1,000 cubic feet for natural gas and \$0.24 per barrel of oil.

FY97	\$ 614.9	FY01	\$ 565.3	FY05	\$ 928.8
FY98	\$ 642.5	FY02	\$ 579.8	FY06	\$ 1,161.4
FY99	\$ 506.3	FY03	\$ 517.2	FY07	\$ 1,153.2
FY00	\$ 467.0	FY04	\$ 557.5	CHANGE	-0.71%

Public Utility Tax (Railroad Car Companies/Railroads)

Based each year on assessments by the Indiana Department of Local Government Finance on the indefinite-situs distributable property of a railroad company that provides service within a commuter transportation district.

FY97	\$ 5,077.9	FY01	\$ 8,586.6	FY05	\$ 3,281.8
FY98	\$ 5,080.2	FY02	\$ 5,020.5	FY06	\$ 4,255.1
FY99	\$ 5,786.7	FY03	\$ 5,815.5	FY07	\$ 4,540.8
FY00	\$ 5,996.7	FY04	\$ 3,596.9	CHANGE	6.71%

Riverboat Admissions Tax

Specific to any licensed riverboat on Indiana waterways at a rate of \$3 per person admitted.

FY97	\$ 56,262.5	FY01	\$ 118,630.0	FY05	\$ 80,926.2
FY98	\$ 90,921.4	FY02	\$ 127,769.1	FY06	\$ 81,095.2
FY99	\$ 110,745.4	FY03	\$ 80,553.4	FY07	\$ 83,758.3
FY00	\$ 116,565.6	FY04	\$ 80,684.6	CHANGE	3.28%

Riverboat Wagering Tax

If a licensed riverboat does not have flexible scheduling (dockside gaming), a tax of 22.5 percent is levied against its adjusted gross receipts (total wagers, less payouts, less uncollected gaming receivables). If the boat has implemented flexible scheduling, the tax rate is graduated and ranges from 15 percent to 35 percent, depending on the adjusted gross receipts.

FY97	\$ 146,084.1	FY01	\$ 349,092.0	FY05	\$ 709,573.2
FY98	\$ 231,890.1	FY02	\$ 381,814.2	FY06	\$ 718,082.3
FY99	\$ 295,181.4	FY03	\$ 586,437.0	FY07	\$ 763,913.0
FY00	\$ 328,200.8	FY04	\$ 679,482.9	CHANGE	6.38%

Sales and Use Tax

Six percent on purchases of tangible personal property, public utility service and some rental transactions, which is collected at the retail level.

FY97	\$ 3,145,959.5	FY01	\$ 3,723,138.6	FY05	\$ 5,001,048.9
FY98	\$ 3,278,755.6	FY02	\$ 3,798,489.0	FY06	\$ 5,336,782.3
FY99	\$ 3,414,847.5	FY03	\$ 4,210,262.5	FY07	\$ 5,423,496.6
FY00	\$ 3,687,291.7	FY04	\$ 4,759,445.3	CHANGE	1.62%

Special Fuel Tax

A license tax of \$0.16 per gallon imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

FY97	\$ 147,552.8	FY01	\$ 151,335.7	FY05	\$ 193,127.5
FY98	\$ 151,245.0	FY02	\$ 170,308.4	FY06	\$ 196,812.7
FY99	\$ 161,779.4	FY03	\$ 172,712.6	FY07	\$ 196,209.4
FY00	\$ 186,794.0	FY04	\$ 183,826.1	CHANGE	-0.31%

Utility Receipts Tax

The Utility Receipts Tax is 1.4 percent on gross receipts from retail utility sales. (**NOTE:** Fiscal Year 2003 figures include only one-half of a fiscal year.)

FY97	-----	FY01	-----	FY05	\$ 170,814.6
FY98	-----	FY02	-----	FY06	\$ 206,380.1
FY99	-----	FY03	\$ 75,907.7	FY07	\$ 200,305.0
FY00	-----	FY04	\$ 167,401.1	CHANGE	-2.94%

Utility Services Use Tax

The utility services use tax is an excise tax imposed on the retail consumption of utility services in Indiana. The rate is 1.4 percent and is imposed if the utility service provider is not subject to the utility receipts tax.

FY97	-----	FY01	-----	FY05	-----
FY98	-----	FY02	-----	FY06	-----
FY99	-----	FY03	-----	FY07	\$ 9,405.8
FY00	-----	FY04	-----	CHANGE	NEW

Miscellaneous Fees:

Aircraft Registration Fee

All Indiana aircraft are required to be registered with the aeronautics section of the tax administration division, where an annual \$10 registration/transfer fee is collected. An additional fee of \$20 or 20-percent (whichever is greater) of any unpaid excise tax is charged on all late registrations. There is also an annual aircraft dealers fee of \$25.

FY97	\$ 68.4	FY01	\$ 118.9	FY05	\$ 100.5
FY98	\$ 70.2	FY02	\$ 94.5	FY06	\$ 76.9
FY99	\$ 65.1	FY03	\$ 76.5	FY07	\$ 74.8
FY00	\$ 79.6	FY04	\$ 75.1	CHANGE	-2.73%

Charity Gaming Licensing Fee

Licensing fee for qualified organizations is \$25 for the first license. The second license for the same charity gaming activity is based on gross receipts of the previous event. The annual license fee for distributors is \$2,000. The annual license for manufacturers is \$3,000. This fee is currently collected by the gaming commission.

FY97	\$ 3,997.2	FY01	\$ 4,303.4	FY05	\$ 4,020.0
FY98	\$ 3,950.1	FY02	\$ 4,282.5	FY06	\$ 4,040.5
FY99	\$ 4,264.6	FY03	\$ 4,208.7	FY07	\$ 0.4
FY00	\$ 4,328.0	FY04	\$ 4,038.9	CHANGE	-99.99%

Employment Agency Licensing Fee

A person, firm or corporation opening, operating or maintaining an employment agency must pay an annual \$150 fee for each license.

FY97	\$ 37.7	FY01	\$ 54.5	FY05	\$ 51.5
FY98	\$ 53.1	FY02	\$ 57.9	FY06	\$ 35.4
FY99	\$ 51.3	FY03	\$ 49.7	FY07	\$ 42.5
FY00	\$ 51.6	FY04	\$ 43.8	CHANGE	20.06%

Fireworks Public Safety Fee

A fee of 5 percent of the retail price of fireworks sold in Indiana.

FY97	-----	FY01	-----	FY05	-----
FY98	-----	FY02	-----	FY06	-----
FY99	-----	FY03	-----	FY07	\$ 2,434.5
FY00	-----	FY04	-----	CHANGE	NEW

Hazardous Chemical Fee

An annual fee is imposed on a facility which must submit to the state an emergency and hazardous chemical inventory form. Fees are \$50, \$100 or \$200, depending on the volume of hazardous chemicals present at the facility during the year.

FY97	\$ 650.5	FY01	\$ 511.3	FY05	\$ 689.3
FY98	\$ 623.1	FY02	\$ 573.4	FY06	\$ 588.5
FY99	\$ 576.4	FY03	\$ 581.7	FY07	\$ 513.8
FY00	\$ 546.2	FY04	\$ 662.0	CHANGE	-12.69%

International Registration Plan (IRP) Licensing Fee

Licensing fee for motor carriers based on miles driven in specific jurisdictions.

FY97	\$ 74,300.4	FY01	\$ 76,728.7	FY05	\$ 95,593.6
FY98	\$ 71,577.9	FY02	\$ 80,293.7	FY06	\$ 88,147.4
FY99	\$ 75,941.9	FY03	\$ 82,395.1	FY07	\$ 87,799.9
FY00	\$ 89,320.1	FY04	\$ 86,454.0	CHANGE	-0.39%

Oversize /Overweight Permit Fee

Various categories of permits for motor carriers that are issued for different periods of time, based upon a vehicle's specific dimension and /or size and the travel activity. Fees can range from \$10 to more than \$400.

FY97	\$ 9,844.3	FY01	\$ 12,358.6	FY05	\$ 12,090.5
FY98	\$ 11,252.7	FY02	\$ 11,849.5	FY06	\$ 13,001.5
FY99	\$ 11,528.3	FY03	\$ 11,041.1	FY07	\$ 10,907.3
FY00	\$ 12,782.3	FY04	\$ 11,498.9	CHANGE	-16.11%

Solid Waste Management Fee

Imposed on the disposal or incineration of solid waste in a final disposal facility within the state at a rate of \$.50 per ton of waste generated in the state. For solid waste generated outside the state, the rate is the greater of \$.50 per ton or the cost per ton of disposing the solid waste, including the tipping fees and state and local government fees, in the final disposal facility that is closest to the area in which the solid waste was generated, minus the fee actually charged for the disposal or incineration of the solid waste by the owner or operator of the final disposal facility.

FY97	\$ 4,494.4	FY01	\$ 4,318.0	FY05	\$ 5,173.2
FY98	\$ 4,623.0	FY02	\$ 4,320.3	FY06	\$ 5,309.8
FY99	\$ 4,612.7	FY03	\$ 4,002.8	FY07	\$ 5,207.0
FY00	\$ 4,516.8	FY04	\$ 4,358.6	CHANGE	-1.94%

Underground Storage Tank Fee

An annual fee of \$200 per tank is imposed on owners of underground storage tanks. In addition, there is an annual registration fee of \$90 for each underground petroleum storage tank, and \$45 for each underground storage tank containing regulated substances other than petroleum.

FY97	\$ 8,481.2	FY01	\$ 32,467.5	FY05	\$ 29,396.5
FY98	\$ 28,758.2	FY02	\$ 24,306.6	FY06	\$ 50,454.5
FY99	\$ 26,409.5	FY03	\$ 35,992.1	FY07	\$ 51,212.5
FY00	\$ 27,709.5	FY04	\$ 32,065.1	CHANGE	1.50%

Waste Tire Management Fee

A \$.25 tire fee is assessed on each new tire sold at the retail level and each new tire mounted on a vehicle at the time a vehicle is sold. It is imposed on tires for self-propelled motor vehicles only.

FY97	\$ 1,333.2	FY01	\$ 911.8	FY05	\$ 1,860.0
FY98	\$ 1,253.6	FY02	\$ 613.8	FY06	\$ 1,261.4
FY99	\$ 1,963.8	FY03	\$ 1,079.3	FY07	\$ 1,768.2
FY00	\$ 3,203.6	FY04	\$ 1,612.0	CHANGE	40.18%

Areas of Recurring Taxpayer Noncompliance

Returns Processing Center (RPC)

The vast majority of returns and forms sent to the Department of Revenue each year are prepared correctly, and the Department has been able to process them using the latest technology available. We receive in excess of 5 million documents to be processed. Some of those items are received with incomplete information or no basic information from the taxpayer. It then becomes the Department's responsibility to make decisions about what to do with the information or money it has received. Department strives each year to process the returns and checks more efficiently and accurately, and in less time.

To do this, the Department needs the mutual cooperation of Indiana taxpayers and their preparers to help identify where they can head off errors before they get to the Department. However, it is only fair to acknowledge that some errors are due to flaws in the Department's activities, such as misreading information.

As part of the Department's cultural change, the agency is committed to identifying and resolving internal flaws that result in filing and processing errors. The Department also is committed to providing improved online services and educating taxpayers to assist in making tax filing easier and more convenient – and as free from error risks as is feasibly possible. The following is a listing of the most common filing errors found in the tax-filing process:

Duplication of filing – Duplicate filing occurs usually when a taxpayer files a return electronically and then sends the Department a paper copy of the return, along with the payment or as an informational return. Once this duplicate filing is identified, an employee to go into the system to mark the second filing as information only to ensure accuracy.

Calculation errors – When a calculation error is detected it will cause the return to be flagged so that an employee must review the return and determine if the error is truly a calculation error, a problem with how the information was interpreted in the data capture process or if the information was placed on an incorrect form line, which may cause the columns on the tax return to total incorrectly. Once the error has been determined, the return will post properly.

Claiming credits incorrectly – It is common for a credit to be claimed when it cannot be substantiated or the proper documentation is not included with the return. This causes the credit to be denied or an employee must contact the taxpayer to provide the information.

Failure to complete a tax return or filing – When returns are received without all of the necessary information, it may generate a letter or telephone call to the taxpayer to determine how to proceed with processing the documents and any associated monies. If there is enough information to post the return, but all the lines have not been completed, then a refund cannot be issued until the required information is received from the taxpayer and processed by the Department. If a taxpayer files a return requesting a refund and fails to provide copies of W-2 forms, the taxpayer can expect to receive the tax return back with a letter requesting these forms before the return can be processed. The Department will not allow any withholding credit until all of the W-2 forms have been received.

Use of non-departmental payment coupons - The Department provides taxpayers with automation-friendly coupons, according to tax type, for many of the taxes due to the state. These coupons are preprinted

with information regarding the taxpayer name, account number, tax type and the period for which the coupon is being filed. The information about the taxpayer is included in the scan line at the bottom of the coupon and the automation-friendly equipment used to process the document and money will read the information from the scan line and post the information accordingly. If these coupons are not used correctly, or are used by a taxpayer for another account number, it will cause the return and payment to be posted to the incorrect account. Therefore, if a taxpayer does not have the correct documents for the account printed out of a software package or provided by the Department, the taxpayer will need to contact a taxpayer service representative to have the coupon replaced, or to receive instructions as to how the payment should be processed to insure proper posting.

Post-filing coupons (PFC)

For the past 10 years, the Department has worked with a number of software vendors to allow taxpayers to file individual income tax returns electronically. As a part of effort between the Department and software vendors, taxpayers can file electronically as early in the year as they prefer, yet hold on payment until the filing deadline date. Therefore, the PFC was developed according to Department standards so that automation-friendly coupons may be generated from software packages at home or by the tax preparer. This practice has become widespread during the past 10 years, but with that success has come one distinct problem: the scan line printed from the software not being printed in OCR-A Extended font. This font can be downloaded by the users, or the software vendor can hard code it into the program. However, it is a must for the Department to read the information correctly to ensure accuracy.

IT-9, extension payment vouchers – The Department asks taxpayers not to file these forms if there is no tax due, or if the taxpayer is not sending a payment. The receipt of this form without a payment, or if no payment is due, will not extend the period to file the tax return.

Failure to file the proper application and/or register with the Department – If a taxpayer has not provided the proper information to register a business, then receipt of a check or tax return will result in a representative from the Department making contact with the taxpayer.

Reporting errors – Reporting errors are received on virtually every type of tax return --including, but not limited to, income, sales, fuel, cigarette, and motor carrier tax types. Typical errors include, but are not limited to, the form not being signed, no identifying account number, the wrong form or form revision being used, missing schedules, lack of documentation, duplication of a credit or deduction, failure to calculate county tax. These errors may result in the form being returned to the taxpayer, a representative from the Department contacting the customer, a bill being generated for the amount of perceived tax due and/or the inability to post the return and or payment properly.

Quality That Counts **Spotlight**



Doug Klitzke (right), legal section chief, was recognized with a *Quality That Counts* Award in October 2006. Klitzke led his team to reduce the number of unresolved protest cases from 500 to 257.

Audit Division Statistical Study

The Audit Division Statistical Study addresses the requirements set forth by IC 6-8.1-14-4 (2). The information is based on 100 percent of the audits completed, taxpayers assisted and special projects conducted during fiscal year 2007.

See Page 29 for an index of exhibits and charts included.

- Taxpayers served in district offices, p. 29
- Gross Income Tax Violations, p. 23
- Sales/Use Tax Violations, p. 24
- Corporate Adjusted Gross Income Tax Violations, p. 26
- Dollar Amounts of Tax Assessed, p. 25
- Industry/Business Most Frequently in Violation, p. 26
- Special Tax Violations, p. 26
- Miscellaneous Code Violations, p. 27
- Number of Years in the Audit Period, p. 28
- Use of Professional Tax Preparation Assistance, p. 28
- Filing of Appropriate Tax Returns, p. 28

Taxpayers served in district offices

Taxpayer assistance is available in all district offices. Each office has a taxpayer assistance supervisor and taxpayer representative who perform taxpayer-service functions, as well as other office-support responsibilities. Each office has at least one field investigator who supports taxpayer assistance and performs collection functions in the district. Contract employees are available throughout the year to support taxpayer assistance.

