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**TITLE 50 DEPARTMENT OF LOCAL GOVERNMENT
FINANCE**

NOTE: Under IC 6-1.1-31-1, the name of the State Board of Tax Commissioners is changed to Department of Local Government Finance, effective January 1, 2002.

LSA Document #01-347(F)

DIGEST

Adds 50 IAC 5.2 for the assessment of public utility owned property. Repeals 50 IAC 5.1. Partially effective 30 days after filing with the secretary of state and partially effective March 1, 2002.

50 IAC 5.1

50 IAC 5.2

SECTION 1. 50 IAC 5.2 IS ADDED TO READ AS FOLLOWS:

ARTICLE 5.2. PUBLIC UTILITY ASSESSMENT

Rule 1. Definitions

50 IAC 5.2-1-1 Applicability

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 1. Unless otherwise indicated, the definitions contained in 50 IAC 4.3-1-1 also apply to this article. However, if a definition in 50 IAC 4.3-1-1 conflicts with a definition contained in this article, the definition under this article controls with respect to the assessment and taxation of public utility property. The definitions in this rule apply throughout this article. All references to the United States Code in this article refer to the version in effect on December 21, 2001. (*Department of Local Government Finance; 50 IAC 5.2-1-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-2 “Annual report” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2; IC 6-1.1-8-19

Sec. 2. “Annual report” means the statement required by IC 6-1.1-8-19. (*Department of Local Government Finance; 50 IAC 5.2-1-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-3 “Base year value” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 3. (a) The base year value of the leased property, plus freight and installation costs, must be used in determining the value of leased personal property subject to assessment.

(b) “Base year value” means the dollar amount that a willing buyer would pay the owner in an arm’s-length transaction to acquire the personal property encumbered by the lease at the beginning of the lease term.

(c) Determining base year value. For purposes of applying this definition to a specific situation, “base year value” shall be computed in the following order of preference:

- (1) The alternative acquisition cost, which is the amount stated in the lease the lessee would have had to pay to purchase the leased property instead of leasing it. This will be deemed to be the base year value, provided that the local assessor or state board does not determine that such amount is not reflective of the market value of the leased property.
- (2) The factory delivered price for the personal property subject to the lease plus freight, installation costs, and a profit factor.
- (3) The present value of the lease payments at the inception of the lease computed in accordance with Section 10 [50 IAC 5.2-10].
- (4) The insurable value in the year the lease was first consummated. or
- (5) The capitalized value of the annual lease payments over the term of the lease.

(d) If the state board issues an instructional bulletin or administrative adjudication prescribing the base year value of certain property pursuant to this article, such prescribed value shall be the base year value of the property. (*Department of Local Government Finance; 50 IAC 5.2-1-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-4 “Bridge company” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 4. “Bridge company” has the meaning set forth in IC 6-1.1-8-2. (*Department of Local Government Finance; 50 IAC 5.2-1-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-5 “Bus company” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-7

Sec. 5. “Bus company” has the meaning set forth in IC 6-1.1-8-2. The term does not include a company that exclusively operates charter buses that do not have any scheduled routes, because such companies are not considered to be public utility companies. (*Department of Local Government Finance; 50 IAC 5.2-1-5; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-6 “Capital lease” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 6. “Capital lease” means a financing instrument and includes sales-type leases, direct financing leases, and leveraged leases. These leases must meet one (1) or more of the following conditions to be so classified:

- (1) Ownership of the property is transferred to the lessee at or before the end of the lease term.
- (2) The lease permits the lessee to purchase the property or renew the lease at a price or rental that is substantially less than the estimated market value or fair rental of the leased property at the time the option to purchase or renew the lease is exercised.
- (3) The lease term is equal to seventy-five percent (75%) or more of the estimated economic life of the leased property.
- (4) The present value of the minimum lease payments equals or exceeds ninety percent (90%) of the fair market value of the leased property at the inception of the lease.

In addition, the leases are or should be capitalized by the lessee for federal income tax purposes. (*Department of Local Government Finance; 50 IAC 5.2-1-6; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1859*)

50 IAC 5.2-1-7 “Construction in process” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 7. “Construction in process” means tangible personal property not placed in service. It includes tangible personal property that has not been depreciated and is not yet eligible for federal income tax depreciation. It

does not include inventory, leased property, or returnable containers. *(Department of Local Government Finance; 50 IAC 5.2-1-7; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)*

50 IAC 5.2-1-8 “Definite situs” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 8. “Definite situs” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-8; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)*

50 IAC 5.2-1-9 “Distributable property” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 9. “Distributable property” means property owned or used by a public utility company that is not locally assessed real property or locally assessed personal property. Distributable property is that property used to furnish the public utility service. It consists of the public utility company’s transportation system, production plant, transmission system, distribution system, and right-of-way. The state board shall distribute the assessed value of such property to the appropriate taxing district. *(Department of Local Government Finance; 50 IAC 5.2-1-9; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)*

50 IAC 5.2-1-10 “Express company” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 10. “Express company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-10; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)*

50 IAC 5.2-1-11 “Fixed property” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 11. “Fixed property” means property that is assessed by an assessing official in the taxing district where it is located. The term may include both locally assessed personal property and locally assessed real property. Fixed property is also known as locally assessed property. *(Department of Local Government Finance; 50 IAC 5.2-1-11; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)*

50 IAC 5.2-1-12 “Inventory” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-3-11; IC 6-1.1-8-2

Sec. 12. “Inventory” means the following:

(1) Property defined under IC 6-1.1-3-11, and includes the aggregate of those elements of cost incurred to acquire or produce items of tangible personal property as defined in 50 IAC 4.3-1-1(11), that are:

- (A) held for sale in the ordinary course of business;**
- (B) currently in the process of production for subsequent sale;**
- (C) ultimately to be consumed in the production of the goods or services to be available for sale;**
- (D) used in marketing or distribution activities; or**
- (E) critical spare parts.**

(2) The term includes the following:

(A) Goods or commodities awaiting sale, which include, but are not limited to, the following:

- (i) The merchandise of a retail or wholesale concern.**
- (ii) The finished goods of a manufacturer.**
- (iii) Commodities from farms, mines, and quarries.**
- (iv) Goods that are used or trade-in merchandise and byproducts of a manufacturer.**

(B) Goods or commodities that are in the course of production at the Indiana location, that is, items needing

further processing to be considered finished or ready for shipment.

(C) Goods that will be consumed or used in either the Indiana manufacturing process or in any other manner by the taxpayer, directly or indirectly. This category would include, but not be limited to, the following:

- (i) Raw materials.
- (ii) Supplies.
- (iii) Repair parts.
- (iv) Critical spare parts.
- (v) Expendable tools.
- (vi) Samples.

(D) To the extent that critical spare parts are depreciated for federal tax purposes, they shall be treated as such and subject to 50 IAC 5.2-6.

