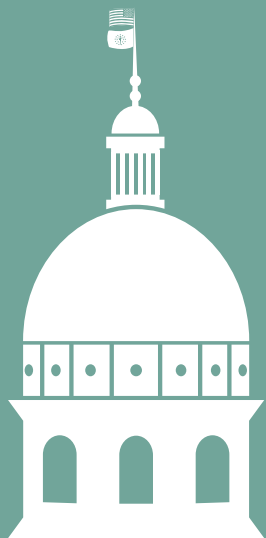




Indiana Department of Revenue



# FY23

## [Annual Report]



Recipient of 2023 Top Workplace USA and IndyStar Top Workplace Awards



# TIME

Indiana Taxpayer Information Management Engine

## 24/7 Customer Portal



Check Refund Status



Make a Payment



View Tax Account Information



Register Tax Accounts



View Correspondence from DOR



File & Amend Business Taxes



Establish Payment Plans



Update Names & Addresses



Secure Messaging with DOR

## INTIME.dor.IN.gov

INTIME user guides are available at  
[dor.in.gov/online-services/intime-tax-center](https://dor.in.gov/online-services/intime-tax-center)



Call 317-232-2240



Subscribe to DOR's Tax Bulletin  
e-newsletter for email updates



Connect on Social Media  
@INRevenue



# Letter from the Commissioner



Dear Governor Holcomb,

On behalf of the Indiana Department of Revenue team, it is my honor to present DOR's annual report for Fiscal Year 2023 (FY23: July 1, 2022 – June 30, 2023<sup>1</sup>).

FY23 has been yet another incredibly successful year for the DOR team. We worked collaboratively with your entire team and partners across the tax administration world to provide quality service to millions of Hoosier individuals, businesses, corporations and organizations.

Our team's work, including the successful completion of Project NextDOR, has resulted in impactful improvements that make us better in virtually every way.

You can find highlights of selected projects, agency operations improvements and service enhancements in the [Year in Review](#).

As we conclude FY23, we are proud to report that our systems, data, performance and organizational capability are better by almost every measure. Most importantly, the services we provide to all our customers, partners and stakeholders have improved across the board.

Over 650 Hoosiers comprise the agency's team, serving from 13 locations across Indiana. We are extremely proud of our dedication, the projects we completed and the enhancements we have implemented.

We end the fiscal year confident that we have served Indiana proudly and built upon the Indiana Department of Revenue's strong and successful foundation for many years to come.

A handwritten signature in black ink that reads "Robert J. Grennes Jr." with a stylized flourish at the end.

Robert J. Grennes, Jr.

*Commissioner*

Indiana Department of Revenue

<sup>1</sup>This report is submitted to the Governor of Indiana pursuant to Indiana Code 6-8.1-14.

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# The Indiana Department of Revenue at a Glance

The Indiana Department of Revenue (DOR) supports the state in the administration of over 60 tax types, issuing select permits and fees, processing millions of returns, payments and pieces of correspondence, and fostering celebrated customer service in person, by phone and online.

## Core Values



### **Fun**

Celebrate and enjoy what you do.



### **Leadership**

Through positive actions, inspire others to become more.



### **Integrity**

Always do what is right. Take action when it is not.



### **Respect**

Be kind, humble and mindful. Appreciate and value diversity.



### **Teamwork**

Focus on we, not me.



### **Service**

Lose yourself in the service of others.



### **Continuous improvement**

Be relentless about always getting better.

# Leadership & Teams



**Bob Grennes**

*Commissioner*

Bob was appointed Commissioner by Governor Eric Holcomb on Feb. 1, 2020. Before his appointment, Bob served as DOR's Chief Operating Officer from 2017-2019. Bob works with the agency's team members to serve Indiana and its citizens, businesses, corporations, state agencies, partners and stakeholders.



**Randal Boone**

*Executive Director of Motor Carrier Services*

Randal serves as Executive Director of Motor Carrier Services and has been a member of the leadership team for 16 years. Randal's team includes the following MCS teams:

- Fuel Taxes: International Fuel Tax Agreement (IFTA) & Motor Carrier Fuel Tax
- Insurance & Safety: Indiana Operating Authority
- MCS Customer Service Walk-in Branch
- Oversize/Overweight Permitting
- Titles Processing
- Vehicle Registrations: International Registration Plan & Base Plate Registration



# Leadership & Teams



**Kevin Gulley**

*Chief Information Officer*

Kevin serves as Chief Information Officer and has been a member of the leadership team since 2007. Kevin's team includes:

- Application Support
- Indiana Tax System
- IT Operations Support
- IT Security Office
- ITS Production Support Team
- Motor Carrier Services Application Support



**Terri Livingston**

*Executive Director of Agency & Business Systems Support*

Terri serves as the Executive Director of Agency & Business Systems Support and has been a member of the leadership team since 2017. Terri's team includes the following:

- Business Analysis
- Communications
- Corporate & Trust Tax Processing
- Data Governance & Analytics
- Internal Audit
- Investigations & Internal Affairs
- Operational Improvement
- Organizational Development & Training
- Project Management Office
- Tax Compliance

## Leadership & Teams



**Chris Perry**

*Executive Director of Audit Operations*

Chris serves as the Executive Director of Audit Operations and has been with DOR for 29 years. Chris' team includes the following:

- Audit Operations
- Audit Support



**Chris Russell**

*General Counsel*

Chris serves as General Counsel with the Legal Division for the agency and has been a part of the leadership team since 2017. Chris' team includes the following:

- Appeals
- Compliance & Ethics
- Legal Operations
- Legal Services
- Litigation
- Tax Policy



## Leadership & Teams



**Ed Vance**  
*Chief Financial Officer*

Ed serves as Chief Financial Officer and has been a member of the leadership team since 2017. Ed's team includes the following:

- Accounting & Financial Controls
- Budget & Revenue
- Procurement & Contract Management
- Tax Liability Management



