

**2003 SYNOPSIS**

**LAWS ENACTED BY THE**

**INDIANA GENERAL ASSEMBLY**

**AFFECTING THE**

**INDIANA DEPARTMENT OF REVENUE**

**MAY 2003**

**Tax Policy Division**

**Tom Conley, Administrator**  
**Everett Layton**  
**Shah Towfighi**  
**Bob Walls**  
**Sheila Heidenreich**

## **Laws Enacted by Bill Number**

**HB 1001 – IC 4-4-31; IC 4-33-13-1.5; NON-CODE SECTION 48; IC 6-1.1-12.2; IC 6-1.1-12.3; IC 6-2.5-4-4.5; IC 6-2.5-6-15; IC 6-3.1-4-6; IC 6-3.1-19-3; IC 6-3.1-26; IC 6-3.1-27; IC 6-3.1-28; IC 6-6-6.5-9; IC 6-6-6.5-12; IC 36-7-13-12.1;**

Provides that riverboats that implemented flexible scheduling will calculate the graduated tax liability from June 30, 2002 instead of from the time that the riverboat actually implemented the flexible scheduling. Provides that the adjusted payment will be made in two equal installments on July 1, 2003 and July 1, 2004.

Provides that rooms furnished on a complimentary basis by an innkeeper shall require the innkeeper to remit the sales tax based on the gross retail income that would be received if the room had been rented on that date. Requires the innkeeper to report monthly to the Department on the number of rooms rented during the period, and the total amount of sales tax remitted with respect to those lodgings. The innkeeper must also report on the number of complimentary rooms rented and the amount of sales tax remitted.

Extends the research expense credit so that it is in effect until December 31, 2013, instead of December 31, 2004.

Provides that pass through entities are eligible for the community revitalization enhancement tax credit.

Creates the Hoosier Business Investment Tax Credit to be administered by the EDGE Board. Provides a credit of thirty percent (30%) of the qualified investment made by a taxpayer. A qualified investment includes the purchase of new manufacturing equipment, computers, modernization of existing equipment and infrastructure improvements.

Creates a tax credit of \$1.00 per gallon of biodiesel produced in Indiana and used to produce blended biodiesel. Provides a tax credit of \$.02 per gallon of blended biodiesel produced in Indiana. Provides a tax credit of \$.01 per gallon of blended biodiesel sold through a metered pump at a service station.

Provides a tax credit of \$.125 per gallon of ethanol produced at an Indiana facility.

Provides that all first and second class cities can create a community revitalization enhancement district. The district will receive 75% of any incremental sales or income tax generated in the district. The city is required to pledge \$250,000 for infrastructure improvements.

Provides funding of industrial development projects in distressed counties. Provides for incremental sales and income tax funding for the project area are not to exceed \$500,000.

Provides that aircraft used to transport people or property between a qualifying medium hub airport and at least two qualifying underserved airports is entitled to a property tax deduction for those aircraft. The aircraft are not exempt from the aircraft excise tax.

Provides that aircraft operated by a business entity that has its corporate headquarters in Indiana are exempt from the property tax.

**HB 1018 – IC 6-9-5, SECTION 2 NON-CODE, (EFFECTIVE JULY 1, 2003)** Repeals the Knox County Innkeepers' Tax, and reenacts the tax under IC 6-9-18, which is the uniform innkeepers' tax statute.

**HB 1155 – IC 6-3.5-1.1-2; IC 6-3.5-1.1-3.3; IC 6-3.5-1.1-10; IC 6-3.5-1.1-11; AND IC 6-3.5-7-5, (EFFECTIVE UPON PASSAGE)** Provides that Clay County may impose an additional county adjusted gross income tax at a rate of twenty-five hundredths percent (0.25%) to finance a county jail and related buildings as the result of a failure to meet federal jail standards.

Provides that the maximum CAGIT and CEDIT rates may not exceed one and a half percent (1.5%) for Clay County if the additional rate for the county jail is adopted.

Provides that if the county council adopts an ordinance to impose the additional CAGIT rate before June 1, 2003, the tax will take effect on July 1, 2003. If the ordinance is adopted after May 31, 2003 and before January 1, 2004, the tax will take effect on January 1, 2004. If the tax takes effect on January 1, 2004, the first distribution reflecting the increased CAGIT rate will be made to the county treasurer on November 1, 2004.

**HB 1167 – IC 6-2.5-6-13; IC 6-3-3-5; IC 6-3-3-5.1; IC 6-3-3-10; IC 6-3-4-4.1; IC 6-3.1-11-22; IC 6-3.1-18-8; IC 6-3.5-1.1-2.9; IC 6-3.5-1.1-3.6; IC 6-3.5-1.1-10; IC 6-3.5-6-17; IC 6-3.5-6-17.6; IC 6-3.5-6-18; IC 6-3.5-7-15; IC 6-3.5-7-26; IC 6-5.5-2-7; AND IC 6-5.5-9-3, (EFFECTIVE UPON PASSAGE)** This bill adopts technical changes throughout various provisions of the Indiana Code.

**HB 1368 – IC 6-4.1-5-10 (EFFECTIVE JULY 1, 2003)** Provides that a court order describing the fair market value of an estate is confidential.

**HB 1423 – NON-CODE (EFFECTIVE UPON PASSAGE)** Provides that the shareholders of an S Corporation that claimed the prison investment credit for the period 1998 through 2001 will be allowed to claim the credit.

**HB 1556 – IC 4-32-6; IC 4-32-8; IC 4-32-9; IC 4-32-13; AND IC 4-32-15, (EFFECTIVE UPON PASSAGE AND JULY 1, 2003)** Provides that the administrative orders and procedures act applies to a protest or hearing related to charitable gaming. Requires any radio advertisement for a charity gaming event to mention the name of the qualified organization and that the license number is on file.

Amends various sections concerning the retention of records if charity gaming supplies are destroyed by a distributor or qualified organization. Requires a manufacturer and distributor to report quarterly to the department on the sale of supplies, devices and equipment.

Clarifies that the gaming card excise tax is imposed on the distributor and it is based on the price paid by the qualified organization for supplies.

**HB 1683 – IC 8-9-11-4 (EFFECTIVE JULY 1, 2003)** Permits the motor carrier section of the Department to adopt rules concerning the transportation of railroad employees by contract carriers.

**HB 1708 – IC 6-2.5-5-8 (EFFECTIVE JULY 1, 2003)** Provides that the only new vehicles exempt from the sales tax as a purchase for resale are when a franchise dealer sells a vehicle

to another franchise dealer if the vehicle purchaser has a franchise for the same vehicle trade name.

A vehicle purchased by a person who is regularly engaged in the business of rental or leasing vehicles can continue to purchase the new vehicle exempt from the sales tax.

**HB 1714 – IC 6-3.1-23-1.5; IC 6-3.1-23-3; IC 6-3.1-23-3.5; IC 6-3.1-23-5; IC 6-3.1-23-11; IC 6-3.1-23-12; IC 6-3.1-23-13; IC 6-3.1-23-16; AND NON-CODE, (EFFECTIVE JANUARY 1, 2004)** Makes the voluntary remediation tax credit available to a taxpayer irrespective of whether the taxpayer is participating in the state voluntary remediation program, and irrespective of whether the property is located in a brownfield revitalization zone. Provides that the credit does not apply to the extent that the taxpayer uses state financial assistance for the remediation.

Allows a carryback of a credit to the immediately preceding year. Extends the credit for taxable years through 2005.

**HB 1728 – IC 6-3-1-3.5; IC 6-3-1-11; IC 6-3-1-33; IC 6-5.5-1-2; IC 6-5.5-1-20; AND NON-CODE SECTION 6, (EFFECTIVE JANUARY 1, 2002 AND JANUARY 1, 2003, RETROACTIVE)** Updates the Indiana Code to correspond to the definition of federal adjusted gross income in all areas except for the bonus depreciation deduction. The depreciation deduction will be calculated in the same manner that it had been calculated prior to 2001. All other provisions including the net operating loss carry back, the educator expense deduction, clean fuel vehicle deduction, and foster care deduction have been incorporated for taxable years beginning after December 31, 2002.

Requires the Department to issue a commissioner's directive no later than August 1, 2003 explaining how the provisions for not calculating the accelerated depreciation deduction must be implemented by the taxpayer.

**HB 1738 – IC 7.1-3-18.5 (EFFECTIVE JULY 1, 2003)** Provides that the alcohol and tobacco commission shall issue a tobacco sales certificate to any person selling cigarettes at retail. The fee is fifty dollars (\$50) per year per location.

**HB 1788 – IC 6-7-1-17; IC 6-7-1-18; IC 6-7-2-11; IC 24-3-2-2; IC 24-3-2-4.7; IC 24-3-3-13; AND IC 24-3-5.4, (EFFECTIVE JULY 1, 2003)** Provides that a cigarette distributor that has been in good standing with the Department for the last five years, is not required to post a bond or letter of credit. Requires every distributor to include with each delivery of cigarettes an invoice showing complete details of the transaction. The retailer is required to retain the invoice for no less than two weeks. The retailer may request a duplicate invoice from the distributor.

Transfers the authority to enforce the cigarette fair trade statute from the Department to the alcohol and tobacco commission. Requires a retailer to produce an invoice proving that the retailer purchased the cigarettes from a distributor that holds a valid registration certificate. Gives the Department and the ATC concurrent jurisdiction over retailers and the requirement to possess an invoice from the distributor.