(Department of Local Government Finance; 50 IAC 5.2-1-12; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1860)

50 IAC 5.2-1-13 “Leased property” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 13. “Leased property” means those units of tangible personal property defined in 50 IAC 4.3-1-1(11), excluding inventory and returnable containers as defined in 50 IAC 4.3-1-1(7) and 50 IAC 4.3-6-3, which are leased, rented, or otherwise made available to a person other than the owner under a bailment agreement, written or unwritten, on the assessment date. The term includes, but is not limited to:

- (1) business machines;
- (2) postage meters;
- (3) machinery;
- (4) equipment;
- (5) furniture;
- (6) fixtures;
- (7) coin-operated devices;
- (8) tools;
- (9) burglar alarms;
- (10) signs and other advertising devices; and
- (11) motor vehicles;

to the extent taxable as personal property that are loaned, leased, used, or otherwise held in the possession of a person other than the owner on the assessment date whether or not any fees are charged. *(Department of Local Government Finance; 50 IAC 5.2-1-13; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861)*

50 IAC 5.2-1-14 “Light, heat, or power company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 14. “Light, heat, or power company” has the meaning set forth in IC 6-1.1-8-2. Light, heat, and power companies may be:

- (1) investor-owned electric and steam heat companies;
- (2) rural electric membership corporations or cooperatives; or
- (3) natural gas distribution companies.

(Department of Local Government Finance; 50 IAC 5.2-1-14; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861)

50 IAC 5.2-1-15 “Locally assessed personal property” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 15. “Locally assessed personal property” means tangible personal property owned or used by the public utility company (except for a railroad company) that is not used as part of the company’s production plant, transmission system, or distribution system. For a railroad company, “locally assessed personal property” means

tangible personal property owned or used by the railroad company that is not used in the operation of the railroad. (*Department of Local Government Finance; 50 IAC 5.2-1-15; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-16 “Locally assessed property” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 16. “Locally assessed property” means property that is assessed by an assessing official in the taxing district where it is located. The term includes both locally assessed personal property and locally assessed real property. Locally assessed property is also known as fixed property. (*Department of Local Government Finance; 50 IAC 5.2-1-16; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-17 “Locally assessed real property” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 17. “Locally assessed real property” means fixed real property owned or used by a public utility company that is assessed by an assessing official in the taxing district where it is located. Real property may include both land and improvements. It does not include the right-of-way of a public utility company. For a railroad company, it includes the right-of-way land and buildings leased to commercial tenants, the land adjoining the right-of-way devoted to industrial parks, any abandoned right-of-way, and railroad land and buildings not being used for railroad operations. (*Department of Local Government Finance; 50 IAC 5.2-1-17; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-18 “Materials and supplies” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 18. “Materials and supplies” shall have the meaning set forth in 50 IAC 4.3-1-1(7)(B)(iii). (*Department of Local Government Finance; 50 IAC 5.2-1-18; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-19 “Operating lease” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 19. “Operating lease” means a lease other than a capital lease. (*Department of Local Government Finance; 50 IAC 5.2-1-19; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-20 “Original return” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 20. “Original return” means a return filed with the state board by the statutory due date or, if an extension is granted, the extended filing date. (*Department of Local Government Finance; 50 IAC 5.2-1-20; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1861*)

50 IAC 5.2-1-21 “Pipeline company” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 21. “Pipeline company” has the meaning set forth in IC 6-1.1-8-2. (*Department of Local Government Finance; 50 IAC 5.2-1-21; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862*)

50 IAC 5.2-1-22 “Public utility company” defined

Authority: IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 22. “Public utility company” means a company that is subject to taxation under IC 6-1.1-8 regardless of whether the company is operated by an individual, a partnership, an association, a corporation, a fiduciary, or any other entity. *(Department of Local Government Finance; 50 IAC 5.2-1-22; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-23 “Public utility property” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 23. “Public utility property” means property owned or used by a public utility company. *(Department of Local Government Finance; 50 IAC 5.2-1-23; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-24 “Railroad car company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 24. “Railroad car company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-24; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-25 “Railroad company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 25. “Railroad company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-25; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-26 “Returnable containers” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 26. “Returnable containers” means those reusable items of tangible personal property which are used to package inventory or other property while in transit. Returnable containers include, but are not limited to, cooperage, skids, bottles, cases, and other reusable packaging devices. *(Department of Local Government Finance; 50 IAC 5.2-1-26; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-27 “Sewage company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 27. “Sewage company” means a company that is engaged in the business of operating a sewage system or a sewage treatment plant directly or indirectly to or for the public. *(Department of Local Government Finance; 50 IAC 5.2-1-27; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-28 “Sleeping car company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 28. “Sleeping car company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-28; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-29 “State board” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 29. “State board” means the state board of tax commissioners. *(Department of Local Government Finance; 50 IAC 5.2-1-29; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-30 “Street railway company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 30. “Street railway company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-30; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-31 “System” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 31. “System” has the meaning set forth in IC 6-1.1-8-2. The term does not include generating facilities collectively owned by multiple Rural Electric Membership Corporations (REMCs) and the controlling REMCs’ individually owned transmission facilities. *(Department of Local Government Finance; 50 IAC 5.2-1-31; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-32 “Telephone, telegraph, or cable company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 32. “Telephone, telegraph, or cable company” has the meaning set forth in IC 6-1.1-8-2. The term does not include a cable television company, tower leasing company, or a company owning fiber optic cable which is not being used by the owner to communicate by electrical transmission. The term does include a company that is principally engaged in the business of communicating by electrical transmission using fiber optic cable. *(Department of Local Government Finance; 50 IAC 5.2-1-32; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1862)*

50 IAC 5.2-1-33 “Tunnel company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 33. “Tunnel company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-33; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-1-34 “Unit value” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 34. “Unit value” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-34; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-1-35 “Water distribution company” defined

Authority: IC 6-1.1-31-1

Affected: IC 6-1.1-8-2

Sec. 35. “Water distribution company” has the meaning set forth in IC 6-1.1-8-2. *(Department of Local Government Finance; 50 IAC 5.2-1-35; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

Rule 2. Introduction; Companies Subject to Assessment

50 IAC 5.2-2-1 Purpose

Authority: IC 6-1.1-8-42

Affected: IC 6-1.1-3-1; IC 6-1.1-8

Sec. 1. (a) The purpose of this rule is to provide rules for the assessment of public utility property. This rule applies to all public utility companies.

(b) Under IC 6-1.1-8, the state board makes an annual assessment of each public utility company.