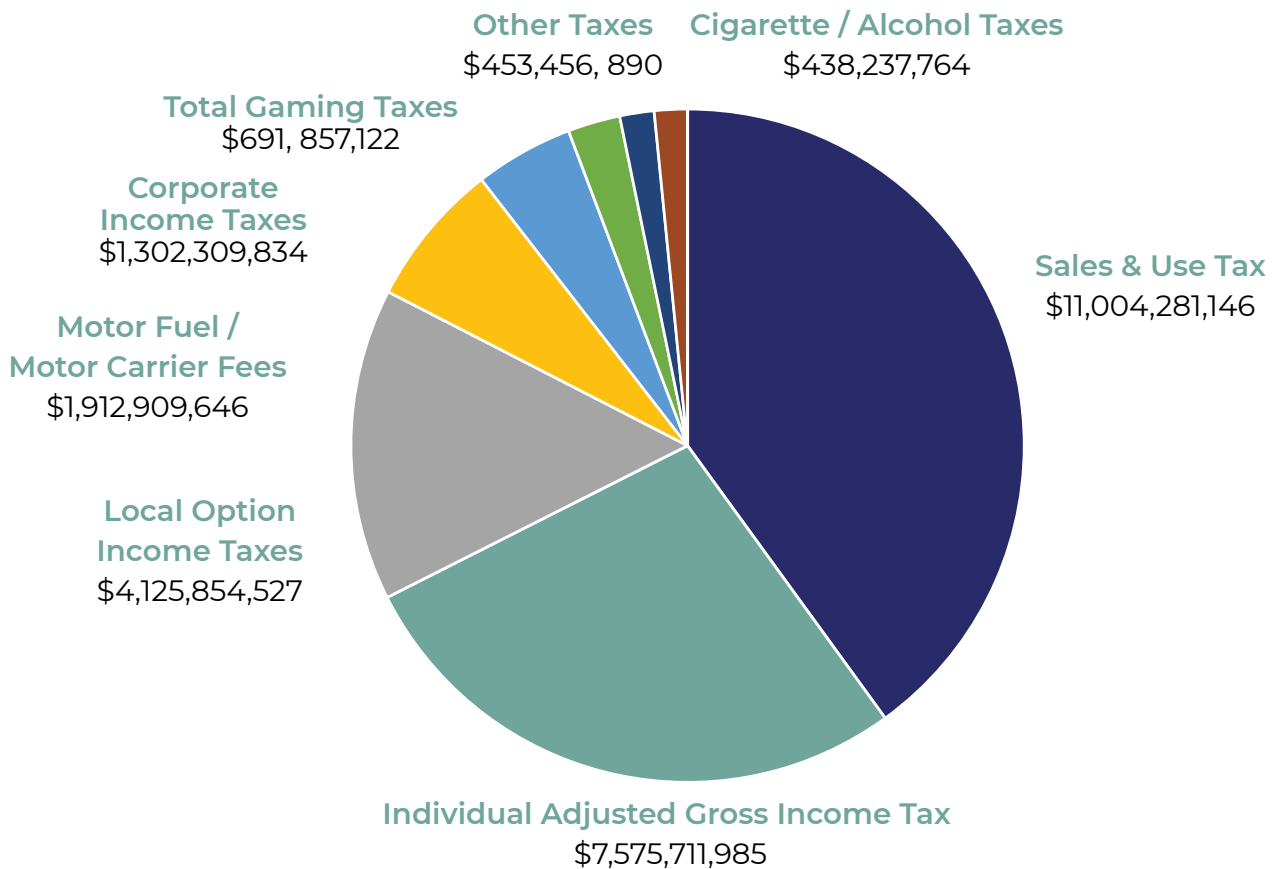
**Monique Young-Wash**  
*Executive Director of Service Operations*

Monique serves as Executive Director of Service Operations and has been a member of the leadership team since 2017. Monique's team includes the following:

- Customer Service
- Returns Processing Operations
- Special Tax Operations
- Taxpayer Advocate Office

# Year in Review

## Summary of Fiscal Year 2023 Tax Receipts



<b>Gross collections:</b> \$29,108,590,648	<b>Collection allowance:</b> \$63,821,458
<b>Net collections:</b> \$27,504,618,913	<b>Administrative costs:</b> \$77,013,866
<b>Refunds:</b> \$1,603,971,735	<b>Delinquencies collected:</b> \$492,419,897

## Customers Served



**Individuals:** 4,675,852



**Businesses:** 465,171



**Government Entities:** 2,326

# Year in Review

## Key Accomplishments

FY23 propelled the Indiana Department of Revenue from a successful and revolutionary six-year modernization project into new technology that expands our ability to help Indiana taxpayers throughout the state and beyond. Out of the conquest comes **INTIME**—the Indiana Taxpayer Information Management Engine—a customer portal that swings open the door for taxpayers to directly connect with more DOR tools and resources to improve the customer experience.

We are a proud team of dedicated Hoosiers. Over 650 team members support their neighbors in confidently meeting their responsibilities as taxpayers, with each team member contributing to and modeling the agency's core values and dedicating their diverse skills to public service.

Our mission? To administer Indiana tax laws fairly, securely and efficiently. And with best-in-class technology and staff, we have reached new heights in continuously improving the taxpayer experience. Throughout the report, you will learn more about the DOR team's key initiatives and accomplishments that drive the agency onward and upward.

1. Accurately administered over \$29 billion in tax revenue
2. Bolstered industry-leading cybersecurity, data protection, identification safeguarding and refund fraud prevention
3. Leveraged the newly implemented Indiana Tax System (ITS) and INTIME to successfully manage individual tax years 2021 and 2022
4. Enhanced tax law education and compliance through business and taxpayer outreach, education, audit and other compliance methods
5. Improved the state's trucking industry services through MCS and partnerships with the Indiana Department of Transportation, Indiana State Police and Bureau of Motor Vehicles
6. Supported agency operations through improved internal controls and internal auditing
7. Invested in staff and service operations through training and process improvement
8. Published the annual **Legislative Synopsis**, a summary of changes to tax laws
9. Recognized locally and nationally as a Top Workplace
10. Evolved content accessibility, self-service and navigation of **DOR's website**

# Serving Hoosiers

While DOR's Customer Service team continues to manage phone calls, walk-ins and mail correspondence, INTIME has expanded the agency's best-in-class service delivery model to incorporate features like efficient direct messaging, secure bill pay and refund status lookup.

