Map of Indianapolis Motorsports Investment District (IMID)

Disclaimer: Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either DOR or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered.

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The Indiana Department of Revenue (DOR) developed this booklet specifically for those involved in motorsports racing events at the Indianapolis Motor Speedway to include race promoters, sanctioning bodies, race teams and their members*, contractors and vendors.

The Indiana General Assembly designated the Indianapolis Motor Speedway (IMS) and selected surrounding areas as a motorsports investment district (MID) to finance capital investments at the race track.

DOR is required to report the amount of retail sales tax and state adjusted gross income tax attributed explicitly to activities within this area annually.

As a result, those who work at and around IMS are subject to unique tax requirements not found at other race tracks.

In addition to this guide, DOR has several additional resources for those involved in motorsports to help explain specific state tax requirements when racing in Indiana:

- Motorsports Tax Guidance Webpage - dor.in.gov/5297.htm
- Indianapolis MID Boundary Map (last modified in 2017) available through dor.in.gov/5297.htm
- Commissioner’s Directive #51 - Tax Withholding for Race Teams - dor.in.gov/3617.htm
  ◦ By subscribing you will receive emails when select DOR publications are updated - public.govdelivery.com/accounts/INDOR/subscriber/new.
- Information on Sales Tax and Registered Retail Merchant Certificates (RRMC) - dor.in.gov/3986.htm
  ◦ Additional sales tax information can be found at in.gov/dor or by calling DOR at 317-232-2165, Monday through Friday, 8 a.m. – 4:30 p.m., EST.

This booklet is not a substitute for tax instruction booklets or other DOR official tax guidance documents, which are available online within the DOR Tax Library at dor.in.gov/3330.htm. We encourage you to work with your tax professional to ensure all necessary withholdings and tax filings for you or your team are correctly filed and timely.

For more information about motorsports tax guidance requirements, you may contact DOR at 317-234-8614, Monday through Friday, 8 a.m. – 4:30 p.m., EST.

* The term “race team members” or “team members” includes employees or independent contractors who render services on behalf of the race team. The term includes, but is not limited to, drivers, pit crew members, mechanics, technicians, spotters, crew chiefs and any other individuals whose activities directly impact the race car during a race, practice, qualification, training and testing.
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Forms and Filings

Indiana Retail Sales Tax

Any entity conducting retail sales at a racing event must collect and remit Indiana’s 7% retail sales tax on those sales. Entities conducting retail sales in Indiana must register as a retail merchant through INBiz – an online portal managed by the Secretary of State. Nonresident entities which conduct retail sales in-person in Indiana only during racing events may qualify to file and remit sales tax on a seasonal basis.

Indiana Motorsports Tax Forms

All motorsports-specific forms are available on the DOR Motorsports Tax Forms webpage at dor.in.gov/5513.htm.

Form IMS-1: Professional Motorsports Team Form

- Use Form IMS-1 to report the amount of compensation paid to team members in the organization at the MID. Race team members are employees or independent contractors who render services on behalf of a professional race team. Additionally, racing operations must report compensation (including cash) made to contractors, such as race drivers, for providing services. Retail sales made within the MID also must be reported on Form IMS-1. See page 9 for more information on completing Form IMS-1.

- Form IMS-1 is due April 1 of the following calendar year in which the event(s) occurred. For example, forms reflecting activity for the 2019 Indianapolis 500 are due April 1, 2020. If April 1 falls on a Saturday or Sunday, or federally recognized holiday, the forms are due the next business day. Teams competing at multiple events at IMS throughout the calendar year can consolidate information on the same form.

Nonresident Race Team Members’ Composite Indiana Adjusted Gross Income Tax Return

- A race team with members who are nonresidents of Indiana may file a Nonresident Race Team Members’ Composite Indiana Adjusted Gross Income Tax Return to report withholdings for individual employees or independent contractors.

- Individuals listed on the composite return must complete the Indiana Composite Filing Affidavit (see below).

- Only nonresidents without other Indiana-source income may be included on the composite tax return.

- This form is due Jan. 31 for the prior calendar year.

Indiana Composite Filing Affidavit

- Any nonresident race team member who receives income from a racing event in Indiana and has no other Indiana-source income can be included on the Nonresident Race Team Members’ Composite Indiana Adjusted Gross Income Tax Return (see above) by submitting a completed Indiana Composite Filing Affidavit to the race team. This form expires at the end of each tax year. The race team should retain the original affidavit for their records, because DOR may request a copy.