(c) The valuation made by the state board includes all real, personal, and distributable property of the public utility company, wherever located. The value of locally assessed real and personal property is deducted from the unit valuation to calculate the value of distributable property. The state board subtracts the value of locally assessed property, as reported by the county assessor from the unit valuation. The state board allocates the remainder, the distributable property, to the various taxing districts. *(Department of Local Government Finance; 50 IAC 5.2-2-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-2-2 Property subject to assessment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 2. The property owned or used by a public utility company is subject to assessment according to this rule. Property that is used by the public utility company under an agreement whereby the public utility company exercises the beneficial rights of ownership for a major part of a year is assessed to the public utility company. Leased property may be subject to assessment to the public utility company, see 50 IAC 5.2-10. *(Department of Local Government Finance; 50 IAC 5.2-2-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-2-3 Companies subject to assessment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2; IC 6-1.1-8-3

Sec. 3. The public utility companies subject to assessment and taxation under these rules are those listed in IC 6-1.1-8-3. *(Department of Local Government Finance; 50 IAC 5.2-2-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-2-4 Companies excluded

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-2

Sec. 4. The companies not subject to assessment and taxation as public utility companies under this article are listed in IC 6-1.1-8-2(c). For purposes of these rules, the term “television companies” includes cable television companies. Accordingly, cable television companies are not subject to assessment and taxation as public utility companies under this article. *(Department of Local Government Finance; 50 IAC 5.2-2-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

Rule 3. Reporting Requirements

50 IAC 5.2-3-1 Who must file

Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19

Sec. 1. (a) Each year a public utility company shall file an annual report with the state board concerning the value and description of the property which is either owned or used by the public utility company.

(b) In completing a report or statement, a public utility company shall make a complete disclosure of all information, required by the state board, that is related to the value, nature, and location of property:

- (1)** which the public utility company owned; or
- (2)** which the public utility company held, possessed, controlled, or occupied.

(c) The public utility company shall certify the truth of all information appearing in the report or statement and all data accompanying the report or statement. *(Department of Local Government Finance; 50 IAC 5.2-3-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1863)*

50 IAC 5.2-3-2 What to file; annual report to state board

Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-19; IC 6-1.1-8-21

Sec. 2. (a) The state board has designated Form UD-45, Annual Report of Public Utility Company, as the annual report to be filed with the state board by all public utility companies, other than railroad companies and railroad car companies.

(b) Railroad companies shall annually file Form UD-32, Annual Report of Railroad Company, with the state board.

(c) Railroad car companies shall annually file Form RC-1, Railcar Tax Report, with the state board.

(d) Along with the required filings listed in subsections (a) and (b), a public utility, including railroad companies, shall submit to the state board information requested by the state board, including:

- (1) the most recent financial statements;**
 - (2) information concerning depreciation records; and**
 - (3) the most recent annual report to shareholders or members;**
- to the extent that such reports, records, or statements exist.**

(e) Railroad companies shall also submit to the state board the annual return filed with the Surface Transportation Board, if the railroad company is required to file such a return.

(f) A public utility company may submit a substitute computer or machine generated annual report form or schedule that is a part of the annual report, in lieu of using the actual annual report form or schedule, provided that the report or schedule:

- (1) contains all of the required information as set forth in the actual report or schedule;**
- (2) properly and clearly identifies the report or schedule being substituted; and**
- (3) is approved by the state board under 50 IAC 4.3-1-6 prior to its use.**

(Department of Local Government Finance; 50 IAC 5.2-3-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1864)

50 IAC 5.2-3-3 What to file; local reporting requirement

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-23

Sec. 3. (a) In addition to Form UD-45, public utility companies shall also file Form 1, Annual Return of Local Personal Property, with the assessor of each township in which the public utility company's locally assessed personal property is subject to assessment. If a public utility company has locally assessed personal property in two (2) or more taxing districts within the same township, the public utility company shall file a separate Form 1 reporting the locally assessed personal property in each taxing district.

(b) A substitute computer or machine generated Form 1 may be used in lieu of the actual Form 1, if such form is approved by the state board under 50 IAC 4.3-1-6 prior to its use. (Department of Local Government Finance; 50 IAC 5.2-3-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1864)

50 IAC 5.2-3-4 Time to file

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-19

Sec. 4. (a) A public utility company, except a railroad car company, shall file its annual report with the state board on or before March 1 of each year unless a filing extension has been granted by the state board under section 6 of this rule.

(b) A railroad car company shall file its annual report with the state board on or before May 1 of each year unless a filing extension has been granted by the state board under section 6 of this rule.

(c) A public utility company shall also file Form 1, Annual Return of Local Personal Property, with the assessor of each township in which the public utility company's locally assessed personal property is subject to assessment on or before March 1 of each year unless a filing extension has been granted by the state board under

section 6 of this rule. (*Department of Local Government Finance; 50 IAC 5.2-3-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1864*)

50 IAC 5.2-3-5 Duty to file

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-19

Sec. 5. (a) It is the responsibility of the public utility company to obtain the necessary report forms and timely file the required reports with the state board.

(b) The state board will furnish each public utility company with the appropriate forms to complete their respective annual reports. However, the obligation to file the required report is not diminished or affected by the failure of the state board to deliver or mail forms to the public utility company.

(c) It is also the responsibility of the public utility company to file the required report (Form 1) with each of the assessors of the townships in which the public utility company has locally assessed personal property subject to assessment. (*Department of Local Government Finance; 50 IAC 5.2-3-5; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1864*)

50 IAC 5.2-3-6 Extension of time

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-19

Sec. 6. (a) The state board may extend the due date for the forms identified under section 4 of this rule.

(b) The state board may grant a general extension to all public utility companies or classes of public utility companies. The state board will notify the public utility companies of any general extension. A written request is not necessary to exercise a general extension, at the time returns are mailed to the public utility companies, the state board will notify the public utility companies of any general extension.

(c) The state board may grant a specific extension of the due date to an individual public utility company or a specific extension beyond the general extension granted under subsection (b). Specific extensions shall be considered by the state board if:

- (1) the public utility company submits a written request for an extension at least ten (10) days prior to the due date; and**
- (2) the public utility company cannot file on or before the due date because of extraordinary and unusual circumstances.**

(d) An extension granted by the state board under subsection (c) shall be in writing. A copy of the extension shall accompany the taxpayer's annual report. (*Department of Local Government Finance; 50 IAC 5.2-3-6; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1864*)

50 IAC 5.2-3-7 Disclosure of information

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-3-9; IC 6-1.1-8-21

Sec. 7. (a) In completing the annual report, a public utility company shall make a complete disclosure of all information required by the state board.

(b) A public utility company that holds, possesses, controls, or occupies property that it does not own must make a full disclosure of the not-owned property. The required information shall include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) as required by this article, and any other information requested. (See special instructions in 50 IAC 5.2-10-3 for reporting leased personal property.)

(c) Failure to properly disclose property that a public utility company holds, possesses, or controls shall result in the

assessment of the property to the public utility company.

(d) Information is required to be submitted by the holder, possessor, or controller even if the owner is liable for the taxes under a contract to ensure that the assessing official has the necessary information to correctly assess the property in question. (*Department of Local Government Finance; 50 IAC 5.2-3-7; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1865*)

50 IAC 5.2-3-8 Penalty

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-8-20

Sec. 8. (a) If a public utility company does not file the annual report as required by this rule, the company shall pay a penalty pursuant to IC 6-1.1-8-20.