Our newly integrated tax system, ITS, and the customer-facing portal INTIME, equip our representatives with taxpayer information and transaction history in one highly manageable and secure system, painting a more complete picture of how they can provide assistance. Transparency and accountability are also amplified when both the customer and the representative have access to the same information.

INTIME allows customers to self-serve, reducing the need to call, mail in payments or visit district offices for common transactions. This in turn enables Customer Service to provide more targeted support to those with more complex needs.

## Customer Assistance

Type	Total
Phone Calls	452,915
Walk-in Visits	59,795
INTIME Messages	84,720
Correspondence (fax/paper/email)	73,029



# Serving Hoosiers

## Taxpayer Advocate Office

The Taxpayer Advocate Office (TAO) provides high-quality specialized services to the unique needs of customers and partners facing complex tax issues that cannot be resolved through other DOR channels. The team is staffed with some of the agency's most senior customer service employees, who skillfully handle several programs and needs:

- Hardship
- Needs specific to active duty military
- Needs specific to people who are incarcerated
- Offer in compromise
- Complex problem resolution
- Tax warrant expungement

In FY23, TAO focused on constantly improving service levels, reducing processing time, focusing on team member training and increasing the number of dedicated specialists on the team to assist our customers.

## Special Tax

Special taxes were integrated into ITS during the last rollout of Project NextDOR in July 2022, allowing customers to take full advantage of the streamlined services on INTIME. Those include:

- Amending returns
- Convenient file submission
- Filing and making payments
- Registering for new licenses
- Requesting refunds electronically



The expanded capabilities of ITS have optimized how the DOR team serves special tax customers. Automated communications have eliminated the need for manual correspondence to provide a more consistent and predictable experience (e.g., annual mailing of Fuel Inventory forms). DOR representatives can also now provide more direct and timely guidance with real-time visibility of what their customers are doing in INTIME.

# Serving Hoosiers

## Individual Tax Season

The 2023 Individual Income tax filing season—for tax year 2022—opened January 23, 2023, and concluded April 18, 2023. During this time and the weeks that followed, the DOR team leveraged the enhanced capabilities of ITS to collaborate with different departments to maximize our ability to serve Hoosiers. In fact, 93% of electronic refunds were completed within 14 days.

## Processing totals

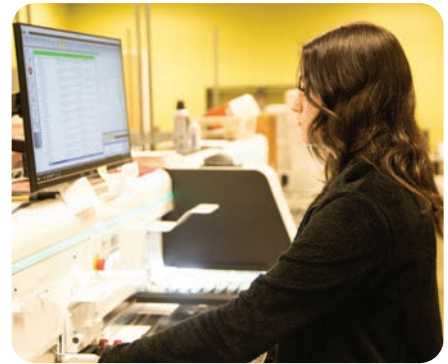
(as of June 30, 2023)

- 3,361,463 individual returns
- 1,490,660 payments totaling \$1,834,044,501
- 2,329,427 refunds totaling \$860,834,691

## Automatic Taxpayer Refund

In accordance with IC 4-10-22-4, and through tremendous collaboration with all of Team Indiana—including the General Assembly, Governor Holcomb's team, Auditor of State, Treasurer and Office of Management and Budget—DOR continued to develop and implement system, operational, communication and support processes to issue approximately 8.6 million Automatic Taxpayer Refunds to over 4.3 million Hoosiers, totaling nearly \$1.4 billion.

This project was large and complex, but all of Team Indiana pulled together to ensure it was a success.





# Striving for Compliance

The agency enforces taxpayer compliance through the work of multiple teams and initiatives to help individual, business and corporate taxpayers better understand and meet their tax obligations.

## Audit

To provide fair and consistent auditing practices to Hoosier businesses, the Audit Operations team continues to use ITS enhancements to identify returns, accounts



and customers that appear to have some misunderstanding or misreporting of Indiana tax responsibilities. They also have effectively invested in organizational improvements in a variety of complex tax fields, including transfer pricing, research expense credits and selected special taxes. As tax laws change and business practices evolve, the team uses data to continuously improve the audit selection process, refine taxpayer education, increase compliance and ensure a level playing field for all.

## Fraud and Individual & Business Tax Compliance

In FY23, the Fraud, Individual Tax Compliance and Business Tax Compliance teams focused on training and ongoing system improvements to strengthen their ability to improve compliance.

The Individual Tax Compliance team adjusted ITS system rules to identify potentially fraudulent returns that need to be reviewed for an accurate reflection of taxes owed, based on documented wages. These efforts resulted in adjustments of over \$14 million, a 23% increase compared to the year before.

Additionally, the team found that 4% of reciprocal nonresident income tax returns were incorrectly reporting taxable income for Indiana. As a result, a project was initiated to recover \$1.6 million.

The onboarding of a new Food and Beverage and County Income Tax jurisdiction was an additional focus for the team. Education was provided to taxpayers and tax authorities implementing the taxes to increase business registrations and monthly revenue.

# Striving for Compliance

## Investigations & Tax Liability Management

Collaborative partnerships between DOR and external entities played a key role in the agency's ability to successfully carry out its enforcement responsibilities. Collaboration between DOR's Investigations team and local law enforcement contributed to the successful identification and resolution of several fraud cases. And DOR's successful partnership with United Collections Bureau continued to drive important improvements in the agency's Tax Liability Management program.

## Legal Team



The Legal team issues guidance detailing the agency's interpretation and application of the state's tax laws through the issuance of written decisions, and the protest process carried out by the Appeals team ensures taxpayer protests are handled properly in order to bring about compliance.

Enhancing and improving the taxpayer protest submission process included leveraging INTIME as the new pathway for taxpayers and their Power of Attorney (POA) representatives.

Moving away from an email-based solution grants users greater privacy and provides DOR quicker access to more complete account information.

