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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 #02-229(E)

DIGEST

Temporarily amends 50 IAC 4.3-2-5, 50 IAC 4.3-2-10, 50 IAC 4.3-5-10, and 50 IAC 4.3-6-1 to make adjustments for assessment of tangible personal property not placed in service, assessment of construction in process, and assessment of inventory. Temporarily adds SECTIONS to establish inventory valuation adjustment and to value tangible personal property not placed in service. Makes other changes to reporting dates to implement changes in HEA 1001(ss). Effective January 1, 2002 (retroactive, per HEA 1001(ss), SECTION 194).

SECTION 1. (a) Returns filed in duplicate. When the assessed value of the personal property declared on all returns filed in a taxing district by a taxpayer is one hundred fifty thousand dollars (\$150,000) or more, each return must be filed in duplicate. A legible, reproduced copy will be acceptable for this requirement.

(b) Returns forwarded to county assessor. Whether or not a taxpayer has filed the return in duplicate, each assessor of a township must forward to the county assessor, on or before ~~July 31~~ **October 1** of each year, a copy of each personal property tax return filed by a taxpayer who has a total assessed valuation declared on returns filed in a taxing district of one hundred fifty thousand dollars (\$150,000) or more.

(c) Returns forwarded to the department of local government finance by county assessor. The county assessor shall forward to the department of local government finance, on or before ~~August 31~~ **November 30** of each year, a copy of all duplicate returns forwarded to the county assessor by the township assessors as provided in subsection (b).

(d) When the assessed value of the personal property declared on all amended returns filed in a taxing district by a taxpayer is one hundred fifty thousand dollars (\$150,000) or more, each amended return must be filed in duplicate. A legible, reproduced copy will be acceptable for this requirement. Whether or not the taxpayer has filed the return in duplicate, each assessor of a township must forward to the county assessor a copy of each amended return filed in a taxing district of one hundred fifty thousand dollars (\$150,000) or more within thirty (30) days of the filing. The county assessor shall forward to the department of local government finance a copy of all duplicate amended returns forwarded to the assessor within thirty (30) days of receipt of the amended return. (Department of Local Government Finance. Affected: 50 IAC 4.3-2-5)

SECTION 2. (a) Amended returns. A taxpayer may file an amended personal property tax return not more than six (6) months after the later of the following:

- (1) If no extension was granted under IC 6-1.1-3-7(b), an amended return must be filed before November 16 of the year in which the original personal property tax return was filed.
- (2) If an extension was granted under IC 6-1.1-3-7(b), an amended return must be filed within **six (6)** months of the extended filing date.

(b) **Except as provided in section g [subsection (g)],** a taxpayer who files a personal property tax return under IC 6-1.1-3 may file no more than one (1) property tax return under IC 6-1.1-3-7.5.

(c) A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable as if the adjustment or exemption had been claimed on the original personal property return.

(d) In no case will a taxpayer be allowed to file an amended return if the original return was not filed by May 15 or, in the case of an extension, by the extended filing date.

(e) A taxpayer must file the amended return on the same form prescribed by the department of local government finance, indicating that it is “amended” in a conspicuous place on the front of the return. The amended personal property return must be completed and filed with the township assessor in the same manner as is required for the original personal property return.

(f) Notwithstanding the provisions of this article, an amended return remains subject to the review and adjustment of assessing officials in same manner as original personal property returns.

(g) Due to the changes in HEA 1001(ss), SECTION 194, a taxpayer who filed an amended personal property tax return on or before July 15, 2002, may file a second amended return not more than six (6) months after the filing date of the original return.

(h) In order to implement HEA 1001(ss), SECTION 194, the township assessor shall make changes to the assessed value of the taxpayer’s personal property as provided in this rule or by instructional bulletins. The township assessor shall notify taxpayer of changes subject to IC 6-1.1-16-1. (Department of Local Government Finance. Affected: 50 IAC 4.3-2-10)

SECTION 3. (a) As an alternative method to valuing inventory, a taxpayer who is in possession of inventory may value finished goods and work in process inventory as follows:

(1) The cost of raw materials and supplies, which must include the total cost directly or indirectly incurred, including freight, to bring the property to the location where it will be utilized. Taxpayers acquiring manufactured products from related entities shall include in the accountability cost the sum of all costs directly or indirectly incurred in bringing the article to its existing condition and location on the assessment date. In addition, the cost of all direct production labor shall be added.

(2) Any adjustment taken from inventory valuation must be the same basis on which it was included in the tax return.