(b) An annual report is not considered to be complete unless the report contains the information required by the state board and is signed under the penalty for perjury by an authorized person. (*Department of Local Government Finance; 50 IAC 5.2-3-8; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1865*)

50 IAC 5.2-3-9 Authorized forms

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-2-4; IC 6-1.1-3-9; IC 6-1.1-8-21; IC 6-1.1-35-9

Sec. 9. (a) The state board is required by statute to adopt tax return forms and schedules for public utility assessment purposes.

(b) The following are the authorized return forms and schedules for public utility assessment purposes pursuant to this article:

Form #	Form Description
RC-1	Report of Railcar Tax
UD 32	Annual Report—Railroad Property
UD 45	Annual Report
A-3	Schedule for Air Pollution Control Equipment
A-4	Schedule for Water Pollution Control Equipment
A-5	REMC schedule (optional)
A-6	Schedule for Pipe Valuation
A-7	Schedule for Utility Distributable Property of Pipeline Companies
A-8	Schedule for Value of Buses and Tires
1	Tax Return—Fixed Personal Property of Public Utilities (locally assessed)
1-N	Information Return of Not Owned Locally Assessed Personal Property

(c) Substituted tax return forms. In lieu of using the actual return form prescribed in subsection (b), a taxpayer may use a computer or machine prepared substitute tax return form or schedule provided that the substitute:

- (1) contains all of the information as set forth in the prescribed form;**
- (2) properly identifies the form or schedule being substituted; and**
- (3) is approved by the state board.**

(d) Administrative forms. The following are authorized administrative forms provided for public utility property assessment purposes pursuant to this article:

Form Number	Form Description
11A	Certification of Distributable Assessment
34C	Certification by County Assessor (of railroad and public utility assessments)

**34T Certification by Township Assessor (of
railroad and public utility assessments)**

(e) Confidential returns. Prescribed Forms RC-1, UD32, UD45, Form 1, and all attachments, together with any schedules or other information attached thereto, are confidential in that no local assessing official or employee or official of the state board of tax commissioners shall disclose it to any person unless specifically authorized by law. For further information on confidentiality, see IC 6-1.1-35-9.

(f) Public utility property is a self-assessment method of taxation requiring the taxpayer to complete the assessment return in accordance with the rules prescribed by the state board. The taxpayer is responsible for the accuracy of the information on the return and for assuring that it is a complete return that has been prepared in accordance with the law and rules of the state board. (*Department of Local Government Finance; 50 IAC 5.2-3-9; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1865*)

Rule 4. Assessment Information

50 IAC 5.2-4-1 Tentative assessment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-12

Sec. 1. (a) Each year the state board shall determine the true tax value of the property of each public utility company. Except for railroad car companies, the state board shall determine the true tax value by first determining the value of each public utility company's Indiana property. The value of the distributable property of a public utility company, other than a railroad car company, equals the remainder of:

- (1) the value of the company's Indiana property; minus**
- (2) the value of the company's Indiana fixed property.**

(b) The value of the distributable property of a railroad car company equals the unit value of all of the company's distributable property multiplied by the allocation factor provided in IC 6-1.1-8-12(b).

(c) In order to determine the value of a public utility company, the state board may consider the following:

- (1) Book value.**
- (2) The cost of replacement or reproduction, less depreciation.**
- (3) The cost of establishing and developing the business.**
- (4) The amount and market value or sales price of outstanding securities.**
- (5) Valuations determined by another governmental agency or indicated by a judicial decision, including, but not limited to, determinations made for rate making purposes.**
- (6) Statistics and reports prepared or filed by the company.**
- (7) Statistics and reports prepared by another governmental agency or by a private organization if the organization is considered reliable by investors and investment dealers.**
- (8) Earnings capitalized at a reasonable rate.**
- (9) Any other information which the state board considers relevant.**

(d) Except for railroad car companies, the state board shall notify each public utility company of its tentative assessment on or before June 1. The state board shall notify each railroad car company of its tentative assessment on or before September 1. (*Department of Local Government Finance; 50 IAC 5.2-4-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1866*)

50 IAC 5.2-4-2 Annual report not on file

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-39

Sec. 2. If a public utility company owning, holding, possessing, or controlling any property which is subject to taxation fails to file a return with the state board or township assessor, the appropriate township assessor shall make assessments of fixed property and the state board shall make assessments of distributable property.

However, the state board and township assessor may not assess such distributable or fixed property after the expiration of ten (10) years from the last day of the year in which the assessment should have been made. *(Department of Local Government Finance; 50 IAC 5.2-4-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1866)*

Rule 5. Use of Other Factors

50 IAC 5.2-5-1 Value as a going concern; adjustments; use of other factors

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 1. (a) The state board or Indiana board, on its own motion or on petition of a public utility company, may, in determining the just value of a public utility company, authorize or require the use of factors other than those normally used in determining a unit value of a company as a going concern.

(b) The use of other factors is permitted only in situations where the use of other factors is necessary to:

(1) ensure equal and nondiscriminatory treatment of all public utility companies within the same classification; or

(2) provide for a unit value that is not clearly unreasonable or unfair to the state or the public utility company.

(Department of Local Government Finance; 50 IAC 5.2-5-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1866)

50 IAC 5.2-5-2 Readily ascertainable values

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 2. In the case of certain types of property which the state board determines have readily ascertainable values, e.g., certain types of petroleum products, the state board may determine the true tax value of such property. The state board will issue instructional bulletins listing the unit values of such property. These bulletins will be published in the Indiana Register as nonrule policy statements. *(Department of Local Government Finance; 50 IAC 5.2-5-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1866)*

50 IAC 5.2-5-3 Uniform useful life

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 3. (a) The state board may prescribe the useful life of certain items of personal property if the state board determines that a uniform useful life should be required for all affected public utility companies in order to obtain uniformity of assessment.

(b) If the state board prescribes a uniform useful life for a certain item of personal property, the state board shall notify all affected taxpayers. *(Department of Local Government Finance; 50 IAC 5.2-5-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1867)*

Rule 6. Valuation of Depreciable Personal Property

50 IAC 5.2-6-1 Definitions

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26; IC 6-6-6.5

Sec. 1. The definitions in this section apply throughout this rule:

(1) "Adjusted cost of depreciable personal property" has the meaning set forth in 50 IAC 4.3-4-5.

(2) "Cost of depreciable personal property" has the meaning set forth in 50 IAC 4.3-4-2.

(3) "Depreciable personal property" has the meaning set forth in 50 IAC 4.3-1-1-5 and 50 IAC 4.3-4-1.

(4) "Permanently retired depreciable personal property" has the meaning set forth in 50 IAC 4.3-4-3(c).