DOR continues to promote voluntary compliance by encouraging businesses and individuals who are not in compliance with Indiana tax laws to voluntarily and anonymously come forward to request participation in DOR's Voluntary Disclosure Agreement Program. This program allows previously noncompliant taxpayers to work with DOR's Audit and Legal teams to become compliant by filing prior-year tax returns and paying related taxes, sometimes without penalty. This also encourages proper registration and future compliance.

# Communications, Education & Outreach

DOR's Communications team delivers education and timely updates to our customers, partners and stakeholders through a variety of platforms. They partner with each business area to not just publicize information but also provide effective and creative solutions that promote education, compliance and self-service.

## Publications & Resources

The team manages and continuously improves DOR's website, social media and other publications, including the agency's annual report, monthly newsletter, notices, tax bulletins and the agency's [Legislative Synopsis](#), a digest of changes to Indiana Code that affect taxpayers and the agency.

Communications joined forces with the Policy team in FY23 to modernize nearly all [Tax Information Bulletins](#) with a new design that better organizes their detailed content with overall readability top of mind. This sparked an initiative to review, retire, consolidate and improve most of these bulletins. And with the important goal to increase [accessibility \(ADA compliance\) for people](#) who have low to no vision, the upgraded design was intentionally crafted to meet more of their needs. Many instructional guides and other documents used by customers to file and pay taxes—as well as navigate [INTIME](#)—followed suit with the same level of attention, too.

[DOR's core public resource is its website](#), and its main purpose is to keep people informed. When it came time to help those eligible to receive the [Automatic Taxpayer Refund via a tax credit](#), they released a clear step-by-step checklist and set of instructions. In addition to providing quick guidance, the team also advertised to external interest groups invested in our target audiences of seniors and people with disabilities so information could spread further.

## Letter Improvements

One other major avenue we take to reach our customers is by mail. The agency kicked off a project to assess and improve letter readability. By applying a plain language philosophy, we seek to simplify DOR's written communication and provide clear action for every recipient to resolve issues with their tax responsibilities.

# Communications, Education & Outreach

## Educational Reach

Our Business Outreach and Education Program educates nonprofits, businesses, tax practitioners, volunteer preparers and individuals. Through new technology, processes and relationships, we extended our reach when directly engaging with customers.

Altogether, the program provided 45 presentations—including five in-person events in association with external partner organizations—reaching over 2,000 learners. On top of that, the agency publishes a monthly, education-focused tax newsletter called Tax Bulletin, which targets tax professionals and businesses, but [anyone can sign up to learn more](#).

## Explore Your Taxpayer Bill of Rights

1. Quality Taxpayer Service
2. Preservation of Taxpayer Rights
3. Taxpayer Education & Information
4. Fair Collections Process
5. Hearing Time & Representation
6. Demand Notices
7. Warrants for Collection of Tax
8. Judgment Liens Against Property
9. Annual Public Hearing & Report
10. Taxpayer Responsibilities



Learn more about [your Taxpayer Bill of Rights](#).

# Culture Leaders

DOR nurtures its healthy culture by prioritizing team member engagement and enabling each individual to maximize their contributions to the agency's success. We foster a continuous learning culture by providing numerous learning and critical skill-building opportunities to all DOR team members.

By investing in our team, we drive innovation, help our team members develop knowledge and skills, better serve our customers and improve agency performance.

## Training & Developing Our Team Members

DOR creates and delivers much of its own project-based and functional training to support the agency's specific operational areas. In addition to supporting the implementation of new tools and processes, trainers across the agency continuously improve and update existing programs to help leaders, team members and business units reach new levels of performance.

From their first day forward, new team members experience a half-day workshop to learn more about the culture that makes our agency so special; *Our Story – A Culture of Community* was launched in FY23 to ensure all team members feel connected to the agency. Learning and growth opportunities then continued to be offered, helping team members on their career journeys.

The Training team continued to enhance the agency's innovative leadership development program, *LE@DOR*, providing new growth opportunities for participants in any role to carve their own, individual leadership journey.

## Top Workplace Awards



DOR has now been recognized for its third consecutive national Top Workplace USA Award for our culture, organizational health and employee engagement, receiving special recognition in FY23 for “Culture Excellence.” Our team has also now received five consecutive, state-level Top Workplace awards from the IndyStar newspaper. These results are a product of anonymous and voluntary employee feedback, which also drives ongoing organizational improvement at the agency.

# Culture Leaders

## Supporting Continuous Improvement



Our homegrown *Spark Innovation* program provides practical learning for team members using Six Sigma concepts. All DOR team members completed basic Six Sigma training in FY23. Those interested in deepening

their knowledge took part in additional, more involved training in order to partner with our Process Improvement team to develop innovative operational, system and service ideas that will result in impactful improvements.

DOR's Compliance and Ethics team builds and supports internal policies and processes to further support continuous improvement. The team launched the agency's first in-house Policy Management Program, a new tool that enables the team to more efficiently centralize our business rules and draft, approve, review and distribute official internal documentation. The program is held up by a Policy Review Committee whose members represent each DOR department.

## Internal Controls, Audit & Security

The Internal Controls team continues to build upon its framework, partnering with each unit of the agency to assess a multitude of risks, improve process controls and mitigate negatively impactful incidents during our day-to-day course of business. The team's structure is in Workiva, a platform for ongoing management of not only Internal Controls but also the Internal Audit program that supports safe, compliant and effective operations. In FY23, the Internal Controls team finalized 46 processes, 51 process flows and 147 controls.

Increased communications and a new Internal Controls training program were also implemented to ensure all DOR team members are equipped to play their part in supporting the effective development and operation of crucial internal controls.

Throughout FY23, DOR's Internal Audit team continued to partner with agency leadership to identify and mitigate risks, enhance controls and improve processes to increase the performance and effectiveness of the agency.