Other forms and filings with different due dates may apply. Please refer to other sections within this guide for more information or the DOR website at dor.in.gov/3344.htm for tax filing deadlines.
Indiana Income Withholding

Indiana income withholding tax forms and links to file and submit income tax withholding are available on the DOR website at dor.in.gov/4100.htm.

Form WH-1: Indiana Withholding Tax Voucher

• The WH-1, found at dor.in.gov/4183.htm is required for any business that withholds income taxes from employees.

Form WH-3: Annual Withholding Reconciliation Form

• The WH-3 is used to report the amount of state and county income taxes withheld throughout the year. All employers must electronically file the WH-3 by Jan. 31.

Indiana Corporate/Partnership Income Tax Forms

• IT-20: Indiana Corporate Adjusted Gross Income Tax Return
• IT-20S: Indiana S Corporation Income Tax Return
• IT-65: Indiana Partnership Return
• Form GA-110L: Claim for Refund

Indiana Individual Income Tax Forms and Schedules

• IT-40: Indiana Full-Year Resident Individual Income Tax Return
• IT-40PNR: Indiana Part-Year or Full-Year Nonresident Individual Income Tax Return

  ° Nonresident race team members are required to file Form IT-40PNR if:
    • they earn additional income in Indiana, but outside the motorsports improvement district; or
    • do not qualify or elect to be included in the composite return.

• Schedule IN-PRO:

  ° Nonresident professional team members should include this schedule with the IT-40PNR to figure the amount of Indiana county tax due.

Except for Indiana corporate/partnership and individual tax returns, all forms, filings and required documentation related to the Indianapolis Motorsports Improvement District should be mailed to:

Indiana Department of Revenue
100 N. Senate Ave.
RM 248, MS 103
Indianapolis, IN 46204

All Indiana corporate and individual income tax forms, instruction booklets, refund requests and schedules are available at dor.in.gov. These returns should be electronically filed whenever possible or mailed to the address specified on the forms.
Professional Racing Operations Filing
Requirements Overview

All income earned in Indiana is subject to state income tax regardless of the individual’s place of residence or where the employer is based. Professional racing operations, such as race teams, are responsible for all necessary tax filings related to the MID, corporate/partnership tax filings and employee withholding.

Commissioner’s Directive #51, found at dor.in.gov/3617.htm, provides guidance on statutory withholding requirements on motorsports-related prize winnings and other payments.

Professional racing operations should use Form IMS-1, available on dor.in.gov/5513.htm, to report the amount of compensation paid to team members (employees or independent contractors) who worked in the MID. Additionally, racing operations must report compensation (including cash) made to contractors, such as race drivers, for providing services. Retail sales made within the MID also must be reported on Form IMS-1, due April 1. Compensation and retail sales from the previous year should be reported on the form. This form is required in addition to other Indiana tax forms and filings, such as withholding, sales tax and income tax.

Where required, the Indiana portion of taxable income is a percentage calculated by the number of days spent in Indiana participating in racing activities divided by the days spent during the entire year on racing activities.

Example: A race team member earns $50,000 in 2018. The race team member has five Indiana duty days in 2018 and 100 total duty days throughout that year. The race team’s withholding on behalf of the race team member is based on $2500:

\[
\frac{50,000 \times 5}{100} = \$2500
\]
Out-of-State Professional Racer and Team Member Filing Requirements Overview

Professional Racers

An out-of-state professional racer is defined as someone who races for a living, whose primary occupation is race car driving and is not an Indiana resident. Any out-of-state professional racer who receives income resulting from a race event held in Indiana is subject to the state’s 3.23% income tax plus county tax at the rate applicable to the county where the race event was held unless that income and tax has been reported on a nonresident race team members’ composite return.

However, if the out-of-state-professional racer files an IT-40PNR, the income resulting from a race event held in Indiana must be reported even if the race team filed a composite return on their behalf.

The Indiana portion of taxable income from racing is equal to total income from racing for the year times the number of Indiana duty days, then divided by the total number of duty days in the year. Drivers in IndyCar and NASCAR races, including secondary series, will always be considered professional drivers.

Example: A racer earned $500,000 in total income during the year driving for Race Team A at events throughout the U.S. The racer performed services for Race Team A on 260 days during the year. On 16 of those days, services were performed in Indiana in preparation for and participation in the Indianapolis 500. The racer’s Indiana Adjusted Gross Income is $30,769.

\[
\frac{500,000 \times 16}{260} = 30,769
\]

The Indianapolis Motor Speedway is located in Marion County, so the racer’s apportioned income is subject to the state income tax at the rate of 3.23% and Marion County tax at the rate of 2.02%.