The *Taxpayer Assistance Report - Fiscal Year 2007* (Exhibit A) provides the number of taxpayers assisted (in person and by telephone) and the amount of money collected and assessed in each office through the taxpayer-assistance program. Exhibit A reveals that during fiscal year 2007, district offices assisted 116,777 taxpayers in person and 149,692 taxpayers through telephone contact. Total taxpayers served through the district offices were 266,469. The district office in Merrillville served 15,255 taxpayers in person, the highest number of any district office. The Clarksville district office served 13,893 taxpayers in person, the second highest total.

The Merrillville district office served 19,037 taxpayers by telephone, while the Bloomington district office served 16,903 taxpayers by telephone. This was the highest number of telephone contacts among the district offices, totaling 24-percent of total taxpayer-telephone contacts. The Merrillville district office served a total of 34,292 taxpayers by telephone and walk-in assistance, while Bloomington served 29,563 taxpayers by telephone and walk-in assistance.

Field Auditors Taxpayer Assistance/Special Projects (Exhibit B) provides the number of hours field auditors devoted in the district offices to assist taxpayers and conduct special projects. The exhibit reveals that 3,706 auditor hours were channeled in this direction.

Gross income tax violations

In 2007, the most-violated-gross-income-tax rule is 45 IAC 1.1-2-4. Rule 2-4 defines taxable high-rate income of utilities, display advertising, sale of real estate, rentals and extension of credit. This rule accounted for 25 (or 25 percent) of the violations of gross-income-tax rules in the 2007 study. In 2006, Rule 2-4 accounted for

the most violations with 26 (or 17 percent). In 2005, Rule 2-4 accounted for the most violations with 21 (or 14 percent).

Ranking second in gross income tax violations for 2007 were 45 IAC 1.1-2-2 and 45 IAC 1.1-2-5 equally. Rule 2-2 defines taxable low-rate-gross income of retail and wholesale sales, display advertising, dry cleaning and laundry service, rental of water softening equipment, rental of rooms, lodging, booths and similar accommodations and commercial printing. Rule 2-5 defines gross income derived from providing services within Indiana. 20 violations each of Rules 2.2 and 2.5 accounted for 40 percent of all violations of the gross-income-tax rules in the 2007 statistics. In 2006, Rule 2-5 accounted for the second most violations with 19 (or 12 percent). In 2005, Rule 2-2 ranked second accounting for 18 (or 12 percent) violations.

Sales/use tax violations

The most-violated-sales and use-tax rule was 45 IAC 2.2-3-20. Rule 3-20 states that if the seller of tangible-personal property for storage, use or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit tax directly to the Department. This rule produced 860 (or 19 percent) of the sales and use-tax violations in 2007. In 2006, Rule 3-20 accounted for the most violations with 777 (or 18 percent). In 2005, Rule 3-20 accounted for the most violations with 550 (or 17 percent).

The second-most-violated-sales and use-tax rule in 2007 was 45 IAC 2.2-3-4. Rule 3-4 imposes use tax on tangible-personal property, purchased in Indiana, or elsewhere in a retail transaction, and stored, used or otherwise consumed in Indiana unless the Indiana-state-gross-retail tax (sales tax) has been collected at the point of purchase. This rule accounted for 548 (or 12 percent) of sales and use-tax violations. In 2006, Rule 3-4 accounted for the second-most violations with 557 (or 13 percent). In 2005, 45 IAC 2.2-3-4 accounted for the second-most violations with 383 (or 12 percent).

The third-most-violated rule for the 2007 fiscal year was 45 IAC 2.2-5-8. Rule 5-8 clarifies sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools and equipment used in direct production and other activities. Failure of taxpayers to comply with this rule accounted for 410 (or 9 percent) of the sales and use-tax violations. In 2006, Rule 5-8 accounted for the third-most violations with 368 (or 9 percent). In 2005, Rule 5-8 also accounted for the third-most violations with 308 (or 9 percent).

Corporate adjusted gross income tax violations

Rule 45 IAC 3.1-1-1 was violated more than any other adjusted-gross-income-tax rule in 2007. Violations of this rule accounted for 168 (or 29 percent) of the total violations in the 2007 study. This rule defines adjusted-gross income for individuals as defined in Section 62 of the Internal Revenue Code. In 2006, Rule 45 IAC 3.1-1-2 accounted for the most violations. This rule defines gross income for Indiana residents filing individual returns as all income defined by Section 61 of the Internal Revenue Code. In 2006, this rule accounted for 82 (or 17 percent) of the violations. In 2005, Rule 1-2 accounted for the most violations with 64 (or 15 percent).

The second-most-violated-adjusted-gross-income rule for 2007 was 45 IAC 3.1-1-2 as defined above. Violations of this rule accounted for 65 or 11 percent of violations. Rules 45 IAC 3.1-1-1 and 45 IAC 3.1-1-97 were equally ranked for second with 68 or 15 percent of the violations in the 2006 study. Rule 1-97 defines withholding agents and their responsibility for remitting tax withheld to Indiana. Rule 1-1 ranked second in the 2005 study accounting for 58 (or 14 percent) of total violations.

The third-most-violated-adjusted-gross-income-tax rule in 2007 was 45 IAC 3.1-1-97. Rule 1-97, defined above, ranked third with 64 (or 11 percent) of the violations in the 2007 study. In 2006, the third most

violated adjusted-gross-income-tax rule was 45 IAC 3.1-1-8 as defined above. Violations of this rule accounted for 75 (or 16 percent) of the violations. In 2005, Rule 1-8 accounted for the third most violations with 54 (or 13 percent).

Amounts of tax assessed

Exhibits C, D and E display the amount of assessments (refunds) of the gross-income tax, sales tax and adjusted-gross-income tax administrative rules, respectively. Total assessments for any tax type represent gross assessments less amounts refunded.

The amount assessed or refunded for each of the most-frequent violations and the percentage of the amount to total net assessments are presented as follows:

Gross Income Tax—see Exhibit C:

	Amount Assessed	Percentage of All Assessments
45 IAC 1.1-2-4	\$2,563,747	15.38%
45 IAC 1.1-2-2	\$1,510,899	09.07%
45 IAC 1.1-2-5	(\$1,664,899)	9.99%

Sales/Use Tax—see Exhibit D:

	Amount Assessed	Percentage of All Assessments
45 IAC 2.2-3-20	(\$493,929)	.99%
45 IAC 2.2-3-4	\$6,630,984	13.32%
45 IAC 2.2-5-8	\$5,286,034	10.62%

Adjusted Gross Income Tax—see Exhibit E:

	Amount Assessed	Percentage of All Assessments
45 IAC 3.1-1-1	\$1,387,073	2.03%
45 IAC 3.1-1-2	\$365,939	.54%
45 IAC 3.1-1-97	\$303,329	.44%

Industry /Business Taxes Most Frequently In Violation

Gross income tax

Taxpayers engaged in information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services group most-frequently violated the gross-income-tax rules for 2007. This group committed 26 violations (or 26 percent) of the total violations. The gross-income-tax rule most-frequently violated by this group of taxpayers is 45 IAC 1.1-2-5, with 9 violations. Rule 2-5 defines services.

The second-largest number of gross-income-tax violations was committed by taxpayers engaged in manufacturing. This group committed 20 violations (or 20 percent) of the total violations for 2007. The most-frequently-violated rules of this group were 45 IAC 1.1-2-2 and 45 IAC 1.1-2-5 (5 violations each). Rule 2-2 defines low-rate income and Rule 2-5 defines service income.

Sales and use tax

For the 2007 reporting period, wholesale, retail and transportation businesses accounted for the most violations. They accounted for 1,175 violations (or 26 percent) of the total sales and use-tax violations. The most-violated rule by these taxpayers was 45 IAC 2.2-3-20 that states if a seller of tangible personal property for storage, use or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit tax directly to the Department.

Manufacturing had the second-most frequency of violations for the 2007 sales and use tax rules. It accounted for 803 of the violations committed, which represented 17 percent of all sales and use tax violations. The rule most frequently violated by this group was 45 IAC 2.2-5-8, which defines the application of sale and use tax to sales of machinery, tools and equipment used in manufacturing.

Adjusted gross income tax

Public transportation with 226 violations was the most-frequent violator of adjusted-gross-income-tax rules. This figure represents 39 percent of the total adjusted-gross-income-tax violations. Adjusted-gross income for individuals, defined by 45 IAC 3.1-1-1, accounted for the most violations in this class.

Manufacturing had the second most frequency of violations for the 2007 adjusted-gross-income-tax rules. It accounted for 79 of the violations committed, which represented 13 percent of all adjusted-gross-income-tax violations. The rule most frequently violated by this group was 45 IAC 3.1-1-97, which defines withholding agents and their responsibility for remitting tax withheld to Indiana.

Special tax violations

Exhibit G provides the special tax assessments and refunds by citation.

Article VIII (citation R800 on Exhibit G) of the International Fuel Tax Agreement (IFTA) was the most frequently violated special tax item in the study. It specifies the taxable event is the consumption of motor fuels in the propulsion of qualified-motor vehicles, except fuel consumed that is exempt from taxation by a jurisdiction. All motor fuel acquired that is normally subject to consumption tax is taxable unless the licensee provides proof to the contrary. Article VIII was violated 264 times and yielded \$422,963 in net assessments for the state of Indiana. This represents 27 percent of total violations and 24 percent of net assessments. Article VIII was the most-violated special-tax citation in the 2006 and 2005 studies. The 2006 study had 296 violations (\$850,736 net assessments) and 2005 had 235 violations (\$327,854 net assessments).

Article X (citation R1000 on Exhibit G) of the IFTA was the second-most-violated section of the special-tax statutes. This Article discusses how taxpayers can obtain credit for tax previously paid on purchases of fuel at the pump. It also lists the records needed to substantiate the refund request. This article was violated 280 times accounting for 25.16 percent of the total violations. These violations resulted in net refunds of \$306,823. Article X had the second-most-violations in the 2006 and 2005 special-tax citations. The 2006 study showed 280 violations with \$306,823 net refunds, while 2005 showed 221 violations with \$162,948 net assessments.

The taxpayer group most frequently in violation of the special-tax statutes and IFTA Articles for 2007 was the wholesale, retail and transportation industries. This group committed 791 violations, accounting for 79 percent of the total violations. Article VIII of the IFTA was most frequently violated by the wholesale, retail and transportation industries. The 2006 statistics showed the wholesale, retail and transportation industries with the most violations, 810 total. The 2005 statistics showed the repair, personal and other services industries with the most violations, 432 total.

Miscellaneous code violations

Exhibit F provides the assessment amounts for the following:

- Financial Institutions Tax
- Tax Administration
- Food and Beverage Tax
- Innkeeper's Tax
- Charity Gaming

A review of the miscellaneous-code-violations data reveals that IC 6-6-9 was violated 75, (39 percent) times in the 2007 study. These violations yielded \$466,266 in net assessments. IC 6-6-9 discusses the auto rental excise tax. In the 2006 study, 45 IAC 15-5-1, which discusses issuing notices of assessment, produced 18 violations or 14 percent, of all miscellaneous-code violations. In the 2005 study, 45 IAC 15-9-2, which discusses statute of limitations for refunds, produced 12 (or 14.63 percent) of the violations.

Two miscellaneous code sections were the second-most-violated sections in 2007. These were IC 6-2.3-1-6 and IC 6-2.3-2-1 both which cover utility receipts tax. These two code sections yielded 18 code violations (or 9 percent) resulting in \$332,180 in net assessments. 45 IAC 15-4-1 was the second-most-violated rule in

Quality That Counts Spotlight

Heather Murrell

Field Investigator Heather Murrell took the initiative in 2006 to assume the additional job duties of two colleagues who were on medical leave. Murrell balanced her added responsibilities with her traditional work load and helped to provide a smooth running environment. Her efforts also allowed taxpayers to continue to receive efficient service in light of the situation.



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this category in 2006. It yielded a total of \$195,690 in assessments. Rule 4-1 discusses access to records for examination. Eleven rule violations accounted for 8.59 percent of the total violations in this category. Rule 4-1 was the second-most-violated-miscellaneous rule in the 2005 study accounting for \$47,384 in net refunds. The wholesale, retail and transportation industries committed the most-miscellaneous-code violations in 2007 with 88 (or 45 percent). The information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services industries committed the second-most-miscellaneous-code violations in 2007 with 49 (or 25 percent).

The arts, entertainment, recreation, food service and accommodation industries committed the most violations under the miscellaneous citations in 2006 with 28 (or 22 percent). The industry ranked second for the 2006 study was the information, publishing, telecommunications, finance, rental, insurance, real estate, leasing and professional services industries with 26 (or 20 percent) of the violations.

Number of years in the audit period

The audit period averages three years.

Use of Professional Tax Preparation Assistance

The services of professional preparers were used in the preparation of approximately 76 percent of the corporate income tax returns and approximately 12 percent of the sales tax returns. Statistics show that approximately 27 percent of individuals use a professional preparer to complete the returns.

Filing of Appropriate Tax Returns

Rule 45 IAC 3.1-1-92 (Exhibit E) requires qualifying corporations to make estimated tax payments. Taxpayers in violation of this rule either failed to file estimated income tax returns or failed to remit the appropriate amount of tax. For the fiscal years ending in 2004, 2005 and 2006, no activity was recorded. For 2007, assessments and collections resulted in \$669,788 in base taxes. The 2003 study indicated eight violations of this rule, resulting in assessments in the amount of \$12,863 and refunds totaling \$110,617.

Indiana Code 6-8.1-10-2.1 (Exhibit F) revealed no violations during the 2006 study period. Violations in FY 2007 totaled 341, with total penalties of \$60,893. This section specifies the penalty to be imposed if a taxpayer fails to file an appropriate return or pay the full amount of tax due. Violations of this section in the 2005 and 2004 studies were zero.

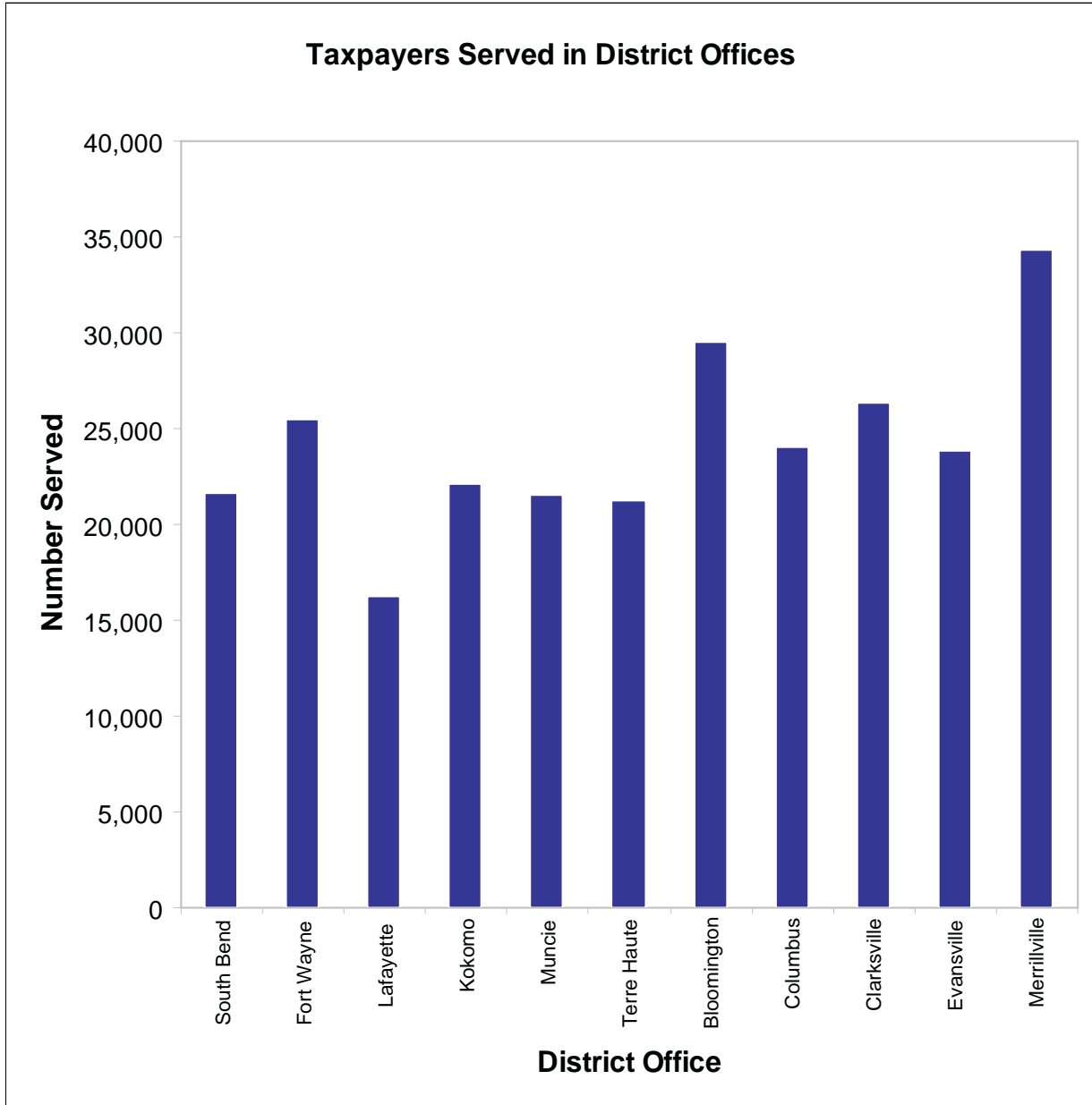
EXHIBITS

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EXHIBIT A
Taxpayer Assistance Report - Fiscal Year 2007
Audit Division District Offices