# Internal Controls, Audit & Security

## Information Security

Ensuring the protection of taxpayer information is a perpetual mission for all DOR team members. DOR's Security and Internal Compliance and Ethics teams help lead this effort by:

- Championing the development of a process to consistently deliver service systems with stronger security configurations.
- Leading DOR's disaster recovery and continuity of operations program
- Implementing a tool that enables the IT team to analyze system performance concerns and resolve security risks
- Spearheading the implementation of new technology to optimize the security of confidential data on DOR servers
- Participating on Governor Holcomb's Cybersecurity Council and working collaboratively with the Indiana Office of Technology to proactively address information security
- Stewarding all DOR team members through the completion of annual security and privacy awareness training
- Leading DOR's annual IRS Safeguards Audit and ensuring that all requirements are covered within DOR's systems and operations

## Motor Carrier Services

Commercial motor vehicles travel more than 9.7 billion miles in Indiana each year. The movement of these vehicles impacts the safety conditions and traffic patterns of Indiana roads as well as the physical demands placed on them.

These roads play a large role in the state's economic success. MCS works collaboratively with Indiana Department of Transportation (INDOT) and the Indiana State Police's Commercial Vehicle Enforcement division to provide guidance and service to motor carrier companies, commercial drivers and Indiana residents through the administration of state and federal laws governing the commercial use of the state's roads.

Our industry-leading MCS division is comprised of six areas of business.

# Motor Carrier Services

## Registrations

### **Intrastate: Base Plate Registrations**

Base plate registrations are available for companies with 25 or more commercial vehicles weighing 16,000 lbs. or more that only travel within Indiana (intrastate).

- Active Customers: nearly 300
- Power Units: over 20,000
- Trailers: nearly 7,000

### **Interstate: International Registration Plan**

A number of the largest carriers in the nation register their fleet for travel through Indiana (interstate) using DOR's International Registration Plan (IRP) system. The modernization of IRP in FY22 increased performance and efficiency in FY23 with improved uploads, large billings, error handling, overall stability of the system and operational efficiencies.

- Active Customers: 10,000
- Power Units: over 600,000
- Trailers: over 800,000

## Fuel Tax

Businesses operating motor vehicles within the state that have three axles or more on the power unit; a combination of power unit and trailing unit; or any vehicle over 26,000 pounds; must file a tax return based on fuel usage.

Vehicles subject to Fuel Tax must be registered and annually renewed, including decals, license cards and quarterly returns. Customers can now manage all of their International Fuel Tax Association and Motor Carrier Fuel Tax transactions online at any time by using the MCS Fuel Tax System.

### **International Fuel Tax Association**

- Active Customers: nearly 10,000
- Decals issued: nearly 400,000

### **Motor Carrier Fuel Tax**

- Active Customers: over 4,000
- Decals Issued: over 10,000

# Motor Carrier Services

## Indiana Oversize/Overweight Permitting System

In partnership with INDOT, MCS maintained its permitting service level agreements to customers throughout FY23, issuing over 400,000 specialty permits. The Indiana Oversize/Overweight (OSOW) Permitting System, with continued enhancements including bridge integration, improved the overall safety and protection of Indiana routes. This automated permit system has dramatically increased self-service, automated route calculation and improved permitting service, reducing delays with over a 98% automated route approval.

## Indiana Operating Authority

An Indiana Intrastate Operating Authority (IOA) application is required for transporting passengers or household goods within Indiana, and the system streamlines those requests for a better customer experience—specifically for setting up payment plans and signing documents. In FY23, there were nearly 1,500 IOA renewals and just over 120 new passenger/household good authorities granted.

## Titles

The Titles team processes vehicle titles for trucking companies and sole proprietors that are registered in Indiana. They assist motor carriers with transactions and work closely with the Bureau of Motor Vehicles (BMV) to ensure timely processing while maintaining proper transaction security, which totaled over 125,000 in the fiscal year.

## Customer Service

The Customer Service team supports MCS transactions and works closely with the BMV to handle all Commercial Motor Vehicle-related transactions. They assist walk-in customers with various needs, from new IRP accounts to Fuel Tax transactions. The team supports all areas of MCS and educates carriers on specific requirements, having just served over 7,000 customers—over 2,000 of which were new accounts.

# Audit Statistical Report of Violations

DOR is required to provide a statistical study of audit results. The following exhibits detail specific statutes and regulations (administrative rules) violated by taxpayers under audit, which are broken down by tax type:

- cigarette excise tax
- corporate income taxes
- county innkeepers' tax
- employer payroll withholding tax
- financial institutions taxes
- food and beverage
- motor carrier taxes imposed by IRP and IFTA
- sales and use tax
- taxes due from pass-through entities including composite tax

The figures reflect the tax dollar impact of each violation.

The listed statute or regulation violations are organized by business industry sector. If a customer did not provide an associated industry code, the column will be marked as "unidentified."

Field audits typically include the three most recent, complete tax years; however, they may include more or fewer tax periods. The data presented reflects activity of our Audit Operations team of field auditors working in three business units.

## Amount of Tax Assessed

All data gathered for this report comes from audit working papers and posted results. Penalties and interest associated are excluded; these figures represent tax dollars only, with few exceptions, which are noted by citation. Any tax refunds posted are netted against tax assessments.

### Corporate Income

For corporate income taxes, the largest tax impacts come from Indiana's definition of adjusted gross income, which includes required modifications (add-backs or deductions) from federal taxable income. Other large impacts derive from apportionment and allocation of receipts for multistate businesses and the composition of affiliated groups filing consolidated income tax returns.

A subset of corporate taxpayers are required to file Financial Institutions Tax (FIT) returns. Of the FIT audits completed in FY23, the largest adjustments stemmed from the inclusion or exclusion of subject taxpayers from the combined returns filed and the proper computation of the tax provided under IC 6-5.5-2-1.

# Audit Statistical Report of Violations

Audited pass-through entities (S corporations and partnerships) brought on several adjustments in computing the tax base, resulting in assessments of composite tax due for non-resident shareholders and partners. Many of these audits required associated audits on the individuals or other entities who receive tax attributes from a pass-through entity.