Indiana State Income Tax Due: $30,769 \times 0.0323 = $993.84

Marion County Income Tax Due: $30,769 \times 0.0202 = $621.53

Total taxes due to State of Indiana DOR: $993.84 + $621.53 = $1,615.37

The racer is responsible for paying $1,615.37 in Indiana taxes minus any withholding paid to DOR on their behalf by the race team, sponsor or other racing entity.
**Race Team Members**

The term “racers,” “race team members” or “team members” includes employees or independent contractors who render services on behalf of the race team. The term includes, but is not limited to, drivers, pit crew members, mechanics, technicians, spotters, crew chiefs and any other individuals whose activities directly impact the race car during a race, practice, qualification, training and testing.

Any team member who earns income from a race held in Indiana is required to calculate their Indiana income based on the ratio of Indiana duty days to the total number of duty days performed everywhere during that year. Duty days are defined as days in which a race team member performs a service (i.e., performs job duties) for a race team.

Example: A race team member worked 100 days at the team’s shop in North Carolina preparing cars for competition. The team member worked three days at IMS in the capacity of tire changer for the team. The team member worked 103 total duty days of which three were Indiana duty days.

In addition to state income tax, Indiana nonresident race team members are also subject to income tax for the county in which the race was held unless the race team member is subject to county income tax based on being an Indiana resident or having a principal place of employment in Indiana on Jan. 1 of the year in which the race is held.

Race teams with members who are nonresidents of Indiana may file a composite return, available at dor.in.gov/5513.htm, to report the withholding for the nonresident individual employees or independent contractors who elect to be included. Eligible team members must provide the team with an Indiana Composite Filing Affidavit, available at dor.in.gov/5513.htm.

Indiana nonresident team members not included in a composite filing should complete Schedule IN-PRO when filing a nonresident Indiana tax return using IT-40PNR.

Team members who are residents of Indiana should file an Indiana income tax return using IT-40.
Step-by-Step Withholding and Filing Instructions

For Race Promoters, Race Sanctioning Bodies and Other Applicable Entities

Paying Prize or Purse Money

Any entity or person paying prizes based on an event conducted in a MID (e.g., race operator, a race track, a race team) must withhold a portion of the prize money for Indiana income taxes. For the first payment of prize money to any person or entity, taxes should be withheld at the Indiana individual income tax rate of 3.23%. Any withholding for prize money should be reported by the first entity paying prize money following withholding tax filing guidelines on page 5.

Filing Steps:

• Establish a separate withholding account using DOR’s online service through INBiz at inbiz.in.gov.
• For each person receiving prize money, withhold 3.23% and issue a Form 1099 Misc. showing the amount withheld.
• Remit the withheld amounts to the withholding account created in INBiz and electronically file Form WH-1 by Jan. 31 of the year following the year prize money was paid.
• By Jan. 31, file Form WH-3 summarizing all of the withheld prize money remitted during the prior year and send DOR copies of the Form 1099s Misc. provided to persons for which prize money was withheld.

For Race Teams/Businesses

Form IMS-1: Professional Motorsports Team Form (State Form 55999)

A race team competing in motorsports events at the IMS is required to annually file the Form IMS-1 regardless of where the team is based.

Filing steps:

• In Section 1, list the number of each vehicle participating in an event and the racing series’ sanctioning body or promoter of the event (e.g., INDYCAR, INDY Lights, NASCAR Monster Energy Cup, NASCAR Xfinity, United States Auto Club, etc.).
• Section 2 applies to those race team members who were issued a W-2 by the race team.
  ° Report the total number of days that a race team member prepared for, participated in or otherwise worked at an event at IMS.
  ° Report the total number of days worked by all race team members who participated in events regardless of where those days were worked.
  ° While race team members participating in events at IMS are subject to county income tax, report only the total amount of state income tax withheld by the race team on wage or salary income (including bonuses).
  ° Report the amount of income withheld by a promoter for any team members receiving a portion of prize money awarded at an event at IMS.
• Section 3 applies to independent contractors working as race team members.
  ° For each contract team member, list one government-issued identification number.
  ° Report the total number of days each contract race team member worked at IMS either preparing for or participating in an event or events.
  ° Report the total number of days worked by each contract race team member who participated in the event or events regardless of where those days were worked.
  ° Report any Indiana taxes withheld by the race team on behalf of each contract race team member.
  ° For contract team members who receive a portion of prize money awarded at an event or events at IMS, report the amount of withheld by the promoter or promoters.