Not later than April 30 of each year, a tobacco product manufacturer shall certify to the Department and the attorney general that the manufacturer is a participating manufacturer or is in compliance with the qualified escrow fund provisions. The certification must include a listing of all the brand families of the manufacturer, and must report any change in the list within thirty (30) days. A non-participating manufacturer must also include a list of the number of units of

each brand sold in Indiana during the calendar year before the report. They must also certify that they are registered to do business in Indiana or has an appointed agent for service of process. Prohibits a person from stamping or possessing for sale any brand family that is not on the master list of the attorney general.

Requires all distributors to file a quarterly report with the Department and the attorney general a list by brand family of the total number of cigarettes that the distributor affixed stamps to. The Department can revoke or suspend the license of any distributor that affixes a stamp or offers to sell cigarettes that are not listed in the master list.

Requires that the first list submitted by manufacturers listing brand families are to be completed by August 15, 2003.

**HB 1791 – IC 24-3-5-6; AND IC 24-3-5-7, (EFFECTIVE JULY 1, 2003)** Requires a merchant that is shipping tobacco products as part of a delivery sale to provide the Department with a statement containing the merchant's name, address, principal place of business, and each place of business in Indiana. Requires that the merchant shall provide no later than the tenth of each month for the previous month, a copy of each invoice for each sale to a customer in Indiana. The invoice must include the name and address of the customer, the brand name of the tobacco products delivered, and the quantity of the tobacco products that were delivered.

Requires the merchant to collect the cigarette tax on a delivery sale, or place a legible notice on the outside of the shipping container that the merchant has reported to the Department as required by federal law the name and address of the purchaser.

**HB 1811 – IC 4-4-8-1; IC 5-17-1-11; IC 5-22-16-4; IC 6-2.5-4-14; IC 6-2.5-8-10; IC 6-3-4-6; IC 6-3-4-8.1; IC 6-3.1-5; IC 6-6-6.5-19; IC 6-8.1-3-12; IC 6-8.1-5-2.5; IC 6-8.1-6-5; IC 6-8.1-7-1; IC 6-8.1-10-11; AND IC 6-9-34, (EFFECTIVE JULY 1, 2003)** Eliminates a reference to a repealed income tax credit. Repeals the investment tax credit that is obsolete. Repeals the provision that requires a taxpayer to report on their annual income tax return information concerning motor vehicles that are owned or leased by the taxpayer.

Requires any entity that desires to sell personal property or services to the state to obtain a clearance from the Department showing that they are not delinquent for sales tax liabilities, and that they have registered with the Department to collect sales tax. Also requires the entity to collect sales tax on any transaction even if the taxpayer is not located in Indiana.

Provides that a taxpayer is required to file an amended income tax return if there is a federal modification to the taxpayer's adjusted gross income. The return must be filed within one hundred twenty (120) days of the modification.

Provides that if a taxpayer's withholding tax is remitted by electronic funds transfer, the taxpayer is no longer required to file a quarterly report.

Clarifies that a person that is delinquent in registering an aircraft is subject to penalty and interest for the late payment.

Gives a county treasurer the same authority to audit and investigate any taxpayer that is subject to the innkeepers' tax if the county is collecting the tax.

If the Department determines that a proposed assessment includes an individual that is not responsible for a tax liability, a new assessment can be made naming only the person that is responsible for the tax liability. Provides that the statute of limitations does not apply if the subsequent notice is issued.

Enacts an entertainment facility tax for a facility in Hamilton County. The tax is imposed on the admission ticket at \$.50 per ticket and is collected by the county treasurer.

**HB 1815 – IC 6-2.5-1; IC 6-2.5-4; IC 6-2.5-5; IC 6-2.5-6-9; IC 6-2.5-12; IC 6-2.5-13; IC 6-9; AND NON-CODE (EFFECTIVE UPON PASSAGE, AND JANUARY 1, 2004)** Adds or amends sales tax definitions concerning gross retail income, alcoholic beverages, candy, computers and computer software, dietary supplements, drugs, durable medical equipment, food and food ingredients, mobility enhancing equipment, prescriptions, prewritten computer software, prosthetic devices, and soft drinks.

Provides technical changes in the exemptions to coincide with the new or amended definitions.

Clarifies the procedures for claiming a bad debt deduction from the sales tax. The provisions include that the federal bad debt deduction shall be adjusted to exclude financing charges or interest, sales or use tax charged on the purchase price, uncollectable amounts on property that remain in possession of the seller until the full purchase price is paid, expenses incurred in collecting any debt, and repossessed property.

Provides for the taxing situs of nonmobile telecommunications, and general sourcing rules. Clarifies the definition of food subject to a local food and beverage tax.

Requires the Department to adopt the initial rules and prescribe the initial forms to implement this act by December 1, 2003. The rules may be adopted in the same manner that emergency rules are adopted.

**HB 1902 – IC 4-33-12-1 (EFFECTIVE JULY 1, 2003)** Among other things, it provides that the admissions tax for a riverboat in Orange County is four dollars (\$4.00).

**SB 67 – IC 6-2.5-8-12 (EFFECTIVE JULY 1, 2003)** Provides that a person is not required to register as a retail merchant if the sole contact with Indiana is a contract with a call center that provides telephone call services to the person. Any property of the person located on the property of the call center does not create nexus as long as the property is not held for sale or shipment in response to an order received by the call center.

**SB 257 – IC 5-26-6; AND IC 6-6-2.5-70 (EFFECTIVE JULY 1, 2003)** Creates the state agency public safety committee for public safety communications. Provides that the Department will have one representative on the committee.

Amends the special fuel tax to change a cross-reference because of the recodification of Title 10 of the Indiana Code.

**SB 417 – IC 6-3.1-25.2 (EFFECTIVE JANUARY 1, 2004)** Creates a coal combustion product tax credit for manufacturers that manufacture recycled components consisting of at least 15% coal combustion waste generated in Indiana. The credit is equal to \$2.00 per ton of coal combustion products used by the manufacturer in the taxable year. The total credits allowed may not exceed \$2,000,000 for all taxpayers in a fiscal year. The tax credit cannot be refunded

or carried back to prior years. A taxpayer that claims the property tax deduction under IC 6-1.1-44 may not obtain this tax credit.

Requires the Department to keep a list of the name of each manufacturer, and the amount of credit claimed by the manufacturer and provide the list to the Center for Coal Technology Research.

**SB 422 – IC 6-2.3; IC 6-2.5; IC 6-3; IC 6-3.1; IC 6-5.5; AND NON-CODE, (EFFECTIVE RETROACTIVE JULY 1, 2002, RETROACTIVE JANUARY 1, 2003, AND JANUARY 1, 2004)**

Corrects an erroneous cross reference and eliminates several references to the gross income tax that have been repealed. Provides that the penalty for underpayment of estimated tax for the utility receipts tax will be calculated separately from any underpayment penalty for the adjusted gross income tax.

Provides that an employee that lives and works in an enterprise zone is eligible for the employee tax deduction if the employer is a pass through entity. Clarifies that a lottery payment made after June 30, 2002 for a lottery drawing held before July 1, 2002 is exempt from the adjusted gross income tax.

Provides that a fiscal year utility receipts taxpayer will prorate the \$1,000 taxpayer deduction and the resource recovery system depreciation deduction for the period of January 1, 2003 until the end of the taxpayer's fiscal year.

Eliminates the requirement that a fiscal year taxpayer will file a final supplemental net income tax (SNIT) return on April 15, 2002. Provides that the return is due at the same time as the adjusted gross income tax return. The SNIT will still be repealed effective December 31, 2002, and the taxpayer will pay a proportional share of SNIT calculated from the annual adjusted gross income, and then prorated based on the number of days in the taxpayer's taxable year for the period ending before January 1, 2003. Gives the Department authority to grant automatic extensions of time to file the return.

Provides that a fiscal year taxpayer will file their final gross income tax return at the same time that they file the adjusted gross income tax return. Provides that a taxpayer will pay the greater of the gross or the adjusted gross for the period ending on December 31, 2002. Provides a method to prorate the amount of adjusted gross income tax due for the period before January 1, 2003 and also for the period after December 31, 2002.

Provides that the \$1,000 taxpayer deduction and the resource recovery system tax deduction will be prorated for a fiscal year gross income taxpayer.

Provides that the Department may prescribe forms to implement this act and may grant automatic extensions of time to file returns due before April 16, 2003.

**SB 446 – IC 9-13-2-171; IC 9-13-2-181; IC 9-20-14-6; IC 9-20-15-6; IC 9-20-15-7; IC 9-21-5-5; IC 9-29-6-7; AND IC 9-29-6-9, (EFFECTIVE JULY 1, 2003)** Provides that a mobile home for a special tractor-mobile home rig may not exceed eighty-five (85) feet. Provides that the combined length of a tractor-mobile home rig may not exceed one hundred ten (110) feet, and may not be higher than fourteen (14) feet.

Provides that a person who is not a mobile home retail dealer may purchase a quarterly permit for unlimited trips to move a tractor-mobile home rig for two hundred fifty dollars (\$250), or an

annual permit for one thousand dollars (\$1,000). A permit to move a special tractor-mobile home rig may be purchased for a quarterly period at a cost of five hundred dollars (\$500), or annually for two thousand dollars (\$2,000).

Provides that if a person moves a tractor-mobile home rig on a route that is restricted or prohibited, their quarterly or annual permit may be revoked. If the permit is revoked, they may not obtain a new quarterly or annual permit for ninety (90) days; however the person may obtain a single trip permit until the person is eligible to obtain a new quarterly or annual permit.