Occasionally, Audit Operations sales and income auditors conduct limited-scope audits of individual taxpayers. Individual income tax audits usually result from adjustments to pass-through entity income, expenses, modifications or credits that flow to individuals. Audits completed resulted in various adjustments, the largest of which is attributable to income flowing to shareholders of S corporations. The most impactful assessments were related to these citations:

Corporate Income Tax	
Citation of Violation	Dollar Amount Assessed
IC 6-3-2-2	\$3, 434, 633
IC 6-3-1-3.5	\$3, 353, 045
45 IAC 3.1-1-52	\$2, 594, 389
IC 6-3.1-4-3	\$1, 384, 559
IC 6-3-2-2.6	\$1, 462, 764
IC 6-3-4-14	\$1, 219, 903

## Sales & Use

For Sales and Use taxes, the bulk of tax assessments continues to stem from errors in collection and remittance of Sales tax by retail merchants and the misapplication of Sales or Use tax exemptions on purchases made. Business taxpayers often fail to accurately self-assess Use tax when Sales tax is not collected by the seller.

Many larger Sales and Use tax audits are performed using stratified statistical sampling techniques to reduce the number of documents that need to be reviewed while achieving and maintaining desired precision and accuracy. This method is also sometimes used to evaluate claims filed by taxpayers seeking refund of Sales taxes paid to vendors.

Retail merchants engaged in certain activities are also subject to County Innkeepers' Tax (CIT) and Food & Beverage Tax (FAB), among other miscellaneous sales-related taxes.

# Audit Statistical Report of Violations

The provided tables include those tax violations, which are imposed by and distributed to local jurisdictions but administered by DOR. Generally, assessments of additional CIT and FAB are the result of merchants failing to properly collect and remit the taxes.

Sales & Use Tax	
Citation of Violation	Dollar Amount Assessed
45 IAC 2.2-6-8	\$1, 535, 954.86
IC 6-2.5-6-1	\$1, 416, 251.22
45 IAC 2.2-3-4	\$1, 204, 755.38
45 IAC 2.2-4-1	\$999, 875.99

## Withholding

Withholding tax due from employers totaled over \$1.2 million, which includes both state and local payroll tax. Review of that data suggests non-compliance in withholding local (county) income tax from employees or failing to withhold and remit payroll withholding tax due in total. The accompanying exhibit also reflects special penalties assessed to employers who fail to submit all required informational returns (W-2s) to the department.

Withholding Tax	
Citation of Violation	Dollar Amount Assessed
IC 6-3-4-8	\$1,287,405.99

## Cigarette

DOR is also charged with diligently enforcing compliance with Cigarette tax stamping requirements. The Audit Operations Special Tax audit team aims to examine each distributor at least every three years to achieve this. Cigarette excise tax audits yielded just over \$620,000 in additional tax.

Cigarette Tax	
Citation of Violation	Dollar Amount Assessed
IC 6-7-1-12	\$621,977.19



# Audit Statistical Report of Violations

## Motor Carrier

Our Motor Carrier field audit team is responsible for examining a range of carriers by fleet size. We measure the size of the carrier by a class code—with Class 1 encompassing smaller carriers and Class 5 being larger carriers. The auditors examine carrier records for compliance with fuel consumption and mileage reporting and have quantitative audit quotas to comply with the IFTA. IRP involves registering subject vehicles and corresponding mileage reporting for accurate distribution to all jurisdictions in which the carriers operate. All adjustments made are supported by the IFTA and IRP audit authority. IFTA and IRP audits assessed over \$3 million in FY23. The audits of motor carriers cover all jurisdictions in which a carrier operates, so not all that tax lands in Indiana. The adjustments break down in count and dollars adjusted for Indiana as follows:

## Motor Carrier Audits

Class	Type	Count	Total
Class 1	IFTA	204	\$118,569.12
	IRP	207	\$42,489.40
Class 2	IFTA	75	\$126,710.66
	IRP	78	\$64,051.71
Class 3	IFTA	30	\$217,272.79
	IRP	25	\$44,877.90
Class 4	IFTA	3	\$11,081.48
	IRP	6	\$14,548.36
Class 5	IFTA	0	\$0
	IRP	0	\$0

# North American Industrial Classification System (NAICS)

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

# Trust tax & excise tax adjustments

DOLLARS ASSESSED BY INDUSTRIAL CODE

		NAICS Class								
Citation	Unidentified Industry	1	2	3	4	5	6	7	8	Total
CIGARETTE (CIG)										
IC 6-7-1-12					621,977.19					621,977.19
<b>CIG TOTAL</b>					621,977.19					621,977.19
FOOD AND BEVERAGE (FAB)										
IC 6-9-12-3				-91.50	1,814.48			52,885.36		54,608.34
IC 6-9-20-4					1,034.66			10,472.51		11,507.17
IC 6-9-21-4					675.38					675.38.00
IIC 6-9-26-6				10,998.22						10,998.22
IC 6-9-27-4					1,171.78			735.45		1,907.23
IC 6-9-29.5-2								-5,485.31		-5,485.31
IC 6-9-35-8					1,171.78			3,775.47		4,947.25
IC 6-9-48-5				13,857.01	8,703.640			41,967.05		64 527.70
<b>FAB TOTAL</b>				24,763.73	14,571.72			104,350.53		143,685.98
RETAIL SALES TAX (RST)										
45 IAC 2.2-1-1			2,230.00		50,503.00					52,733.00
45 IAC 2.2-2-1				284,512.00	61,452.00	119.00				346,083.00
45 IAC 2.2-2-2			-59,885.00		93,705.00			105,322.00		139,142.00
45 IAC 2.2-3-12			24,023.00			35,131.00				59,154.00
45 IAC 2.2-3-15					273.00					273.00
45 IAC 2.2-3-25					216.00					216.00
45 IAC 2.2-3-27				13,793.00						13,793.00
45 IAC 2.2-3-4		7,643.00	205,018.00	170,399.00	540,415.00	141,772.00	11,002	76,381.00	25,359.00	1,204,755
45 IAC 2.2-3-5			2,611.00		1,836.00					4,446.00
45 IAC 2.2-3-8			146,859.00		92,113.00	221,107.00				463,210.00
45 IAC 2.2-3-9			-4,447.00							-4,447.00
45 IAC 2.2-4-1			401,646.00		598,685.00	11,306.00	3,008.00	-15,850.00	1,081.00	999,876.00
45 IAC 2.2-4-13				-415,821.00	-587.00			-6,230.00	20,616.00	-402,021.00
45 IAC 2.2-4-2		-186.00		323.00	-6,142.00	-71.00		-3,871.00	1,833.00	-8,114.00
45 IAC 2.2-4-26			43,258.00							43,258.00
45 IAC 2.2-4-27		725.00	19,094.00	6,309.00	2,057.00	1,690.00		338.00	1,218.00	31,431.00
45 IAC 2.2-4-33						19,311.00				19,311.00
45 IAC 2.2-4-8					178.00			123,233.00		123,411.00
45 IAC 2.2-5-10				2,276.00	6,511.00					8,787.00
45 IAC 2.2-5-12				6,016.00				-81.00	-1,246.00	4,688.00
45 IAC 2.2-5-14				-961.00	45.00					-916.00
45 IAC 2.2-5-15			-444.00	-170,834.00	-1,687.00	-28,974.00		-8,754.00	-2,068.00	-215,789.00