	South Bend	Fort Wayne	Lafayette	Kokomo	Muncie	Terre Haute	Bloomington	Columbus	Clarksville	Evansville	Merrillville	Totals
Walk-in Assistance	11,780	9,450	7,986	9,949	5,554	6,567	12,660	13,292	13,893	10,391	15,255	116,777
Telephone Assistance	9,817	16,063	8,312	12,200	15,988	14,680	16,903	10,784	12,409	13,499	19,037	149,692
Totals	21,597	25,513	16,298	22,149	21,542	21,247	29,563	24,076	26,302	23,890	34,292	266,469
Collected/ Assessed	\$3,943,677	\$3,831,211	\$2,242,814	\$7,466,502	\$3,732,353	\$5,727,811	\$8,195,195	\$7,470,896	\$7,426,194	\$3,466,664	\$6,018,873	\$59,522,190

EXHIBIT A CONTINUED



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EXHIBIT B

Field Auditors Taxpayer Assistance/Special Projects

	Total Hours
Zone I - South Bend, Lafayette, Merrillville	1,060
Zone II - Fort Wayne, Kokomo, Muncie	384
Zone III - Indianapolis*, Terre Haute, Columbus	294
Zone IV - Bloomington, Clarksville, Evansville	1,326
Zone V - Out of State	0
Special Tax Auditors	642
Total	3,706

*Represents special project only. Taxpayer assistance provided by customer contact section

This field auditor information was gathered using data from regional reports indicating hours charged to administrative special projects and administrative taxpayer services.

Standard Industrial Codes

The Standard Industrial codes (SIC) used in the Audit Division reports and exhibits are based on the North American Industry Classification System (NAICS). Refer to the following text to explain the industry classification numbering system.

Class	Explanation
1	Agricultural; Forestry
2	Mining; Oil and Gas Extraction; Construction
3	Manufacturing
4	Wholesale; Retail; Transportation
5	Information; Publishing; Telecommunications; Finance; Rental Insurance; Real Estate; Leasing; Professional Services
6	Education; Health Services
7	Arts; Entertainment; Recreation; Food Service; Accommodations
8	Repair; Personal Services; Other Services
9	Public Administration

EXHIBIT C
Dollars Assessed in 45 IAC Citations by Industrial Code
Gross Income Tax Audits

Sum of Results	SIC									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 1.1-1-14					6,423					6,423
45 IAC 1.1-1-16								3,119		3,119
45 IAC 1.1-1-18								11,887		11,887
45 IAC 1.1-1-2			10,178							10,178
45 IAC 1.1-1-22					13,722,552					13,722,552
45 IAC 1.1-1-23			(5,452)							(5,452)
45 IAC 1.1-1-3			(2,375)	431,588						429,213
45 IAC 1.1-1-8							107,514			107,514
45 IAC 1.1-2-1	(8,044)	(49,445)			(17,872)			(2,388)		(77,749)
45 IAC 1.1-2-10			23,808							23,808
45 IAC 1.1-2-12		(1,149)								(1,149)
45 IAC 1.1-2-13		96,529			23,240					119,769
45 IAC 1.1-2-2		549,489	370,701	(13,533)	190		1,400	602,652		1,510,899
45 IAC 1.1-2-4	31,722	94,002	(68,837)	527,884	1,850,172	77,930	25,560	23,727	1,587	2,563,747
45 IAC 1.1-2-5		4,597	(48,675)	(3,358)	70,222	224,017		(1,911,702)		(1,664,899)
45 IAC 1.1-2-8			10,111	2,274						12,385
45 IAC 1.1-3-3			3,444	(22,264)						(18,820)
45 IAC 1.1-4-1		(425)	(21)		(33)					(479)
45 IAC 1.1-4-5					(374)			30,853		30,479
45 IAC 1.1-5-7	984									984
45 IAC 1.1-6-10					(122,620)					(122,620)
Grand Total	24,662	693,598	292,882	922,591	15,531,900	301,947	134,474	(1,241,852)	1,587	16,661,789

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EXHIBIT C CONTINUED

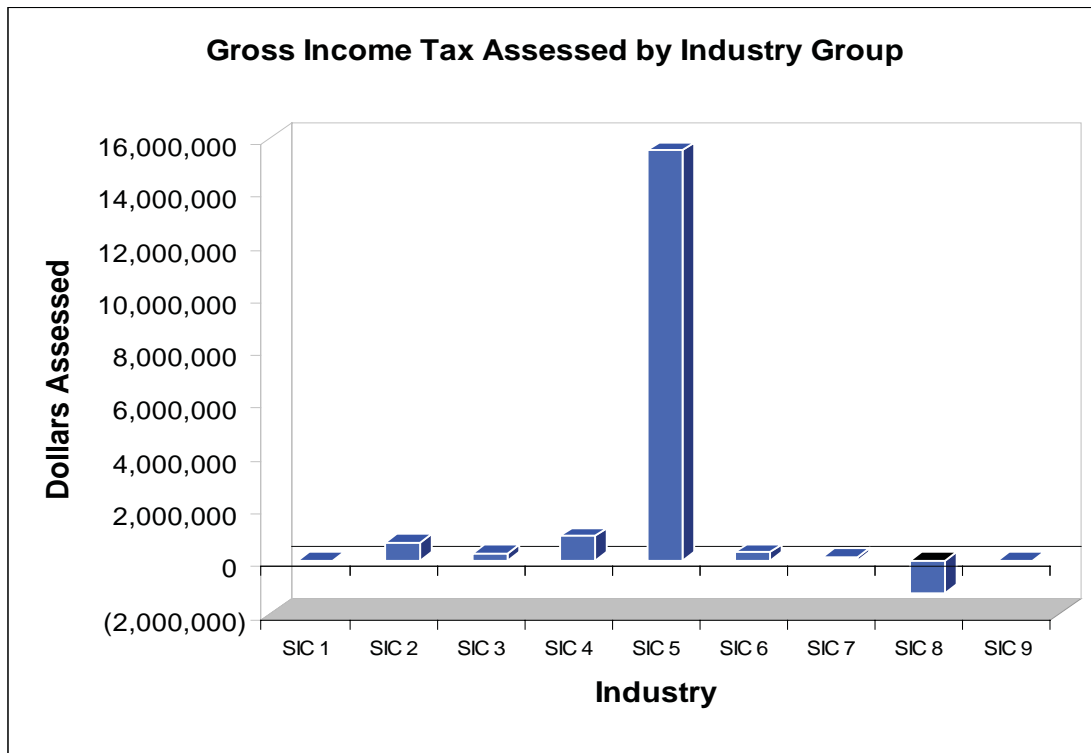
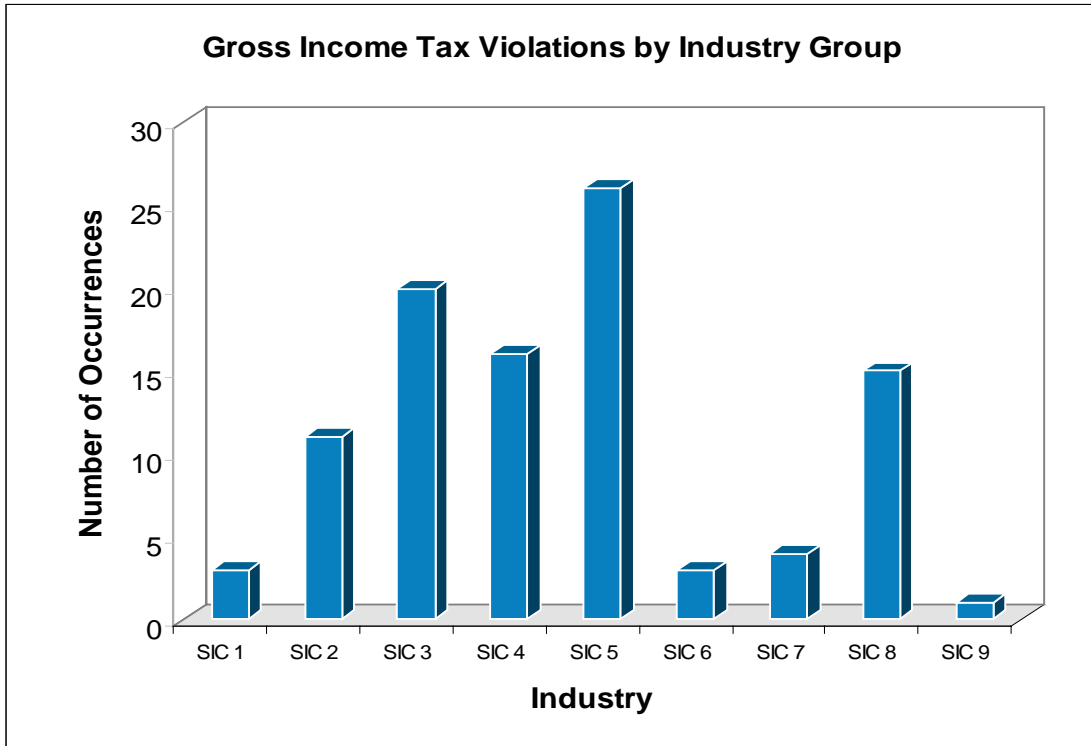


EXHIBIT D
Dollars Assessed In 45 IAC Citations by Industrial Code
Sales and Use Tax Audits

Sum of Results Citation	SIC									Grand Total
	1	2	3	4	5	6	7	8	9	
45 IAC 2.2-1-1		9,294	75,006	297,054	17,108		2,972	40,381		441,815
45 IAC 2.2-2-1	133	13,395	9,243	849,637	11,357	4,006	15,638	29,633,691	4,487	30,541,587
45 IAC 2.2-2-2	23,938	54,080	2,046,714	390,099	98,733	1,133	47,981	11,310	300	2,674,288
45 IAC 2.2-2-3		59	9,577	7,908						17,544
45 IAC 2.2-3-1			387	(2,411)						(2,024)
45 IAC 2.2-3-11				14,353	387					14,740
45 IAC 2.2-3-12	6,684	155,378	(12,908)	7,926	1,921		3,087	(138,007)	12,477	36,558
45 IAC 2.2-3-13	184	68	12,814	22,138	4,828		1,577	12,565		54,174
45 IAC 2.2-3-14			(43,850)				(430)	(4,937)		(49,217)
45 IAC 2.2-3-15		(8,236)	1,814	32,266	13,180		117,626	26,693	897	184,240
45 IAC 2.2-3-18		2,762		324	525		2,384			5,995
45 IAC 2.2-3-19			261,552			2,684				264,236
45 IAC 2.2-3-20	18,956	1,173,167	(79,429)	(3,716,890)	792,205	217,488	371,098	677,279	52,197	(493,929)
45 IAC 2.2-3-21		150		15,985						16,135
45 IAC 2.2-3-22					90					90
45 IAC 2.2-3-24		462,467		15,335				(31,888)		445,914
45 IAC 2.2-3-25			1,433	6,275						7,708
45 IAC 2.2-3-26								71		71
45 IAC 2.2-3-27	4,471	10,236	2,926	2,008	10,721		1,485	1,740		33,587
45 IAC 2.2-3-4	6,205	(640,027)	4,547,838	926,810	615,013	(18,317)	234,320	402,478	556,664	6,630,984
45 IAC 2.2-3-5		3,058	3,904	77,977	1,686					86,625
45 IAC 2.2-3-6						733				733
45 IAC 2.2-3-7		193								193
45 IAC 2.2-3-8	340	4,387	10,164	4,456	6,457		79	(5,846)	41	20,078
45 IAC 2.2-3-9	3,966	417,416	207,148	80,762	14,646		(537)	(544)		722,857
45 IAC 2.2-4-1		117,429	124,137	280,091	(216,071)	139	257,244	45,326		608,295
45 IAC 2.2-4-11		19,366	4,188	11,284			1,584	4,360		40,782
45 IAC 2.2-4-12		3,493								3,493
45 IAC 2.2-4-13	(6,562)	(29,642)	(847,233)	(70,082)	(44,157)		(8,451)	(453,560)	(14,141)	(1,473,828)
45 IAC 2.2-4-14				100,473	74					100,547
45 IAC 2.2-4-2		(5,172)	(88,313)	(3,854)	38,051	(68)	(21,133)	10,699	1,217	(68,573)
45 IAC 2.2-4-21	2,449	343	6,507	125				21,485		30,909
45 IAC 2.2-4-22	93	124,596	21,799	1,247	11,483		3,948	28,870	849	192,885
45 IAC 2.2-4-24			243				85			328
45 IAC 2.2-4-25		367								367
45 IAC 2.2-4-26	8,081	324,091	25,208	12,939	46,078		354	(537)	2,272	418,486
45 IAC 2.2-4-27	2,980	160,136	28,368	12,173	35,025	5,232	50,947	397,008	813	692,682
45 IAC 2.2-4-28		97			4,873					4,970
45 IAC 2.2-4-3	6	6,331	346	12,497	930	289	139	239	3,641	24,418
45 IAC 2.2-4-30								33,253		33,253
45 IAC 2.2-4-32								5,442		5,442
45 IAC 2.2-4-33				11,307	24,056					35,363
45 IAC 2.2-4-4		(11,309)	621		(4,130)			(504)		(15,322)
45 IAC 2.2-4-6			1,198							1,198
45 IAC 2.2-4-8		1,591		610	207	68	431,491	399,532		833,499
45 IAC 2.2-4-9				718	62		473			1,253
45 IAC 2.2-5-1	10,013									10,013
45 IAC 2.2-5-10		53	50,784	6,959	8,612		1,658	(28,203)		39,863
45 IAC 2.2-5-12		4,882	38,193	(34,663)	(10,010)		(4,084)	(46,599)	(11,375)	(63,656)
45 IAC 2.2-5-13	16,396		(63,220)	(687)	(84)		10,636	20		(36,939)
45 IAC 2.2-5-14		(22,033)	(6,327)	(3,386)	(5,706)		(469)	(1,738)	(343)	(40,002)
45 IAC 2.2-5-15	(7,927)	(66,961)	(4,168)	(11,278)	(10,658)	(14,724)	(7,224)	83,380	(324)	(39,884)
45 IAC 2.2-5-16	(821)	(159)	274,790	(12,613)	(16,239)		(1,706)	30,526	(29)	273,749
45 IAC 2.2-5-17					(8,919)					(8,919)
45 IAC 2.2-5-18		43,802								43,802
45 IAC 2.2-5-19		(1,567)							(4,396)	(5,963)
45 IAC 2.2-5-2	5,368									5,368
45 IAC 2.2-5-20		28,160			(220,515)			(469,437)		(661,792)
45 IAC 2.2-5-21				119,373				3,251		122,624

EXHIBIT D Continued
Dollars Assessed In 45 IAC Citations by Industrial Code
Sales and Use Tax Audits