**SB 474 – IC 8-2.1-24-18; IC 9-24-15-1; IC 9-30-5-9.5; IC 9-30-9-0.5; AND IC 9-30-10-9, (EFFECTIVE JULY 1, 2003)** Updates the Indiana Code to correspond to federal law and regulations concerning motor carrier safety.

Also provides that effective July 1, 2005, people that hold a commercial driver's license will not be eligible for probationary and restricted driving privileges if they have been convicted of certain offenses mostly related to alcohol and controlled substances.

**SB 494 – IC 6-2.3-4-3 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Clarifies that the gross retail receipts received by a political subdivision for sewer and sewage services are exempt from the utility receipts tax.

**SB 504 – IC 24-3-5.2-6; AND IC 24-3-5.2-7, (EFFECTIVE JULY 1, 2003)** Requires that a merchant who is shipping cigarettes as part of a delivery sale shall provide the Department with the merchant's name, address, principal place of business, and each place of business in Indiana.

Provides that a merchant who mails or ships cigarettes as part of a delivery sale shall no later than the tenth day of the month, send the Department a copy of each invoice for each delivery to a customer in Indiana for the previous month. The invoice must have the name and address of the customer, the brand name of the cigarettes, and the quantity of cigarettes shipped to the customer. A merchant who complies with the Federal Jenkins Act is considered to have complied with the notification requirements.

Requires a merchant to collect and pay all applicable cigarette taxes, or place a notice on the shipping container that the purchaser's name has been sent to the Department. The merchant is also required to calculate the amount of tax that is owed on the shipment, and provide that information to the customer.

**SB 508 – IC 8-2.1-24-18 (EFFECTIVE JULY 1, 2003)** Permits a medical waiver upon furnishing a medical certificate for an insulin dependent diabetic, who applies for or holds a commercial driver's license, and who is employed by a private carrier of property operated only in intrastate commerce.

### **Other Pertinent Legislation**

**SB 75 – IC 5-14-6 (EFFECTIVE JULY 1, 2003)** Provides that any report submitted to every member of the general assembly by a state agency must be submitted to the executive director of the legislative services agency in an electronic format. Also provides that the state agency shall post a copy of the report on the Internet, and send a copy to each legislator's electronic mail address.



## Legislation by Tax Type

### **IC 4-32 CHARITY GAMING**

**IC 4-32-6-16.5 (EFFECTIVE JULY 1, 2003)** Defines a marketing sheet as additional information published about a wagering game that describes winnings.

**IC 4-32-8-5 (EFFECTIVE UPON PASSAGE)** Provides that the administrative orders and procedures act applies to protests and hearings.

**IC 4-32-9-35 (EFFECTIVE JULY 1, 2003)** Provides that if an employee of a manufacturer or distributor is a member of a civic or religious organization that holds a charity gaming license, the employee's membership may not be construed as an affiliation with the organization's charity gaming operations.

**IC 4-32-9-36 (EFFECTIVE JULY 1, 2003)** Provides that radio advertising must announce the name of the organization conducting the event and that the organization's license number is on file.

**IC 4-32-13-6 (EFFECTIVE JULY 1, 2003)** Provides that a marketing sheet must be maintained for six (6) years or until the end of an audit in which the marketing sheet and similar records are audited.

**IC 4-32-13-7 (EFFECTIVE JULY 1, 2003)** Provides that a manufacturer or distributor must provide the Department with a list of any bingo supplies, punchboards, or tip boards that are destroyed, discontinued, or rendered unusable. The list must contain the quantity, serial number and description of any items destroyed.

**IC 4-32-13-8 (EFFECTIVE JULY 1, 2003)** Requires a manufacturer or distributor to produce any records requested by the Department within seventy-two (72) hours.

**IC 4-32-13-9 (EFFECTIVE JULY 1, 2003)** Requires a manufacturer or distributor to file a quarterly report listing their sales of supplies, devices, and equipment.

**IC 4-32-15-1 (EFFECTIVE JULY 1, 2003)** Clarifies that the gaming card excise tax is ten percent (10%) of the price paid by the qualified organization for the purchase of pull tabs, punchboards and tip boards.

**IC 4-32-15-2 (EFFECTIVE JULY 1, 2003)** Clarifies that the gaming card excise tax is imposed at the time the licensed entity distributes the supplies in Indiana.

### **IC 4-33 RIVERBOAT GAMING**

**IC 4-33-12-1 (EFFECTIVE JULY 1, 2003)** Provides that the riverboat admissions tax is four dollars (\$4.00) for each person admitted to the riverboat in Orange County.

**IC 4-33-13-1.5 (EFFECTIVE JULY 1, 2002, RETROACTIVE)** Provides that if a riverboat implements flexible scheduling during a fiscal year, the gaming tax will be calculated as though flexible scheduling had been in effect since July 1 of the fiscal year.

Provides that if a riverboat eliminates flexible scheduling during a fiscal year, the gaming tax will still be calculated as though the flexible scheduling is still in effect until the end of the fiscal year.

### **IC 6-2.3 UTILITY RECEIPTS TAX**

**IC 6-2.3-1-12 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Corrects an erroneous reference to the definition of a political subdivision.

**IC 6-2.3-4-3 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Clarifies that gross receipts received by a political subdivision for sewer and sewage service are exempt from the utility receipts tax.

**IC 6-2.3-6-1 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that estimated utility receipts tax payments must equal or exceed twenty (20%) of the final tax liability for the taxable year, or twenty-five percent (25%) of the tax liability for the previous year to avoid a penalty for underpayment of estimated taxes.

### **IC 6-2.5 SALES AND USE TAX**

**IC 6-2.5-1-5 (EFFECTIVE JANUARY 1, 2004)** Clarifies that delivery and installation charges are included in gross retail income. Provides that coupons or other discounts allowed that are not reimbursed by a third party are not part of gross retail income.

**IC 6-2.5-1-11 (EFFECTIVE JANUARY 1, 2004)** Defines an alcoholic beverage as a beverage that contains one-half of one percent (0.5%) or more alcohol by volume.

**IC 6-2.5-1-12 (EFFECTIVE JANUARY 1, 2004)** Defines candy to be a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops, or pieces. The term does not include items containing flour or items requiring refrigeration.

**IC 6-2.5-1-13; IC 6-2.5-1-14; AND IC 6-2.5-1-15, (EFFECTIVE JANUARY 1, 2004)** Defines the terms computer, computer software, and delivered electronically.

**IC 6-2.5-1-16 (EFFECTIVE JANUARY 1, 2004)** Defines a dietary supplement as a product that is intended to supplement the diet, contains a vitamin or other mineral, is intended for oral ingestion, and is required to be labeled as a dietary supplement, identifiable by the "Supplemental Facts" box found on the label as required under 21 CFR 101.36.

**IC 6-2.5-1-17 (EFFECTIVE JANUARY 1, 2004)** Defines a drug as a substance recognized in the official United States Pharmacopoeia, intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease. The term does not include food and food ingredients, dietary supplements, or alcoholic beverages.

**IC 6-2.5-1-18 (EFFECTIVE JANUARY 1, 2004)** Defines durable medical equipment to mean equipment including repair and replacement parts for equipment that can stand repeated use, is used to serve a medical purpose, generally is not useful to a person in the absence of illness or injury, and is not worn in or on the body.

**IC 6-2.5-1-20 (EFFECTIVE JANUARY 1, 2004)** Defines food and food ingredients as substances sold for ingestion or chewing by humans, that are consumed for their taste or nutritional value. The term does not include alcoholic beverages, candy, dietary supplements, or soft drinks.

**IC 6-2.5-1-21 (EFFECTIVE JANUARY 1, 2004)** Defines the terms lease and rental to correspond to current practices of the Department.

**IC 6-2.5-1-22 (EFFECTIVE JANUARY 1, 2004)** Defines mobility enhancing equipment as equipment primarily used to provide or increase the ability to move from one place to another and is not generally used by persons with normal mobility. It does not include a motor vehicle or equipment on a motor vehicle.

**IC 6-2.5-1-23 (EFFECTIVE JANUARY 1, 2004)** Defines a prescription as an order or formula issued by a licensed practitioner.

**IC 6-2.5-1-24 (EFFECTIVE JANUARY 1, 2004)** Defines prewritten computer software to mean computer software that is not designed and developed by the author or other creator to the specifications of a specific purchaser. Modifications to prewritten computer software where there is a reasonably separately stated charge for modification or enhancement, the modification or enhancement is not prewritten computer software.

**IC 6-2.5-1-25 (EFFECTIVE JANUARY 1, 2004)** Defines a prosthetic device as a replacement, corrective, or supportive device worn on or in the body to artificially replace a missing part of the body, prevent or correct physical deformity, or support a weak or deformed part of the body.

**IC 6-2.5-1-26 (EFFECTIVE JANUARY 1, 2004)** Defines soft drinks as nonalcoholic beverages that contain natural or artificial sweeteners. The term does not include beverages that contain milk or milk products, soy, rice, or similar milk substitutes, or greater than fifty percent (50%) of vegetable or fruit juice by volume.

**IC 6-2.5-1-27 (EFFECTIVE JANUARY 1, 2004)** Defines tangible personal property as something that can be seen, weighed, measured, felt, or touched or in any other manner is perceptible to the senses. The term includes electricity, gas, water, steam, and prewritten computer software.

**IC 6-2.5-4-1 (EFFECTIVE JANUARY 1, 2004)** Includes delivery charges in gross retail income and charges by the seller for the preparation and delivery of the property to a location designated by the purchaser, including but not limited to transportation, shipping, postage, handling, crating, and packing.