(Department of Local Government Finance; 50 IAC 5.2-6-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1867)

50 IAC 5.2-6-2 Book cost determinative

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26; IC 6-1.1-31

Sec. 2. (a) The cost of depreciable property, both real and personal, as recorded on the public utility company's books and records, must be utilized in determining the value of the depreciable personal property subject to assessment.

(b) The cost of all depreciable personal property of a public utility company shall be the total amount reflected on the books and records of the company as of the assessment date except as otherwise provided in this rule.

(c) Property may be depreciable personal property regardless of the account in which the property is carried on the books and records of the public utility company. For example, property classified on the public utility company's books and records as real property may nevertheless be depreciable personal property within the meaning of this article. This treatment is necessary to ensure the proper assessment of property, regardless of the accounting system used by the public utility company.

(d) Except as otherwise provided in this article, property is deemed to be depreciable personal property when a depreciation deduction is allowable for federal income tax purposes.

(e) The cost of additions and betterments is added to the original cost of the depreciable personal property. If an additional part is added or some other change is made in the fixed asset that increases its estimated useful life, production, or efficiency, or converts the property to a different use, it is a betterment. The expenditure is capitalized by adding it to the original cost of the asset. If a part is replaced with a similar part, the new part is shown as a new acquisition while the part replaced is deducted from the original cost of the asset.

(f) In the event a taxpayer cannot determine from its books and records the cost of the depreciable property on the assessment date, it must use:

- (1)** the cost per books as of the close of its annual financial period immediately prior to the assessment date and so indicate on its return;
- (2)** the book cost as of the close of its last financial period will then be adjusted to reflect all acquisitions and disposals of depreciable property which have occurred between the acquisition or disposal date and the assessment date; and
- (3)** installation costs and foundations applicable to machinery and equipment shall be reported and assessed on the same basis as the asset to which they apply.

(Department of Local Government Finance; 50 IAC 5.2-6-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1867)

50 IAC 5.2-6-3 Mandatory adjustment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26; IC 6-1.1-31

Sec. 3. (a) The cost of depreciable personal property as computed in section 2 of this rule must be reported at the tax basis of such property as defined in 26 U.S.C. § 1012. The cost of depreciable personal property shall not be reduced by 26 U.S.C. § 167 (depreciation) or 26 U.S.C. § 179 (expense election deduction) or any credits (such as investment tax credit) which would otherwise diminish the cost basis of the property.

(b) If the tax basis of the depreciable personal property is different from the cost reflected on the books and records of the taxpayer, an adjustment must be made to the cost per books of the assessable depreciable personal property. The cost reflected on the books and records must be adjusted to the tax basis of the property.

(c) The adjustment of the cost of depreciable personal property to its tax basis is required to be made regardless of whether it is an increase or decrease to the cost recorded on the books and records. *(Department of Local Government Finance; 50 IAC 5.2-6-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1867)*

50 IAC 5.2-6-4 Fully depreciated property

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 4. Depreciable personal property that has not been retired from use is reported for assessment purposes whether or not the cost of the property has been removed from the taxpayer's books and records. (*Department of Local Government Finance; 50 IAC 5.2-6-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1868*)

50 IAC 5.2-6-5 Nominally valued depreciable personal property

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 5. Depreciable personal property recorded on the books and records at a nominal value or at no value must be valued at its actual acquisition cost determined by reference to the insurable value in the year of acquisition. This category of property includes, but is not limited to:

- (1) bulk purchases; or**
- (2) the acquisition of a going business concern.**

(*Department of Local Government Finance; 50 IAC 5.2-6-5; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1868*)

50 IAC 5.2-6-6 Computer equipment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 6. (a) Definition of computer equipment. Computer equipment is made up of the following elements:

- (1) "Hardware" means physical equipment used for input, processing, and output activities in an information system. It is composed of mechanical, magnetic, and electronic devices and other components which constitute the physical computer assembly.**
- (2) "System software" means a set of generalized programs that manage the computer's resources, such as the central processor, communication links, and peripheral devices. It is not normally accessible or modifiable by the user. Also system software may be referred to as the operating system.**
- (3) "Application software" means programs written for a specific application to perform functions specified by end users.**

(b) Computer hardware and system software must be reported at the actual acquisition cost regardless of how it may be valued on the taxpayers books and records.

(c) If the value for computer equipment recorded on the books and records reflects charges for customer support services such as educational services, maintenance, or application software that relate to future periods and not to the value of the tangible personal property, such charges may be deducted as intangible personal property to the extent that a separate charge or value can be identified. (*Department of Local Government Finance; 50 IAC 5.2-6-6; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1868*)

50 IAC 5.2-6-7 Valuation

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 7. (a) Except as provided in section 8 of this rule, the value of depreciable personal property is computed by subtracting depreciation as used for federal income tax purposes from the adjusted cost of the depreciable personal property.

(b) Depreciation shall be computed using the method or methods of depreciation that the public utility company has used for federal income tax purposes for that property. If depreciable personal property is acquired prior to the establishment of the first reporting year for federal income tax purposes, depreciation shall be computed in the same manner as the public utility contemplates using for federal income tax purposes.

(c) The amount of depreciation computed in subsection (b) shall be increased by any expense election deduction or investment tax credit claimed on the property by the public utility company for federal income tax

purposes. *(Department of Local Government Finance; 50 IAC 5.2-6-7; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1868)*

50 IAC 5.2-6-8 Minimum value

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 8. (a) The total value of the distributable depreciable personal property cannot be less than nine percent (9%) of the adjusted cost of the distributable personal property.

(b) The total value of the locally assessed depreciable personal property in a single taxing district cannot be less than nine percent (9%) of the adjusted cost of the locally assessed personal property in that taxing district.

(c) The nine percent (9%) minimum value test shall be applied prior to any adjustment for abnormal obsolescence or permanently retired depreciable personal property. The limitation does not apply to special tooling under 50 IAC 5.2-9-2. *(Department of Local Government Finance; 50 IAC 5.2-6-8; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1868)*

50 IAC 5.2-6-9 Valuation of permanently retired depreciable personal property

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 9. (a) Permanently retired depreciable personal property that is on hand on the assessment date is subject to an adjustment at the election of the taxpayer.

(b) The value of permanently retired depreciable personal property is the net scrap or net sale value of such property.

(c) In order to qualify for this adjustment, a taxpayer will need to substantiate that the depreciable personal property was permanently retired and not in use.

(d) The adjustment for permanently retired depreciable personal property is computed as the difference between the true tax value of such property (computed under sections 6 through 8 of this rule) and its net scrap or net sale value.

(e) The adjustment for permanently retired depreciable personal property may not exceed the true tax value of such property. *(Department of Local Government Finance; 50 IAC 5.2-6-9; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)*

50 IAC 5.2-6-10 Abnormal obsolescence

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 10. (a) An adjustment for abnormal obsolescence, as defined in 50 IAC 5.2-11, may be permitted in accordance with 50 IAC 5.2-11.