Sum of Results Citation	SIC									Grand Total
	1	2	3	4	5	6	7	8	9	
45 IAC 2.2-5-24					(8,934)					(8,934)
45 IAC 2.2-5-26	2,976	29,277	16,177	9,584	35,945	15,368	1,850	1,930	2,173	115,280
45 IAC 2.2-5-27				7,407	8					7,415
45 IAC 2.2-5-28			(80)			3,589				3,509
45 IAC 2.2-5-29		66			(16,957)					(16,891)
45 IAC 2.2-5-3	14,307			3,446						17,753
45 IAC 2.2-5-34					(153)					(153)
45 IAC 2.2-5-35						(24)	(205)			(229)
45 IAC 2.2-5-36		4,291		5,002	12,999	185,619		8,224	15,921	232,056
45 IAC 2.2-5-38		(421)		2,185						1,764
45 IAC 2.2-5-39			(36)	(38)			(16,475)			(16,549)
45 IAC 2.2-5-4	58,879	4,689		2,527					4,667	70,762
45 IAC 2.2-5-40		2,295	695	3,795	1,030	237				8,052
45 IAC 2.2-5-42			543	2,676	329			35		3,583
45 IAC 2.2-5-43	5					363	1,065,008	328		1,065,704
45 IAC 2.2-5-45		3,105	298	11	315		3,188	234		7,151
45 IAC 2.2-5-5	5,760			(622)	(526)					4,612
45 IAC 2.2-5-52				923						923
45 IAC 2.2-5-53			1,438							1,438
45 IAC 2.2-5-54		(263)	2,445	3,419			1,404			7,005
45 IAC 2.2-5-55			235		57			1,071		1,363
45 IAC 2.2-5-56				56				719		775
45 IAC 2.2-5-6	24,888			3,350	694			3,783	(17)	32,698
45 IAC 2.2-5-61	(18,150)	(8,074)	19,782	47,496	(211)			(234,376)		(193,533)
45 IAC 2.2-5-62	1,689		5,204	(8,747)						(1,854)
45 IAC 2.2-5-67				150,690						150,690
45 IAC 2.2-5-7	6,689			1,057						7,746
45 IAC 2.2-5-70			(3,293)				(3,408)			(6,701)
45 IAC 2.2-5-8	27,494	(7,416)	1,643,712	4,126,961	23,111	3,663	(4,112)	(567,190)	39,811	5,286,034
45 IAC 2.2-5-9	(367)	132,464		11,895						143,992
45 IAC 2.2-6-1		3,719	358	729,785		257	36,657	73,056	85,111	928,943
45 IAC 2.2-6-12			(3,322)	(221,250)	1,445,319	(1,430)		(3,095,857)		(1,876,540)
45 IAC 2.2-6-14		329	(2,909)	(4,182)	3,225		(950)	64		(4,423)
45 IAC 2.2-6-15				(16)				111		95
45 IAC 2.2-6-16		628		(544)	(689)					(605)
45 IAC 2.2-6-17		(418)								(418)
45 IAC 2.2-6-2								(13)		(13)
45 IAC 2.2-6-4								(41,349)		(41,349)
45 IAC 2.2-6-6		433		3						436
45 IAC 2.2-6-8	32,975	425,819	658,719	1,275,756	107,262	50,656	564,846	132,858	100,996	3,349,887
45 IAC 2.2-7-2				205,657				425		206,082
45 IAC 2.2-7-6			(3,169,936)	42,849	(3)			(293,746)		(3,420,836)
45 IAC 2.2-7-7				145,394						145,394
45 IAC 2.2-8-1				3,676	25					3,701
45 IAC 2.2-8-12	625	20,400	32,850	707,670	21,192	1,245	6,173	(13,992)	14,354	790,517
45 IAC 2.2-8-5		4,519			(22,381)					(17,862)
45 IAC 2.2-8-8								20,855		20,855
Grand Total	252,723	2,971,183	5,824,334	6,723,116	2,823,476	458,206	3,166,748	26,684,969	868,263	49,773,018

EXHIBIT D CONTINUED

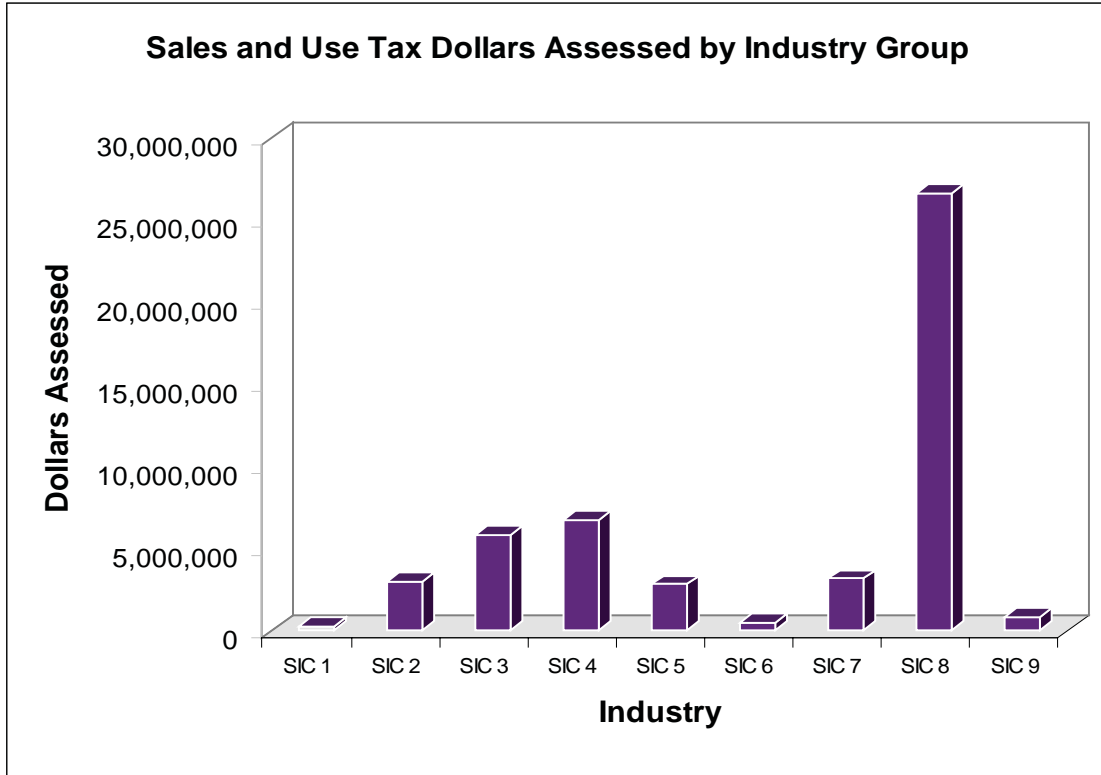
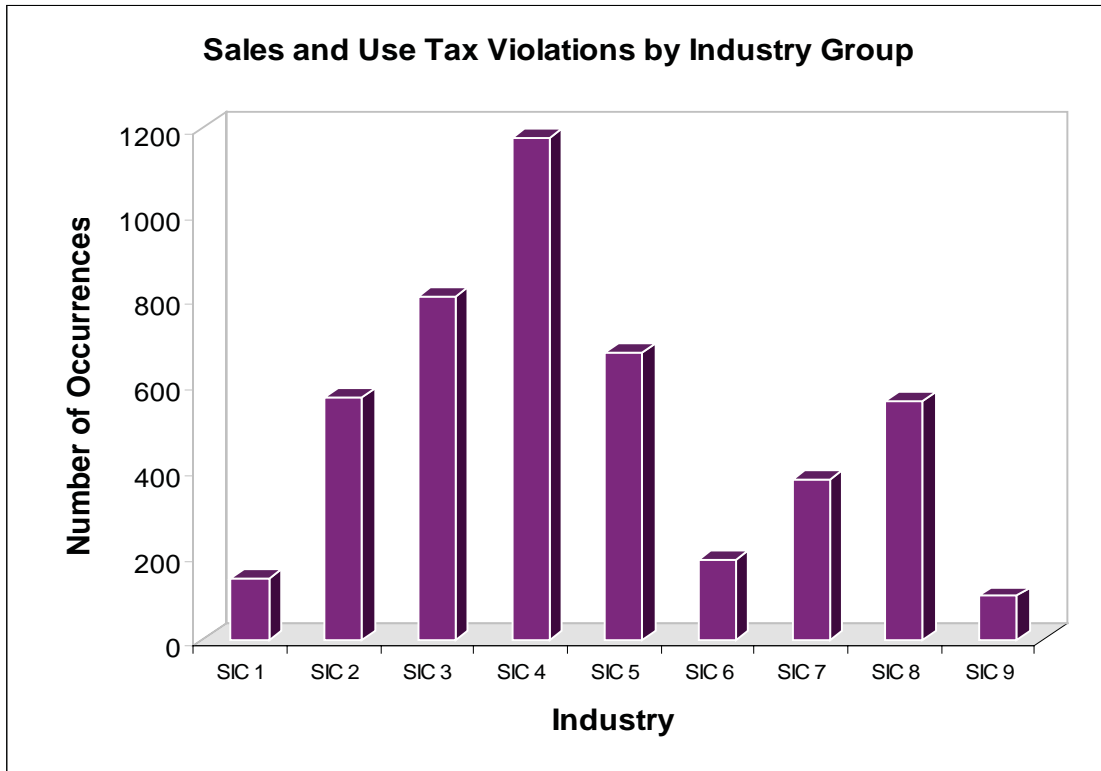


EXHIBIT E
Dollars Assessed in 45 IAC Citations by Industrial Code
Adjusted Gross Income Tax

Sum of Results	SIC									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 3.1-1-1	1,853	54,903	719,910	55,411	10,115	20,018	1,046	44,230	479,587	1,387,073
45 IAC 3.1-1-100		278		594	490					1,362
45 IAC 3.1-1-106									2,894	2,894
45 IAC 3.1-1-107					5,168		834			6,002
45 IAC 3.1-1-108				4,690						4,690
45 IAC 3.1-1-109				496						496
45 IAC 3.1-1-110			374,984		(5,345)					369,639
45 IAC 3.1-1-111			13,581							13,581
45 IAC 3.1-1-115									724	724
45 IAC 3.1-1-153			285,887							285,887
45 IAC 3.1-1-2		12,560		33,699		23,263		48,362	248,055	365,939
45 IAC 3.1-1-29			293,306					643,118		936,424
45 IAC 3.1-1-3								42,895	1,045	43,940
45 IAC 3.1-1-36		2,067								2,067
45 IAC 3.1-1-37		617,513	2,084,495	983,815	265,985	14,515	1,139,733	15,292,572		20,398,628
45 IAC 3.1-1-38			(6,889)							(6,889)
45 IAC 3.1-1-39			1,107,107		(32,449)					1,074,658
45 IAC 3.1-1-4									6,668	6,668
45 IAC 3.1-1-40			3,000		(6,088)					(3,088)
45 IAC 3.1-1-41			66,945							66,945
45 IAC 3.1-1-43			6,725	1,178	136		12,880	(573)	898	21,244
45 IAC 3.1-1-44			1,709	2,234						3,943
45 IAC 3.1-1-45	188				1,680					1,868
45 IAC 3.1-1-48					681				(29)	652
45 IAC 3.1-1-49					351			5,805		6,156
45 IAC 3.1-1-5				410	(33)			(29,475)	32,209	3,111
45 IAC 3.1-1-50		(76,871)						536,865		459,994
45 IAC 3.1-1-51		22,000	7,945	(541)				625		30,029
45 IAC 3.1-1-52		180,000	43,675	2,522				11,247	812	238,256
45 IAC 3.1-1-53			47,776					(1,394)	10,929	57,311
45 IAC 3.1-1-55		(11,802)			80,180					68,378
45 IAC 3.1-1-6									(396)	(396)
45 IAC 3.1-1-61									96,230	96,230
45 IAC 3.1-1-62			(277,105)	(9,647)	(17,560)				(6,829)	(311,141)
45 IAC 3.1-1-63				(29,220)						(29,220)
45 IAC 3.1-1-64			(2,400)					(4,329)		(6,729)
45 IAC 3.1-1-65								4,686		4,686
45 IAC 3.1-1-66		1,183			6,995				17,847	26,025
45 IAC 3.1-1-67								2,375		2,375
45 IAC 3.1-1-68							28,980			28,980
45 IAC 3.1-1-8	206	302,342	20,106,749	143,350	2,965,441	2,910	106,590	135,858	346,286	24,109,732
45 IAC 3.1-1-9	(1,913,304)	9,710	6,293,762	93,307	(14,077)		(1,845)	13,512,795	(230)	17,980,118
45 IAC 3.1-1-94		14,775	287,398	(76,859)				122,149	(457)	347,006
45 IAC 3.1-1-97		102,921	59,402	42,992	16,458		60,878	14,489	6,189	303,329
45 IAC 3.1-2-1									9,979	9,979
45 IAC 3.1-2-2								10,078		10,078
45 IAC 3.1-3-1					2,985		1,130		2,202	6,317
45 IAC 3.1-3-2								355		355
Grand Total	(1,911,057)	1,231,579	31,517,962	1,248,431	3,281,113	60,706	1,350,226	30,392,733	1,254,613	68,426,306

Right People in the Right Jobs Customer Focus Efficiency Right People in the Right Jobs

EXHIBIT E CONTINUED

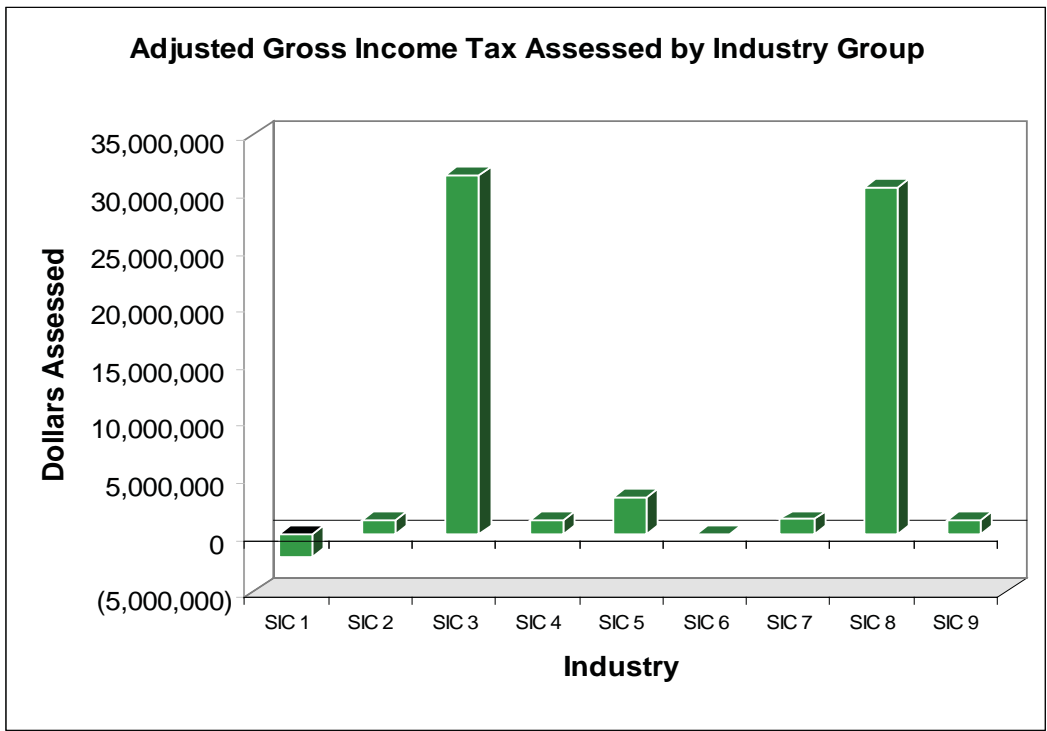
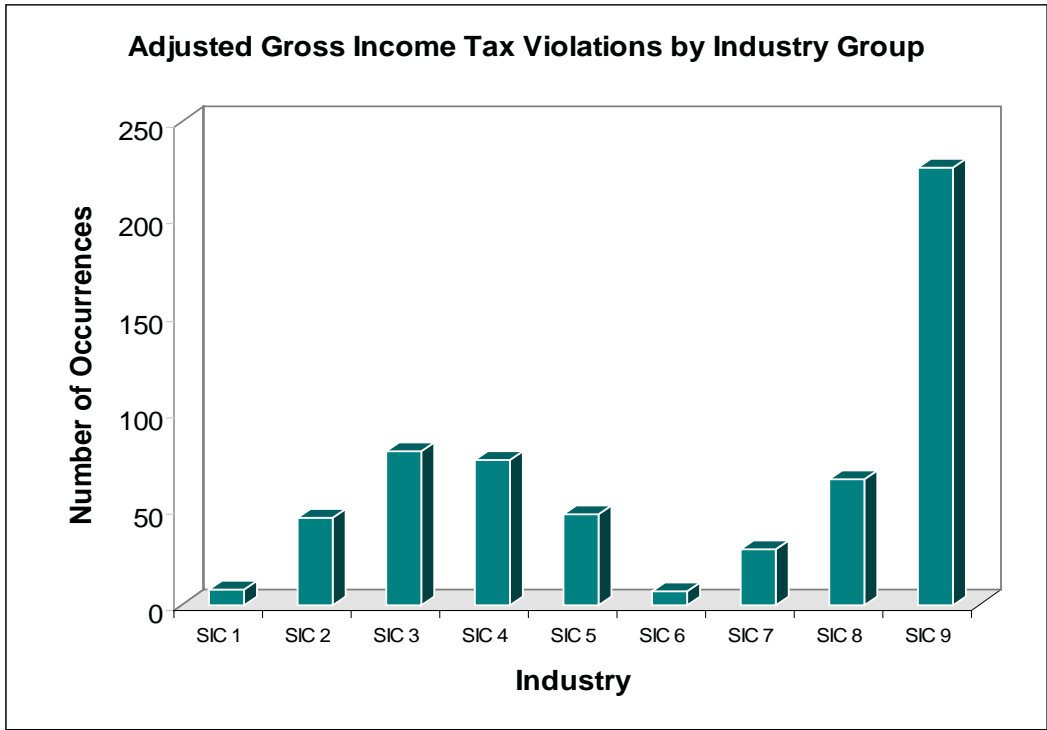