# Trust tax & excise tax adjustments Continued

DOLLARS ASSESSED BY INDUSTRIAL CODE

		NAICS Class								
Citation	Unidentified Industry	1	2	3	4	5	6	7	8	Total
45 IAC 2.2-5-16				18,378.00		-4.00		-2,133.00		16,241.00
45 IAC 2.2-5-26					7.00	50.00				57.00
45 IAC 2.2-5-36						5,481.00	33,850.03			40,331.00
45 IAC 2.2-5-4				237.00						237.00
45 IAC 2.2-5-55								-8,425.00		-8,425.00
45 IAC 2.2-5-6				-4,755.00						-4,755.00
45 IAC 2.2-5-61									10,452.00	8,365.00
45 IAC 2.2-5-8				208,750.00	2,167.00	-13,297.00		-2,911.00	10,682.00	211,690.00
45 IAC 2.2-6-14			167.00		627.00	38.00				832.00
45 IAC 2.2-6-8		41,162.00		689.00	472,034.00		4,644.00	987,054.00	30,370.00	1,535,955.00
45 IAC 2.2-8-12		14,373.00	-395,425.00	-266,700	110,476.00	24,169		14,631.00	1,803.00	-496,601.00
IC 6-2.5-1-14				-50,859.00						-50,859
IC 6-2.5-1-24			4,222.00	8,621.00	1,873.00	3,758.00		34.00	133.00	18,781.00
IC 6-2.5-1-5			58.00	986.00	13,160.00	484.00	12.00	3,845.00	593.00	19,139.00
IC 6-2.5-2-1					124,788.00					124,788.00
IC 6-2.5-2-2					344,743.00					344,743.00
IC 6-2.5-3-2							392.00			392.00
IC 6-2.5-3-5								220.00		220.00
IC 6-2.5-3-8		5,251.00	53,039.00	203,366.00	183,875.00	82,602.00	9,973.00	69,492.00	66,971.00	678,458.00
IC 6-2.5-4-1				10.00	4.00			-23,484.00		-23,470.00
IC 6-2.5-4-16.4					780.00					780.00
IC 6-2.5-4-17			357.00	240.00	303.00	11.00	4,212.00			5,123.00
IC 6-2.5-4-18				25,736.00	75,102.00			-56,862.00		43,975.00
IC 6-2.5-4-9			7,394.00	13,773.00	10,419.00	44,455.00		4,934.00		81,339.00
IC 6-2.5-5-20				970.00	252,967.00					253,937.00
IC 6-2.5-5-35								6,282.00		6,282.00
IC 6-2.5-5-40							24,127.00			24,127.00
IC 6-2.5-5-5.1				-12,457.00						-12,457.00
IC 6-2.5-5-7			-306,114.00							-306,114.00
IC 6-2.5-6-1			30,836.00	33,029.00	571,945.00	292,907.00	190.00	484,928.00	731.00	1,416,251.00
IC 6-2.5-6-9					-26,184.00					-26,184.00
<b>RST TOTAL</b>		68,968.00	174,497.00	76,029.00	3,578,720.00	842,044.00	91,415.00	1,748,152.00	168,529.00	6,786,597.00
<b>WITHHOLDING (WTH)</b>										
45 IAC 3.1-1-101				2.00				111.00		111.00
IC 6-3-4-8		128,091.00	21,196.00		599,895.00	49,518.00	17,884.00	134,173.00	27,761.00	1,287,406.00
IC 6-8.1-10-6				308,888.00		2.00				2.00
<b>WTH TOTAL</b>		128,109.00	21,196.00	308,892.00	599,958.00	49,520.00	17,884.00	134,339.00	27,761.00	1,287,657.00
<b>TIRE FEE (TIF)</b>										
IC 13-20-13-71					1,046.50					1,046.50
<b>TIF TOTAL</b>					1,046.50					1,046.50