(b) No adjustment will be allowed for normal obsolescence as defined in 50 IAC 5.2-11.

(c) The dollar amount of the adjustment for the depreciable personal property under this section may not exceed the tentative true tax value as computed in sections 7 and 8 of this rule for the specific unit or units of such property on which the taxpayer claims the adjustment. *(Department of Local Government Finance; 50 IAC 5.2-6-10; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)*

Rule 7. Valuation of Nondepreciable Property

50 IAC 5.2-7-1 Definitions

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. The definitions in this section apply throughout this rule:

(1) “Contributions in aid of construction” or “CIAC” means donated or contributed property, other than locally assessed real property, of a public utility company that is used by such company in providing the utility service.

(2) “Nondepreciable personal property” means any property, other than locally assessed real property, of a public utility company that is not subject to depreciation for federal income tax purposes. It does not include inventory, but may include both locally assessed personal property (excluding inventory) and distributable property.

(Department of Local Government Finance; 50 IAC 5.2-7-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)

50 IAC 5.2-7-2 Book cost determinative

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. (a) The cost of nondepreciable property, both real and personal, as recorded on the public utility company’s books and records, must be utilized in determining the value of the nondepreciable property subject to assessment.

(b) A public utility company is subject to assessment for property owned or used by it. Contributions in aid of construction are used by the public utility company to deliver its service. Therefore, contributions in aid of construction are subject to assessment. The public utility company may not reduce the cost of property shown on its books and records by the amount of contributions in aid of construction or customer advances.

(Department of Local Government Finance; 50 IAC 5.2-7-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)

50 IAC 5.2-7-3 Mandatory adjustment

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 3. The cost of nondepreciable property as computed under section 2 of this rule must be reported at the tax basis of such property as defined in 26 U.S.C. § 1012. *(Department of Local Government Finance; 50 IAC 5.2-7-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)*

50 IAC 5.2-7-4 Valuation

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 4. (a) Except as provided in subsection (b), the value of nondepreciable property shall be the tax basis of such property as defined in 26 U.S.C. § 1012.

(b) Contributions in aid of construction that would be subject to depreciation for federal income tax purposes if owned by the public utility company are eligible for depreciation. Depreciation for contributions in aid of construction shall be computed using the method of depreciation that the owner would have used for federal income tax purposes. Depreciation is computed over the useful life of the contributions in aid of construction. For purposes of this subsection, useful life is the life that would have been used for federal income tax purposes by the owner. *(Department of Local Government Finance; 50 IAC 5.2-7-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1869)*

Rule 8. Valuation of Inventories

50 IAC 5.2-8-1 Valuation

Authority: IC 6-1.1-8; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. Inventory, materials, and supplies shall be valued in accordance with 50 IAC 4.3-5. *(Department of Local Government Finance; 50 IAC 5.2-8-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1870)*

Rule 9. Valuation of Other Tangible Personal Property

50 IAC 5.2-9-1 Construction in process

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. (a) The starting point for the valuation of construction in process is the cost recorded on the public utility company's books and records which is attributable to such property, excluding locally assessed real property, including all expenses incurred in acquiring or producing the assets not yet placed in service.

(b) In the event the cost as recorded on the regular books and records of the public utility company does not reflect acquisitions and transfers since the end of the financial period immediately preceding the assessment date, such acquisitions and transfers are required to be included.

(c) If the cost as recorded on the regular books and records of the public utility company reflects advance payments or deposits, and if such amounts were attributable to property other than locally assessed real property, such amounts shall be allowed as a deduction from book cost.

(d) The true tax value of construction in process is eighty-seven percent (87%) of the cost of such property. *(Department of Local Government Finance; 50 IAC 5.2-9-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1870)*

50 IAC 5.2-9-2 Special tools

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 2. (a) "Special tools", as used in this section, means depreciable tangible personal property acquired or made for the production of products or product models that are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. Special tools include, but are not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns. Depreciable tangible personal property shall qualify as special tools only if properly claimed as a special tool on a federal income tax return and depreciated as special tools for federal income tax purposes. Those items of special tools being manufactured or built for sale or lease to another person must be valued as inventory pursuant to 50 IAC 5.2-8-1.

(b) Special tools must be reported where located on the assessment date by the taxpayer owning the special tools on Schedule A-1 of the Annual Report Form, as an attachment to Schedule A. In addition, the owner is required to furnish a complete listing on Schedule A-2 of the Annual Report Form of all their special tools in the possession of another person. The person holding, possessing, or controlling special tools, not owned, is required to furnish a complete listing on Schedule A-2 of the Annual Report Form of all not owned personal property.

(c) The cost and adjustments to cost of special tools are determined in the same manner as other depreciable tangible personal property under 50 IAC 5.2-6-2 and calculated on Schedule A-1 of the Annual Report Form; however, the depreciation of special tools is calculated using the following percentage good factors:

Table of Percentage Good Factors for Special Tools

Year of Acquisition (as detailed on Schedule A-1)	Special Tools Percent Good Factors
1	42%
2	14%
3	2%
Over 3	2%

(Department of Local Government Finance; 50 IAC 5.2-9-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1870)

50 IAC 5.2-9-3 Leasehold improvements

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 3. (a) Whenever a public utility company makes any expenditure for an improvement to locally assessed real property, locally assessed personal property, or distributable property not owned by the public utility company, such expenditure shall be assessable as locally assessed personal property or distributable property to the extent it is not locally assessed real property.

(b) The following are examples of leasehold improvements which are personal property:

(1) Foundations and pilings related to the installation and use of personal property.

(2) Personal property attached to the real property, if such items are related to activities or processes conducted in or on the real property, if the personal property is an integral part of such activity. For example, improvements to real property that would be assessable as either locally assessed personal property or as distributable property may include:

(A) shelving, bins, counters, and related items;

(B) nonpermanent partitions;

(C) supplemental heating and air conditioning;

(D) extraordinary lighting;

(E) extraordinary electrical and plumbing facilities; and

(F) carpeting and draperies.

(c) Leasehold improvements are reported and valued in the same manner as other locally assessed personal property or distributable property which the public utility company may own. (Department of Local Government Finance; 50 IAC 5.2-9-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1870)

50 IAC 5.2-9-4 Returnable containers

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 4. (a) Returnable containers must be reported for property assessment purposes at the tax situs where located on the assessment date by the person owning the returnable containers.

(b) The owner of any personal property subject to assessment and taxation on the assessment date has the responsibility for reporting such property for assessment and taxation. Returnable containers must be reported on the appropriate form on the public utility company's annual report to the state board. If the returnable containers are locally assessed personal property, the returnable containers must also be reported to the township assessor.

(c) The possessor of not-owned returnable containers has the responsibility for disclosing such property to the local assessing officials and the state board.