EXHIBIT F
Dollars Assessed for Miscellaneous Violations by Industrial Code

Sum of Results	SIC									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
45 IAC 17-2-1					27,204					27,204
45 IAC 17-3-1					(437)			24	(314)	(727)
45 IAC 17-3-10					(5,655)			18,737	(18,071)	(4,989)
45 IAC 17-3-4					(1,635,610)			11,310		(1,624,300)
45 IAC 17-3-6								15,425		15,425
45 IAC 17-3-9									(19,376)	(19,376)
45 IAC 17-5-1									1,657	1,657
IC 13-20-13-7				6,355				532		6,887
IC 5-28-15-5								(275,085)		(275,085)
IC 6-2.3-1-13					2,408					2,408
IC 6-2.3-1-14		(23,886)								(23,886)
IC 6-2.3-1-4		4,052			7,208					11,260
IC 6-2.3-1-6					197,067					197,067
IC 6-2.3-2-1		100,965			14,480			19,668		135,113
IC 6-2.3-3-10		1,703			400,697					402,400
IC 6-2.3-3-3					36					36
IC 6-2.3-4-2					(894,456)					(894,456)
IC 6-2.3-4-3		(11,094)								(11,094)
IC 6-2.3-5-1		(42)								(42)
IC 6-2.3-5-2					538					538
IC 6-2.3-6-2		25,880								25,880
IC 6-3.5-6-22				77						77
IC 6-3.5-6-9								(2,723)		(2,723)
IC 6-3.5-7-5		1,766								1,766
IC 6-5.5-1-17				68,880	1,255,542					1,324,422
IC 6-5.5-1-18					(95,716)	(1,211)				(96,927)
IC 6-5.5-1-2					41,280	6,413			1,087	48,780
IC 6-5.5-2-1					(567,912)					(567,912)
IC 6-5.5-2-8					1,809,605					1,809,605
IC 6-5.5-4					26,058				1,322	27,380
IC 6-5.5-4-1					(17,420)					(17,420)
IC 6-5.5-4-12					(7,175)	6,399				(776)
IC 6-5.5-4-2					10,254				6,989	17,243
IC 6-5.5-4-4					(9,267)				244	(9,023)
IC 6-5.5-4-7									3,279	3,279
IC 6-5.5-4-9					5,137				4,982	10,119
IC 6-5.5-5-1					390,369					390,369
IC 6-6-9				463,512				2,754		466,266
IC 6-8.1-3-17			32,498		37,231					69,729
IC 6-8.1-9-1								14,714		14,714
IC 6-9-20							5,941			5,941
IC 6-9-23							(456)			(456)
IC 6-9-23-4				(381)			201			(180)
IC 6-9-23-6							1,707			1,707
IC 6-9-27-5				2,703			208			2,911
IC 6-9-35-9				346						346
IC 6-9-9	0			7,854						7,854
Grand Total	0	99,344	32,498	549,346	991,466	11,601	7,601	(194,644)	(18,201)	1,479,011

EXHIBIT F CONTINUED

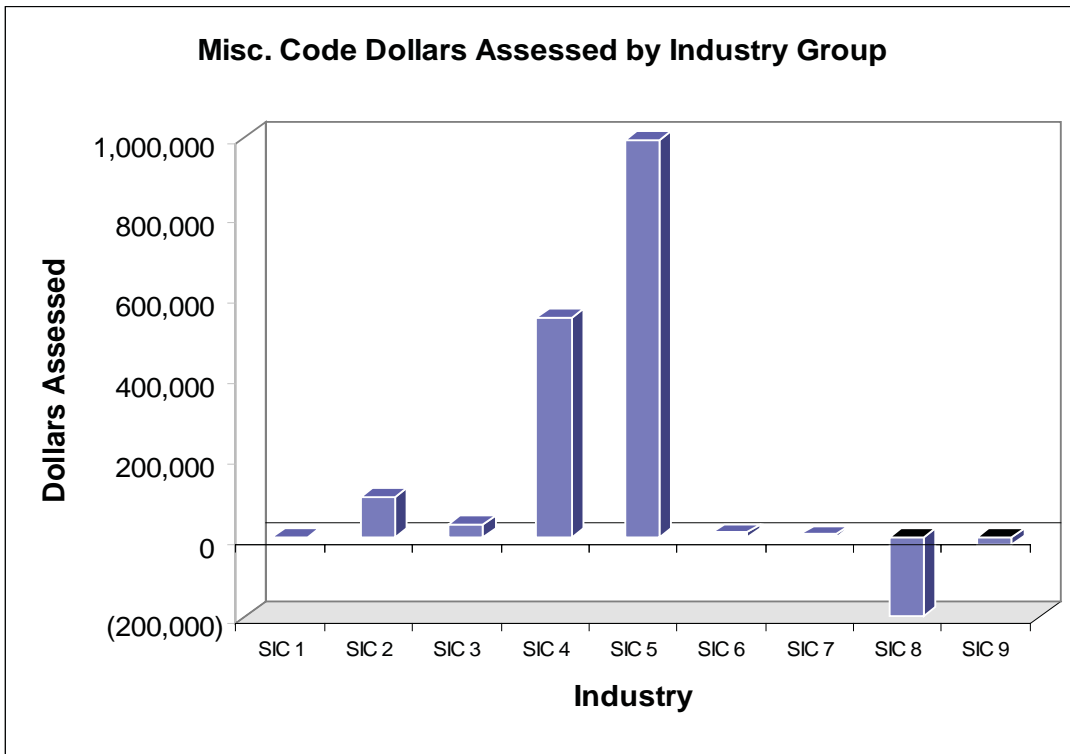
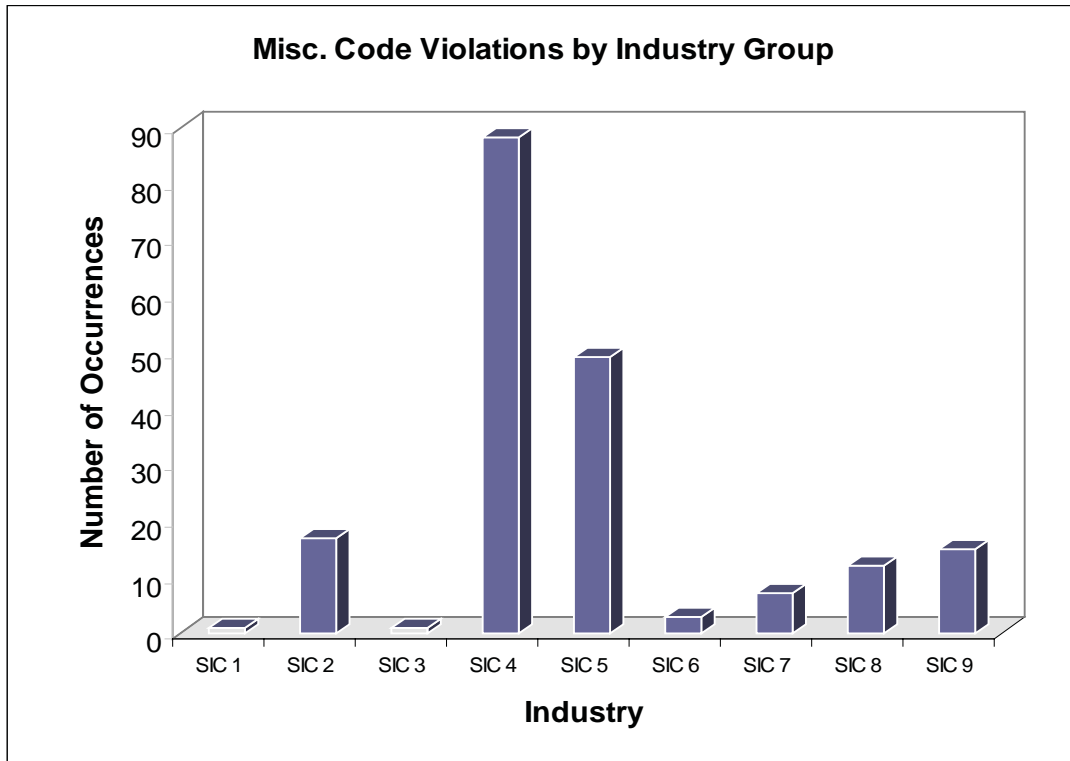
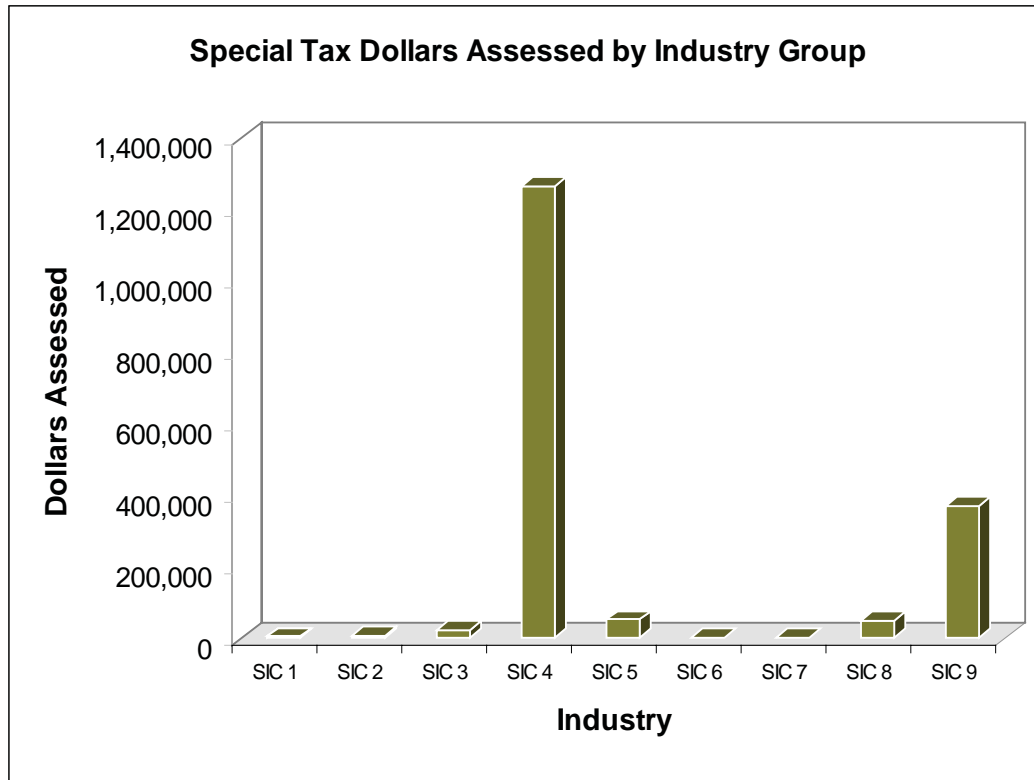
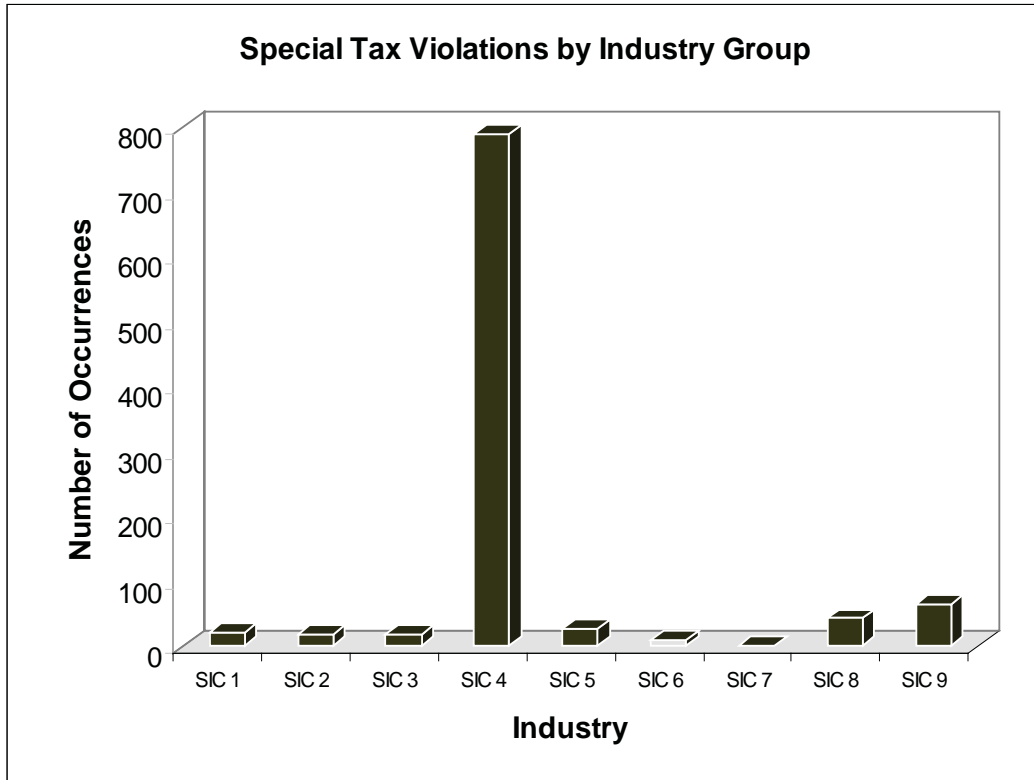


EXHIBIT G
Dollars Assessed in Code and Article Citations by Industrial Code
Special Tax Audits

Sum of Results	SIC									
Citation	1	2	3	4	5	6	7	8	9	Grand Total
A550				10,559				10,044		20,603
IC 16-44-2-18				15,977				(7,243)		8,734
IC 6-6-1.1-103				1,047						1,047
IC 6-6-1.1-201				310,978	(2,651)					308,327
IC 6-6-1.1-301				1,395				26,202		27,597
IC 6-6-1.1-705				512	810					1,322
IC 6-6-2.5-28				31,449				(5,496)		25,953
IC 6-6-2.5-30				2,943						2,943
IC 6-6-2.5-37				350						350
IC 6-6-2.5-64				28,419						28,419
IC 6-6-4.1-4	(88)	4,452	(268)	16,298				5,533		25,927
IC 6-6-4.1-6	(74)	(2,376)	199	(6,407)				515		(8,143)
IC 6-6-4.1-9				45,397						45,397
IC 6-6-5.5-8	175	360	3,254	154,647	123	103		718	2,785	162,165
IC 6-7-1-19	37,543				38,137				234,717	310,397
IC 6-7-2-7				71				455	7,418	7,944
IC 7.1-4-3				77						77
IC 7.1-4-4-1			66		34					100
IC 8-2-1-20-7	90			9,940				90		10,120
IC 8-2-1-20-7				60						60
IC IC 6-7-2-7				1,293	3,073				88,303	92,669
IRP Article II-204		556		1,146		160				1,862
IRP Article XV-1502	397	245	5,665	346,275	306	15		930	6,359	360,192
IRP Article XVII-1700		(271)	2,064	(3,481)	(333)	60		80	(100)	(1,981)
IRP Article XVII-1700								594		594
R1000	(46,021)	553	(15,876)	(38,693)	(8,633)	(29)		(4,239)	15,488	(97,450)
R1200				10,029						10,029
R800	10,366	2,957	25,569	327,783	19,869	685	0	18,865	16,869	422,963
Grand Total	2,388	6,476	20,673	1,268,064	50,735	994	0	47,048	371,839	1,768,217

EXHIBIT G CONTINUED



Recommendations for Improving Taxpayer Compliance and Department Administration

2007 Legislation Affecting the Department of Revenue

Utility Receipts Tax

IC 6-2.3-1-2 (Upon Passage) expands the definition of an affiliated group for purposes of the utility receipts tax.

