

Summary of 1999 Legislation That Affects The Department of State Revenue



MAY, 1999
Indiana Department of State Revenue
Tax Policy Division

Prepared By:

Tom Conley, Administrator, Tax Policy Division
Arden Chilcote, policy analyst, Office of the Commissioner

Table of Contents:

Gross Income Tax (IC 6-2.1)	2
Sales and Use Tax (IC 6-2.5)	2
Adjusted Gross Income Tax (IC 6-3)	2
Tax Credits (IC 6-3.1)	3
Local Option Income Taxes (IC 6-3.5)	4
Inheritance Tax (IC 6-4.1)	4
Financial Institutions Tax (IC 6-5.5)	4
Motor Carrier Fuel Use Tax (IC 6-6-4.1)	4
Commercial Vehicle Excise Tax (IC 6-6-5.5)	5
Tax Administration (IC 6-8.1)	5
Innkeepers' Tax (IC 6-9)	5
Motor Carrier Services (IC 8-2.1)	6
Miscellaneous Provisions	6

Gross Income Tax (IC 6-2.1)

SEA 40, SECTION 15. EFFECTIVE UPON PASSAGE. IC 6-2.1-4-3. Technical change to correct an erroneous code cite.

Sales and Use Tax (IC 6-2.5)

HEA 1104, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-2.5-6-14. Requires the Department to annually provide the division of mental health and the alcoholic beverage commission with a county-by-county listing of every retailer of cigarettes. The list is to include the name and address of each retail merchant that is selling cigarettes. The updated annual list will include all new retailers added to the list from the prior year and all retailers that are no longer selling cigarettes.

HEA 1789, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-2.5-7-1. Provides that kerosene, for sales tax purposes, is treated the same as gasoline.

HEA 1789, SECTION 2. EFFECTIVE JULY 1, 1999. IC 6-2.5-7-3. Provides that kerosene sold through a metered pump will have the sales tax applied to the net cost of the unit, which is less state and federal road taxes.

SEA 234, SECTION 3. EFFECTIVE JULY 1, 1999. IC 6-2.5-10-1. Changes the distribution of the sales tax. Provides that 59.03% instead of 59.2% will be deposited in the state general fund. Provides that the commuter rail service fund shall receive 0.17% of the sales tax revenue.

Adjusted Gross Income Tax (IC 6-3)

SEA 297, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-1-3.5. Increases the exemption for dependents from \$500 to \$1500 per year.

SEA 307, SECTION 1. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-3.5. Provides a deduction for the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

SEA 7, SECTION 1. EFFECTIVE JANUARY 1, 2000. IC 6-3-1-3.5. Provides an income tax deduction equal to the portion of any premiums paid during the taxable year for a long-term care policy (as defined in IC 12-15-39.6-5).

SEA 198, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-1-3.5. Provides an additional \$500 personal exemption for individuals who are over 65 and an adjusted gross income of less than \$40,000.

HEA 1001, SECTION 51. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE) IC 6-3-1-3.5. Removes the property tax add-back for taxes levied by any local governmental unit of any state. Provides an income tax deduction for individuals equal to the lesser of \$2,500 or the amount of property taxes that are paid during the taxable year on the individual's principal place of residence. Removes the property tax add-back for corporations.

SEA 307, SECTION 2. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-29. Defines an "eligible individual" for purposes of determining who is eligible for the deduction for Holocaust victim's settlement payments.

SEA 307, SECTION 3. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-30. Defines what is to be included as a Holocaust victim's settlement payment.

SEA 247, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-2-6. Increases the renters' deduction from one thousand five hundred dollars (\$1,500) to two thousand dollars (\$2,000).

HEA 1001, SECTION 228. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-2.5. Repeals the earned income tax deduction.

HEA 1983, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-3-3-10. Provides that a pass-through entity is eligible for the enterprise zone credit for increased wages in the zone.

HEA 1573, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-3-5-3. Allows the (DOR) approval of the governor and the budget agency to negotiate and settle on a dollar amount, the tax loss to Illinois from Indiana workers through a reciprocity agreement.

Tax Credits (IC 6-3.1)

HEA 1983, SECTION 4. EFFECTIVE JANUARY 1, 2000. IC 6-3.1-7-1. Provides that a pass-through entity is eligible for the enterprise zone loan interest credit.

HEA 1983, SECTION 5. EFFECTIVE JANUARY 1, 2000. IC 6-3.1-7-2. Provides the methodology for calculating the distribution of the credit to pass-through entity shareholders, members, or partners.