• In Section 4, report the amount of taxable merchandise sales made at events at IMS either directly by the race team or by a contract vendor on behalf of the race team.
  ° Online merchandise sales should be sourced to the principal business address of the race team.
    - Race teams located within the MID should report all online sales as occurring at IMS, whether through a website operated directly by the team or by a third-party on behalf of the team.
    - Race teams headquartered outside Indiana and third-parties operating on their behalf may be subject to Indiana’s remote seller or marketplace facilitator laws. Please see dor.in.gov/6744.htm and dor.in.gov/6367.htm for more information.

**Withholding Income Tax on Wages and Salary Payments**

Race teams are required to withhold an amount of the apportioned income of team members (including contractors) who receive wages or salary income for participating in a racing event in Indiana. This includes bonus payments.

• If not done so already, establish a separate withholding account with DOR online through INBiz at inbiz.in.gov. Race teams based outside Indiana should register to file and remit withholdings annually.
• To apportion a race team member’s income, use the ratio of the number of days the individual worked at IMS either preparing for or participating in the event or events and divide that amount by the total number of days the individual worked as a team member during the year regardless of where that work was performed.
• The race team should withhold both state and county taxes at the rates listed in Departmental Notice #1, available at dor.in.gov/3618.htm.
• At the time withholdings are remitted, the race team should file Form WH-1.
• Before Jan. 31 of the following year, the race team should file Form WH-3 and issue a W-2 or Form 1099 Misc. as appropriate to team members.

**Retaining Prize Money Subject To Prior Withholding**

Race teams that retain prize money as income on which withholdings were previously made may:

• Claim the withholdings as a credit against any other Indiana tax liability;
• Claim a refund for excess withholdings; or
• Transfer any excess withholdings to another tax account or period.
Previously withheld prize money combined with any other withholdings and payments may not be claimed as a credit against the composite tax in excess of the liability.

- To claim the withholdings as a credit against adjusted gross income tax on the IT-20, IT-20S or IT-65, report the withheld amount under “Other credits, payments” and send the associated Form 1099s and W-2s to the address on page 5.
- To claim the withholdings as a credit against composite tax on the IT-20S or IT-65, report the withheld amount under “Other credits, payments” and send the associated Form 1099s and W-2s to DOR.
- To claim a refund for prize money withheld in excess of any composite tax due, the race team must file a Form GA-110L and attach all associated Form 1099s and W-2s.

**Distributing Prize Money Subject to Prior Withholding for Partners/Shareholders Who are Also Team Members**

The treatment of prize money paid to a team or business for team members who are also partners or shareholders depends on whether the business entity or the team member is ultimately responsible for tax on the prize money.

- If the race team member is not a resident of Indiana, the team or business entity is responsible for composite tax due and should report withholdings under “Other credits, payments” on the IT-20S or IT-65. Send all associated 1099 Misc. forms to DOR.
- If the entity distributes the prize money to the race team member, the entity should issue a Form 1099 Misc. as evidence of the withholding and send a copy to DOR.

**Distributing Prize Money Subject to Prior Withholding to Race Team Members**

Race teams paying prize money to team members on which withholdings were previously made by a race promoter, sanctioning body or other entity must provide the receiving team member with a Form 1099 Misc. as evidence of the withholding. Without a 1099 Misc., the race team member cannot claim the withholding as a tax credit which results in the individual being taxed twice on the same amount.

Filing Steps:

- Issue a Form 1099 Misc. to all race team members receiving prize money reflecting the amounts withheld by the race promoter, sanctioning body, or other entity.
- The team member must attach a copy of Form 1099 Misc. when filing an Indiana tax return to claim the withholding as a credit.
- By Jan. 31 of the following year, send copies of the all Form 1099 Misc. for which the prize money was withheld to DOR.

**Composite Indiana Adjusted Gross Income tax return for nonresident team members**

Race teams not based in Indiana may relieve their nonresident race team members of the requirement to file Indiana individual income tax by filing a composite return on their behalf. In order to qualify for inclusion on a composite return, a race team member must be a nonresident and compensation received from the race team must be the team member’s only source of Indiana income.
Filing steps:

• Indicate the name of each nonresident race team member and his or her Social Security number, Indiana taxpayer identification number, or individual taxpayer identification number and whether the member is an employee or is considered to be an independent contractor for federal tax purposes.

• Calculate the team member’s Indiana Adjusted Gross Income (AGI):
  ° Divide the number of Indiana duty days by the number of duty days for the entire year.
  ° Multiply the result by the amount of total compensation paid to the race team member for the entire year.

• Determine the amount of state and county tax due to DOR:
  ° Multiply the Indiana AGI by 3.23% (the state income tax rate)
  ° Multiply the Indiana AGI applicable county tax rate*
  ° Then, add the amounts calculated in 3a. and 3b.