IC 6-2.3-1-2.5 (Upon Passage) defines a controlled group of corporations for purposes of the utility receipts tax.

IC 6-2.3-4-6 (Upon Passage) provides that gross receipts from the sale of utility services between members of a controlled group of corporations are exempt from the utility receipts tax if the seller is the producer of the utility service and the purchaser is the end user, and the seller and user exist in the same or adjacent locations.

IC 6-2.3-5-3 (July 1, 2007) provides that the resource recovery tax deduction allowed for the utility receipts tax will be disallowed if the taxpayer is convicted of a criminal violation under IC 13 (environmental law).

IC 6-2.3-6-1 (December 16, 2007) increases the threshold for the annual unpaid utility receipts tax liability from \$1,000 to \$2,500 before quarterly estimated payments are required to be made, and reduces the threshold for EFT payments from \$10,000 to \$5,000 for taxable years beginning after December 15, 2007.

Sales and Use Tax

IC 6-2.5-1-11.3 (January 1, 2008) adds a definition of ancillary services for purposes of taxation of telecommunications services.

IC 6-2.5-1-20.3 (January 1, 2008) defines intrastate telecommunications service as telecommunications service that originates and terminates in Indiana.

IC 6-2.5-1-22.3 (January 1, 2008) is added to define prepaid calling service as the term is defined in IC 6-2.5-12-11.

IC 6-2.5-1-22.4 (January 1, 2008) defines prepaid wireless calling service to mean telecommunications service that provides the right to use mobile wireless services that must be paid for in advance, and is sold in predetermined units or dollars that declines with use.

IC 6-2.5-1-27.5 (January 1, 2008) defines telecommunications services to mean electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points. The term includes a transmission in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission regardless of whether the service is referred to as voice over internet protocol services, or is classified by the FCC as enhanced or value added. The term does not include:

1. Data processing and information services that allow data to be generated, acquired, processed, stored or retrieved and delivered by an electronic transmission to a purchaser.

2. Installation or maintenance of wiring or equipment on a customer's premises.
3. Tangible personal property.
4. Advertising including but not limited to directory advertising.
5. Billing and collection services provided to third parties.
6. Internet access service.
7. Radio and television audio and video programming services, regardless of the medium, including cable service and audio and video programming services delivered by commercial mobile radio service providers.
8. Ancillary services.
9. Digital products delivered electronically including software, music, video, reading materials, and ring tones.

IC 6-2.5-1-29 (January 1, 2008) defines value added nonvoice data service to mean a service that otherwise meets the definition of telecommunications services in which computer processing applications are used to act on the form, content, code, or protocol of the information or data primarily for a purpose other than transmission, conveyance or routing.

IC 6-2.5-3-2 (July 1, 2007) provides a limited use tax exemption for an aircraft that is titled or registered in another state and is temporarily brought to Indiana to be repaired, refurbished , remanufactured or subjected to a prepurchase evaluation.

IC 6-2.5-3-7 (July 1, 2007) provides that a purchaser purchasing tangible personal property for use in public transportation may verify his exemption by providing his name, address, and motor carrier number, USDOT number, or any other identifying number authorized by the Department.

IC 6-2.5-4-5 (June 30, 2007) extends the sales tax exemption for the low income home energy assistance program to July 1, 2009.

IC 6-2.5-4-6 (January 1, 2008) states that a person is making a retail transaction when the person sells an intrastate telecommunications service, and receives gross retail income from billings or statements rendered to customers. A person is not providing telecommunications services when the person furnishes telecommunications to another person who is providing prepaid calling services or prepaid wireless calling services in a retail transaction to customers who access the services through the use of an access number, or the person sells telecommunications services to a public utility, the person furnishes intrastate mobile telecommunications service to a customer with a place of primary use that is not within Indiana, or the person sells value added non voice data services in a retail transaction to a customer.

IC 6-2.5-4-14 (July 1, 2007) provides that the department of administration and universities are required to provide a list to the Department of every person desiring to sell tangible personal property to the state or to a university, and eliminates the provision that a person providing services be included on the list. Requires the Department to notify the department of administration or the university if the person is not a registered retail merchant or is delinquent in remitting sales tax.

IC 6-2.5-5-3 (July 1, 2007) clarifies that distribution equipment and transmission equipment of a public utility engaged in generating electricity is not exempt from the sales tax as equipment directly used in direct production of electricity.

IC 6-2.5-5-8 (July 1, 2008) provides that an aircraft acquired by a person for rental or leasing is not exempt from the sales tax unless the person establishes that the annual amount of the lease revenue derived from leasing the aircraft is equal to or greater than 10% of the cost of the aircraft if the cost was less than \$1,000,000, or 7.5% if the cost is equal to or greater than \$1,000,000.

IC 6-2.5-5-8 (July 1, 2007) as amended by SEA 500-2007 is further amended to provide that the provision concerning aircraft purchased exempt from the sales tax for leasing and required to meet certain financial thresholds to be considered engaged in leasing does not take effect until July 1, 2008 instead of July 1, 2007.

IC 6-2.5-5-12 (July 1, 2007) deletes language that provides a sales tax exemption for public utilities that operate wastewater treatment plants, and replaces it with language in IC 6-2.5-5-12.5.

IC 6-2.5-5-12.5 (July 1, 2007) is added to provide a sales tax exemption for purchases of tangible personal property related to collection plant and expenses, system pumping plant and expenses, treatment and disposal plant and expenses, and the purchase is made by a public utility or a person that contracts with a municipality for the collection, treatment, or processing of wastewater.

IC 6-2.5-5-16.5 (June 30, 2007) extends the sales tax exemption for the low income home energy assistance program until July 1, 2009.

IC 6-2.5-5-35 (July 1, 2007) provides that electricity, gas, water or steam are not considered a consumable exempt from the sales tax if used by restaurants or hotels.

IC 6-2.5-5-39 (July 1, 2007) eliminates the exemption for exporting an aircraft from Indiana within 30 days and reinstates the provision in IC 6-2.5-5-42.

IC 6-2.5-5-42 (July 1, 2007) provides that an aircraft is exempt from the sales tax if the purchaser is a nonresident, and takes the aircraft outside of Indiana within 30 days after accepting delivery, or a repair, refurbishment, or remanufacture of the aircraft is completed. The purchaser is required to supply the seller with a copy of the purchaser's registration or title for the state where the aircraft is registered or titled within 60 days.

IC 6-2.5-6-1 (January 1, 2008) reduces the threshold for remitting the sales tax by EFT from \$10,000 to \$5,000.

IC 6-2.5-6-10 (July 1, 2007) changes the collection allowance provided by the state to retailers. The collection allowance remains at 0.83% on the first \$60,000 in sales tax liability accrued, 0.6% on the sales tax liability between \$60,001 and \$600,000, and for sales tax remittances greater than \$600,000 the collection allowance is 0.3%.

IC 6-2.5-7-5 (July 1, 2007) extends the time that the E85 sales tax deduction may be claimed until June 30, 2020. Increases the amount of the E85 sales tax deduction from \$.10 to \$.18 per gallon, and reduces the total amount of sales tax deductions that are available to all taxpayers for all years from \$2,000,000 to \$1,000,000.

IC 6-2.5-7-5.5 (July 1, 2007) provides that to the extent that funds are available from the corn market development account, the \$1,000,000 cap for the E85 sales tax deduction does not apply. The Department will annually publish in the Indiana Register a notice of the amount of funds available for the reimbursement required from the corn market development fund for the E85 deduction.

IC 6-2.5-8-1 (January 1, 2008) provides the county assessor will receive the information related to new sales tax registrations if the duties of the township assessor are transferred to the county assessor.

IC 6-2.5-8-7 (July 1, 2007) stipulates that the Department shall revoke a registered retail merchant after 5 days notice to the retail merchant if the Department finds in a public hearing that the holder of the permit has violated any of the professional gambling statutes. This requirement is eliminated with the adoption of the memorandum of understanding with the gaming commission.

IC 6-2.5-8-8 (January 1, 2008) is amended to provide that a seller that accepts an incomplete exemption certificate is not relieved of the duty to collect gross retail tax on the sale unless the seller obtains a fully completed exemption certificate within 90 days after the sale. If the seller has accepted an incomplete exemption certificate, and the Department requests the seller to substantiate the exemption, the seller has 120 days to provide a completed exemption certificate, or prove by other means that the transaction was an exempt transaction.

IC 6-2.5-8-10 (Upon Passage) is repealed. This section previously required a person to register as a retail merchant even if they were not located in Indiana, but solicited business, sold property to the state or a university, or was closely related to another entity that maintained a place of business in Indiana.

IC 6-2.5-10-1 (July 1, 2007) dedicates one hundred twenty-five thousandths of one percent to the public mass transportation fund from the deposits of the sales tax in the general fund.

IC 6-2.5-11-10 (January 1, 2008) is amended to provide that a certified service provider (CSP) or a seller using a certified automated system that obtains a certification from the Department is not liable for sales tax collection errors that result from reliance on the Department's certification. The CSP or the seller using a certified automated system must revise the incorrect classification within 10 days after receiving notice of the determination from the Department. If the error is not corrected within 10 days, the CSP or the seller using a certified automated system is liable for failure to collect the correct amount of sales tax due.

IC 6-2.5-11-11 (January 1, 2008) is added to provide that a purchaser is relieved from liability for penalties for failure to pay the amount of tax due if the purchaser's seller, a purchaser with a direct pay permit, or a purchaser relied on information provided by the Department regarding tax rates, or the taxability matrix. A purchaser is relieved from liability and interest for failure to pay the correct amount of sales tax due.

IC 6-2.5-11-12 (January 1, 2008) is added to require the Department to review software submitted to the governing board of the streamlined sales and use tax agreement for certification as a certified automated system.

IC 6-2.5-12-10 (January 1, 2008) amends the definition of post paid calling service to exclude prepaid wireless calling service for purposes of sourcing telecommunications.

IC 6-2.5-12-11.5 (January 1, 2008) is added to define prepaid wireless calling service as a telecommunications service that provides the right to use mobile wireless service as well as other non-telecommunications services.

IC 6-2.5-12-16 (January 1, 2008) is amended to determine the manner of sourcing for prepaid wireless calling services.

IC 6-2.5-13-1 (January 1, 2008) amends the general sourcing provisions to provide that Internet access services and ancillary services will be sourced in accordance with the telecommunications sourcing provisions.

IC 6-2.5-13-2 (Upon Passage) is repealed. This section provided for the multiple point of use exemption provision in regards to sourcing of digital goods and computer software delivered electronically.

Adjusted Gross Income Tax

IC 6-3-1-3.5 (January 1, 2008) provides that qualified military income that was included in federal adjusted gross income is deducted for purposes of determining Indiana adjusted gross income.

IC 6-3-1-3.5 (January 1, 2008) requires corporations to add back any deduction for dividends paid to shareholders of a captive real estate investment trust.

IC 6-3-1-3.5 (January 1, 2008) adds a modification to adjusted gross income to provide a subtract off for patent income that is included in federal adjusted gross income or federal taxable income for corporations.

IC 6-3-1-11 (January 1, 2007 - Retroactive) updates the Indiana Code and the definition of adjusted gross income to correspond to the federal definition of adjusted gross income contained in the Internal Revenue Code. Provisions that are incorporated into the definition of adjusted gross income include an extension of the deduction for higher education expenses, a temporary extension of the deduction for teachers' classroom expenses, a deduction for environmental remediation expenses, and depreciation of leasehold and restaurant improvements.

IC 6-3-1-34 (January 1, 2008) is added to define qualified military income as wages paid to a member of the reserve component of the armed forces or the National Guard for full time service on involuntary orders, or the period during which the member is mobilized and deployed, or the period during which the person's National Guard unit is federalized.

IC 6-3-1-34.5 (January 1, 2008) defines a captive real estate investment trust as a corporation, trust or an association that is considered a real estate investment trust under Section 856 of the Internal Revenue Code,

Quality That Counts **Spotlight**



Janis Wright

For more than 10 months, Systems Analyst Specialist Janis Wright (left) spent many hours working to ensure the Food and Beverage county tax distributions are accurate. Wright worked with several members of the Department's leadership team to explain how each dollar was disbursed. She balanced her current workload along with taking on this special project, and spent more than 200 additional hours outside of regular business hours producing the necessary reports needed to verify accuracy.

that is not regularly traded on an established securities market, and in which more than 50% of the voting power or shares are owned or controlled by a single entity.

IC 6-3-2-4 (January 1, 2008) increases the military pay and military retirement income tax deduction from \$2,000 to \$5,000.

IC 6-3-2-9 (Upon Passage) is amended to change the term used to describe a person with disabilities.

IC 6-3-2-20 (July 1, 2007) makes a technical change to change the word appointment to apportionment.

IC 6-3-2-21.7 (January 1, 2008) adds an exemption from income for qualified patents. A qualified patent is a utility patent or a plant patent issued after December 31, 2007 for an invention resulting from a development process conducted in Indiana. The term does not include a design patent. A qualified taxpayer is an individual or corporation with less than 500 employees, or a nonprofit organization, and is domiciled in Indiana. The exemption from income includes licensing fees or other income received for the use of the patent, royalties received for the infringement, receipts from the sale of a qualified patent, or income from the taxpayer's own use of the patent to produce the claimed invention. The total amount of exemptions claimed by a taxpayer in a taxable year may not exceed \$5,000,000. The exemption may not be claimed for more than 10 years. For the first 5 years, 50% of the amount of income received from the patent is exempt, and the percentage declines by 10% each year starting in the sixth year that the exemption is claimed. The taxpayer is required to claim the exemption on the qualified taxpayer's state tax return, and shall submit all information that the Department determines is necessary for the determination of the exemption. Annually by December 1, the Department shall provide an evaluation report to the legislative council, the budget committee, and the Indiana economic development corporation indicating the number of taxpayers claiming the exemption, the total of all exemptions claimed, and the North American Industry Classification System code for each taxpayer claiming the exemption including the number of patents for which an exemption was claimed.

IC 6-3-3-12 (January 1, 2007 - Retroactive) provides that an owner of a college choice 529 education savings plan that makes a non-qualified withdrawal must repay all or part of the credit in the taxable year in which the non-qualified withdrawal was made. The amount that the taxpayer must repay is the lesser of 20% of the total amount of the non-qualified withdrawals made during the taxable year from the account, or the excess of the amount of all credits provided that are claimed by a taxpayer with respect to the taxpayer's contributions to the account for all taxable years beginning after December 31, 2006. Any required repayment will be made on the account owner's annual income tax return for any taxable year in which a non-qualified withdrawal is made.

IC 6-3-4-1.5 (July 1, 2007) provides that if a professional preparer files more than 100 tax returns in a calendar year for individuals, the paid preparer shall file returns for individuals in an electronic format for the subsequent year as specified by the Department.

