

#WeAreDOR

Indiana Department of Revenue

2018 Annual Report



Our Mission

To serve Indiana by administering tax laws in a fair, secure and efficient manner.

Our Vision


To be recognized as the premier tax administrator in the nation and a great place to work.





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October 1, 2018
The Honorable Eric J. Holcomb
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204

Dear Governor Holcomb,

Pursuant to Indiana Code § 6-8.1-14-3, it is my pleasure to submit to you the Indiana Department of Revenue's (DOR) annual report for Fiscal Year 2018 (July 1, 2017 – June 30, 2018, hereinafter referred to as "FY 2018"). Another year has passed, but DOR's core objective remains the same: to take DOR to the next level by delivering best-in-class customer service in tax administration.

As you know, the transformation of a government agency can take several years; for some, it never comes to fruition for a variety of reasons, not the least of which are rooted within outdated technology, lack of employee buy-in and/or general resistance to change. Agencies modernize their technology infrastructure, place renewed emphasis on operations or customer service and/or try to rebuild their culture – yet, there are times it just does not take hold. In just under two years since you bestowed the incredible honor and opportunity upon me to lead DOR, I have witnessed a remarkable turnaround, led by a collection of more than 600 public servants who know their mission is *to serve Indiana* by administering tax laws in a fair, secure and efficient manner. Collectively, we strive to be recognized as the premier tax administrator in the nation and a great place to work, and – thanks to your leadership – we possess a fundamental understanding that our overall purpose in doing what we do each day is to deliver great government service at a great value to Hoosiers. I trust this commitment will be self-evident through the contents of this report.

Near the close of FY 2018, DOR officially launched Project NextDOR, the newly-branded, multi-year modernization and complete replacement of our legacy information technology system that has served as DOR's system of record for 22 years. In partnership with FAST Enterprises, we have begun the journey to install and eventually offer state-of-the-art technology to our customers, allowing Hoosier businesses and individuals, as well as DOR employees the opportunity to enjoy transaction processing and access to data and information like never before. We have spent the past two years laying the groundwork for Project NextDOR. This has gone well beyond just gathering technical requirements and procuring a new system that will be delivered by FAST Enterprises. To be fully ready to modernize the agency, we needed to build a rock-solid base of leadership, people, and likely the most important piece: the culture of DOR. In an environment that is predictably resistant to change, DOR features a cohesive team of energetic public servants excited about the future, knowing our best days are still to come, ready for an integrated tax system that will allow us to better serve Hoosiers and genuinely have fun (one of our core values discussed in this report) as we take on the challenge and enormous responsibility of delivering great government service.

The founder of the Josephson Institute of Ethics once said, "Take pride in how far you've come. Have faith in how far you can go. But don't forget to enjoy the journey." At DOR, we adhere to each component of Michael Josephson's quote, inspired by the cause and motivated to have positive interactions with Hoosiers while playing our role in the overall process of Indiana state government.

Best regards,



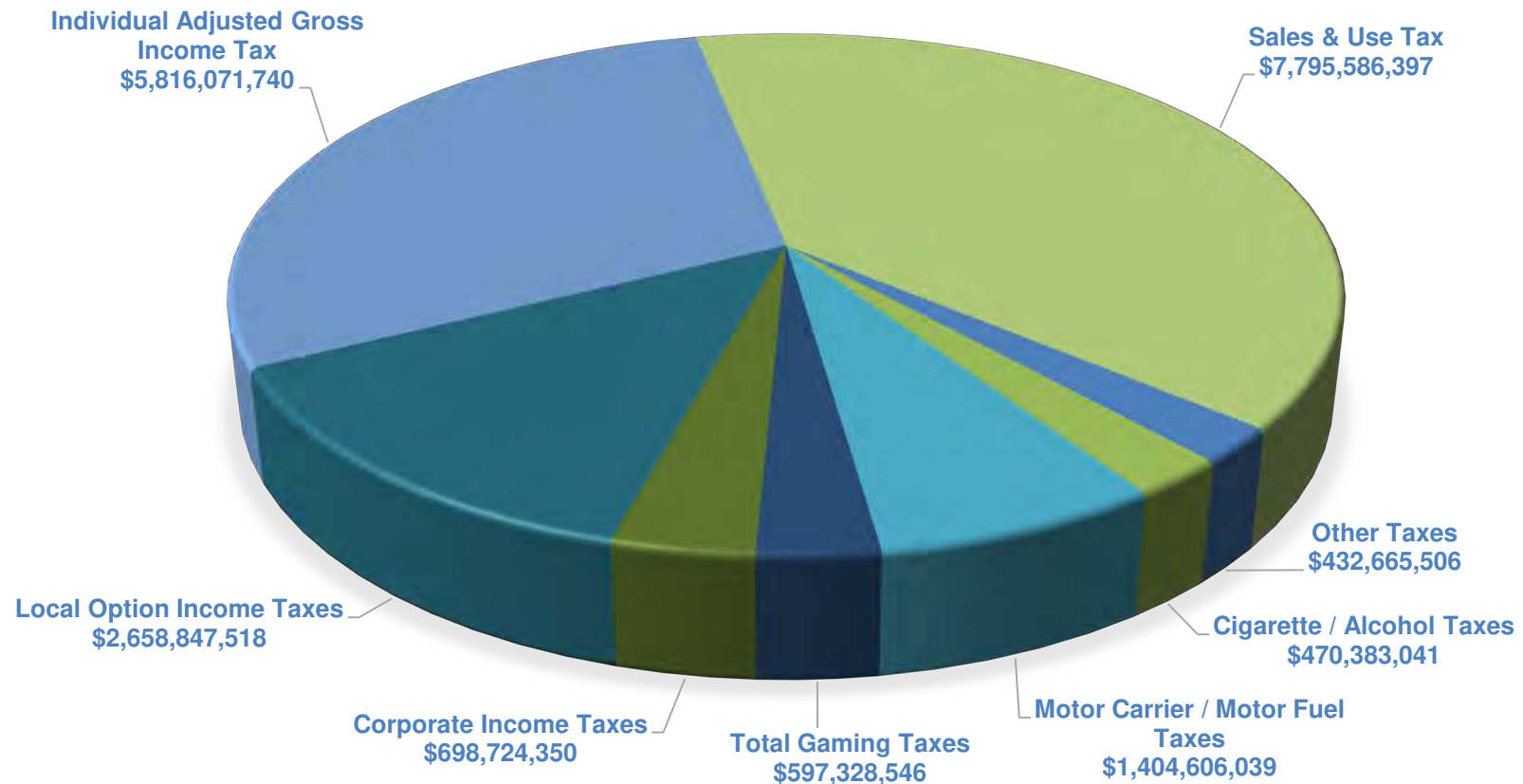
Adam J. Krupp
Commissioner



Adam J. Krupp,
Commissioner

Summary of Fiscal Year 2018 Tax Receipts

IN FY 2018, THE INDIANA DEPARTMENT OF REVENUE COLLECTED AND PROCESSED NEARLY \$20 BILLION FROM MORE THAN 65 ACTIVE TAX TYPES.