**IC 6-2.5-4-4.5 (EFFECTIVE JULY 1, 2003)** Provides that if a retail merchant furnishes rooms or lodgings to another person on a complimentary basis, the retail merchant shall compute gross retail income as being equal to the gross retail income received from renting a comparable room on the date the complimentary room is provided. Requires the sales tax to be imposed on the value of the complimentary room.

**IC 6-2.5-4-10 (EFFECTIVE JANUARY 1, 2004)** Provides that subleasing is not classified as the rental or leasing of tangible personal property.

**IC 6-2.5-4-14 (EFFECTIVE JULY 1, 2003)** Adds a section to provide that the department of administration and each purchasing agent for a state educational institution shall provide the Department with a list of every person who desires to enter into a contract to sell property or services to the state. The Department will notify the appropriate purchasing agent if the person is not registered as a retail merchant or is delinquent in remitting sales tax due to the Department.

**IC 6-2.5-5-1 (EFFECTIVE JANUARY 1, 2004)** Provides that the agricultural exemption for the production of food includes the production of food ingredients.

**IC 6-2.5-5-8 (EFFECTIVE JULY 1, 2003)** Provides that a new motor vehicle is exempt from the sales tax for purposes of resale if the sale is from one franchise dealer to another dealer with the same franchise for the vehicle trade name. Also exempts transactions when the franchisee is purchasing directly from the manufacturer, or the vehicle is a new vehicle purchased for rental or leasing in the ordinary course of the person's business.

**IC 6-2.5-5-18 (EFFECTIVE JANUARY 1, 2004)** Clarifies that the purchase of durable medical equipment and prosthetic devices are exempt from the sales tax, as well as the rental of durable medical equipment and other medical supplies.

**IC 6-2.5-5-19 (EFFECTIVE JANUARY 1, 2004)** Provides a technical change to the exemption for legend and non-legend drugs.

**IC 6-2.5-5-20 (EFFECTIVE JANUARY 1, 2004)** Provides that food and food items are exempt from the sales tax if items are sold without eating utensils provided by the seller and are sold by a seller whose primary NAICS classification is food manufacturing, except for bakeries. Food sold in an unheated state by weight or volume as a single item, or bakery items including bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies, tarts, muffins, bars, cookies, and tortillas are also exempt.

Items that are taxable include, candy, alcoholic beverages, soft drinks, food sold through a vending machine, food sold in a heated state or heated by the seller, or two or more food ingredients mixed or combined by the seller for sale as a single item, and food sold with eating utensils provided by the seller.

**IC 6-2.5-6-9 (EFFECTIVE JANUARY 1, 2004)** Makes changes in the bad debt deduction for sales tax so that any deduction taken does not include interest and the amount of the deduction shall be determined in the manner provided in Section 166 of the Internal Revenue Code. The deduction excludes financing charges or interest, sales or use taxes charged on the purchase price, uncollectable amounts on property that remain in the possession of the seller until the full purchase price is paid, expenses incurred in attempting to collect any bad debt, and the value of repossessed property.

The deduction is claimed during the period for which the receivable is written off. A claimant who is not required to file a federal income tax return may deduct an uncollectable receivable on a return filed for the period in which the receivable is written off in the claimant's records.

Provides that if the amount of the deduction exceeds the retail merchant's tax liability for the reporting period, the merchant may file a refund claim under IC 6-8.1-9. For purposes of reporting a payment received on an uncollectable receivable, any payments made shall be applied proportionally to the taxable price of the property and the sales tax thereon, then to interest, service charges, and any other charges.

**IC 6-2.5-6-13 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Eliminates a reference to the gross income tax, which has been repealed.

**IC 6-2.5-6-15 (EFFECTIVE JULY 1, 2003)** Provides that a retail merchant that provides complimentary hotel rooms shall report to the Department at the same time as filing their sales tax return, a report listing the number of rooms rented during the period and the total amount of sales tax remitted for those rooms. The retail merchant must also report the number of complimentary rooms provided during the period, and the amount of sales tax remitted with respect to those rooms.

**IC 6-2.5-8-10 (EFFECTIVE JULY 1, 2003)** Provides that any person wishing to contract to provide property or services to the state consents to be treated as if the person has a place of business in Indiana, including the requirement that the person collect the sales tax as required under the statute.

**IC 6-2.5-8-12 (EFFECTIVE JULY 1, 2003)** Adds a new section that provides that a person that has contracted with a call center is not required to register as a retail merchant or collect the sales tax if the person who contracts does not have any property held for sale, shipment or distribution in response to orders received by the call center. Provides that the call center is not considered to be in any way a representative, agent, salesman, canvasser, or a solicitor for the person.

**IC 6-2.5-12-10 (EFFECTIVE JANUARY 1, 2004)** Defines post paid calling service as payment on a call by call basis through the use of a credit card, debit card, or by charge made to a telephone number that is not associated with the origination or termination of the telecommunications service.

**IC 6-2.5-12-11 (EFFECTIVE JANUARY 1, 2004)** Defines prepaid calling service as the right to access telecommunications services, which must be paid for in advance, and with the use of an access number and that is sold in predetermined units or dollars.

**IC 6-2.5-12-14 (EFFECTIVE JANUARY 1, 2004)** Provides that services sold on a call-by-call basis shall be sourced to each level of jurisdiction where the call either originates or terminates, and in which the service address is located.

Sales of mobile telecommunications are sourced to the customer's primary place of primary use as required by the Mobile Telecommunications Sourcing Act.

Post paid calling services are sourced to the origination point of the telecommunications signal as first identified by the seller's telecommunications system, or information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

Prepaid calling services are sourced in the following manner. When the services are received by the purchaser at a business location of the seller, the sale is sourced to the business location. If

it is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser occurs.

**IC 6-2.5-13-1 (EFFECTIVE JANUARY 1, 2004)** Provides sourcing rules for general personal property and services excluding motor vehicles, trailers, aircraft, watercraft, modular homes, mobile homes, manufactured homes, or telecommunications services.

The retail sale, except for the lease or rental of a product shall be sourced in the following ways. A sale shall be sourced to the business location of the seller when received by the purchaser at the business location. If the item is received by the purchaser at a location other than that of the seller, the sale is sourced to the location received by the purchaser. If the first two provisions do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller. If none of the previous provisions apply, the location will be determined by the address from which the property was shipped.

The lease or rental of property other than motor vehicles, trailers, semi-trailers, aircraft, or property used in transportation that requires recurring periodic payments will be sourced in the following manner. The first payment is sourced the same as a retail transaction. Subsequent payments are sourced to the location of the property.

The lease or rental of motor vehicles, trailers, semi-trailers, or aircraft is sourced to the primary location of the property. The retail sale or lease or rental of transportation equipment shall be sourced the same as a retail sale.

**IC 6-2.5-13-2 (EFFECTIVE JANUARY 1, 2004)** Provides for a multiple point of use exemption for a business purchaser that knows at the time of purchase that a digital good, computer software delivered electronically or for service that will concurrently be available for use in more than one jurisdiction. Presentation of the MPU exemption relieves the seller from all obligations to collect the sales tax from the purchaser. The purchaser is allowed to use any consistent and uniform apportionment method.

**IC 6-2.5-13-3 (EFFECTIVE JANUARY 1, 2004)** Provides that a direct mailer must provide the seller with a direct mail form, or information to show the jurisdictions to which the direct mail is delivered to recipients. Upon the receipt of the direct mail form, the seller is not obligated to collect the applicable tax, and the purchaser is obligated to remit the applicable tax on a direct pay basis. If the purchaser provides information to the seller of the jurisdictions to which the direct mail is delivered, the seller is required to collect the tax according to the delivery information provided by the purchaser.

### **IC 6-3 ADJUSTED GROSS INCOME TAX**

**IC 6-3-1-3.5 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Makes an exception when calculating Indiana adjusted gross income for the bonus depreciation deduction for property placed in service after September 11, 2001. This applies to individuals, corporations, trusts and estates, life insurance companies, and insurance companies.

**IC 6-3-1-11 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Updates the definition of adjusted gross income to correspond with the definition contained in the Internal Revenue Code.

**IC 6-3-1-33 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Adds a definition for bonus depreciation to mean that part of any depreciation allowance allowed in computing the taxpayer's federal adjusted gross income that is attributable to the additional first year special depreciation deduction allowance for qualified property allowed under Section 168(k) of the Internal Revenue Code.

**IC 6-3-2-8 (EFFECTIVE JANUARY 1, 2004)** Provides that employees of pass through entities are eligible to claim the enterprise zone employee tax deduction if they live and work in the enterprise zone.

**IC 6-3-2-14.1 (EFFECTIVE JULY 1, 2002, RETROACTIVE)** Clarifies that a prize payment made after June 30, 2002 for a lottery drawing held before July 1, 2002 will be exempt from taxation. This clarifies that annuity payments received after June 30, 2002, for drawings held before July 1, 2002 will continue to be exempt from taxation.

**IC 6-3-3-5; IC 6-3-3-5.1; IC 6-3-3-10 (EFFECTIVE APRIL 2, 2003)** Eliminates references to the gross income tax act that has been repealed, and references changes contained in P.L. 1-2003.

**IC 6-3-4-4.1 (EFFECTIVE APRIL 2, 2003)** Provides that the penalty for underestimated payment of adjusted gross income tax is not combined with the estimated payments of the utility receipts tax.

**IC 6-3-4-6 (EFFECTIVE JULY 1, 2003)** Provides that if a federal modification is made to a taxpayer's federal or Indiana adjusted gross income, the taxpayer shall file an amended Indiana return within one hundred twenty (120) days after the modification is made.