# Corporate Income tax & financial institutions tax adjustments

DOLLARS ASSESSED BY INDUSTRIAL CODE

		NAICS Class							
Citation	Unidentified Industry	2	3	4	5	6	7	8	Total
CORPORATE INCOME TAX AUDIT ADJUSTMENTS (CCP)									
45 IAC 3.1-1-110					32,903.00				32,903.00
45 IAC 3.1-1-50	-9,998.00								-9,998.00
45 IAC 3.1-1-51	-481.00		-46,022.00						-46,503.00
45 IAC 3.1-1-52	737.00		2,095,943.00		497,709.00				2,594,389.00
45 IAC 3.1-1-53				2,176.00					2,176.00
45 IAC 3.1-1-55	-14,448.00								-14,448.00
45 IAC 3.1-1-79			-1,570.00						-1,570.00
IC 6-3.1-4-1	19,158.00								19,158.00
IC 6-3.1-4-2				366,789.00					366,789.00
IC 6-3.1-4-3			1,072,890.00	311,669.00					1,384,559.00
IC 6-3-1-3.5	32,480.00	10,263.00	-89,676.00	1,537,175.00	19,223.00	1,843,580.00			3,353,045.00
IC 6-3-2-1	29,476.00		-570.00	366,789.00			6,996.00		402,691.00
IC 6-3-2-1.5				47,098					47,098
IC 6-3-2-12			-349,710.00						-349,710.00
IC 6-3-2-2			3,430,045.00	4,588.00					3,434,633.00
IC 6-3-2-2.6	1,807.00	761.00	783,485	389,439.00	-9,602.00	296,874.00			1,462,764.00
IC 6-3-4-14			1,219,903.00						1,219,903.00
IC 6-3-4-6				55,120.00					55,120.00
<b>CCP TOTAL</b>	58,731.00	11,024.00	8,114,718.00	3,080,843.00	540,233.00	2,140,454.00	6,996.00		13,952,999.00
INDIVIDUAL INCOME TAX AUDIT ADJUSTMENTS									
45 IAC 3.1-1-106	70,854.00				38,460.00				109,314.00
45 IAC 3.1-1-2	107,943.00			374.00					108,317.00
45 IAC 3.1-1-3	-1,013.00								-1,013.00
45 IAC 3.1-1-67	614,447.00	4,602.00	4,209.00						623,258.00
IC 6-3.1-4-1	-1,725.00								-1,725.00
IC 6-3.1-4-2	11,015.00								11,015.00
IC 6-3.1-4-3	6,434.00								6,434.00
IC 6-3.1-4-7	142,898.00								142,898.00
IC 6-3.6-2-2	30,412.00								30,412.00
IC 6-3-1-3.5	293,622.00								293,622.00
IC 6-3-1-33	-5,330.00								-5,330.00
IC 6-3-2-21.7	-23,634.00								-23,634.00
IC 6-3-3-10	-2,886.00								-2,886.00
IC 6-3-3-9	17.00								17.00
<b>TOTAL</b>	1,243,054.00	4,602.00	4,209.00	374.00	38,460.00				1,290,699.00

# Corporate Income tax & financial institutions tax adjustments Continued

## DOLLARS ASSESSED BY INDUSTRIAL CODE

Citation	Total
<b>FINANCIAL INSTITUTIONS TAX AUDIT ADJUSTMENTS</b>	
IC 6-5.5-1-17	23,426.00
IC 6-5.5-1-2	44,451.00
IC 6-5.5-2-1	510,123.00
IC 6-5.5-2-3	39,251.00
IC 6-5.5-2-4	19,670.00
IC 6-5.5-4-10	10,802.00
IC 6-5.5-5-1	780,768.00
<b>TOTAL</b>	1,428,491.00
<b>COUNTY INNKEEPERS' TAX AUDIT ADJUSTMENTS</b>	
IC 6-9-3-4	2,408.00
IC 6-9-8-2	220,955.00
IC 6-9-9-2	3,811.00
<b>TOTAL</b>	227,174.00



# Areas of Recurring Taxpayer Non-Compliance



DOR receives unidentified checks from customers, the majority of which are sent without a corresponding voucher. When this happens, DOR tax analysts must determine what taxpayer, account and period the check is for. This requires manual research, data entry and processing. Nearly 16,000 unidentified checks were received in FY23.

Customers who file paper returns sometimes mistakenly submit an incorrect or outdated form. When this happens, the filing process

slows down and requires manual processing by a DOR tax analyst. Over 27,000 outdated paper returns required manual processing in the fiscal year.

In addition to those errors, nearly 110,000 customer returns required manual intervention due to one or more of the following reasons:

- Account adjustments and corrections had to be made due to incorrectly amended and duplicate returns.
- The taxpayer claimed an estimated payment on their return, but DOR records did not reflect any estimated payments on their account.
- The taxpayer failed to include social security number(s), name(s), address(es) or county code(s) on their return or used the wrong form for the filing year.
- DOR had to verify duplicate names filing with the same address.
- DOR had to verify if credits claimed by customers were claimed properly.
- An invalid account and/or filing status mismatch, which occur when customers change filing status (single, married, filing jointly or filing separately), were filed.
- Missing schedules, forms and W-2s for state, county and local taxes withheld and/or incomplete and/or incorrect account numbers were filed.
- Tax returns and/or social security benefit documentation were missing from Automatic Taxpayer Refund verification.

DOR is on a mission to reduce these types of occurrences through taxpayer education, enhanced guidance and form improvements.

## District Office Locations

1. Bloomington
2. Clarksville
3. Columbus
4. Evansville
5. Fort Wayne
6. Indianapolis
7. Kokomo
8. Lafayette
9. Merrillville
10. Muncie
11. South Bend
12. Terre Haute



[Find district office contact information](#)

# Legislative Requirements

In accordance with IC 6-8.1-14-4, the Indiana Department of Revenue Annual Report must include the following:

1. Areas of recurring taxpayer noncompliance
2. A statistical study under IC 6-8.1-7-2 from DOR's audit process, including the following
  - The statute or rule violated by the taxpayers.
  - The amount of tax involved.
  - The industry or business of the taxpayers.
  - The number of years in the audit period.
  - The use of professional tax preparation assistance by the taxpayers.
  - The filing of appropriate tax returns by the taxpayers.
3. Recommendations for improving taxpayer compliance and DOR administration by the following:
  - The adoption of new or amended statutes and rules.
  - Improvements in the training of DOR team members.
  - Improvements in taxpayer communication and education.
  - Increases in the enforcement capability of DOR.
4. The certification required under IC 6-8.1-3-2.6.
5. The following information
  - The number of taxpayers
  - The amount of gross collections
  - The amount of net collections
  - The amount of refunds
  - The amount of customer retained collection allowances
  - The amount of administrative costs
  - The amount of delinquencies by type of tax collected by DOR



# ***SPARK***Innovation

*Supporting Continuous Improvement*







**#DORGIVESBACK**







## Indiana Department of Revenue

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Indianapolis, IN 46204

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