(3) This election must be applied to all locations within this state, except as noted in subdivision (4).

(4) This election is available only for taxpayer’s finished goods or work in process inventories **to the extent that the goods have not entered another level of trade.**

(5) The thirty-five percent (35%) valuation adjustment will not be allowed for work in process and finished goods inventory.

(6) Raw materials and supplies inventories will qualify for the thirty-five percent (35%) valuation adjustment, provided that such items have not entered the manufacturing process.

(b) Computations of the valuation method outlined in this section are required to be attached to the tax return and computed on Form 106.

(c) If a taxpayer valued inventory under this elective inventory method for 2002 and desires to take advantage of the provisions of HEA 1001(ss) relating to the thirty-five percent (35%) valuation adjustment, the taxpayer must file an amended return under the provisions of IC 6-1.1-3 and SECTION 2(c) of this document. (Department of Local Government Finance. Affected: 50 IAC 4.3-5-6)

SECTION 4. The ~~true tax~~ **gross** value of inventory is the cost per books of the inventory, as defined in sections 1 and 3 of this rule, increased or reduced as follows:

(1) The adjustments required to be made pursuant to section 4 (mandatory adjustments) of this rule.

(2) The value of the unrecorded inventory as determined in section 5 of this rule.

(3) Reductions for exempt inventory as provided in 50 IAC 4.3-12.

(4) The adjustments, if any, required as a result of the election of the elective inventory valuation method as provided in section 6 of this rule or the average inventory methods as provided in sections 7 and 8 of this rule. *(Department of*

Local Government Finance. Affected: 50 IAC 4.3-5-10)

SECTION 5. Thirty-five percent (35%) of the adjusted cost of inventory, as determined pursuant to SECTION 4 of this document, shall be allowed as a valuation adjustment for Indiana property tax purposes. This adjustment is in lieu of all other valuation adjustments. The amount of this adjustment constitutes an inventory valuation reserve to provide for the normal valuation aspects provided by statute. The prices for grain prescribed by the department of local government finance pursuant to 50 IAC 4.3-7-1 are computed using the alternative method (50 IAC 4.3-5-6), therefore, the thirty-five percent (35%) valuation adjustment will not be allowed for grain. (Department of Local Government Finance. Affected: 50 IAC 4.3-5-10)

SECTION 6. The true tax value of inventory is determined by subtracting from the adjusted value of inventory, as determined in SECTION 4 of this document, the valuation reserve computed in accordance with SECTION 5 of this document. (Department of Local Government Finance. Affected: 50 IAC 4.3-5-10)

SECTION 7. (a) Tangible personal property, other than inventory as defined in 50 IAC 4.3-1-1(7), with a tax situs within the state on the assessment date that has not been placed into service must be reported for property assessment purposes.

(b) The following definitions apply throughout this section:

(1) "Construction in process" means tangible personal property not placed in service. The term does not include the inventory of a contractor that is not a part of the real or personal property under construction. A contractor's inventory must be valued and reported as provided in 50 IAC 4.3-5.

(2) "Tangible personal property not placed in service" means all property that has not been depreciated and is not eligible for federal income tax depreciation under 26 U.S.C. § 167 on the assessment date. Real property as defined by law and rules of the state board, inventory, leased property, returnable containers, and property normally assessed as inventory and held in abeyance or stored temporarily, and which possession may be transferred to another person to be attached to or become a part of an asset are not included in this category.

(c) The value of personal property not placed in service is the cost recorded on the taxpayer's books and records that is attributable to such personal property, including all expenses incurred in acquiring or producing the assets not yet placed in service, such as in the following cases:

(1) The cost as recorded on the regular books and records of the taxpayer 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.

(2) The cost as recorded on the regular books and records of the taxpayer reflects advance payments or deposits, and if such amounts were attributable to tangible personal property, these amounts shall be allowed as a deduction from book cost.

(d) The true tax value of tangible personal property not placed in service as defined in subsection (b)(2), is ~~eighty-seven (87%)~~ **ten percent (10%)** of the cost of such property. *(Department of Local Government Finance. Affected: 50 IAC 4.3-6-1)*

SECTION 8. SECTIONS 1 through 7 of this document expire on the earliest of the following:

(1) The date that another temporary rule adopted under HEA 1001ss, SECTION 194(g) supersedes this document.

(2) The date that permanent rules adopted under IC 4-22-2 supersede this document.

(3) January 1, 2004.

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