**IC 6-3-4-8.1 (EFFECTIVE JULY 1, 2003)** Eliminates a quarterly withholding report that is required if the withholding agent is remitting the withholding tax through electronic fund transfer.

### **IC 6-3.1 INCOME TAX CREDITS**

**IC 6-3.1-4-6 (EFFECTIVE JULY 1, 2003)** Provides that the research expense credit is extended until December 31, 2013.

**IC 6-3.1-13-12 (EFFECTIVE JULY 1, 2003)** Provides that the Economic Development for a Growing Economy (EDGE) Board is responsible for carrying out duties concerning the Hoosier Business Investment Tax Credit.

**IC 6-3.1-18-8 (EFFECTIVE APRIL 2, 2003)** Deletes a reference to the gross income tax that has been repealed.

**IC 6-3.1-19-1.5 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that pass through entities are eligible for the community revitalization enhancement district tax credit.

**IC 6-3.1-19-3 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides for the distribution of the community revitalization enhancement district tax credit if the credit is taken by a member or shareholder of a pass through entity.

**IC 6-3.1-23-1.5 (EFFECTIVE JANUARY 1, 2004)** Defines a legislative body as the city council if a voluntary remediation property is located in a city, and the county council if the property is located in the county and not in a city.

**IC 6-3.1-23-3 (EFFECTIVE JANUARY 1, 2004)** Adds a provision to the term qualified investment so that costs incurred in the remediation of a brownfield will result in taxable income to another Indiana taxpayer.

**IC 6-3.1-23-11 (EFFECTIVE JANUARY 1, 2004)** Provides that in addition to the five year carry forward of any unused voluntary remediation tax credit, a taxpayer may carry a credit back to the immediately preceding taxable year before the credit is initially claimed.

**IC 6-3.1-23-16 (EFFECTIVE JANUARY 1, 2004)** Extends the voluntary remediation tax credit until December 31, 2005.

**IC 6-3.1-24-5 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that a pass through entity is eligible for the venture capital investment tax credit.

**IC 6-3.1-24-6 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that a taxpayer that provides qualified investment capital to a qualified Indiana business, and provides a proposed investment plan to the Department of Commerce, which must be approved by the Department of Commerce, and requires the taxpayer to make the investment within two (2) years of the approval to be eligible for the credit.

**IC 6-3.1-24-7 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Eliminates the requirement that a qualified business must be a high growth company that is entering a new product area, that requires jobs requiring a postsecondary education, and has a substantial number of employees who earn at least one hundred fifty percent (150%) of Indiana per capita personal income.

**IC 6-3.1-24-9 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Prohibits the Department of Commerce from certifying an investment if the total amount of tax credits would exceed ten million dollars (\$10,000,000) in a calendar year.

Provides that any credits existing on December 31, 2008 for investments already made may be carried forward to subsequent taxable years.

**IC 6-3.1-24-12 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Clarifies that a taxpayer is not eligible for a refund of any unused credit.

**IC 6-3.1-24-12.5 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that a taxpayer desiring to receive the capital investment tax credit must apply to the Department of Commerce for a certification that the proposed investment would qualify for a credit. The application must include the name and address of the taxpayer, and the name and address of each proposed recipient of the proposed investment.

For a taxpayer to receive the credit, the investment capital must be provided to the qualified business within two (2) years after the certification of the investment plan. Upon proof of a taxpayer's investment, the Department of Commerce shall issue a certificate to the taxpayer that the taxpayer is eligible for the credit.



**IC 6-3.1-24-13 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Requires the taxpayer to submit a copy of the certificate issued by the Department of Commerce for the capital investment tax credit to the Department when filing the taxpayer's tax return and claiming the credit.

**IC 6-3.1-25.2 (EFFECTIVE JANUARY 1, 2004)** Creates the coal combustion product tax credit. A coal combustion product is the byproduct resulting from the combustion of coal in a facility located in Indiana. The term includes boiler slag, bottom ash, fly ash, and scrubber sludge.

A manufacturer that obtains and uses coal combustion products for the manufacturing of recycled components and is a new business is eligible for the credit. An existing business that manufactures recycled components, and increases the acquisitions of coal combustion products by ten percent (10%) over the average amount obtained in the previous three years is also eligible for the credit. Recycled components include aggregates, fillers, cementitious materials, or any combination thereof that are used in the manufacture of masonry construction products, concrete blocks, bricks, pavers, pipes, prestressed concrete products and other products approved by the Center for Coal Technology Research.

The credit is equal to two dollars (\$2.00) per ton of coal combustion products used by the manufacturer if the manufacturer is a new manufacturer. The credit for an existing manufacturer only applies to the additional amount of coal combustion products used by the manufacturer. The maximum credit for all taxpayers in a fiscal year may not exceed two million dollars (\$2,000,000). The credit cannot be carried forward to subsequent years, nor can it be carried back or refunded. Pass through entities are eligible for the credit.

To obtain the credit, the taxpayer must file with the Department information that the Department determines is necessary for the calculation of the credit. The Department is required to keep a list that includes the name of each manufacturer that receives a credit, and the amount of each credit for the taxpayer in the taxable year. The list will be provided annually to the Center for Coal Technology Research.

A taxpayer that obtains a property tax deduction for investment property purchased by a manufacturer of coal combustion products is not eligible for the income tax credit.

**IC 6-3.1-26 (EFFECTIVE JULY 1, 2003)** Creates the Hoosier Business Investment Tax Credit administered by the EDGE Board. The credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment. It also includes costs associated with the modernization of the above equipment. Qualified investments include onsite infrastructure improvements, construction costs, retooling existing machinery and equipment, and costs associated with special purpose buildings and foundations. The term does not include property that can be readily moved out of Indiana.

The credit is the lesser of thirty percent (30%) of the amount of the qualified investment made by the taxpayer in Indiana, or the taxpayer's state tax liability growth. The taxpayer may carry a credit forward for nine (9) years. Pass through entities are eligible for the credit.

The board may enter into an agreement with a taxpayer if the taxpayer meets all of the following conditions. The applicant has been in business for at least one year, the project will raise the total earnings of the applicant's employees, the project is economically sound, awarding the tax

credit will result in an overall positive fiscal impact to the state, and that the average hourly wage will be one hundred fifty percent (150%) of the hourly minimum wage.

The credit shall only be granted for the amount of the qualified investment that is directly related to expanding the workforce in Indiana. The Board is required to enter into an agreement with the taxpayer before the taxpayer is eligible for any credits. The agreement must include a detailed description of the project, the first year in which the credit can be claimed, the maximum tax credit amount that will be allowed for each taxable year, and the taxpayer shall annually report to the Board the number of new employees.

The taxpayer is required to submit to the Department a copy of the certificate verifying the amount of tax credit for the taxable year. If a taxpayer is not in compliance with the agreement, an assessment may be made to recover the amount of tax credits that have previously been granted.

A taxpayer is not eligible for any credit for a qualified investment made after December 31, 2005. This provision does not prevent the carry forward of any credit awarded before January 1, 2006. The credit applies to taxable years beginning after December 31, 2003 and ending before January 1, 2006.

**IC 6-3.1-27 (EFFECTIVE JANUARY 1, 2004)** Creates a new tax credit for a taxpayer that produces biodiesel at a facility located in Indiana. The credit is equal to one dollar (\$1.00) per gallon of biodiesel produced in Indiana and used to produce blended biodiesel. The credit will be reduced by any subsidy or credit that the taxpayer is entitled to receive from the federal government. Pass through entities are eligible for the credit, and the credit can be applied against the sales tax, the adjusted gross income tax, the financial institutions tax, and the insurance premiums tax. The credit is limited to one million dollars (\$1,000,000) for all taxpayers in all taxable years.

Provides a tax credit for the producer of blended biodiesel at a facility located in Indiana. The credit is equal to two cents (\$.02) per gallon of blended biodiesel produced in Indiana. The credit shall be reduced by the amount of any federal subsidy or credit that the taxpayer receives from the federal government. Pass through entities are eligible for the credit, and the total credits for all taxpayers in all taxable years may not exceed one million dollars (\$1,000,000). The tax credit may be applied against the sales tax, adjusted gross income tax liability, financial institutions tax liability, and insurance premiums tax liability.

Provides a tax credit for a dealer that operates a service station and sells blended biodiesel through a metered pump. The amount of the credit is one cent (\$.01) per gallon of blended biodiesel sold through the metered pumps. The credit must be computed separately for each service station operated by the taxpayer. The total amount of credits for all taxpayers for all taxable years may not exceed one million dollars (\$1,000,000). The credit may be applied against the taxpayer's sales tax, adjusted gross income tax, financial institutions tax, and the insurance premiums tax liability.

The amount of all three credits mentioned above can be carried forward to subsequent taxable years. The credit cannot be carried back or refunded. The Department will prescribe the forms to be used in claiming the credit.

**IC 6-3.1-28(EFFECTIVE JANUARY 1, 2004)** Creates an ethanol production tax credit for a facility located in Indiana, with a capacity to produce forty million (40,000,000) gallons of ethanol

per year, and the facility increases its capacity by at least forty million (40,000,000) gallons per year.

A taxpayer is entitled to a credit of twelve and one-half cents (\$.125) per gallon of ethanol produced at the Indiana facility.

Pass through entities are eligible for the credit, and the credit may be applied against the sales tax, adjusted gross income tax, financial institutions tax, and the insurance premiums tax.

If the amount of the credit exceeds the taxpayer's liability, the excess may be carried forward. The taxpayer is not entitled to a carry back or refund of any unused credit. To receive the credit, the taxpayer must submit proof that the facility is a qualified facility, and submit to the Department all proof that the Department determines is necessary.