IC 6-3-4-4.1 (December 16, 2007) provides that if an individual's annual unpaid liability is less than \$1,000, the taxpayer is not required to file quarterly estimated payments. The previous amount was \$400. A corporation for taxable years beginning after December 15, 2007, is not required to file quarterly estimated payments if its annual unpaid liability is less than \$2,500. The previous limitation was \$1,000. Corporations required to make quarterly estimated payments are permitted to use the annualized income installment method calculated in the manner provided by Section 6655(e) of the Internal Revenue Code as applied to the corporation's adjusted gross income tax liability. This section also reduces the filing threshold for EFT payments for corporate estimated taxes from \$10,000 to \$5,000.

IC 6-3-4-8.1 (January 1, 2008) changes the requirement for monthly withholding taxes to be remitted by EFT from \$10,000 to \$5,000.

IC 6-3-4-12 (January 1, 2008) requires partnerships that have nonresident partners to file a composite return including all nonresident partners on the return. This section also provides that the nonresident is not prohibited from being part of the composite return if they have other income from Indiana.

IC 6-3-4-13 (January 1, 2008) requires S corporations that have nonresident shareholders to file a composite return for all nonresident shareholders, and includes the nonresident shareholder even if a nonresident shareholder has other income from Indiana.

Tax Credits

IC 6-3.1-1-3 (January 1, 2007 - Retroactive) adds the Hoosier alternative fuel vehicle manufacturer tax credit to the list of credits where the taxpayer cannot claim multiple tax credits for the same project.

IC 6-3.1-13-27 (July 1, 2007) changes an internal reference within the EDGE tax credit.

IC 6-3.1-24-9 (July 1, 2007) provides that a person providing qualified investment capital may claim the venture capital investment tax credit for investments made before January 1, 2013. The previous law required the investment to be made before January 1, 2009.

IC 6-3.1-27-9.5 (January 1, 2008) provides that the credit created for cellulosic ethanol is not included in the \$50,000,000 cap for biodiesel production and blending, and for ethanol production.

IC 6-3.1-28-9 (July 1, 2007) provides that the ethanol production credit may not be sold, assigned, conveyed, or otherwise transferred.

IC 6-3.1-28-11 (January 1, 2008) defines the term cellulosic ethanol. This section creates a new tax credit to provide \$20,000,000 for all taxable years for all taxpayers a credit for a taxpayer who produces at least 20,000,000 gallons of cellulosic ethanol in a taxable year. The credit may only be applied against the state tax liability attributable to business activity taking place at the Indiana facility at which the cellulosic ethanol was produced.

IC 6-3.1-29-6 (Upon Passage) provides that the coal gasification tax credit includes a facility that is located in Indiana and that converts coal into synthesis gas that can be used as a substitute for natural gas.

IC 6-3.1-29-15 (Upon Passage) provides that the coal gasification tax credit will be awarded for the development of a facility that will serve gas utility consumers, in addition to electric utility consumers that are already allowed for in the statute.

IC 6-3.1-29-20.5 (Upon Passage) provides that all or part of the integrated coal gasification power plant tax credit that a taxpayer is entitled to is assignable to one or more utilities if the assignment has been approved by the utility regulatory commission, and provides for the purchase of electricity or substitute natural gas by the utility from the taxpayer. If the credit is assigned, it must be taken in twenty annual installments. The total amount of credit that may be assigned is the total credit awarded divided by twenty and then multiplied by the percentage of Indiana coal used in the taxpayer's integrated coal gasification power plant.

IC 6-3.1-31 (January 1, 2007 - Retroactive) creates a new tax credit for offering health benefit plans. An employer that did not provide health insurance to his employees prior to January 1, 2007 and makes health insurance available to the employees is entitled to a credit for the first two years in which the taxpayer makes the plan available if the employer provides that participation is at the employee's election, and the employee may have the premiums withheld from his paycheck. The amount of the credit is the lesser of \$2,500 or \$50 multiplied by the number of employees enrolled in the health benefit plan. A taxpayer will claim the credit on the taxpayer's state tax return, and is required to make health insurance available to the employer's employees for at least two years after the taxable year the employer first offers the health benefit plan.

IC 6-3.1-31.2 (January 1, 2007 - Retroactive) creates a small employer qualified wellness program tax credit. A small employer is an employer that is actively engaged in business, and has at least two but not more than 100 eligible employees with a majority of them working in Indiana. A small employer is entitled to a tax credit equal to 50% of the costs incurred by the taxpayer during the taxable year for providing a qualified wellness program for the employer's employees during the taxable year. The credit can be carried forward but cannot be carried back or refunded. To receive the credit the employer must provide a copy of the certificate received from the state department of health and claim the credit on the taxpayer's state income tax return. Beginning in 2009 and each odd numbered year thereafter, the Department shall report to the legislative council concerning the use of the credit, and will indicate the number of taxpayers claiming and receiving the credit, reports of abuse of the credit and any other information concerning the use and effectiveness of the credit.

IC 6-3.1-31.5 (January 1, 2008) creates a tax credit equal to the lesser of 20% of the amount of expenditures on energy star heating and cooling equipment incurred by the taxpayer in a taxable year, or \$100. A pass through entity is eligible for the credit, and the credit may not exceed the taxpayer's tax liability. There is no carry back, carry forward, or refund of any unused credit. The total amount of tax credits may not exceed \$1,000,000 in a state fiscal year.

IC 6-3.1-31.5-13 (January 1, 2008) provides that the energy savings tax credit for energy star heating and cooling equipment may not be awarded to a taxpayer for taxable years beginning after December 31, 2010.

IC 6-3.1-31.9 (January 1, 2007 - Retroactive) creates the Hoosier alternative fuel vehicle manufacturer tax credit. There is a new tax credit that provides an income tax credit of up to 15% of the qualified investment. A qualified investment includes the purchase of new equipment used for telecommunications, production, manufacturing, fabrication, assembly, finishing, distribution, transportation, or logistical distribution equipment. The term also includes computer equipment, costs associated with modernization of equipment and facilities, onsite infrastructure improvements, construction of new manufacturing facilities, retooling existing machinery and equipment, and costs associated with the construction of special purpose buildings that are certified by the Indiana economic development corporation (IEDC) as being eligible for the credit. An alternative fuel vehicle is any vehicle designed to operate using methanol, denatured ethanol, E85, natural gas, liquefied petroleum gas, hydrogen, coal derived liquid fuels, non alcohol fuels derived from biological material, P-Series fuels, or electricity. The IEDC may make credit awards to foster job creation, reduce dependency on foreign oil, and reduce air pollution. A taxpayer may carry forward an unused credit for nine years. A person that proposes a project to manufacture or assemble alternative fuel vehicles may apply to the IEDC before the qualified investment is made. After receipt of the application, the IEDC may enter into an agreement with the applicant. A taxpayer claiming the credit is required to submit a copy of the certificate of verification from the IEDC. If a taxpayer does not comply with the agreement, the Department after notification from the IEDC may make an assessment against the taxpayer up to the amount of previously allowed credits. The IEDC may not award any credits for qualified investments made after December 31, 2012

County Adjusted Gross Income Tax (CAGIT)

IC 6-3.5-1.1-2 (Upon Passage) provides that a county wishing to impose CAGIT must adopt an ordinance after March 31 and before August 1 of a year. The ordinance will take effect on October 1.

IC 6-3.5-1.1-2.3 (Upon Passage) provides that if Jasper County desires to increase CAGIT to fund a jail, the ordinance must be adopted before August 1 to be effective on October 1 of the year of adoption. If the ordinance is adopted after August 1, the increased tax rate will not be effective until October 1 of the subsequent year.

IC 6-3.5-1.1-2.6 (Upon Passage) provides that Parke County may adopt an ordinance to impose additional CAGIT up to 0.25% for the cost of a capital trial.

IC 6-3.5-1.1-3 (Upon Passage) provides that an ordinance to increase CAGIT must be adopted after March 31 and before August 1 to be effective on October 1 of the year the ordinance is adopted.

IC 6-3.5-1.1-3.1 (Upon Passage) provides that an ordinance to decrease CAGIT must be adopted after March 31 and before August 1 to be effective on October 1 of the year the ordinance is adopted.

IC 6-3.5-1.1-4 (Upon Passage) provides that an ordinance to rescind CAGIT must be adopted after March 31 and before August 1 to be effective on October 1 of the year the ordinance is adopted.

IC 6-3.5-1.1-7 (Upon Passage) is amended to change the term used to describe a person with disabilities.

IC 6-3.5-1.1-9 (Upon Passage) provides that the certified distribution that the Department provides to the county auditor shall include information on the part of the certification that is attributable to additional rates adopted for property tax replacement credits, additional public safety, or property tax relief. The certification for the additional information must be provided to each county auditor by September 1 of each year.

IC 6-3.5-1.1-24 (Upon Passage) authorizes a county to adopt an ordinance by August 1 to impose an additional CAGIT effective on October 1. The additional rate that is determined is effective for two years. A county may not decrease or rescind the tax rate once it is imposed. One-half of the revenue from the tax rate imposed shall be deposited in the county stabilization fund. The maximum rate that a county may impose under this section to replace property tax levy growth is 1%.

IC 6-3.5-1.1-25 (Upon Passage) provides that if a county has imposed a tax rate under section 24 for property tax replacement credits and section 26 for property tax relief, the county may adopt an ordinance to provide an additional tax rate for public safety. The maximum tax rate is the lesser of 0.25% or the rate imposed under section 26. The tax rate may be imposed or rescinded by adopting an ordinance by August 1 of a year to be effective on October 1 of the same year.

IC 6-3.5-1.1-26 (Upon Passage) provides that a county may impose an additional CAGIT rate of up to 1% imposed at increments of 0.05%. The rate imposed is to be used for property tax replacement credits for all property, homestead credits, or property tax replacement credits for qualified residential property. The rate is in addition to any other rate imposed. A county is not required to impose any other tax before imposing a tax rate under this section. The rate will be imposed, rescinded, increased, or decreased in the same manner and at the same time as required under section 24.

Levy Freeze Limits

IC 6-3.5-1.5 (Upon Passage) requires the Department to be involved with the department of local government finance in determining the levy freeze limits that are created.

County Wheel Tax

IC 6-3.5-5-9.5 (July 1, 2007) provides that an owner of a commercial motor vehicle paying an apportioned registration under the International Registration Plan that is required to pay a wheel tax shall pay an apportioned wheel tax based on Indiana miles compared to total miles. The apportioned wheel tax shall be paid at the same time and in the same manner as the commercial motor vehicle excise tax. This provision only applies to a wheel tax adopted after June 30, 2007. A voucher from the Department showing proof of payment may be accepted by the bureau of motor vehicles in lieu of the payment.

IC 6-3.5-5-13 (July 1, 2007) provides that if a wheel tax for a commercial vehicle is collected directly by the Department, the Department shall remit the wheel tax and file a wheel tax collections report with the appropriate county treasurer, and file a wheel tax collections report with the county auditor by the tenth day of the month following the month that the wheel tax was collected.

County Option Income Tax (COIT)

IC 6-3.5-6-8 (Upon Passage) provides that a county imposing COIT must adopt an ordinance after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-6-9 (Upon Passage) authorizes a county to adopt an ordinance increasing the COIT rate if the ordinance is adopted after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-6-11 (Upon Passage) provides that if a county desires to freeze its COIT rate, it must adopt an ordinance after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-6-12 (Upon Passage) provides that if a county is rescinding its COIT, the ordinance must be adopted after March 31 and before August 1 to be effective on October 1.

Quality That Counts Spotlight

Diana Eaton

Business Administrator Diana Eaton's initiative, determination and dedication in preparing the Department for the launch of PeopleSoft Financials have earned her a place on the growing list of *Quality That Counts* Award recipients. Eaton put in more than 50 hours of work outside of regular business hours, including week ends, to get ready for PeopleSoft Financials to go live. Eaton also took on the responsibility of teaching her co-workers the basics of PeopleSoft Financials.

After receiving the Quality That Counts Award, Eaton replied, "Thank you very much. I didn't expect this award at all."



IC 6-3.5-6-12.5 (Upon Passage) provides that a county may decrease its COIT rate by adopting an ordinance after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-6-17 (Upon Passage) provides that the Department will notify the county auditor and the department of local government finance the amount of additional certified distribution based on additional rates imposed for increased homestead credits and the county stabilization fund, public safety or property tax relief.

IC 6-3.5-6-18 (Upon Passage) prohibits the use of the additional COIT revenues under sections 30, 31, and 32 to be used for financing of a qualified economic development tax project under IC 36-7-27.

IC 6-3.5-6-24 (Upon Passage) is amended to change the term used to describe a person with disabilities.

IC 6-3.5-6-28 (January 1, 2007) provides that Howard County's additional COIT that was previously authorized to be imposed at 0.25% may now be imposed at any increment up to 0.25%. This section also requires the Department to separately designate a tax rate imposed under this section in any tax form as the Howard County jail operating and maintenance income tax.

IC 6-3.5-6-29 (Upon Passage) provides that Scott County has until July 31 to adopt an ordinance to impose the additional COIT authorized for a county jail revenue fund to be imposed on October 1.

IC 6-3.5-6-30 (Upon Passage) authorizes a county to impose an additional COIT rate of up to 1% with the additional funds to be used partially for homestead credits and partially to be deposited into the county stabilization fund (one-third of the tax revenue for Marion County and fifty percent of the tax revenue in all other counties).

IC 6-3.5-6-31 (Upon Passage) authorizes a county to impose an additional COIT rate for public safety. The additional rate for public safety in Marion County may be imposed at a rate of up to 0.5% if Marion County imposed the additional rate provided for in IC 6-3.5-6-30. In all other counties, each county can impose an additional rate for public safety of up to 0.25% or the tax rate imposed under IC 6-3.5-6-32, whichever is less. All counties other than Marion County must impose an additional rate under IC 6-3.5-6-30 and IC 6-3.5-6-32 before they are eligible to impose the additional rate for public safety.

IC 6-3.5-6-32 (Upon Passage) authorizes a county to impose an additional COIT rate of up to one percent to be used to provide property tax relief. A county is not required to adopt any other tax before imposing a tax rate under this section.

IC 6-3.5-6-33 (Upon Passage) authorizes Monroe County to impose an additional COIT rate of up to 0.25% for a juvenile detention center.

County Economic Development Income Tax (CEDIT)

IC 6-3.5-7-5 (Upon Passage) changes the dates to adopt an ordinance to impose, increase, decrease, or rescind the county economic development income tax (CEDIT). An ordinance must be adopted after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-7-6 (Upon Passage) changes the dates to adopt an ordinance to increase or decrease CEDIT. An ordinance must be adopted after March 31 and before August 1 to be effective on October 1.

IC 6-3.5-7-9 (Upon Passage) is amended to change the term used to describe a person with disabilities.

IC 6-3.5-7-28 (Upon Passage) authorizes a county that is a member of a regional development authority to adopt an ordinance to increase the county's CEDIT rate by 0.05% and requires the revenue to be deposited in the county regional development authority fund.

Municipal Option Income Tax

IC 6-3.5-8-17 (Upon Passage) is amended to change the term used to describe a person with disabilities.

Inheritance and Estates Tax

IC 6-4.1-10-1 (July 1, 2007) provides that if an inheritance tax payment that was erroneously or illegally collected is not refunded within 90 days after the refund claim is filed, interest accrues at 6% per annum from the date the claim was filed until the refund is paid.

Financial Institutions Tax

IC 6-5.5-1-2 (January 1, 2008) provides a subtract off for patent income that is included in federal taxable income of a financial institution.

IC 6-5.5-1-2 (January 1, 2008) adds a modification to the financial institutions tax to provide a subtract off for patent income that is included in adjusted gross income for financial institutions.

IC 6-5.5-6-3 (January 1, 2008) provides that a taxpayer subject to the financial institutions tax is not required to make quarterly estimated tax payments if the annual tax liability is less than \$2,500. This amount was previously set at \$1,000. This section also reduces the threshold for filing EFT payments from \$10,000 to \$5,000.

Gasoline Tax

IC 6-6-1.1-502 (January 1, 2008) reduces the threshold for making EFT payments in regard to gasoline and special fuel taxes from \$10,000 to \$5,000.

