STATE of INDIANA
DEPARTMENT OF REVENUE
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INFORMATION BULLETIN #97
INCOME TAX
JULY 2013
(Replaces Information Bulletin #97 dated June 2006)
Effective Date: July 1, 2013

SUBJECT: Headquarters Relocation Tax Credit

REFERENCES: IC 6-3.1-30

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SUMMARY OF CHANGES

Aside from nonsubstantive, technical changes, this version of the bulletin has been changed to reflect the provisions of HEA 1545-2013, which expands the Headquarters Relocation Tax Credit to include divisions of eligible entities, as well as research and development entities of an eligible business. The bulletin also now provides that the Indiana Economic Development Corporation (IEDC) shall certify relocation projects and award a credit up to fifty percent (50%) of the relocation costs, as well as certify relocation costs to the department. Additionally, the minimum worldwide revenue threshold has been reduced from $100,000,000 to $50,000,000.

INTRODUCTION
The Headquarters Relocation Tax Credit is intended to provide an incentive for a business to relocate its corporate headquarters into Indiana.

DEFINITIONS
“Corporate headquarters” means the building where the principal offices of the principal executive officers of the business are located; the principal offices of a division; or a research development center of an eligible business.

"Eligible business" means a business that is engaged in intrastate or interstate commerce, maintains a corporate headquarters outside Indiana, has not previously maintained a headquarters inside Indiana, and had annual worldwide revenues of at least fifty million dollars ($50,000,000) for the immediately preceding taxable year.

"Pass through entity" means an S Corporation, partnership, limited liability company, or a limited liability partnership.

"Qualifying project" means the relocation of the corporate headquarters from a location outside Indiana to a location in Indiana. \

"Relocation costs" means the reasonable and necessary expenses incurred by the business for a project. The term includes moving expenses, the purchase of new or replacement equipment, capital investment costs, purchase, lease or construction of buildings and land, infrastructure improvements and site development costs.

DETERMINATION OF TAXPAYER ELIGIBILITY

The IEDC is required to:

1. Evaluate a taxpayer's relocation project for the taxpayer's eligibility;
2. Certify the eligibility of taxpayers that meet the requirements for a tax credit;
3. Determine the percentage used to calculate the amount of a tax credit; and
4. Certify proof of the taxpayer's relocation costs, proof that the taxpayer is employing in Indiana the number of employees required, and all other information that the department determines is necessary for the calculation of the credit.

ENTITLEMENT TO THE CREDIT

If the IEDC determines that a taxpayer is an eligible business that completes a qualifying project, incurs relocation costs, and employs at least seventy-five (75) employees in Indiana, the taxpayer is entitled to a credit against the taxpayer's state tax liability for the year in which the relocation costs are incurred.

The amount of the credit the taxpayer is entitled to, as determined by the IEDC, may not exceed fifty percent (50%) of the amount of the relocation costs incurred in the taxable year. However, the amount claimed may not result in an Indiana tax liability that is lower than the Indiana tax liability in the taxable year immediately preceding the taxable year in which the taxpayer first incurred the relocation costs.

Any unused credit amount can be carried forward and applied to the nine (9) succeeding taxable years. A taxpayer is not entitled to a refund or carryback of any unused credit.

Example: A taxpayer's relocation costs are five million dollars ($5,0000,000) and the IEDC has approved a credit percentage of 25%. The amount of the taxpayer's credit is one million two hundred fifty thousand dollars ($1,250,000). The taxpayer's tax liability for the year before the relocation costs were incurred was five hundred thousand dollars ($500,000). The current tax year liability is calculated at seven hundred fifty thousand dollars ($750,000), so the taxpayer is eligible to claim a credit of two hundred fifty thousand dollars ($250,000) with a one million dollar ($1,000,000) credit carryforward.

If a pass through entity is entitled to the credit, a shareholder, partner or member of the pass through entity is entitled to claim the credit. The amount that the shareholder, partner or member may claim is the percentage of the pass through entity's distributive income to which the shareholder, partner or member is entitled.

CLAIMING THE TAX CREDIT

A taxpayer must claim the credit on the taxpayer's state tax return and must provide proof of the taxpayer's relocation costs, and proof that the taxpayer is employing at least seventy-five (75) people in the State of Indiana.

Michael J. Alley
Commissioner