The total amount of credits allowed for a taxpayer in all taxable years may not exceed five million dollars (\$5,000,000), and the total amount of credits for all taxpayers may not exceed ten million dollars (\$10,000,000) in all taxable years.

#### **IC 6-3.5-1.1 COUNTY ADJUSTED GROSS INCOME TAX (CAGIT)**

**IC 6-3.5-1.1-3.3 (EFFECTIVE UPON PASSAGE)** Provides that Clay County may impose an additional CAGIT rate of one-fourth of one percent (0.25%) to finance, acquire, improve, renovate or equip a county jail. Bonds that are issued can be issued for thirty (30) years.

**IC 6-3.5-1.1-9 (EFFECTIVE JUNE 1, 2003)** Changes the method for calculating the certified distribution for CAGIT revenues. Provides that the amount will be the amount received from that county for a taxable year ending before the calendar year in which the determination is made, and reported on an annual return processed by the Department in the state fiscal year ending before July 1 of the calendar year in which the determination is made.

Provides that by August 2 of each year, the Department shall certify the amount determined above, plus interest in the county's account that has accrued and has not been included in a certification made in a previous year. The Department shall provide an informational summary of the calculations used to determine the certified distribution.

The Department shall certify an amount less than the amount determined to have been collected if the Department determines that a reduced distribution is necessary to offset overpayments made in a previous calendar year. The Department may reduce the amount of the certified distribution over several years.

Provides that a county that initially imposes CAGIT in a year in which the Department makes a certification may adjust the distribution of a county to provide for a distribution in the immediately following calendar year. Requires the Department to adjust the certified distribution to provide the county with the distribution required under this chapter within ten (10) months after the month in which additional revenue from the tax is initially collected.

**IC 6-3.5-1.1-21 (EFFECTIVE JUNE 1, 2003)** Requires the Department to notify each county auditor of the balance in the county's adjusted gross income tax account as of the cutoff date specified by the budget agency.

**IC 6-3.5-1.1-21.1 (EFFECTIVE JUNE 1, 2003)** Provides that the Department can make a supplemental distribution if the Department determines that a sufficient balance exists in a county's account.

#### **IC 6-3.5-6 COUNTY OPTION INCOME TAX (COIT)**

**IC 6-3.5-6-17 (EFFECTIVE JUNE 1, 2003)** Changes the method for calculating the certified distribution of COIT revenues. Provides that the amount will be the amount received from that county for a taxable year ending before the calendar year in which the determination is made, and reported on an annual return processed by the Department in the state fiscal year ending before July 1 of the calendar year in which the determination is made.

Provides that by August 2 of each year, the Department shall certify the amount determined above, plus interest in the county's account that has accrued and has not been included in a certification made in a previous year. The Department shall provide an informational summary of the calculations used to determine the certified distribution.

The Department shall certify an amount less than the amount determined to have been collected if the Department determines that a reduced distribution is necessary to offset overpayments made in a previous calendar year. The Department may reduce the amount of the certified distribution over several years.

Provides that a county that initially imposes COIT in a year in which the Department makes a certification may adjust the distribution of a county to provide for a distribution in the immediately following calendar year. The Department shall provide for a full transition to certification of distributions as required under this chapter.

**IC 6-3.5-6-17.2 (EFFECTIVE JUNE 1, 2003)** Requires the Department to notify each county auditor by October 2 of each year, the balance in the county's county option income tax account as of the cutoff date as determined by the budget agency.

**IC 6-3.5-6-17.3 (EFFECTIVE JUNE 1, 2003)** If the Department determines that a sufficient balance exists in a county's account as of October 2, the Department can make a supplemental distribution to the county. The funds will be deposited in the civil unit's rainy day fund.

#### **IC 6-3.5-7 COUNTY ECONOMIC DEVELOPMENT INCOME TAX (CEDIT)**

**IC 6-3.5-7-5 (EFFECTIVE UPON PASSAGE)** Provides that the maximum combined CAGIT and CEDIT rate in Clay County may not exceed one and five-tenths percent (1.5%) if the county uses the funds for a new jail.

**IC 6-3.5-7-5 (EFFECTIVE JULY 1, 2003)** Permits a county to increase its CEDIT rate by one-quarter of one percent (0.25%) if it operates a courthouse that is subject to a federal court order to comply with the Americans with Disabilities Act.

**IC 6-3.5-7-10.5 (EFFECTIVE JUNE 1, 2003)** Requires the Department to notify by October 2 of each year the balance in a county's special account as of the cutoff date set by the budget agency.

**IC 6-3.5-7-11 (EFFECTIVE JUNE 1, 2003)** Changes the method for calculating the certified distribution for CEDIT revenues. Provides that the amount will be the amount received from that county for a taxable year ending before the calendar year in which the determination is made, and reported on an annual return processed by the Department in the state fiscal year ending before July 1 of the calendar year in which the determination is made.

Provides that by August 2 of each year, the Department shall certify the amount determined above, plus interest in the county's account that has accrued and has not been included in a certification made in a previous year. The Department shall provide an informational summary of the calculations used to determine the certified distribution.

The Department shall certify an amount less than the amount determined to have been collected if the Department determines that a reduced distribution is necessary to offset overpayments made in a previous calendar year. The Department may reduce the amount of the certified distribution over several years.

Provides that a county that initially imposes CEDIT in a year in which the Department makes a certification may adjust the distribution of a county to provide for a distribution in the immediately following calendar year. The Department shall provide for a full transition to certification of distributions as required under this chapter.

**IC 6-3.5-7-17.3 (EFFECTIVE JUNE 1, 2003)** If the Department determines that a sufficient balance exists in a county's account as of October 2, the Department can make a supplemental distribution to the county. The funds will be deposited in the civil unit's rainy day fund.

**IC 6-3.5-7-22.5 (EFFECTIVE UPON PASSAGE)** Provides that the additional CEDIT rate for Randolph County that was previously enacted, may be used for financing constructing, acquiring, renovating, and equipping buildings and apparatus for a volunteer fire department that provides services in any part of the county. Eliminates the provision that provided the use of funds for renovation and equipping the county courthouse.

**IC 6-3.5-7-27 (EFFECTIVE UPON PASSAGE)** Gives authority for a county council to impose an additional CEDIT rate to fund improvements to the county courthouse for court ordered improvements to comply with the Americans with Disabilities Act. Provides that the funds raised will be deposited in the county facilities revenue fund. Tax revenues raised from the additional tax may not be used for any other purpose.

Provides that if an ordinance is adopted before June 1 of a year, the tax rate takes effect on July 1 of that year. If the ordinance is adopted after May 31 of a year, then the tax rate takes effect on January 1 of the following year. Provides that if the county adopts the tax after May 31 effective January 1 of the following year, the county shall receive its entire certified distribution for the year on November 1 of the year.

#### **IC 6-4.1 INHERITANCE TAX**

**IC 6-4.1-5-10 (EFFECTIVE JULY 1, 2003)** Provides that a court order describing the fair market value of an estate is confidential.

### **IC 6-5.5 FINANCIAL INSTITUTION TAX**

**IC 6-5.5-1-2 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Makes an exception to the definition of adjusted gross income for the financial institution tax. The exception is for the bonus depreciation deduction for property placed in service after September 11, 2001.

**IC 6-5.5-1-20 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Adds a definition of bonus depreciation to mean that part of any depreciation allowance allowed in computing the taxpayer's federal taxable income that is attributable to the additional first year special depreciation allowance for qualified property allowed under Section 168(k) of the Internal Revenue Code.

**IC 6-5.5-2-7 (EFFECTIVE APRIL 2, 2003)** Deletes a reference to the gross income tax that has been repealed.

### **IC 6-6-2.5 SPECIAL FUEL TAX**

**IC 6-6-2.5-70 (EFFECTIVE JULY 1, 2003)** Changes a cross-reference within the special fuel tax because of the recodification of Title 10.

### **IC 6-6-6.5 AIRCRAFT LICENSE EXCISE TAX**

**IC 6-6-6.5-9 (EFFECTIVE JANUARY 1, 2004)** Provides that an aircraft owned by an air carrier that has an Indiana corporate headquarters is not exempt from aircraft registration and excise tax.

**IC 6-6-6.5-12 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that an aircraft eligible for the property tax deduction under IC 6-1.1-12.3 is not exempt from the aircraft excise tax.

**IC 6-6-6.5-19 (EFFECTIVE JULY 1, 2003)** Corrects an internal reference to penalty provisions for failure to register and pay the sales tax in a timely manner for aircraft.

### **IC 6-7 CIGARETTES AND OTHER TOBACCO PRODUCTS**

**IC 6-7-1-17 (EFFECTIVE JULY 1, 2003)** Eliminates the requirement for a cigarette distributor to post a bond or a letter of credit if they have been in good standing with the Department for five (5) consecutive years.

**IC 6-7-1-18 (EFFECTIVE JULY 1, 2003)** Requires every cigarette distributor to include an invoice with the shipment or delivery of cigarettes to a retailer. Requires the retailer to retain the invoice for at least two weeks and allows the retailer to request a duplicate invoice from the distributor.

**IC 6-7-2-11 (EFFECTIVE JULY 1, 2003)** Gives the Department authority to suspend or revoke a tobacco product distributor's license if they fail to provide the retailer with an invoice as required in IC 6-7-1-18.

## **IC 6-8.1 TAX ADMINISTRATION**

**IC 6-8.1-3-12 (EFFECTIVE JULY 1, 2003)** Provides that if a county collects the innkeepers' tax, the county treasurer has concurrent jurisdiction with the Department concerning audits and enforcement powers, and the authority to recover court costs and fees.