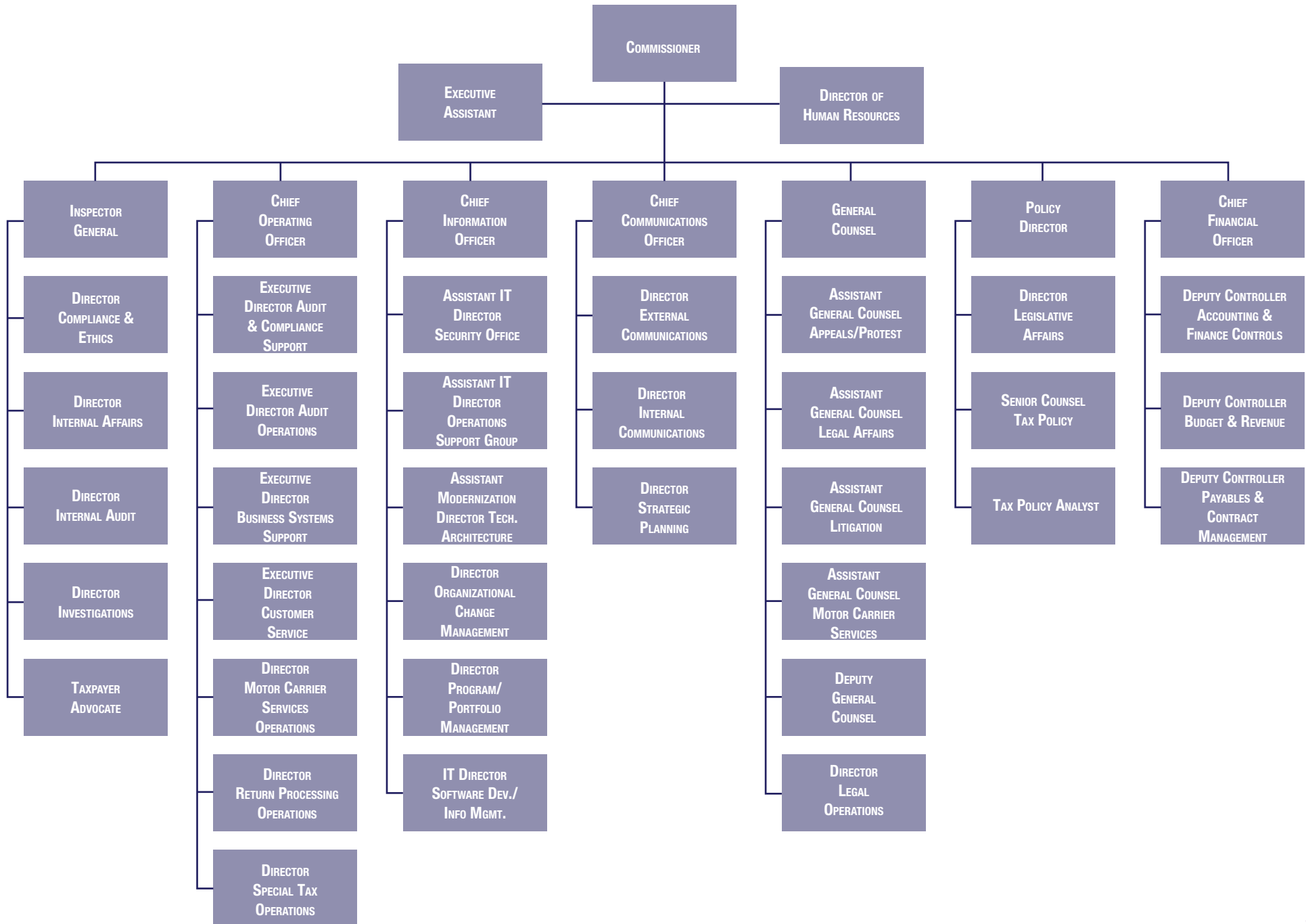


Total: \$19,874,213,137

Other Taxes include: Aircraft Tax, Alternative Fuel Tax, Auto Rental Excise Tax, Aviation Fuel Tax, County Innkeepers Tax, Financial Institutions Tax, Food and Beverage Tax, Gasoline Tax, Inheritance Tax, Marion County Admissions Tax, Motor Vehicle Excise Tax, Pari-mutuel Wagering Tax, Petroleum Severance Tax, Public Utility Tax, Special Fuel Tax, Supplemental Wagering Tax, Utility Services Use Tax and Utility Receipts Tax.

(Note: Dollars collected for each tax type can be found on pages 68 and 69.)

Organizational Chart



Department Leadership

From left to right:
General Counsel
Patrick Price, Chief
Information Officer Kevin
Gulley, Chief Operating
Officer Bob Grennes,
Policy Director Chris
Russell, Commissioner
Adam Krupp, Human
Resources Director Casey
Spivey, Chief Financial
Officer Ed Vance, Chief
Communications Officer
Emily Landis and Taxpayer
Advocate Tammy Jones.

Not pictured: Inspector
General Dwaine Brinson



Adam J. Krupp, **Commissioner**

Adam Krupp was appointed Commissioner by Governor Eric Holcomb in January 2017. Before joining DOR, Adam served as General Counsel for the Bureau of Motor Vehicles, Special Counsel to the Office of Governor Mike Pence and as Deputy Director and Counsel for Indiana's Division of Family Resources. Adam also clerked for the Honorable Paul D. Mathias of Indiana's Court of Appeals. A native of Rockledge, Florida, Adam grew up in Plymouth, Indiana and graduated from Plymouth High School before earning his bachelor's degree in Speech Communication and Theatre Education from Purdue University and his J.D. from Indiana University's Robert H. McKinney School of Law.

Dwaine E. Brinson, **Inspector General**

Dwaine Brinson serves DOR as Inspector General. Prior to joining state government, he started his career with the federal government in Chicago as an Internal Auditor with the Internal Revenue Service. He later served as the Special Agent in Charge for the Treasury Inspector General for Tax Administration's Chicago field office for two years. He directed the Chicago Field Division operations with direct supervision for 42 investigators, managers and administrators. A native of Chicago, Dwaine holds a degree in Accounting from Roosevelt University.

Bob Grennes, **Chief Operating Officer**

Bob Grennes is DOR's Chief Operating Officer with extensive experience as an enterprise-wide operational manager and executive leader. He is an organization and service operations engineer with a passion for building and nurturing healthy, successful and continuously improving organizations. During Bob's private sector career, he led information technology departments, financial service business operation divisions, organizational development and modernization initiatives in high-volume and high-complexity industries. He also played a transformational role in the growth and improvement of projects, teams and organizations in a variety of executive positions.

Kevin Gulley, **Chief Information Officer**

Kevin Gulley serves as the Chief Information Officer for DOR. Kevin has extensive experience as an information technology and operational leader in both public and private sector organizations. Prior to joining the department, Kevin served as the Vice President of Health and Corporate Systems at Conseco Insurance Companies. Kevin earned his bachelor's degree in Quantitative Business Analysis from Indiana University and his MBA from Butler University.

Tammy Jones, **Taxpayer Advocate**

Tammy Jones serves DOR as the Taxpayer Advocate. She joined the agency in 1989, and has served customers in the Taxpayer Advocate's Office, Customer Service, Bankruptcy and Legal divisions. She currently is involved with the Commissioner's Tax Advisory Council and serves as a subject matter expert with Project NextDOR.

Emily Landis, **Chief Communications Officer**

Emily Landis serves DOR as the Chief Communications Officer. Emily has nearly 10 years of state experience working in communication and marketing roles in various agencies. She previously served as the Director of Public Programs for the Bureau of Motor Vehicles, Director of Marketing for the Department of Workforce Development and Deputy Press Secretary for the Indiana House Republican Caucus. She graduated from Ball State University with degrees in Public Relations and Communications.

Patrick Price, **General Counsel**

Patrick Price serves as the General Counsel for DOR. After graduating from Yale Law School, Patrick served as a Deputy Prosecutor in Hamilton County, and then clerked for the Southern District of Indiana and the Tenth Circuit Court of Appeals for, then Judge, Neil Gorsuch. Patrick worked at Barnes and Thornburg for more than six years, where he focused on employment law and complex litigation. Most recently, Patrick worked as General Counsel for both the Indiana Bureau of Motor Vehicles and the Indiana Office of Technology.

Chris Russell, **Policy Director**

Chris Russell serves as Policy Director for DOR. Chris previously served as Deputy General Counsel at the Bureau of Motor Vehicles. Prior to working with the state, Chris operated a private law practice focused on general corporate/business matters including contract review and drafting, licensing, intellectual property and business forecasting/planning. Chris earned his bachelor's degree from DePauw University in Music and Business and his J.D. from Indiana University's Robert H. McKinney School of Law.

Casey Spivey, **Director of Human Resources**

Casey Spivey serves DOR as the Director of Human Resources. She worked in Human Resources for the Indiana State Personnel Department for six years, and has served a number of agencies including the Department of Revenue, Department of Local Government Finance, Department of Correction and Lieutenant Governor's Office. Before joining the Indiana State Personnel Department, she attended Indiana University's Kelley School of Business where she earned a bachelor's degree in Human Resources Management and Business Management.