HEA 1126, SECTION 4. EFFECTIVE UPON PASSAGE. IC 6-3.1-18-6. Provides that an individual who makes a donation to an individual development fund account is eligible for a credit if the donation is one hundred dollars (\$100) (rather than one thousand dollars (\$1,000)).

HEA 1001, SECTION 227. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3.1-21. Provides an earned income credit for taxpayers. "Earned income" means the wages, salaries, tips, and other employee compensation, and net earnings from self employment. Defines "qualifying child" to include children, grandchildren, step children and foster children. The child must be less than 19 years old unless they are a student less than 24 years of age. Taxpayers are eligible for the credit if they have a qualifying child, their gross income is less than \$12,000, and 80% or more of their total income is earned income. The amount of the credit is 3.4% times (\$12,000 minus the amount of the individual's total income). The

credit is a refundable credit and could allow refunds of as much as \$408 to the taxpayer. Requires the DOR to gather data requested by the division of family and children to comply with this act.

Local Option Income Taxes (IC 6-3.5)

HEA 1001, SECTION 69. EFFECTIVE JANUARY 1, 2000. IC 6-3.5-1.1-15. Changes the definition of "attributed levy" for the county adjusted gross income tax distributions for the county's welfare fund and welfare administration funds.

HEA 1001, SECTION 70. EFFECTIVE JANUARY 1, 2000. IC 6-3.5-6-17.6. Technical change to the county option income tax, so that Marion County's special distribution will take into account the change of welfare costs from the county to the State. SECTIONS 71, 72, 73, AND 74, make conforming technical changes in other sections of the COIT and CEDIT laws.

SEA 166, SECTION 3. EFFECTIVE UPON PASSAGE. IC 6-3.5-7-23. Allows Hancock County to adopt the county economic development income tax, and dedicate up to fifteen hundreds of one percent (0.15%) to library property tax replacement credits.

Inheritance Tax (IC 6-4.1)

HEA 1304, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-4.1-8-5. Removes the requirement that the county assessor or a representative of the DOR must be present when the safety deposit box of a decedent is opened.

HEA 1304, SECTION 2. EFFECTIVE JULY 1, 1999. NON CODE. Repeals IC 6-4.1-8-6 and IC 6-4.1-8-8. These sections had required that information obtained from a safety deposit box be kept confidential, and, imposed a Class B misdemeanor penalty on anyone who violated this confidentiality requirement, respectively.

Financial Institutions Tax (IC 6-5.5)

HEA 1001, SECTION 52. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-5.5-1-2. Removes the property tax add-back in determining adjusted gross income for financial institutions that are subject to the financial institutions tax.

Motor Carrier Fuel Use Tax (IC 6-6-4.1)

HEA 1789, SECTION 3. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4. Provides a proportional use credit for the consumption of fuel used to operate equipment mounted on a motor vehicle.

HEA 1789, SECTION 4. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.5. Provides that the proportional use credit must be claimed on a quarterly basis.

HEA 1789, SECTION 5. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.7. Provides that a motor carrier must be certified by the DOR in order to qualify for a proportional use credit. The carrier must list his tax identification number, the carrier's principal place of business, a description of each vehicle, and the vehicle identification number. There is a one-time fee of seven dollars (\$7), to be deposited in the motor carrier regulation fund.

HEA 1789, SECTION 6. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.8. Provides that the credit will be claimed on forms prescribed by the DOR. The DOR is to determine the aggregate amount of credits claimed for each quarter. The Department may approve the full amount of the credits applied for if the total does not exceed the quarterly limits for the fiscal year. The limit for the 1st quarter is \$1,375,000, 2nd quarter \$625,000, 3rd quarter \$625,000, 4th quarter \$875,000. If the claims exceed the quarterly limit, the claims shall be paid on a pro rata basis. If the cap is not reached in any quarter, then the balance is added to the subsequent quarter.

Commercial Vehicle Excise Tax (IC6-6-5.5)

HEA 2022, SECTION 2. EFFECTIVE JANUARY 1, 2000. IC 6-6-5.5. Creates the commercial vehicle excise tax for commercial vehicles such as tractors and trailers that were subject to the property tax. The tax is based on the weight of the vehicle and is paid at the time of registration. The motor carrier services division collects the tax.

Tax Administration (IC 6-8.1)

HEA 2022, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-1-1. Provides that the commercial vehicle excise tax is a listed tax.

HEA 2022, SECTION 4. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-3-1. Provides that the DOR will only investigate complaints concerning the commercial vehicle excise tax if the vehicle is not subject to registration under the International Registration Plan.

HEA 2022, SECTION 5. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-4-4. Clarifies that the motor carrier services division is to administer the commercial vehicle excise tax.