**IC 6-8.1-5-2.5 (EFFECTIVE JULY 1, 2003)** Provides that if the Department determines that a proposed assessment includes an individual who is not responsible for the tax liability, a new assessment may be issued naming the taxpayer that is responsible for the liability. Provides that the time limitation for issuing assessments does not apply to this section. This provision is also known as the "innocent spouse" provision.

**IC 6-8.1-6-5 (EFFECTIVE JULY 1, 2003)** Eliminates the requirement that the Department request vehicle ownership and registration information on the income tax annual returns filed by taxpayers.

**IC 6-8.1-7-1 (EFFECTIVE JULY 1, 2003)** Eliminates the necessity of the Department to notify the bureau of motor vehicles concerning auto excise tax evasion from information gathered off tax returns.

## **IC 6-9 INNKEEPERS' TAX**

**IC 6-9-5 (EFFECTIVE JULY 1, 2003)** Repeals the Knox County Innkeepers' Tax. Adds a non-code section so that Knox County can continue its tax under the authority of the uniform innkeepers' tax.

**IC 6-9-10-6 (EFFECTIVE UPON PASSAGE)** Provides that Wayne County may increase its innkeepers' tax by one percent (1%) to a maximum of six percent (6%).

**IC 6-9-12-3; IC 6-9-20-4; IC 6-9-21-4; IC 6-9-23-4; IC 6-9-14-4; IC 6-9-25-4; IC 6-9-26-7; IC 6-9-27-4; IC 6-9-33-4 (EFFECTIVE JANUARY 1, 2004)** Amends the various food and beverage tax statutes so that the definition of food sold for a to go or take out basis correspond to provisions in the sales tax statute.

## **OTHER PROVISIONS**

**IC 4-4-8-1 (EFFECTIVE JULY 1, 2003)** Deletes a reference to the investment credit that has been repealed.

**IC 4-4-31 (EFFECTIVE JULY 1, 2003)** Creates the funding of industrial development projects in distressed counties. Requires the Department of Workforce Development to annually compile a list of distressed counties. Provides that the Indiana Development Finance Authority (IDFA) may designate an industrial development project as a tax allocation project. The resolution will provide for the allocation of covered taxes earned in the tax allocation area to an industrial development project area fund.

With approval of the budget agency, an allocation of covered taxes not exceeding five hundred thousand dollars (\$500,000) may be made to the industrial development project area for an

industrial development project. The covered taxes include: covered taxes incurred by a developer including gross retail taxes collected by a retail merchant on goods or services provided to the developer; covered taxes incurred by an entity that leases, controls, or uses facilities developed through an industrial development project; covered taxes incurred by a shareholder, partner, or member of an entity that operates in facilities developed through an industrial development project; and four percent (4%) of covered taxes on wages earned by persons employed or providing services at facilities financed through an industrial development project.

Requires the IDFA to provide the Department with a copy of any resolution adopted and a copy of the related financing agreement. Requires the Department to compute the base allocation amount for the area, and annually deposit the covered taxes in the industrial development project fund.

The Department shall estimate the base allocation amount from data available to the Department. The base allocation amount is equal to the amount of covered taxes deposited from taxable events occurring, or from wages earned in the tax allocation area in the calendar year preceding the year of the adoption of the resolution.

Gives the Department the authority to adopt rules and prescribe forms, including informational returns necessary to identify tax receipts that are to be deposited in an industrial development project area fund.

Provides that this chapter of the Indiana Code expires on July 1, 2005.

**IC 5-17-1-11 (EFFECTIVE JULY 1, 2003)** Gives a purchasing agent for the state or a state educational institution the authority to cancel a contract if a vendor is delinquent in remitting sales tax to the Department.

**IC 5-22-16-4 (EFFECTIVE JULY 1, 2003)** Provides that a state agency or a state educational institution may not purchase property or services from a person that is delinquent in payment of sales taxes unless the person provides a tax clearance from the Department that the liability has been satisfied or the liability has been released.

**IC 5-26-3-5 (EFFECTIVE JULY 1, 2003)** Creates the state agency public safety committee for public safety agencies that have or want to have voice or data wireless communications. The Department will have one representative on the committee.

**IC 8-2.1-24-18 (EFFECTIVE JULY 1, 2003)** Allows the Bureau of Motor Vehicles to grant an intrastate medical waiver for an insulin dependent diabetic who has applied for or who currently has a commercial driver's license. The waiver only applies to a private carrier of property operated only in intrastate commerce, or while employed in construction or construction related business.

**IC 8-2.1-24-18 (EFFECTIVE JULY 1, 2003)** Updates the Indiana Code to coincide with federal regulations for motor carrier safety.

**IC 8-9-11-4 (EFFECTIVE JULY 1, 2003)** Gives the Department rule making authority for provisions concerning the length of time that a contract carrier can operate a vehicle that is transporting railroad employees.



**IC 9-13-2-171 (EFFECTIVE JULY 1, 2003)** Provides that a special tractor mobile-home rig may be eighty-five (85) feet in length.

**IC 9-13-2-181 (EFFECTIVE JULY 1, 2003)** Provides that a tractor mobile-home rig may not exceed one hundred ten (110) feet, of which the mobile home may not be more than eighty-five (85) feet, and the height does not exceed fourteen (14) feet.

**IC 9-20-14-6 (EFFECTIVE JULY 1, 2003)** Provides that a person who has a quarterly or annual permit to move a tractor mobile-home rig may only use the permissible routes, and the person must check the daily detour and restriction bulletin before choosing a route of travel. If a person uses a restricted or prohibited route, the person's permit may be revoked for ninety (90) days. The person may use a single trip permit until the person is eligible for a new quarterly or annual permit.

**IC 9-20-15-6 (EFFECTIVE JULY 1, 2003)** Provides that the length of an extra wide manufactured home rig may not exceed eighty-five (85) feet for the manufactured home part of the combination of the towing rig and the manufactured home.

**IC 9-20-15-7 (EFFECTIVE JANUARY 1, 2003)** Provides that a person who has a quarterly or annual permit to move a special mobile-home rig may only use the permissible routes, and the person must check the daily detour and restriction bulletin before choosing a route of travel. If a person uses a restricted or prohibited route, the person's permit may be revoked for ninety (90) days. The person may use a single trip permit until the person is eligible for a new quarterly or annual permit.

**IC 9-24-6-2 (EFFECTIVE JULY 1, 2003)** Updates the Indiana Code to coincide with federal regulations concerning commercial driver's licenses. Provides that the rules adopted by the Bureau of Motor Vehicles concerning commercial driver's licenses may not be more restrictive than the federal Motor Carrier Safety Improvement Act of 1999.

**IC 9-29-6-7 (EFFECTIVE JULY 1, 2003)** Provides that a person who is not a mobile home retail dealer may purchase a quarterly permit allowing for unlimited trips for two hundred fifty dollars (\$250). An annual permit is one thousand dollars (\$1,000).

**IC 9-29-6-9 (EFFECTIVE JULY 1, 2003)** Provides that a person may purchase a quarterly permit to move a special tractor mobile-home rig for unlimited trips for five hundred dollars (\$500) per quarter, or two thousand dollars (\$2,000) per year.

**IC 24-3-2-2 (EFFECTIVE JULY 1, 2003)** Transfers the authority to enforce the cigarette fair trade law from the Department of Revenue to the Alcohol and Tobacco Commission.

**IC 24-3-2-4.7 (EFFECTIVE JULY 1, 2003)** Gives the Department concurrent jurisdiction with the Alcohol and Tobacco Commission concerning violations if a retailer is unable to produce an invoice that proves that he purchased cigarettes from a licensed distributor.

**IC 24-3-5-6 (EFFECTIVE JULY 1, 2003)** Requires that a merchant who makes delivery sales of cigarettes shall provide the Department with a written statement containing the merchant's name, address, principal place of business, and each business location in Indiana. Requires the merchant to file not later than the tenth of the month following the month in which the delivery sale was made, a copy of each invoice for each sale to a customer in Indiana. The invoice must have the customer's name and address, and the brand name and quantity of tobacco products

that were delivered to the customer. Provides that a merchant who complies with the Federal Jenkins Act does not have to file copies of the invoices with the Department.

**IC 24-3-5-7 (EFFECTIVE JULY 1, 2003)** Requires that a customer who makes a delivery sale shall collect and pay all tobacco taxes to the Department, or they shall notify the purchaser that the purchaser is responsible for paying the taxes to the Department, and that the Department has been notified of the sales transaction.

**IC 24-3-5.2-6 (EFFECTIVE JULY 1, 2003)** Requires a merchant to provide the Department with a written statement containing the merchant's name, address, principal place of business, and each place of business in Indiana, if the merchant is mailing or shipping cigarettes as part of a delivery sale into Indiana. Requires the merchant to file with the Department not later than the tenth of the month a copy of every invoice for each delivery sale to a customer in Indiana. The invoice must include the name and address of the customer, the brand name of the cigarettes, and the quantity of the cigarettes shipped to the customer. A merchant who complies with the Federal Jenkins Act is not required to file the invoice with the Department.

**IC 24-3-5.2-7 (EFFECTIVE JULY 1, 2003)** Requires a merchant who ships cigarettes to a customer in Indiana to collect and pay all applicable cigarette taxes. An option available to the merchant requires the merchant to place a notice on the outside of the shipping container informing the purchaser that the merchant under federal law has notified the Department of the shipment and that the purchaser is responsible for all applicable unpaid taxes. The merchant must also calculate the amount of taxes that the purchaser is required to pay to the Department.