Ed Vance, **Chief Financial Officer**

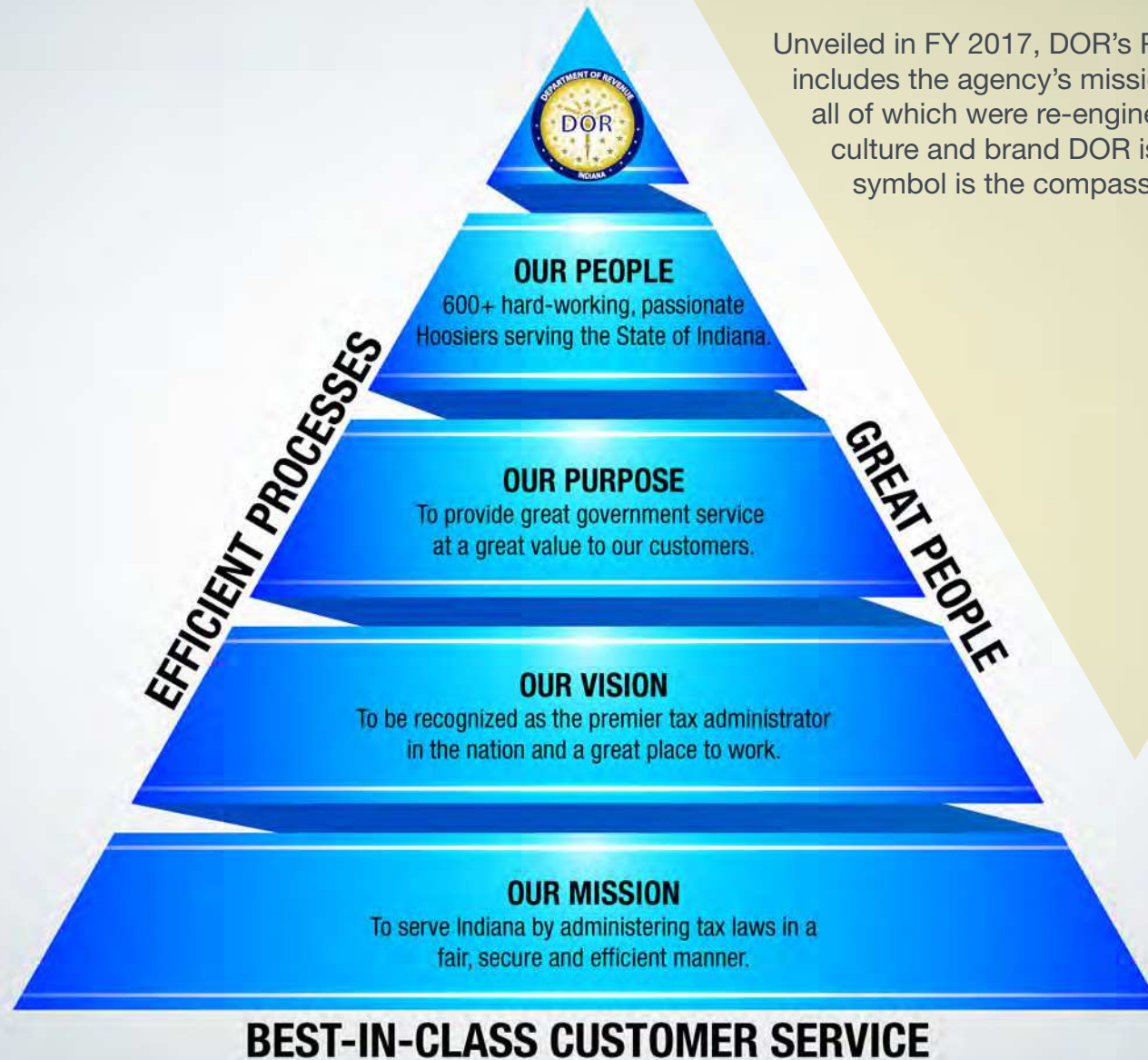
Ed Vance serves DOR as Chief Financial Officer. After obtaining his MBA on fellowship from the Indiana University School of Business, Ed worked for Eli Lilly & Company as a Senior Financial Analyst with responsibility for more than \$1.25 billion global research and development budget and a \$75 million capital budget. Ed spent the next six years in the banking industry at JP Morgan Chase where he obtained valuable experience in treasury services and commercial and industrial lending.



Administrative Assistant to COO Bob Grennes, Barb Tuttle (left) and Executive Assistant to Commissioner Krupp, Jane Graham (right).

Our Pyramid of Excellence

Unveiled in FY 2017, DOR's Pyramid of Excellence includes the agency's mission, vision and purpose, all of which were re-engineered to capture the culture and brand DOR is building upon. This symbol is the compass for our organization.



Our Core Values



In conjunction with our journey to cultivate a healthy organizational culture, we embarked on a project to identify our organization's core values in FY 2018. Through the collaborative work of DOR team members across the agency, eight core values were identified (listed to the left).

These values are utilized in DOR's recruiting, onboarding, training and performance management systems. They are also key components of our employee recognition and reward programs.



Modernization Initiative

With the support of Governor Holcomb, Indiana's General Assembly and the entire DOR staff, DOR is embarking on a once-in-a-generation opportunity to modernize our current tax systems and all related business processes.

DOR's legacy system, the Revenue Processing System (RPS), has served DOR well for over two decades, but struggles to support the volume and complexity of current revenue operations. RPS is also difficult and costly to maintain and does not support the types and levels of service expected by customers and business partners. Given the technologies available today, DOR has an opportunity to transform the way DOR services are provided.

DOR has initiated Project NextDOR to implement the best, most efficient tax system at a reasonable cost to Hoosiers. The project will seamlessly transition DOR into the future of tax administration and customer service. The mission and goals of Project NextDOR are in perfect alignment with DOR's Pyramid of Excellence. The project's mission is, "To modernize business processes and technologies to deliver industry-leading, customer-centric services that enhance transparency, accuracy and compliance while facilitating continuous improvement." The major goals include best-in-class customer service, industry-leading service offerings, effective controls, audit integrity and increased operations efficiency and effectiveness.

During the 2017 legislative session, the project's funding was secured and a dedicated Integrated Tax System (ITS) modernization team was formed to lead the four-year implementation. This team led the daunting work of securing the valuable time from more than 80 DOR subject matter experts (SMEs) to identify and document over 2,000 business processes. The team also gathered current barrier and new requirement information from DOR business partners and tax practitioners. This detailed work resulted in the development and publishing of a very detailed Request for Information (RFI) and formal Request for Proposal (RFP) in March and June of 2017, respectively – with vendor presentations and solution research occurring in between.

FAST Enterprises, the worldwide leader in revenue administration system solutions, was selected in early 2018 to provide and implement DOR's new mission-critical tax processing system. FAST has successfully implemented their proprietary software in over half of the United States and several more locations around the world.

(continued)



Project NextDOR Team

PROJECT NEXTDOR

DOR team members have conducted extensive due diligence by traveling to other states who are using FAST's system to assemble best practices, obtain lessons learned through implementation and develop a successful plan for Indiana.

Over the next four years, DOR will completely modernize all tax administration, customer service delivery and corresponding business processes. Among the many benefits, a few system highlights include:

- » An enhanced online customer portal to allow Hoosiers to view past payments and returns;
- » Electronic filing of all corporate returns that today are still submitted on paper;
- » The ability to file amended (or corrected) returns electronically; and
- » Validation and transparency of revenue disbursements and reporting to local units of government.

This implementation, which comes with a contract price tag of \$60 million, not including post-implementation support and maintenance for the years that follow, will occur in four phases. The first phase is scheduled to go into production during the fall of 2019. Internal and external costs for expenditures, such as independent verification and validation (IV&V), change management, backfill contractors, audit and internal control review and design services will result in an overall project cost during the four year implementation period of approximately \$90 million.

When successfully finished, Project NextDOR will completely transform the way DOR performs all of its diverse and complex processes, in addition to the way employees conduct their work each day and the way Hoosiers interact with us. DOR teammates have prepared for the past two years, creating and mapping out strategies to best inform all users and stakeholders of the new features as they become available with each particular phase of implementation.