• Check the box to affirm the race team received a completed affidavit from the nonresident Race Team Member. A race team may only include nonresident individuals on the composite return from whom it receives a properly completed Indiana Composite Filing Affidavit.

*For events at IMS, the applicable Marion County tax rate is currently 2.02%. For events at other racing venues in Indiana consult Departmental Notice #1, available at dor.in.gov/3618.htm.

The nonresident race team members’ composite tax return may not be filed electronically. Returns should be mailed to DOR.

For Race Team Members, Contractors and other Employees

The term “race team members” or “team members” includes employees or independent contractors who render services on behalf of the race team. The term includes, but is not limited to, drivers, pit crew members, mechanics, technicians, spotters, crew chiefs and any other individual whose activities directly impact the race car during a race, practice, qualification, training and testing.

Receiving Distributed Shares of Prize Money as a Partner/Shareholder

Race team members who are also partners or shareholders receiving prize money subject to prior withholding as distributed income may claim the withholding as a credit on an Indiana individual tax return.

• Report the withholdings on lines 1 and 2 of Schedule 5 when filing an IT-40 or IT-40PNR and attach copies of all Form 1099s.

• When filing electronically, report the withheld amounts and retain the associated Form 1099s as DOR may request these at a later date.

Receiving Prize Money Subject to Prior Withholding as a Team Member

All income earned in Indiana is subject to state (and possibly county) tax. Race team members receiving prize money either directly from the race team or from another entity which received prize money from the race team must file an Indiana income tax return. The race team member must not be a shareholder or partner of the entity from which he or she received the prize money. (See Race Team Members who are also Partners or Shareholders Receiving Distributed Shares of Prize Money on page 11).
• For Indiana residents: Prize money and any prior withholdings should be included in income reported on the IT-40.
• Nonresidents should report income and any prior withholdings on Form IT-40PNR. Prize money should also be included the modified Indiana wage income on Schedule IN-PRO to calculate county tax.
• Include copies of all associated Form 1099s when mailing the return. When filing electronically, retain the associated Form 1099s as DOR may request these at a later date.

**Composite Returns for Nonresident Team Members**

Race teams may file a Nonresident Race Team Members’ Composite Indiana Adjusted Gross Income Tax Return, available at dor.in.gov/5513.htm on behalf of eligible team members. Those included on a composite income tax return do not need to file an individual income tax return for Indiana. To qualify for inclusion on a composite return, the team member must:

- Not be a resident of Indiana;
- Not have other Indiana-sourced income; and
- Provide the race team with a completed Indiana Composite Filing Affidavit (State Form 56062).

The Indiana Composite Filing Affidavit expires at the end of each tax year. Team members submit a new affidavit to the race team each year if they wish to be included in the composite return.

Race teams should retain the original affidavits. DOR maintains the right to request copies of the affidavits for verification or review.

For more information on composite returns, please see pages 11 and 12. Team members should contact their team’s HR department to find out if they offer composite filings.
In September 2018, DOR began implementing a multi-year modernization project known as Project NextDOR – to completely replace our current system used to process taxes. This new technology will allow Hoosier businesses and individuals, as well as DOR employees, increased access to data and the ability to view, register, file and pay for more tax types online than ever before. Rollout 1 launched in September for a specific group of tax types (see below). Motorsports-related tax filings will be included in Rollout 2, which is expected to launch in September 2020.

Our new online service portal, called the Indiana Taxpayer Information Management Engine (INTIME), offers expanded functionality for designated tax types. Now C & S Corporations and Partnerships can file, amend and pay tax filings online. Customers must register for access before using INTIME.

INTIME also provides the option to submit an electronic Power of Attorney (ePOA). Outside tax professionals need to register for both INTIME and ePOA to view records and conduct business with DOR on behalf of their clients.

Please visit ProjectNextDOR.dor.in.gov for more information. You may call 317-232-0129, between 8 a.m. – 4:30 p.m. EST, Monday through Friday and select option “1” for all service questions regarding INTIME.
Resources

For more information on taxes and filings within the Indianapolis Motorsports Investment District, please call DOR at 317-234-8614, Monday through Friday, 8 a.m. – 4:30 p.m. EST.

DOR Motorsports Tax Guidance - dor.in.gov/5297.htm

DOR Motorsports Tax Forms - dor.in.gov/5513.htm

You may also visit DOR online at dor.in.gov for more information on other tax types and filings.

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Tax Bulletin is DOR’s e-newsletter for both tax practitioners and businesses.

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