HEA 1789, SECTION 7. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-4-4. Clarifies that the motor carrier services division is responsible for issuing the proportional use credit certificates.

HEA 2022, SECTION 6. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-5-2. Clarifies that if a motor carrier tries to avoid the commercial vehicle excise tax, it will be subject to the same penalty as a person failing to file a tax return.

HEA 2022, SECTION 7. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-7-1. Provides that attempts to evade the commercial vehicle excise tax by a motor carrier can be disclosed to other states for enforcement purposes. Also provides that the DOR confidentiality statute does not apply to the commercial vehicle excise tax.

HEA 1104, SECTION 2. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-7-1. Permits the DOR to release information concerning retailers of cigarettes to the division of mental health and the alcoholic beverage commission.

Innkeepers' Tax (IC 6-9)

HEA 1458, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-2.5-7. Provides that the Vanderburgh County convention and visitor promotion fund is to receive the equivalent of a 2% innkeeper's tax.

HEA 1458, SECTION 2. EFFECTIVE JULY 1, 1999. IC 6-9-2.5-7.5. Provides that after December 31, 1999 and before January 1, 2006, the tourism capital improvement fund is to receive the equivalent of a

1% rate. After December 31, 2005, the tourism capital improvement fund will receive the equivalent of a 3% rate.

HEA 1458, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-9-2.5-9. Provides that the Vanderburgh County treasurer shall create a convention center operating fund. Between January 1, 2000, and December 31, 2005, the county treasurer must deposit the equivalent of a 2% rate in the convention center operating fund.

HEA 1164, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-11-16. Permits the county council in Vigo County to increase the innkeepers' tax to a maximum rate of five percent (5%). Current law caps the rate at two percent (2%).

SEA 8, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-19-2. Removes the provision that members of the Elkhart County Tourism Commission have four members representing a full-service hotel to serve on the commission. The members must still be actively engaged in the hotel or motel business.

HEA 1074, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-32. Permits Jackson County to increase its innkeepers' tax to five percent (5%). Permits twenty-five percent (25%) of the monies to be spent to promote and encourage economic and industrial development.

Motor Carrier Services (IC 8-2.1)

HEA 1469, SECTION 1. EFFECTIVE JULY 1, 1999. IC 8-2.1-24-18. Exempts farm vehicles from registering as intrastate motor carriers.

HEA 1469, SECTION 2. EFFECTIVE JULY 1, 1999. IC 8-2.1-24-28. Provides that if the United States Department of Transportation issues a safety related order affecting a motor carrier operating in Indiana, the Department or the state police may revoke and confiscate any registrations, license plates, or cab cards.

Miscellaneous Provisions

HEA 1130, SECTION 1. EFFECTIVE JULY 1, 1999. IC 9-20-15-2. Provides that a manufacturer of mobile homes may move a mobile home from the manufacturing site to a storage facility only if the manufacturer gets a special permit from the motor carrier services division and the distance moved is less than fifteen (15) miles.

HEA 1130, SECTION 2. EFFECTIVE JULY 1, 1999. IC 9-29-6-12. Provides that the annual permit to move a mobile home from the factory to a storage facility is forty dollars (\$40) for each three (3) mile increment that a tractor mobile home rig is transported, up to the fifteen (15) mile limit.

HEA 1578, SECTION 4. EFFECTIVE UPON PASSAGE. IC 13-23-12-1. This act decreases the underground petroleum storage tank fee from \$290 to \$90.

HEA 1578, SECTION 5. EFFECTIVE UPON PASAGE. IC 13-23-12-4. Decreases the excess liability trust fund fee from \$245 to \$45.

HEA 1870, SECTION 1. EFFECTIVE JULY 1, 1999. IC 24-3-3-11. Requires the DOR to adopt rules necessary to ascertain the amount of state excise tax paid on cigarettes attributable to tobacco product manufacturers each year.

SEA 19, SECTIONS 1 THROUGH 6. EFFECTIVE JULY 1, 1999. IC 36-7-13-2.4. Allows two areas in Delaware County to be designated as community revitalization enhancement districts. (Current law

authorizes a credit against certain state and local tax liabilities for taxpayers that make an investment for the redevelopment of property located a community revitalization enhancement district.) The act also provides for the incremental amount of state and local income taxes and state sales taxes collected from a community revitalization enhancement district to be distributed to the district for deposit in its industrial development fund. (Under current law, there is an annual cap of \$1 million inn tax increments generated within the district.)

SEA 166, SECTION 4. EFFECTIVE UPON PASSAGE. NON CODE. Provides that Hancock county may impose CREDIT for library property tax replacement credits at any time between January 1 and June 15, 1999.