The Future of Sales/Use Tax

In the 1992 matter of *Quill v. North Dakota*, the U.S. Supreme Court ruled that a business must have a physical presence in a state for that state to require the business to collect sales tax. On June 21, 2018, in the matter of *South Dakota v. Wayfair*, the U.S. Supreme Court overturned *Quill*, by ruling that sellers who do not have a physical presence within a state can be required to collect and remit sales taxes in states where they meet certain economic thresholds.

In declaration of Indiana's position on the same issue, the Indiana General Assembly previously passed HEA 1129 (2017) to mirror South Dakota's law by requiring sellers without a physical location in Indiana to obtain a Registered Retail Merchant Certificate, and to collect and remit applicable sales tax if the sellers meet either or both of the following conditions in the current or previous calendar year:

1. Gross revenue from sales into Indiana exceeding \$100,000; or
2. 200 or more separate transactions into Indiana.

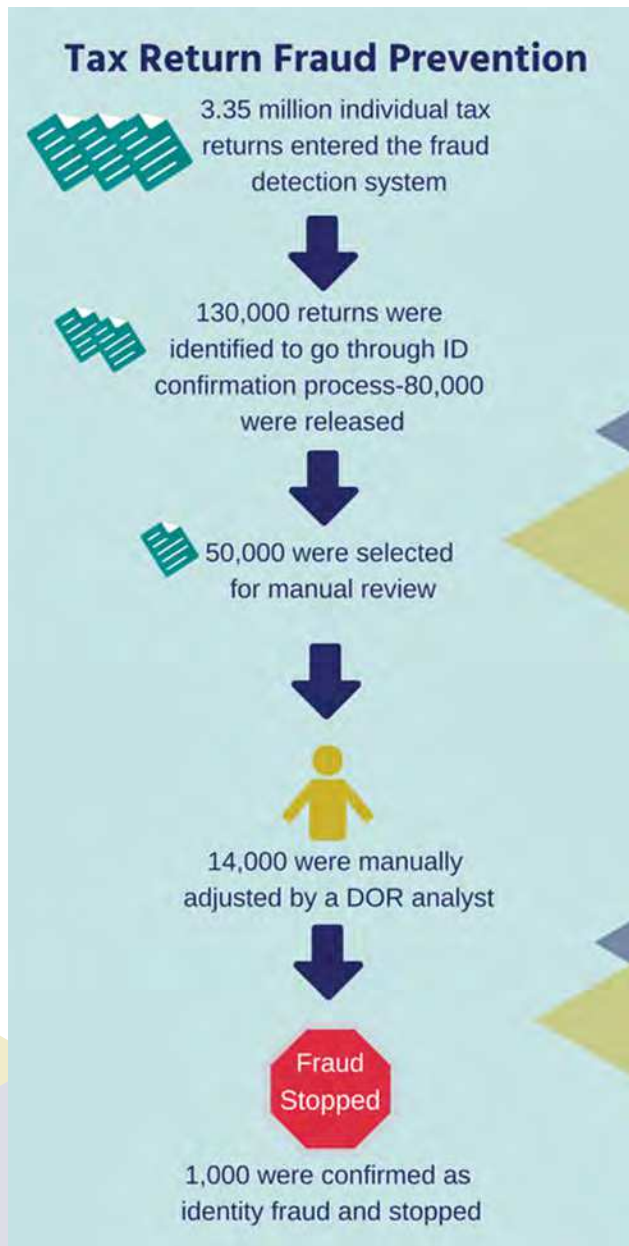
This landmark decision has resulted in DOR staff across the agency – including audit, communications, customer service, information technology, legal, policy and processing operations – developing and executing plans for Indiana to accommodate the additional taxpayers from outside the state who will be collecting and remitting the tax to Indiana when DOR implements this historic administrative change on October 1, 2018.

DOR has partnered with tax practitioners, state tax associations and sister states to identify and address the many complexities and nuances of the *Wayfair* decision, and to develop best practices. DOR has developed and published detailed information, guidance and FAQs to promote education and compliance, while also performing data analysis. DOR is performing data analytics to identify out-of-state sellers and preparing to proactively contact them to provide registration and filing guidance.

DOR's customer service team is developing capabilities to provide timely assistance and our audit team is developing plans to ensure compliance. This major initiative has been and will continue to be, a significant new DOR initiative requiring the investment of key resources across the agency.



ID Protection and Fraud Prevention



Indiana is considered a national leader in identity protection and tax refund fraud prevention. Since fraud schemes are continuously evolving and growing more sophisticated, DOR continues to make major investments in fraud operations. The results have been impressive as DOR's identity and refund fraud protection program has stopped over \$119 million in refund theft since its inception in 2014. Through the deployment of the latest technology, partnerships with other revenue agencies and building an advanced team of fraud specialists, Indiana's fraud program will continue to deliver impressive results.

DOR's program is able to continuously evolve by our efforts to enhance detection logic, improve verification and research processes, take advantage of industry best-practices and utilize industry-leading technology to stop tax fraud. In addition, DOR partners with the IRS, state agency consortiums and industry-leading fraud experts.

As DOR's fraud program matures, the 2018 DOR fraud team has initiated several new fraud detection and prevention programs. The biggest fraud prevention program successes of 2018 were the Schedule C business expense and the excess withholding verification programs. The Schedule C verification program introduces a new level of audit of the profit and/or loss amounts reported on an individual's federal Schedule C form. Depending on amount reported and ratio analytics, returns are selected for a desk audit. Once records are provided by the filer (which are required to be retained), they are reviewed and filing amounts are verified and/or adjusted. This program has been a major success as over \$5 million in errors have been identified and corrected in 2018. Additionally, filer education will improve accuracy and compliant filings in the future.

Using similar data analytics, the excess withholding program identifies individuals who appear to have incorrectly reported their tax withholdings, either by error or in an attempt to get a larger refund. This program has identified and adjusted more than \$1.1 million in excess refunds in 2018. In addition, the fraud team is examining prior year returns and making identified adjustments.


Additionally, DOR improved existing programs, such as the ID confirmation quiz, which resulted in a shorter quiz with more precise questions. The quiz was also sent to over 133,000 fewer people this year due to enhanced selection logic.


DOR's role of protecting Hoosier identities and stopping refund fraud is integral to a successful tax program and this role is taken seriously. DOR is proud of our fraud program and its results. Continuous improvement is fundamental to the growth of this program and in 2019 DOR will continue to exhibit new program enhancements while continuing to be a leader in stopping refund fraud throughout the nation.


Being a True Team – Being Part of Something Special – Being a Great Place to Work

DOR's vision was updated in 2017 to read: To be recognized as the premier tax administrator in the nation and a *great place to work*. This new vision may sound peculiar for a state government agency, and it may also not be the common perception that working for state government should be energizing, rewarding and fun.

The 600+ DOR team members believe that is exactly what our work environment should be and DOR cares deeply about making it that way. FY 2018 was a year of non-stop work driving towards our vision, including:

 Team building, collaboration and communication activities were conducted throughout the agency. This includes quarterly agency meetings that are attended by staff members from all departments and locations in person, via live broadcast and through a video link.

 While staff from all 11 District Offices attend the agency meetings in person, we also take this show on the road. Commissioner Krupp, Chief Operating Officer Bob Grennes and selected staff members visit every district office to meet with staff, share updates, answer questions and gather information to incorporate into future plans.

 Celebrating success is at the very heart of DOR's culture and we take every opportunity to do so. Throughout FY 2018, DOR team members celebrated birthdays, retirements, service anniversary milestones, holidays, Customer Service Week, Public Service Recognition Week, sporting events, project successes, Employee of the Month winners and so much more. While our work expectations are high and our commitment to doing great work is strong, we also know that enjoying our time at work and the people we work with is critically important.



Team members pass beach balls around while listening to music to kick off one of our quarterly agency meetings.



Commissioner Krupp and COO Bob Grennes take a selfie with team members.



We continued recognizing and celebrating difference-making performance by our team members through the Employee of the Month, Employee of the Year and DOR Prize programs. These programs highlight performance of individuals and teams, while also reinforcing key components of our culture and supporting our core values.