Special Fuel Tax

IC 6-6-2.5-30.5 (July 1, 2007) provides an exemption from the special fuel tax for special fuel that has a nominal biodiesel content of at least 20%, is only used for personal use, and the individual using the special fuel produced the special fuel. The maximum number of gallons that the person may claim exempt is equal to 2,000 gallons divided by the average percentage volume of biodiesel in each gallon used by the individual.

Motor Carrier Fuel Tax

IC 6-6-4.1-2 (January 1, 2008) provides an exemption from the motor carrier fuel tax for a pickup truck that is modified to include a third free rotating axle where the gross vehicle weight is less than 26,000 pounds, and the vehicle is operated for personal and not commercial use.

Aircraft License Excise Tax

IC 6-6-6.5-1 (July 1, 2007) defines (for purposes of the aircraft license excise tax) a repair station to be a person who holds a repair station certificate that was issued to the person by the Federal Aviation Administration under 14 CFR Part 145.

IC 6-6-6.5-2 (July 1, 2007) provides that if a nonresident bases an aircraft in Indiana with a repair station solely for repairing, remodeling, or refurbishing the aircraft, the nonresident is not required to register the aircraft with the Department. The repair station is required to report quarterly to the Department the N number of the aircraft that were based in this state at the end of each calendar quarter.

Cigarette Tax

IC 6-7-1-12 (July 1, 2007) increases the cigarette tax from \$.555 to \$.995 per pack.

IC 6-7-1-17 (July 1, 2007) increases the discount that cigarette distributors are allowed to retain from two-thirds of a cent per pack to one and two-tenths cents per pack.

IC 6-7-1-17.5 (July 1, 2007) allows a bad debt deduction if a cigarette distributor fails to collect from a retailer the cigarette tax for cigarettes that the distributor has distributed to the retailer.

IC 6-7-1-28.1 (August 1, 2007) changes the distribution of the cigarette tax to provide that 27.05% of the money is deposited in the Indiana check-up plan trust fund, 2.46% is deposited in the state general fund to pay for Medicaid provider reimbursements, 4.1% is deposited in the state general fund to be used to pay for any appropriation for a health initiative, and 2.46% is used to reimburse the general fund for the income tax credit for offering health benefit plans. All funds currently receiving cigarette tax funding will have their percentage of distribution reduced.

IC 6-7-2-7 (July 1, 2007) increases the tax on other tobacco products from 18% to 24% of the wholesale price of the other tobacco products.

IC 6-7-2-14.5 (July 1, 2007) allows a bad debt deduction if another tobacco products distributor fails to collect from a retailer the other tobacco products tax for the other tobacco products that the distributor has delivered to the retailer.

IC 6-7-2-17 (August 1, 2007) provides that 25% of the taxes, fees, fines, or penalties relating to the other tobacco products will go to the affordable housing and community development fund.

Miscellaneous

IC 6-8-12 (Upon Passage) adds a new chapter to provide the NFL and all of its affiliates with an exemption from all taxes for property owned, revenues received, and expenditures and transactions of the entities. This chapter also provides that tickets sold for the Super Bowl will not be subject to the admissions tax.

Tax Administration

IC 6-8.1-1-1 (Upon Passage) is amended to include the slot machine wagering tax as a listed tax for purposes of tax administration by the Department.

IC 6-8.1-3-2.5 (July 1, 2007) provides that the Department may adopt production quotas or goals for employees, but it is still prohibited from basing an employee evaluation on the amount of revenue collected or tax liability assessed.

IC 6-8.1-3-20 (July 1, 2007) requires the Department to enter into a memorandum of understanding with the gaming commission authorizing the commission's gaming enforcement division to conduct actions to revoke retail merchant's certificates in the manner specified in the memorandum of understanding.

IC 6-8.1-6-3 (January 1, 2008) provides that an electronic payment will be considered timely on the date the taxpayer issues the payment order for the electronic funds transfer, instead of current law which provides that the payment is considered timely on the date the taxpayer's bank account is charged.

IC 6-8.1-7-1 (January 1, 2008) provides that the county assessor is included along with the township assessor as an office that can receive the name and address of retail merchants.

IC 6-8.1-8-8 (July 1, 2007) provides that a collection agency that makes a claim to a financial institution on behalf of the Department shall submit proof of employment, a fee of \$10 for each claim, a notice of levy, instruction for remitting the funds to the collection agency, and a stamped self addressed return envelope. The section also provides that a financial institution or collection agency may not pass along the \$10 fee to the Department, the taxpayer or any other individual or unit of government.

IC 6-8.1-8-8 (July 1, 2007) deletes the language that was placed in this section by SEA 559 which would require a collection agency to pay a \$10 fee for each claim filed with a financial institution.

IC 6-8.1-8-8.7 (July 1, 2007) requires the Department to operate a data match system with each financial institution doing business in Indiana. Each financial institution doing business in Indiana shall provide information to the Department on all account holders. The information shall be supplied by comparing records maintained by the financial institution with records provided by the Department, or by having the child support bureau make its reports available to the Department. All information must be provided on a quarterly basis. When there is a determination that a match has been made, the Department shall provide a notice of the match if action is to be initiated to levy the account. The Department or the collection agency is required to pay the financial institution performing the data match a fee established by the Department of at least \$5 for each data match.

IC 6-8.1-9-1 (July 1, 2007) requires the department to hold a hearing if the taxpayer requests a hearing concerning a claim for refund.

IC 6-8.1-9-14 (July 1, 2007) provides that the Department may not assess a fee to a state agency or a custodial parent for seeking a setoff to a state tax refund for past due child support.

IC 6-8.1-9.5-10 (July 1, 2007) provides that the Department may not assess a fee to a custodial parent or state agency for seeking a setoff to a state tax refund for past due child support.

IC 6-8.1-10-1 (July 1, 2007) provides that the interest rate that the Department charges on a tax deficiency and the interest rate that the Department pays on an excess tax payment will be the same, and requires the treasurer of state to notify the commissioner on or before October 1, the average investment yield of the state for the previous fiscal year.

IC 6-8.1-10-2.1 (January 1, 2008) provides a penalty of \$500 for a partnership or S corporation that fails to file a composite return for all nonresident shareholders.

Innkeepers' and Food & Beverage Taxes

IC 6-9-2-2 (January 1, 2008) changes the method of distribution of the Lake County Innkeepers' Tax.

IC 6-9-2.5-6 (July 1, 2007) authorizes Vanderburgh County to increase its maximum innkeepers' tax rate from 6% to 8%.

IC 6-9-2.5-7.5 (July 1, 2007) provides that from July 1, 2007 through December 31, 2009, the Vanderburgh County treasurer shall deposit in the tourism capital improvement fund the amount of revenue generated from a 3.5% rate, and from January 1, 2010 the fund will receive the amount of tax generated from a rate of 4.5%.

IC 6-9-9-3 (July 1, 2007) authorizes Allen County to increase its innkeepers' tax from 6% to 7% with the increase used to provide grants to the convention and visitor bureau.

Motor Carrier Services

IC 8-2.1-17-2, IC 8-2.1-17-7.5, and IC 8-2.1-17-9.1 (January 1, 2007 - Retroactive) defines freight forwarders, brokers and leasing companies.

IC 8-2.1-20-4 (January 1, 2007 - Retroactive) provides that freight forwarders, brokers, and leasing companies are subject to regulation by the Department if they hold themselves out as a provider of transportation of property for compensation.

IC 8-2.1-20-9, (January 1, 2007 - Retroactive) provides that if there is a conflict between Indiana law and the unified carrier registration system and the regulations adopted by the United States Secretary of Transportation, the federal statute and regulations control.

IC 8-2.1-24-3 (January 1, 2007 - Retroactive) provides that household movers, transporters of non liquid bulk fertilizers, trucks transporting chemicals for snow removal, and aggregate transporters whose trucks weigh less than 46,000 pounds will be subject to the statutes regulating motor carriers that operate intrastate.

IC 8-2.1-24-4 (January 1, 2007 - Retroactive) provides that the Department may certify a motor carrier transporting passengers and may regulate and supervise safety, insurance, methods and hours of operation of a motor carrier providing transportation of passengers.

IC 8-2.1-24-18 (Upon Passage) incorporates federal regulations concerning drug and alcohol testing, consumer protection regulations for interstate household movers, and special training requirements for longer combination vehicles into the motor carrier laws. The bill also provides that a person engaged in the construction business is not required to have a commercial driver's license.

IC 8-2.1-24-21 (January 1, 2007 - Retroactive) specifies in the statute that a motor carrier shall display a United States Department of Transportation number on each motor vehicle that the motor carrier operates.

Miscellaneous Provisions

IC 4-33-19 (July 1, 2007) creates the license control division within the gaming commission. The division is established to conduct administrative enforcement actions against licensed entities engaged in unlawful gambling. A licensed entity includes a holder of a retail merchant's certificate. The division will conduct a license revocation hearing on behalf of the Department. A memorandum of understanding between the commission and the Department is required to authorize the division's license revocation actions. The memorandum of understanding must be completed before January 1, 2008. The memorandum of understanding must describe the responsibilities of each participating agency.

IC 4-35-8-1 (Upon Passage) creates the slot machine wagering tax and requires the tax to be remitted to the Department on a daily basis. The deposit must be made by the close of the business day following the day the wagers were made. The Department may require the payments to be made by electronic funds transfer, and allow the licensee to file a monthly report to reconcile the amounts remitted to the Department. The payment of the tax shall be on a form prescribed by the Department. The money from the slot machine tax shall be deposited by the Department in the property tax reduction trust fund.

IC 5-22-16-4 (July 1, 2007) eliminates the provision that a person selling services to the state must get a tax clearance from the Department. The clearance is still required for a person selling tangible personal property.

IC 9-18-2-26 (July 1, 2007) provides that a license plate on a dump truck shall be displayed on the front of the vehicle.

IC 9-28-4-6 (July 1, 2007) clarifies the due date for vehicles registered under the International Registration Plan to be due within 15 days after the mailing date on the bill.

IC 9-29-5-6 (July 1, 2007) repeals the annual \$2.00 renewal fee for a permanent semi trailer registration.

IC 15-4-10-24.5 (July 1, 2007) provides that the corn market development account will reimburse the state for the E85 sales tax deduction. Annually beginning on July 1, 2008 the budget agency shall transfer from the corn market development account an amount equal to the lesser of 25% of the amount in the account, or the sum of all deductions allowed for the E85 sales tax deduction.

Noncode provisions

SEA 5, SECTION 1 (July 1, 2007) extends the nursing home quality care assessment fee from August 1, 2007 until August 1, 2009.

SEA 500, SECTION 50 (Upon Passage) requires the commissioner to revise any schedule specifying the adjusted rate of interest for excess tax payments to comply with IC 6-8.1-10-1. The revised schedule takes effect July 1, 2007.

SEA 500, SECTION 54 (January 1, 2007 - Retroactive) provides that a retail merchant that accepted Form ST-135 as a sales tax exemption certificate for a person engaged in transportation can request a refund for taxes, penalties, and interest paid to the Department or request the Department to satisfy any outstanding liabilities. These options are available until December 31, 2008.

SEA 502, SECTION 17, (July 1, 2008) is added to provide that the governor and commissioner shall take the steps necessary for Indiana to become an associate member of the Multistate Tax Commission. The section also requires the Department to make a separate budget request for the cost of the associate membership for the 2009-2011 biennium.

HEA 1456, SECTION 4 (Upon Passage) provides that the exemption provided in IC 6-2.3-4-6 (Utility Receipts Tax) does not mean that the gross receipts were taxable before the enactment of this exemption.

HEA 1478, SECTION 142 (Upon Passage) provides that any ordinance adopted between January 1, 2007 and April 1, 2007, concerning CAGIT, COIT, or CEDIT that was to be effective on July 1, 2007 will be effective on October 1, 2007.

HEA 1478, SECTION 145 (Upon Passage) provides that if Monroe County adopts an ordinance to impose the additional COIT authorized, the tax will take effect on July 1, 2007 or 15 days after the Department receives a notice that the ordinance was adopted, whichever is later.

HEA 1478, SECTION 146 (January 1, 2007 - Retroactive) provides that an ordinance adopted before April 29, 2007 by Howard County, and that provided for a rate that was less than 0.25% is legalized and validated.

HEA 1678, SECTION 54 (July 1, 2007) provides that revenue stamps paid for before July 1, 2007 and in the possession of a distributor may be used if the full amount of the tax increase is remitted to the Department.

HEA 1693, SECTION 20 (January 1, 2007 - Retroactive) repeals IC 8-2.1-21 which regulated armored car companies that are now regulated under IC 8-2.1-24-18.

Taxpayer Service and Education

The Department conducts workshops and seminars throughout the year for various segments of the public. Several seminars are offered to Indiana tax professionals on subjects such as Federal/State e-File and for Purdue and Indiana universities' annual tax schools.

The Department also provides information and tax-training handbooks to Volunteer Income Tax Assistance (VITA) volunteers and other groups that provide free tax preparation for disabled and low to moderate-income taxpayers. The materials and instructional seminars cover changes in tax legislation and policies. In addition, workshops are conducted specifically for new and small businesses on topics such as sales and use tax, and about how to get started on the right track with the Indiana Department of Revenue, among other important topics.

Seeking taxpayer input on a mass scale is important for gathering feedback that can be generalized to the larger taxpayer population. The Department continues to seek taxpayer input through surveys, focus groups, Web feedback e-mail and the Department's annual meeting in June.

In addition, the Department's taxpayer services division, alone, assisted the following numbers of taxpayers in FY 2007:

- Telephone Calls: 650,662
- E-mails: 21,668
- Walk In: 14,792
- Correspondence: 45,835

Tax Help

Internet Access

Access to forms, information bulletins and directives, tax publications, e-mail, I-File (the PC-Filing Program), etc. www.in.gov/dor

Telephone Numbers

Automated Information Line

Check on the status of refunds; prerecorded tax topics; tax liability balances -- (317) 233-4018

Collection/Liability Inquiries -

(317) 232-2165

Corporate Tax Information -

(317) 615-2662

Individual Income Tax Information -

(317) 232-2240

Motor Carrier Services "One Stop Shop" - (317) 615-7200

Sales Tax Information -

(317) 233-4015

Tax Forms Order Line

Available 24 hours a day -
(317) 615-2581

Telephone Device for the Deaf (TDDY) -

(317) 232-4952

Withholding Tax Information -

(317) 233-4016

DISTRICT OFFICE LOCATIONS

Indianapolis (Main Office)
 Indiana Government Center
 North, Rm N105
 100 N. Senate Avenue
 Indianapolis, IN 46204
 (317) 232-2240

Bloomington District Office
 410 Landmark Ave.
 Bloomington, IN 47403
 (812) 339-1119

Clarksville District Office
 1446 Horn Street
 Clarksville, IN 47129
 (812) 282-7729

Mailing address: P.O. Box 3249
 Clarksville, IN 47131-3249

Columbus District Office
 3136 N. National Rd., Suite H
 Columbus, IN 47201
 (812) 376-3049

Evansville District Office
 500 S. Green River Road
 Suite 202, Goodwill Building
 Evansville, IN 47715
 (812) 479-9261

Fort Wayne District Office
 1415 Magnavox Way Suite 100
 Fort Wayne, IN 46804
 (260) 436-5663

Kokomo District Office
 117 East Superior Street
 Kokomo, IN 46901
 (765) 457-0525

Lafayette District Office
 100 Executive Drive, Suite B
 Lafayette, IN 47905
 (765) 448-6626

Merrillville District Office
 8368 Louisiana Ave., Suite A
 Merrillville, IN 46410
 (219) 769-4267

Muncie District Office
 3640 N. Briarwood Lane, Suite 5
 Muncie, IN 47304
 (765) 289-6196

South Bend District Office
 1025 Widener Lane
 South Bend, IN 46614
 (574) 291-8270

Terre Haute District Office
 30 N. 8th Street, 3rd Floor
 Terre Haute, IN 47807
 (812) 235-6046

District office business hours are
8 a.m. to 4:30 p.m.
Monday - Friday.



Access Indiana Information Network

Comprehensive information about your Indiana state government, including advice on what to do in emergencies, can be found on the state's official Web site, the Access Indiana Information Network, at:
www.in.gov