(d) The cost of returnable containers is computed by extending the quantity of such property on hand by:

(1) the amount of deposit required for such item;

(2) the refund entitled thereto when such returnable containers are returned to the owner;

(3) the sales price of the returnable property; or

(4) the cost of such returnable containers in the hands of the owner since the owner is liable for assessment.

(e) The value of returnable containers is computed in the same manner as other locally assessed personal property or distributable property which the public utility company may own. (Department of Local Government Finance; 50 IAC 5.2-9-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1871)

Rule 10. Valuation of Leased Property

50 IAC 5.2-10-1 Valuation

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 1. (a) Leased property reported for assessment by a public utility company shall be valued in the same manner as property owned by the public utility company. The value is computed by subtracting depreciation from the base year value.

(b) Depreciation for leased property shall be computed using the method of depreciation that the owner would have used for federal income tax purposes. Depreciation is computed over the useful life of the leased property. For purposes of this subsection, useful life is that which would have been used for federal income tax purposes by the owner. *(Department of Local Government Finance; 50 IAC 5.2-10-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1871)*

50 IAC 5.2-10-2 General reporting requirements

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 2. (a) In completing the annual report, a public utility company shall make a complete disclosure of all information relating to leased property that it owns, holds, possesses, or controls.

(b) If a public utility company holds, possesses, controls, or occupies leased property, the public utility company shall make a full disclosure, on the forms provided by the state board, of such property and information relating to that property. The required information shall include the name and address of the owner, model, description, location, quantities on hand, date of installation, value (if known) as required by this article, and any other information requested on the appropriate form. If the leased property is:

(1) distributable property, the public utility company shall disclose such property on the appropriate form in its annual report to the state board; or

(2) locally assessed personal property, the public utility company shall disclose such property on the appropriate form in its annual report to the state board and shall also disclose such property on Form 1, Annual Report of Local Personal Property.

(c) Failure by a public utility company to properly disclose property that it holds, possesses, or controls will result in the assessment of the property to the public utility company.

(d) Information is required to be submitted by the holder, possessor, or controller even if the owner is liable for the taxes under a contract to assure that the assessing official has the necessary information to correctly assess the property in question.

(e) Both the lessor (the owner) and the lessee (the holder, possessor, or controller) have specific reporting requirements. The purpose of these dual reporting requirements is to assure that property is disclosed to the local assessing officials who will ensure that the property is assessed. *(Department of Local Government Finance; 50 IAC 5.2-10-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1871)*

50 IAC 5.2-10-3 Leased distributable property; specific reporting requirements

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 3. (a) The public utility company is primarily responsible for the reporting of the leased distributable property for assessment and taxation, whether such lease is a capital lease or an operating lease.

(b) The holder, possessor, or controller of leased distributable property (lessee) shall disclose the leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form.

(c) The owner (lessor) of leased distributable property is required to disclose the existence of the leased property to the state board. In completing the form designated for such disclosure, the owner shall include all of the information required by the form. *(Department of Local Government Finance; 50 IAC 5.2-10-3; filed Jan 28,*

2002, 1:30 p.m.: 25 IR 1872)

50 IAC 5.2-10-4 Locally assessed property subject to operating leases; specific reporting requirements

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 4. (a) The owner (lessor) of locally assessed leased property subject to an operating lease is primarily responsible for the reporting of the locally assessed leased property for assessment and taxation.

(b) If the owner of the locally assessed leased property is a public utility company and the locally assessed leased property is subject to an operating lease, the locally assessed leased property shall be assessed in the following manner:

(1) The owner shall disclose and report the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the owner shall include all of the information required by the form. The owner shall also complete Form 1, Annual Report of Local Personal Property, disclosing and reporting the locally assessed leased property for assessment and taxation.

(2) The holder, possessor, or controller (lessee) of locally assessed leased property subject to an operating lease is required to disclose the existence of the leased property to the state board and local assessing officials. The holder, possessor, or controller shall disclose the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form. The holder, possessor, or controller shall also disclose the locally assessed leased property on Form 1, Annual Report of Local Personal Property.

(Department of Local Government Finance; 50 IAC 5.2-10-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1872)

50 IAC 5.2-10-5 Locally assessed property subject to capital leases; specific reporting requirements

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 5. (a) The holder, possessor, or controller (lessee) of locally assessed leased property subject to a capital lease is primarily responsible for the reporting of the locally assessed leased property for assessment and taxation.

(b) If the holder, possessor, or controller of the locally assessed leased property is a public utility company and the locally assessed leased property is subject to a capital lease, the locally assessed leased property shall be assessed in the following manner:

(1) The holder, possessor, or controller shall disclose and report the locally assessed leased property on the designated form included with its annual report to the state board. In completing the designated form, the holder, possessor, or controller shall include all of the information required by the form. The holder, possessor, or controller shall also complete Form 1, Annual Report of Local Personal Property, disclosing and reporting the locally assessed leased property for assessment and taxation.

(2) The owner (lessor) of locally assessed leased property subject to a capital lease is required to disclose the existence of the leased property to the state board and local assessing officials. The owner shall disclose the locally assessed leased property on the designated form. In completing the designated form, the owner shall include all of the information required by the form.

(Department of Local Government Finance; 50 IAC 5.2-10-5; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1872)

Rule 11. Obsolescence

50 IAC 5.2-11-1 "Obsolescence" defined

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 1. (a) "Obsolescence" means a loss in value caused by inutility within the property or by changes in demand for the goods produced by the property. Obsolescence may be caused by:

(1) defects in:

- (A) design;
- (B) style;
- (C) capacity; or
- (2) a deficiency; or
- (3) a superadequacy; or
- (4) by changes in the tastes of buyers in the market place.

(b) Functional obsolescence is a loss in value due to impairment of functional capacity as a result of inadequacy, over capacity, or changes in the state of the art.

(c) External obsolescence is a loss in value arising from forces outside the property itself. *(Department of Local Government Finance; 50 IAC 5.2-11-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1872)*

50 IAC 5.2-11-2 “Normal obsolescence” defined

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 2. “Normal obsolescence” means the anticipated or expected reduction in the value of property that can be foreseen by a reasonable, prudent businessperson when property is acquired and placed into service. In general, it includes the expected gradual decline in value because of expected technological innovations and the general assumption that such property will have a minimum value at the end of its useful life. The depreciation allowed pursuant to 50 IAC 5.2-6 accounts for normal obsolescence as well as physical deterioration. *(Department of Local Government Finance; 50 IAC 5.2-11-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1873)*

50 IAC 5.2-11-3 “Abnormal obsolescence” defined

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-26

Sec. 3. (a) “Abnormal obsolescence” means obsolescence that occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessperson before the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values and exceptional technological innovations that have a direct effect upon the value of the property. Any abnormal obsolescence that affects the property must be considered separately since it has not been accounted for in normal obsolescence or physical deterioration. Abnormal obsolescence is calculated using different methodologies depending upon the type of inutility it represents. There are numerous methodologies, and, as a general rule, common appraisal concepts and methods may be used to determine abnormal obsolescence. However, any method used must qualify and quantify any abnormal obsolescence claimed. The invention of newer, more productive personal property that produces a better quality item, utilizes state-of-the-art technology, or produces more efficiently at a lower cost of production does not cause an older, currently used asset to be considered abnormally obsolete unless the change was unanticipated, unexpected, or could not have reasonably been foreseen by a prudent business person.