After completing an in-house designed employee survey in 2017, in FY 2018 DOR partnered with Energage to participate in the Indianapolis Star Top Workplaces employee engagement survey program. This more scientific program, administered by a skilled employee engagement organization, achieved an outstanding 86 percent participation rate and provided DOR leadership with open, honest and anonymous feedback on areas of strength and opportunities for improvement. Results were analyzed, shared with staff and input into a number of improvement programs.

Healthy organizations have a culture and environment that produce better results, are continuously improving, have satisfied customers and involve employees who love their jobs. We are proud of the work we do every day to invite our team to enjoy their jobs, like the team members they work with and be part of something special. While this work is never ending, we made important progress in FY 2018.



Terre Haute District Office team members show off their Indiana Pacer's pride while displaying the Pyramid of Excellence.



The Communications team and Commissioner Krupp having fun during the Indianapolis 500 Mini-Marathon festivities.



Commissioner Krupp and team members put their game faces on while playing croquet at a pitch-in.

Spotlighting DOR Employees

The Employee of the Month is a peer-to-peer recognition program spotlighting employees who exhibit excellence by going above and beyond day-to-day job responsibilities.

Each month, employees nominate team members they believe deserve to be recognized for exemplifying the agency's mission and demonstrating customer service, teamwork, leadership, innovation and organization/efficiency.

Winners are personally recognized and congratulated by Commissioner Krupp, and receive a framed certificate and spot bonus.

Those recognized as an Employee of the Month are considered for the prestigious Employee of the Year award. The Employee of the Year is recognized at an all-agency meeting and presented with a trophy.



Top: Charlotte Allen, Bankruptcy
Middle: Jeff Raney, Tax Policy
Bottom: Alex Rodriguez & Mayra Rodriguez, Taxpayer Assistance



Top: Darlie Genrich receiving the "Employee of the Year" award for 2017.
Bottom Left: Iris Griggs, Customer Service and Jenny Dulworth, Customer Service
Bottom Right: Daniel Cline, Audit Operations

Job Expertise Training (JET) Program

Becoming a Learning Organization

Healthy organizations are continuously making investments in the personal and professional development of their employees and DOR is very proud to be one of those organizations. During FY 2018, DOR made significant investments in the training and development of team members across the agency. These investments are setting a learning organization foundation that will improve organizational performance, customer service and employee engagement, short and long-term.

FY 2018 training and organizational development investments included adding training professionals in key business units across the agency, expanding the access and usage of Lynda.com training for all DOR team members, the rollout of executive leadership education, implementation of a variety of customer service skill development programs and the development and implementation of a first-ever Customer Service training program titled the Job Expertise Training (JET) program.

The JET program is a five-week, high-energy and engaging learning environment designed to provide new Customer Service team members the knowledge and skills they require to successfully provide outstanding customer service. JET was designed utilizing a variety of learning, practicing and role playing techniques to accommodate all learning styles. This education equips new team members with thorough information on tax laws, DOR operational processes, DOR systems and the science of delivering best-in-class customer service. JET provides our front-line team members with the knowledge they require to handle the diverse and complex issues presented to Customer Service.

In conjunction with JET, DOR has also developed new programs for Customer Service quality assurance, improved procedure development and documentation, implemented communication systems to communicate issues across all locations and conducted teamwork initiatives to collaborate on the identification and resolution of issues.

A learning organization never stops learning and DOR is building on our success from FY 2018. Work is in progress on improving JET, offering JET modules to experienced team members and capitalizing on the JET materials for deployment in other key business areas. DOR is also working on additional training and skill development programs across the agency.



COO Bob Grennes with the training team for the JET Program.



Several JET participants hard at work.

Quarterly Staff Meetings

Each quarter, DOR's staff comes together to celebrate individual and team accomplishments, stay informed on all things tax administration and promote fellowship. Staff members also learn about upcoming events, projects and initiatives, partake in staff recognition and hear from various division leaders.

DOR has been conducting these quarterly meetings since Commissioner Krupp arrived; however, they took on a new purpose in 2018. Not only were we able to get the meetings broadcasted live on our internal website to allow employees who are unable to attend in-person to watch from their computers, but we made the meetings more fun to encourage participation. In 2018, rarely could you find an open seat in the government center's auditorium during each meeting. We brought in guest speakers so our team could hear from their state leaders. Speakers included Governor Eric Holcomb, Secretary of State Connie Lawson and State Treasurer Kelly Mitchell.



Right: Governor Eric Holcomb receives a special DOR shirt for First Dog Henry.



Commissioner Krupp takes a selfie on stage with Indiana State Treasurer Kelly Mitchell.



Commissioner Krupp introduces Indiana Secretary of State Connie Lawson as a guest speaker.



#DORGivesBack

As proud public servants, DOR employees are committed to serving Indiana by giving back to our customers, teammates and the community. The #DORGivesBack program is one of many ways to accomplish that mission. The program is an agency-wide volunteer initiative encouraging DOR employees to engage their team in volunteerism at the workplace and model service, as one of DOR's core values. #DORGivesBack has become an amazing opportunity for DOR employees to volunteer as a unified organization while also supporting Indiana charitable organizations.

In 2018, DOR volunteered hours with Habitat for Humanity by building homes for families, cleaning and landscaping properties for HVAF of Indiana and building bicycles for foster children with the Boys and Girls Club.

To encourage volunteerism through #DORGivesBack, Commissioner Krupp set a goal to engage at least 20 percent of DOR's employees in the agency-wide volunteering program within its first year. In FY 2018, 139 DOR employees gave back to Indiana with approximately 550 hours of volunteer service, which reflects a positive, kind and enthusiastic trend in DOR's community outreach—and exceeded the Commissioner's original goal.

DOR will continue to take public service to our customers, teammates and community to the next level!



DOR team with a completed Habitat for Humanity house.



Communications staff building bikes for foster kids through the Boys & Girls Club.



DOR team members volunteering their time at HVAF of Indiana.

Summer Internship Program



DOR is committed to providing valuable, challenging and exciting first-hand experiences through our various internship programs. DOR offers the Governor's Public Service Summer Internship program, pro bono internships and externships for credit. One of the primary objectives of DOR's internship program is to provide well-rounded educational experiences and enriching interagency opportunities.

DOR received approximately 130 applications from candidates across the nation. Thirteen individuals were selected to serve in our Legal, Compliance and Ethics, Tax Policy, Motor Carrier Services, Finance, Internal Audit and Strategic Planning areas. Eight were Governor's Public Service Summer Interns, four pro-bono internship positions and one externship for credit. The 2018 intern class included students from Indiana University, IU Maurer School of Law, IU Robert H. McKinney School of Law, Michigan State University, Ohio Northern University, Purdue University, University of Indianapolis, University of Iowa and Valparaiso University Law School.



The 2018 internship experience included a state leadership luncheon for DOR interns and tours at the Treasury of State and Indiana Tax Court. In addition, interns were given exclusive sessions with state leaders, such as Treasurer Kelly Mitchell, Auditor Tera Klutz, Judge Martha Blood Wentworth and various agency leaders to learn from their career path, unique role in public service and best practices. Interns also had the opportunity to serve the local community with Commissioner Krupp and DOR employees by volunteering with the #DORGivesBack program at HVAF of Indiana.

As DOR expands opportunities throughout the agency, DOR will continue to improve ways to offer interns one of the most diverse, inclusive, vibrant, fun and challenging internship programs in state government.



Top: DOR team members hosted the interns at the Indianapolis Indians game.
Middle: Interns take a selfie with COO Bob Grennes during a tour of DOR.
Bottom: Interns visit with Indiana Tax Court Judge Martha Blood Wentworth.



Interns participating in a #DORGivesBack volunteer initiative with HVAF of Indiana.



Interns take a selfie with Commissioner Krupp and Director of Strategic Planning Azalea De Ford.

Building Collaborative Relationships

Serving Indiana is at the foundation of our mission and providing best-in-class customer service is woven into everything we do. We work hard to treat every customer, partner and stakeholder - regardless of situation - with empathy and respect, striving to be seen as an ally, not an adversary. We have implemented improvements in this key area in FY 2018 and we are receiving very positive feedback from organizations and individuals who used to feel more like adversaries.

Below are a few highlights of enhancements we have made to develop new, and improve current, collaborative and mutually beneficial relationships. All of this work has resulted in better understanding, more efficient processes and improved relationships – important investments that pay off both short and long-term.