**IC 24-3-5.4-13 (EFFECTIVE JULY 1, 2003)** Provides that not later than April 30 of each year, a tobacco product manufacturer whose cigarettes are sold in Indiana, shall certify to the Department and the attorney general that the manufacturer is a participating manufacturer and in full compliance with IC 24-3-3. Requires the Department to prescribe the form of the certificate. Requires the manufacturer to include a list of brand families. Requires the manufacturer to update the list within thirty (30) days of adding to or modifying its list of brand families. A non-participating manufacturer must supply the same information and include the number of units sold for each brand family. The non-participating manufacturer must also certify that they are registered to do business in Indiana, and supply information concerning the deposits made to the escrow account.

**IC 24-3-5.4-15 (EFFECTIVE JULY 1, 2003)** Prohibits a person from selling or affixing a cigarette stamp to a package of cigarettes if the manufacturer or brand family is not listed in the directory maintained by the attorney general.

**IC 24-3-5.4-16 (EFFECTIVE JULY 1, 2003)** Provides special provisions for a foreign nonparticipating manufacturer to get brand families on the list. All information pertaining to the list must be sent to the Department and the attorney general.

**IC 24-3-5.4-17 (EFFECTIVE JULY 1, 2003)** Requires cigarette distributors to file quarterly with the Department a list by brand family of the total amount of cigarettes stamped during the previous three months.

**IC 24-3-5.4-20 (EFFECTIVE JULY 1, 2003)** Gives the Department rule making authority concerning this chapter, including rules to require a non-participating manufacturer to make required escrow deposits in installments during the calendar year. They may also be required to

produce information to enable the attorney general to determine the adequacy of the amount of an installment deposit made.

**IC 24-3-5.4-21 (EFFECTIVE JULY 1, 2003)** Gives the Department authority to revoke a distributor's license if the distributor stamps cigarettes that are not a brand family listed on the register.

**IC 24-3-5.4-27 (EFFECTIVE JULY 1, 2003)** Requires a cigarette distributor to certify that the distributor will comply with the provisions of this chapter.

**IC 36-7-13-10.1 (EFFECTIVE JULY 1, 2003)** Provides that all first and second-class cities, after approval of an ordinance by the legislative body of the city may designate an area within the city to be a CRED district. The total number of districts in a city may not exceed one.

**IC 36-7-13-12 (EFFECTIVE JULY 1, 2003)** Provides that the CRED district in Delaware County must include a building with at least 800 fewer people than were employed there fifteen (15) years ago, and must include a building with at least 400 fewer people than were employed there fifteen (15) years ago.

**IC 36-7-13-12.1 (EFFECTIVE JULY 1, 2003)** Provides the criteria for the development and requirements for a CRED district in a first or second-class city. Requires the city to have expended, appropriated or pledged at least two hundred fifty thousand dollars (\$250,000) for purposes of addressing the redevelopment obstacles. A district created may not exceed fifteen (15) years in duration. Stipulates that the income tax incremental amount and gross retail incremental amount is equal to seventy-five percent (75%) of the full amount of incremental taxes that are generated in the district. The incremental amounts cannot be allocated to the district until the budget agency approves the resolution.

**IC 36-7-13-15 (EFFECTIVE JULY 1, 2003)** Provides that a CRED district created in a first or second-class city may not have incremental tax financing that exceeds (\$750,000) per year.

## **NON-CODE SECTIONS**

**HEA 1001 SECTION 48 (EFFECTIVE JULY 1, 2002, RETROACTIVE)** Provides that a riverboat that implemented flexible scheduling during FY 2002-2003 will calculate the gaming tax as though the flexible scheduling had been implemented on July 1, 2002. Provides that the riverboat can pay any deficiency in the wagering tax liability in two equal installments on July 1, 2003 and July 1, 2004. If the payments are made in a timely manner, all penalty and interest that might be assessed will be waived.

**HEA 1001 SECTION 243 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Provides that the pass through provisions for the CRED income tax credit apply to taxable years beginning after December 31, 2002.

**HEA 1001 SECTION 275 (EFFECTIVE JULY 1, 2003)** Gives the Department the authority to adopt emergency rules for implementing the tax provisions in the funding of industrial development projects in distressed counties.

**HEA 1155 SECTION 6 (EFFECTIVE UPON PASSAGE)** Provides that if Clay County adopts an additional CAGIT tax to fund a county jail by June 1, 2003, the tax will be effective July 1, 2003.

Also provides that an ordinance adopted after May 31, 2003 and before January 1, 2004 will take effect on January 1, 2004. If the tax does not take effect until January 1, 2004, the first certified distribution would take place on November 1, 2004.

**HEA 1423 SECTION 1 (EFFECTIVE UPON PASSAGE)** Provides that a partner, shareholder, or member of a pass through entity that operated at the Rockville Correctional Facility and claimed the prison investment credit is eligible for the prison investment credit for taxable years beginning after December 31, 1997, and ending before January 1, 2002. After 2001, all entities are eligible for the prison investment credit. Any penalties or interest assessed against the taxpayer is waived. Provides that the three (3) year time limitation for claiming a refund does not apply to a refund claimed under this SECTION.

**HEA 1714 SECTION 35 (EFFECTIVE JANUARY 1, 2004)** Repeals IC 6-3.1-23-7; IC 6-3.1-23-8; IC 6-3.1-23-9; and IC 6-3.1-23-10. These repeals concern local authority to approve a voluntary remediation tax credit, and the public hearing process that is involved in granting local approval.

**HEA 1728 SECTION 6 (EFFECTIVE JANUARY 1, 2002, RETROACTIVE)** Prohibits any taxpayer from taking the deduction allowed in computing income that is attributable to the bonus depreciation deduction for any taxable year that begins before January 1, 2003. Requires the Department to issue a Commissioner's Directive by August 1, 2003 to explain how the provisions of HB 1728 must be implemented by the taxpayer.

**HEA 1788 SECTION 22 (EFFECTIVE JULY 1, 2003)** Requires a cigarette manufacturer to file with the Department the initial list of brand families in accordance with IC 24-3-5.4-13 no later than August 15, 2003.

**HEA 1815 SECTION 42 (EFFECTIVE UPON PASSAGE)** Provides that the Department shall adopt initial rules and forms to implement the streamline provisions by December 1, 2003. Gives the Department emergency rule making authority for these provisions, and provides that the emergency rules expire no later than July 1, 2005.

**SEA 166 SECTION 16 (EFFECTIVE JUNE 1, 2003)** Repeals IC 6-3.5-1.1-9.5; IC 6-3.5-6-17.4; IC 6-3.5-6-17.5; IC 6-3.5-6-17.6; IC 6-3.5-7-19.

**SEA 422 SECTION 12 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Amends P.L. 192-2002(ss) SECTION 196 to provide that the \$1,000 taxpayer deduction and the resource recovery system depreciation deduction for the utility receipts tax will be prorated for fiscal year taxpayers.

**SEA 422 SECTION 13 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Amends P.L. 192-2002(ss) SECTION 197 to provide that a fiscal year taxpayer's final supplemental net income tax (SNIT) return will be filed at the same time as the taxpayer's adjusted gross income tax return is due, instead of April 15, 2003.

Provides that the calculation for SNIT will be based on the taxpayer's full year supplemental net income tax liability prorated for the portion of the taxpayer's taxable year that occurred during calendar year 2002.

Gives the Department the authority to prescribe forms and procedures for reconciling the returns and tax due under P.L.192-2002(ss), SECTION 197 before this amendment. Provides

that the Department can grant automatic extensions for the filing of returns that were due before April 16, 2003.

**SEA 422 SECTION 14 (EFFECTIVE JANUARY 1, 2003, RETROACTIVE)** Amends P.L.192-2002(ss) SECTION 199 to provide that the final gross income tax return of a fiscal year taxpayer is due on the fifteenth day of the fourth month following the close of the taxpayer's taxable year if the taxpayer was subject to the adjusted gross income tax.

Gives the Department the authority to prescribe forms and procedures for reconciling the returns and tax due under P.L.192-2002(ss) SECTION 199 before this amendment. Provides that the Department can grant automatic extensions for the filing of returns that were due before April 16, 2003.

**SEA 422 SECTION 15 (EFFECTIVE JULY 1, 2002, RETROACTIVE)** Amends P.L.192-2002(ss) SECTION 199 to clarify that a fiscal year taxpayer that is subject to the gross income tax and not subject to the adjusted gross income tax must still file the gross income tax return on or before April 15, 2003.

**SEA 422 SECTION 16 (EFFECTIVE JULY 1, 2002, RETROACTIVE)** Amends P.L.192-2002(ss) SECTION 200 to provide the calculation of total gross and adjusted gross income tax for fiscal year taxpayers. Calculate the total AGI for the taxable year multiplied by 3.4%. Multiply the tax liability above by the portion of the taxable year that occurs during 2002. Determine the greater of the 2002 AGI liability and the gross income tax liability for 2002. Multiply the total AGI for the taxable year by 8.5%. Multiply the AGI liability by the portion of the taxable year that occurs in 2003. Add the 2003 AGI liability to the greater of the gross or AGI liability for 2002.

Provides that the \$1,000 taxpayer deduction and the resource recovery system depreciation deduction from the gross income tax be prorated for the part of the fiscal year that occurs during 2002.

Gives the Department the authority to prescribe forms and procedures for reconciling the returns and tax due under P.L.192-2002(ss) SECTION 200 before this amendment. Provides that the Department can grant automatic extensions for the filing of returns that were due before April 16, 2003.