(b) An example of unforeseen change in market value (external obsolescence) is a government restriction on the amount of pollutants released into the atmosphere. In this case, the equipment producing the pollutants may be eligible for abnormal obsolescence.

(c) An example of exceptional technological innovation (functional obsolescence) is the development of digital switches that replace mechanical switches. Functional obsolescence should be recognized to the extent that it causes the subject property to be incapable of use for current production or adaptation to a different use. *(Department of Local Government Finance; 50 IAC 5.2-11-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1873)*

50 IAC 5.2-11-4 Abnormal obsolescence claim

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8

Sec. 4. (a) Abnormal obsolescence should be recognized to the extent that the taxpayer can demonstrate that the property qualifies for abnormal obsolescence and can quantify the amount. This must be done through a presentation of the facts, circumstances, and methodology used in calculating the amount of the abnormal obsolescence.

(b) The adjustment for abnormal obsolescence must be computed in accordance with this article for each respective item of property or portion of the utility system. *(Department of Local Government Finance; 50 IAC 5.2-11-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1873)*

50 IAC 5.2-11-5 Limitation

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 5. (a) The availability of abnormal obsolescence is limited to that which is not already reflected on the books and records of the taxpayer.

(b) The adjustment for abnormal obsolescence may not exceed the true tax value of the property without consideration of the abnormal obsolescence adjustment.

(c) A taxpayer may not claim an adjustment for abnormal obsolescence as defined in 50 IAC 5.2-11-3 [section 3 of this rule] for inventory. Adjustments provided in 50 IAC 4.3 with respect to the valuation of inventory allow the taxpayer to account for all forms of obsolescence. *(Department of Local Government Finance; 50 IAC 5.2-11-5; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1873)*

50 IAC 5.2-11-6 Reporting of abnormal obsolescence

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8

Sec. 6. The taxpayer may claim an adjustment for abnormal obsolescence on the form prescribed in this article when filing the tax return for the year in question. The adjustment, if requested, must specifically:

- (1) identify all property for which an adjustment is requested;**
- (2) indicate the original cost of the property;**
- (3) indicate the true tax value of the property as if no adjustment would be allowed;**
- (4) indicate the true tax value of the property as a result of the requested adjustment; and**
- (5) provide sufficient detail in order to effectively qualify and quantify the claim.**

(Department of Local Government Finance; 50 IAC 5.2-11-6; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)

50 IAC 5.2-11-7 Full disclosure

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 7. A public utility company shall disclose any claim for an adjustment for abnormal obsolescence in the annual report filed with the state board under 50 IAC 5.2-3-2. *(Department of Local Government Finance; 50 IAC 5.2-11-7; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)*

50 IAC 5.2-11-8 Administrative adjudication on adjustment for abnormal obsolescence

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1
Affected: IC 6-1.1-8-26

Sec. 8. A public utility company may, prior to the filing of the property tax return for the year in question, request, under 50 IAC 4.3-1-6, an administrative adjudication determination regarding an abnormal obsolescence adjustment. *(Department of Local Government Finance; 50 IAC 5.2-11-8; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)*

Rule 12. Exemptions, Deductions, and Credits

50 IAC 5.2-12-1 Introduction

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-10; IC 6-1.1-11; IC 6-1.1-12; IC 6-1.1-12.1; IC 6-1.1-20.7; IC 6-1.1-20.8; IC 6-1.1-40; IC 6-1.1-42

Sec. 1. A public utility company may qualify for certain exemptions, deductions, or credits. For specific information on exemptions, deductions, and credits, see IC 6-1.1-10, IC 6-1.1-11, IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-20.7, IC 6-1.1-20.8, IC 6-1.1-40, and IC 6-1.1-42. (Department of Local Government Finance; 50 IAC 5.2-12-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)

50 IAC 5.2-12-2 Air pollution control exemption

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-10-12; IC 6-1.1-10-13; IC 6-1.1-11

Sec. 2. (a) Generally, personal property, such as paint spray booths or dust collectors, do not qualify for the air pollution control exemption under 6-1.1-10-12 [sic., IC 6-1.1-10-12], since they are primarily used to remove particulates, dust, or fumes from the work area and/or in the production of property for sale. Dust collecting baghouses or stack scrubbers which are primarily designed and used to prevent or eliminate pollutant contamination of the air outside of, or away from, the production plant generally would qualify for exemption since such systems primarily benefit the general public. The specific facts and circumstances of each taxpayer's equipment and operations must be considered in determining whether each item of property qualifies under this section.

(b) The amount of the exemption claimed is specifically limited to the value of the personal property that is attributable to the stationary or unlicensed mobile industrial air purification system. (Department of Local Government Finance; 50 IAC 5.2-12-2; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)

50 IAC 5.2-12-3 Air pollution control exemption; claim

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8; IC 6-1.1-10-12; IC 6-1.1-10-13; IC 6-1.1-11

Sec. 3. A public utility company that wishes to obtain an exemption for an air pollution control system must annually claim the exemption on the appropriate form included in its annual report. The public utility company must disclose such information about the property claimed to be exempt as an air pollution control system as required on the form. (Department of Local Government Finance; 50 IAC 5.2-12-3; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)

50 IAC 5.2-12-4 Waiver of exemption

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-2; IC 6-1.1-8-28; IC 6-1.1-11-1

Sec. 4. An exemption is a privilege which may be waived by a person who owns tangible property that would qualify for the exemption. If the owner does not comply with statutory procedures for obtaining an exemption, the exemption is waived. If the exemption is waived, the property is subject to taxation. (The complete text of the statute is contained in IC 6-1.1-11-1.) (Department of Local Government Finance; 50 IAC 5.2-12-4; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1874)

Rule 13. Severability

50 IAC 5.2-13-1 Severability

Authority: IC 6-1.1-8-42; IC 6-1.1-31-1

Affected: IC 6-1.1-8-42

Sec. 1. If any part of this article, or the application thereof to any person or circumstance, is held invalid, such invalidity shall not affect any other parts of this article or the application thereof which can be given effect without the invalid part, and to this end the provisions of this article are severable. (Department of Local

Government Finance; 50 IAC 5.2-13-1; filed Jan 28, 2002, 1:30 p.m.: 25 IR 1875)

SECTION 2. 50 IAC 5.1 IS REPEALED.

SECTION 3. **SECTION 2 of this document takes effect March 1, 2002.**

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