Commissioner's Tax Advisory Council

At the end of 2017, Commissioner Krupp established the first-ever Commissioner's Tax Advisory Council. This diverse group of 14 professionals serves a critical role in connecting DOR to business leaders, tax experts and interested Hoosiers who care deeply about effective tax administration. The council meets quarterly with the Commissioner, DOR senior executives and key DOR staff. Their collaborative work is helping shape the future of efficient tax administration by providing input regarding agency communications, operations, policies and legislative proposals.



Top/Bottom: Commissioner Krupp hosting Tax Advisory Council members.



The meetings have been lively, engaging and very productive. Council members have been able to engage with staff across the agency, tour our customer service and processing centers, hear from our Taxpayer Advocate team and openly discuss a variety of state and national tax topics. Volunteering their valuable time, sharing their impressive knowledge and providing priceless guidance, council members have been instrumental in helping DOR continue to find ways to improve the services it provides and achieve its mission and vision.

(continued)

Working Collaboratively with Tax Practitioners across the State

Tax practitioners play a critical role in serving Indiana taxpayers and ensuring compliance with Indiana tax laws. They also are an invaluable source of information on tax processing inefficiencies and the design of system and service improvements. During FY 2018, DOR leaders met regularly and opened new lines of communications with the Indiana CPA Society and their nearly 8,000 members. They also traveled the state to meet with tax practitioners in each District Office region, including the Notre Dame Clinical Law Center and Indiana Legal Services in Bloomington. With open communication and transparency as our guide, DOR team members listened openly to tax practitioner input, addressed questions and concerns, shared information about organizational and process improvements and shared plans for the Project NextDOR modernization effort. The benefits for all parties have been significant and the feedback received has been extremely positive.

Improving Education and Guidance

Providing helpful information and guidance on tax issues and agency processes improves understanding, processing efficiencies and compliance. In the past year, DOR developed and published new and improved information on our website via news releases, on social media and through blogs and publications. In addition, DOR leadership and staff provided training and spoke regularly at events across the state to build relationships, tell the DOR story, address questions, solve problems, gather input on areas of frustration, obtain ideas for improvement and open productive dialogues.



Commissioner Krupp and COO Bob Grennes visiting Frank DiPietro, Director of the Low Income Taxpayer Clinic, and his team at Indiana Legal Services, Inc.



Commissioner Krupp and COO Bob Grennes visiting with the team at the Notre Dame Clinical Law Center.

Annual Public Hearing

Pursuant to Indiana Code § 6-8.1-14, DOR holds an annual public hearing to gather feedback from the public as part of the Taxpayer Bill of Rights. DOR held the hearing at the end of the fiscal year on June 19, 2018. Due to the many promotional efforts, something new for the Department, the number of attendees tripled compared to previous years. In addition, DOR was able to live stream the hearing to ensure interested individuals could hear from the Commissioner even if they were unable to attend in person.

During the hearing, Commissioner Krupp focused the agency update on DOR's five priorities of FY 2018 – customer service, culture, compliance, collaboration and continuous improvement. He received positive feedback from several attendees regarding the agency's overall improvements and the rebranding of the DOR image. In particular, DOR was complimented on its improved customer payment plans and the work to make low-income residents able to remit taxes efficiently.

For more information regarding the DOR annual public hearing, visit www.in.gov/dor and click "Legal Resources."

"You've thoughtfully listened and sincerely considered our stories and our recommendations for change. I sincerely appreciate the work you've done over the past year in particular your engagement with us," said Patrick Thomas, Director of the Notre Dame Tax Clinic



Left: Commissioner Krupp and executive staff listen to attendees speak during the annual hearing.
Middle: Policy Director Chris Russell speaks with attendees.
Right: Patrick Thomas, Director of the Notre Dame Tax Clinic speaks during the annual hearing.

DOR works closely with the Internal Revenue Service (IRS) in working toward our common goal of administering tax laws fairly, securely and efficiently. Every three years, the IRS performs an on-site audit of DOR's security policies and practices to confirm the agency is keeping taxpayer information safe.

The IRS spent three days visiting DOR's Central Office, Motor Carrier Services facility, Columbus District Office and state printing facility along with the Indiana Office of Technology, where they reviewed policies, observed physical security measures, interviewed dozens of employees and ran tests on computer systems.

In the year leading up to the audit, DOR teamed up with other Indiana agencies who also receive Federal Tax Information. In preparation for this audit, DOR answered thousands of questions and provided hundreds of documents to the IRS to make sure DOR and the IRS were as prepared as possible to make the audit process run efficiently. Before the official audit preparation began, every DOR employee contributed to our security team efforts to ensure tax information was being processed securely. The results of all DOR's hard work were immediately apparent to the IRS staff.

Throughout the audit, the IRS team complimented DOR on how well prepared and how great our hospitality was. During the closing meeting, the IRS staff stated this was one of the best reviews their team had ever completed. They also reported Indiana had set the standard not only for preparation and hospitality, but also for our security and commitment to keeping customer information safe.

As expected, we've received recommendations on areas to improve on and will continue to work hard, as a team, to make sure our processes are the best balance of security, customer service and efficiency.

During the closing meeting, the lead IRS representation stated this was one of the best reviews their team had ever completed. They also reported Indiana had set the standard not only for preparation and hospitality, but also for our security and commitment to keeping Hoosier information safe.



DOR working with the IRS team and various other state agency members.

The People that Make the Magic

The following sections provide an overview of each DOR division. During FY 2018, each of these teams challenged themselves to improve all of their critical functions including leadership, organizational health, employee engagement, customer service, operational efficiency, industry partnerships and all aspects of the complex world of tax administration. There also was a continued focus on organizational development projects to increase our capabilities and performance.

DOR is a high-volume, high-variability and high-complexity organization. Each division has worked extremely hard to collectively meet the responsibilities and challenges of operating the agency. Believing deeply in our mission, vision, purpose and core values, the men and women of DOR are passionate about serving Indiana and meeting the very high expectations we have set for ourselves.

The work we do is complex and extremely challenging, but we love doing it and are proud of our role in delivering great government service at a great value to Hoosiers. While each of the following sections only provides a very small piece of the full story, behind that story are hardworking Hoosiers who care deeply about their work. We hope you enjoy reading this story as much as we enjoy telling it.

#WeAreDOR



Muncie District Office Team



DOR Indianapolis Audit & Compliance team members

District Offices



Bloomington Team

1531 South Curry Pike, Suite 400
Bloomington, IN 47403
812-339-1119



Columbus Team

3520 Two Mile House Road
Columbus, IN 47201
812-376-3049



Clarksville Team

1200 Madison Street Suite E
Clarksville, IN 47131
812-282-7729



Evansville Team

500 South Green River Road, Suite 202
Goodwill Building
Evansville, IN 47715
812-479-9261



Fort Wayne Team

1415 Magnavox Way, Suite 100
Ft. Wayne, IN 46804
260-436-5663



Lafayette Team

100 Executive Drive, Suite B
Lafayette, IN 47905
765-448-6626



Kokomo Team

124 West Superior Street
Kokomo, IN 46901
765-457-0525



Merrillville Team

1411 East 85th Avenue
Merrillville, IN 46410
219-769-4267



Muncie Team

3640 North Briarwood Lane, Suite 5
Muncie, IN 47304
765-289-6196



Terre Haute Team

30 North 8th Street, 3rd floor
Terre Haute, IN 47807
812-235-6046



South Bend Team

105 East Jefferson Boulevard Suite 350
South Bend, IN 46601
574-291-8270

Hours of Operation

8 A.M. - 4:30 P.M.
Monday - Friday

Customer Assistance Report

DISTRICT	WALK-INS	CALLS/EMAIL	TOTALS
BLOOMINGTON	4,548	8,624	13,172
CLARKSVILLE	9,702	12,389	22,091
COLUMBUS	3,454	12,199	15,653
EVANSVILLE	3,642	14,311	17,953
FORT WAYNE	4,736	12,213	16,949
INDIANAPOLIS	20,576	696,005	716,581
KOKOMO	2,918	5,365	8,283
LAFAYETTE	1,676	14,261	15,937
MERRILLVILLE	8,524	6,474	14,998
MUNCIE	3,187	5,771	8,958
SOUTH BEND	5,323	2,829	8,152
TERRE HAUTE	2,414	8,420	10,834
TOTAL	70,700	798,861	869,561

Communications

External Communications manages all external requests from DOR customers, stakeholders and organizations. Requests may involve media relations, email communications, customer correspondence, executive appearances and presentations, graphics, community outreach and education, market research, social media and web presence for DOR.

Internal Communications is responsible for all communications within DOR, employee engagement, the State Employees' Community Campaign (SECC) and customer tax forms. Key initiatives include recognition programs, monthly internal newsletter, internal posters and graphics, internal messaging, managing all corporate and individual tax forms and booklet development and publication.

Strategic Planning is responsible for developing strategic initiatives to further the agency's mission and vision. Those initiatives include community service outreach, talent attraction and retention and stakeholder collaboration. In addition, the summer internship program, #DORGivesBack volunteer initiative and the Commissioner's Tax Advisory Council are managed by strategic planning.



In FY 2018, the Communications team created a new e-newsletter, Tax Bulletin, to replace the outdated Tax Dispatch publication. Subscribers for our new Tax Bulletin grew to over 12,000 -- a 300 percent increase from the previous publication. Readership includes tax professionals, business owners, media outlets, customers and DOR employees.



During the 2018 individual tax season, DOR sent out more communications internally and externally than all previous tax seasons combined. Thirty-two news releases and 164 external emails were sent, along with more than 10,000 views of in-house videos posted online.



After a revamp of the entire DOR website, web traffic increased by 22 percent to 2.2 million page visits by 1.5 million visitors just during the 2018 individual tax season. The website previously had over 1,200 pages with outdated content. The team deleted outdated content, rearranged useful content to be more easily accessible and added much needed content. The new website has roughly 350 webpages containing pertinent and up-to-date information.



DOR's social media presence has exploded over the past year. DOR is now on Facebook, Twitter, Instagram, YouTube and Pinterest. DOR's social media posts increased by 266 percent in FY 2018.



The Communications team at the Indiana State Fair.



With the help of employee engagement and internal marketing, DOR surpassed the agency's SECC campaign goal of \$120,000 for FY 2018 by more than \$5,000.




Eleven issues of InsideDOR, DOR's internal newsletter, were published to educate and celebrate staff with a newly-created focus on employees using real employee stories and content with a revamped brand.





More than 20 employee engagement activities throughout the agency were celebrated with staff, including Public Service Recognition Week, Employee Appreciation Day, step challenges with other state agencies, Race Day and Armed Forces Day, to name a few.

Finance

The Finance team manages DOR's fiduciary role over accuracy and timeliness of accounting and reporting of collections, safeguarding of public assets, budget administration and procurement services. Their goal is to assist the agency in being good stewards over the investments DOR makes to deliver efficient and accurate service to the citizens of Indiana.

 In FY 2018, Finance created a procurement tracking system based in SharePoint to track the administration of all procurement requests and contract renewals. This system drives accountability among the buyers and contract developers and provides transparency to procurement customers. The system has been shared with other state agencies such as the Indiana Department of Administration and the Indiana Office of Technology who are considering utilizing a similar system.

 In support of DOR's commitment and leadership in the area of ID protection and fraud prevention, Finance collaborated with other DOR divisions to prevent the understatement of Individual and Corporate revenue this past March of \$38 million. Finance identified the issue and engaged the appropriate divisions to investigate. As a result of outstanding teamwork, fraudulent IP addresses were identified and blocked, stopping the illicit activity.

 The Finance team successfully directed the preparation and administration of the agency's overall budget. Expenditures were successfully managed under budget while meeting the needs of the agency, including transformational initiatives which raised our organization's capability.



Finance Team poses during an internal celebration.

Information Technology

Information Management is a specialized group of business intelligence and reporting professionals that take DOR's data and turn it into information for operational metric tracking, trend analysis and process analytics. This team also supports DOR's data warehouse and related reporting systems.

The Integrated Tax System (ITS) Modernization team is charged with upgrading and modernizing the business processes and technologies within DOR to assure delivery of reliable and effective tax administration and collection services. Project NextDOR, discussed on pages 11 and 12, is being led by this team.

Operations Support manages the information flow and relationships DOR IT has with their internal DOR customers and external partners. This includes the IOT gatekeeper role, incident management, data/database administration, configuration/release management and the Internal DOR Help Desk.

(continued)



Information Technology team members showing support for the Indiana Pacers.



Information Technology team members participating in a paper donation event for local schools.

Returns Processing Systems manages the applications and vendors that support the returns processing and payment processing center. This includes the imaging and remittance processing systems and DOR's telecommunications network.

Security Office handles all security issues including, staff training, IRS safeguard audit interactions and disaster recovery planning.

Systems Development consists of technology specialists supporting the core tax administration, returns processing and payment processing systems. This team includes software design, software development and quality assurance testing professionals. Their focus is on software development enabling support of legislative, annual tax year changes and process improvement change.



Customer experience enhancements were deployed through our online portals and electronic service offerings, including successfully implementing Vigo County FAB tax (HEA 1242) and Warrick County Innkeeper Tax, developing and testing Monroe County FAB tax and implementing Heavy Equipment Rental Excise Tax.



FY 2018 Electronic filing improvements:

- Individual returns filing: 86.5% electronic (1.26% increase from 2017)
- Corporate returns filing: 62.6% electronic (11.4% increase from 2017)
- Retail Sales Tax filing: 92.85% electronic via INtax
- Withholding returns filing: 98.9% electronic



FY 2018 process improvements include the enhancement of all active correspondence, testing in the Motor Carrier and INtax application environments and GeoCoding within our tax registration and distribution processes, along with implementing the new Military Service Member hold (HEA 1456).



Numerous security enhancements to protect sensitive customer data were implemented, including credit card processing. Multiple software upgrades to keep various environments current with security patches were installed to address security vulnerabilities.

Indiana's INfreefile program allows customers with lower adjusted gross incomes to electronically file their federal and state taxes for free.

Nearly two million Hoosiers qualified for INfreefile during the 2018 individual tax season.



Inspector General

The Inspector General's Office is comprised of internal auditing, internal affairs investigations, compliance and the Taxpayer Advocate Office. This team works collaboratively with management across the department to identify opportunities for improvement, research specific issues and take action to implement improvements. The team also works with partner agencies to address specific issues and complete projects to implement enhancements, improve controls and prosecute fraudulent tax preparers and filers.



Inspector General team members at the ice cream social.



The Investigations team posing for an internal newsletter photo shoot.

Investigations

- Total Investigations worked by the Investigations Division: 64
- Requests for information from local, state and federal law enforcement: 109

Compliance & Ethics

- Provided guidance to the agency and individual employees on 80 separate instances to align with internal policies, regulations and state ethics rules.
- Created new lines of communication to keep employees informed of and aware of policies and ethics rules.
- Established and maintained an internal Integrity & Ethics hotline for compliance questions and concerns.

Internal Audit




- Conducted an internal audit on corporate income tax filings addressing seven objectives.
- Issued Annual Report to State Board of Accounts in accordance with IC 5-11-1-28.
- Updated the status of 65 prior recommendations from 12 internal audits.

Internal Affairs

- Each district office was provided two security cameras to capture transactions from both customer and DOR employee vantage points.
- Undertook the role of coordinating the DOR Bloomington District Office relocation into a state agency complex. The relocation is planned for September 2018.
- Coordinated with the Indiana State Police to administer active shooter preparedness trainings to all DOR employees, covering the basics of identifying and responding to an active shooter scenario.
- In compliance with IRS Publication 1075, drafted the agency's Background Investigations policy and procedure, which defines and establishes guidelines to determine suitability for clearance to access confidential taxpayer information.

Taxpayer Advocate

The Taxpayer Advocate Office is a key function within the Inspector General Division comprised of a specialized team handling financial hardship and compromise cases, researching and addressing complex tax issues, and resolving customer complaints. This office fulfills the legislatively mandated taxpayer advocate responsibilities and acts as the agency's liaison with senior DOR and government officials. The inquiries handled range from hardship situations to referrals from the Governor's Office and state legislators to military personnel on active duty and a host of other inquiries.


-  On average, the team created more than 220 cases and handled 1,274 incoming calls each month.
-  The team implemented a Tax Practitioner Hotline and worked with Premiere Credit of North America to establish a referral system for customers facing financial difficulties.
-  Fully integrated procedures were developed to assist active duty service members that have outstanding tax liabilities to bring DOR into full compliance with the Indiana Service Members Civil Relief Act.




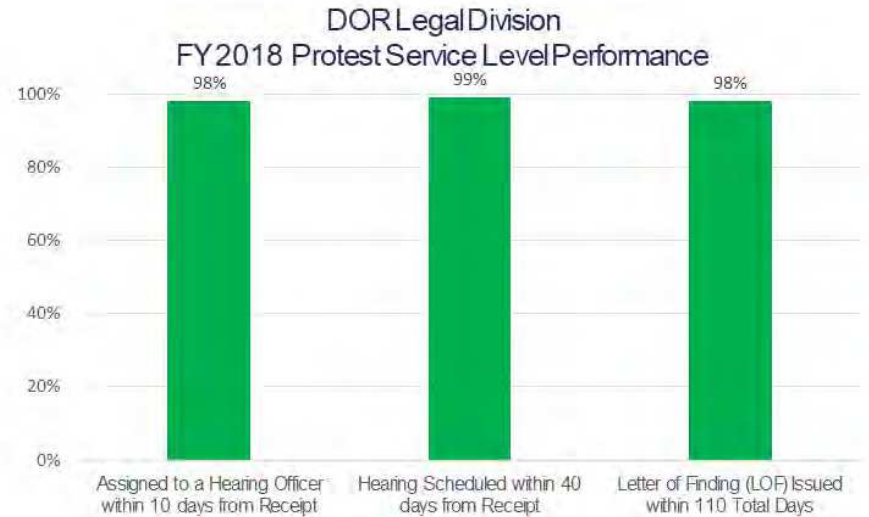
Legal

The Legal Division advises the DOR Commissioner, executive staff and staff across the agency on matters of legal, regulatory and statutory interpretation. The division provides contract development and review services and advises and assists in litigation involving DOR in tax court, state court and bankruptcy court. This team is also responsible for designing, operating and managing DOR's tax protest process - providing taxpayers with an independent administrative review of protested tax assessments and refund adjustments.

DOR undertook an extensive effort during FY 2018 to restructure the protest process and Tax Court litigation to improve efficiency and outcomes. DOR worked collaboratively with tax practitioners to identify areas for improvement and design solutions, including holding four days of roundtables and two anonymous surveys to solicit feedback.

 DOR reduced the number of pending protests by over 40 percent, the number of protests pending over six months by over 60 percent, the rate of appeals to Tax Court by over 70 percent and the number of pending Tax Court cases by over 90 percent.

 The division was reorganized to handle increased responsibilities and improve efficiency; implementing time-based metrics for the first time; increasing opportunities for settlement discussions; establishing defined tracks to handle protests; creating guidelines to increase autonomy of hearing officers; creating a protest submission form to standardize filings; and increasing litigation focus on high priority issues.



Roughly 1,400 protests were filed and 1,500 were closed in FY 2018.



Members of the Legal and Policy teams enjoy a staff celebratory pitch-in.

Operations

The Operations Division is comprised of over 500 team members. These team members are located in Indianapolis, throughout Indiana at DOR's 11 district offices and in various locations around the country.

This division includes all of the operational and service delivery functions of DOR including Motor Carrier Services, Special Tax Operations, Returns Processing Operations, Customer Service, Payment Services, Audit Operations, Audit & Compliance Support and Business Systems Support.

The operations leadership team is laser-focused on working collaboratively to build, operate and improve DOR operations to provide best-in-class customer service. They are also passionate about working with internal and external partners to efficiently operate and improve the diverse and complex functions of DOR.

Team members are making key investments to improve the efficiency, quality and service levels of all DOR functions. New initiatives have been launched in the areas of process analysis, workload forecasting, service design, operations management, training and project management. Additionally, there are several active, ongoing projects designed to enhance the measurement of all processes and customer feedback and to ensure continuous improvement of DOR processes.



Tax Filer Audit & Compliance Programs

DOR audit and compliance functions are performed by the two departments highlighted on the next page. They include over 150 professionals located in 13 locations across the state of Indiana and in select locations across the United States. These team members work collaboratively to address the complex and diverse responsibilities of ensuring Indiana taxpayers are in compliance with Indiana tax laws. They also ensure a fair and level playing field for all Indiana taxpayers.

To improve the performance, efficiency, effectiveness and results of all these functions, in FY 2018 DOR completed reorganizations of all these areas and launched improvement projects including data analytics, fraud prevention, staff training, operational processes and new compliance programs.

Audit and Compliance Support

The Audit and Compliance Support team is comprised of specialists who operate a diverse set of audit support and compliance functions. These include audit selection, audit review, audit billing, audit training and audit protest support – all designed and operated to improve the quality, efficiency and results of DOR tax audits and improve Indiana taxpayer compliance.

Team members work collaboratively with DOR Audit Operations, Customer Service, Returns Processing, IT, Policy, Legal, Special Tax and special project operations to design and execute a number of tax compliance programs. These include individual and business desk audits, non-filer identification, IRS CP2000, Voluntary Disclosure, Schedule C profit/loss review and individual withholding verification. DOR's fraud operations is also part of this team and covered in another section of this report.

A critical part of this group is the analytics team. This group of data analytics specialists utilizes big data and sophisticated analytics science to improve DOR decision making, enhance business processes, protect the identification of Indiana citizens and guard against tax refund theft.

Audit Operations

Audit Operations is comprised of over 110 audit professionals. This group of highly educated, trained and experienced CPAs and tax auditors is responsible for conducting audits for Indiana individual, business, motor carrier and special taxes and for supporting DOR Policy, Legal and Operations Divisions.

Tax audits are completed by this team throughout the fiscal year to meet statutory requirements, increase tax law education, increase compliance and to secure tax payments due to the State of Indiana. This team also works collaboratively with DOR staff, state agencies, legislative staff and with tax and legal professionals to clarify, administer and improve Indiana's tax laws. In addition to many internal improvements, investments were made in FY 2018 in a number of complex tax areas including research expense credits, transfer pricing, special taxes and cigarette manufacturers/distributor audit programs.



The Audit team poses for a group picture.



JET graduates ready to begin their customer service career.

Customer Service

Customer Service is located in 12 locations across the state and operates DOR's walk-in centers, call center operations, automated voice response systems, correspondence processing operations, email services and payment services. This team also provides support for the INBiz, INtax and DORpay portals and service offerings.



DOR Customer Service was reorganized statewide to ensure a cohesive and aligned customer service team. The goal is to deliver consistent and high-quality walk-in, phone, email and correspondence customer service. Service in key areas has measurably improved in both speed and quality. With the goal of delivering best-in-class customer service, new staffing, new training, investments in technology, expanded hours and new processing procedures have been implemented.



A new focus recognizing the citizens we serve as customers and focusing our energy on educating, assisting and expediting issue resolution has created a new customer service spirit across the agency. DOR has made new investments in customer service leadership and staffing, workload forecasting and planning, training and quality assurance – all resulting in increased customer service delivery capabilities and improved service quality and speed.

Agent Services

Agent Services works closely with Indiana county clerks, sheriffs and DOR's collection agency to manage all tax warrants and related collection activities. This team also works collaboratively with Customer Service, Payment Services, Taxpayer Advocate and tax practitioners to research and resolve customer account issues that are in various stages of collections.





Motor Carrier Service team members celebrate a new partnership with the State of Louisiana.

Motor Carrier Services

Motor Carrier Services (MCS) is a specialized business unit within DOR providing support to motor carrier companies and commercial drivers through the administration of state and federal laws that govern the commercial use of Indiana's roads. MCS manages the International Fuel Tax Agreement (IFTA), International Registration Plan (IRP), oversized/overweight vehicle permitting, Unified Carrier Registration through 09/30/2018, various safety and licensing programs and the issuing of U.S. DOT numbers.



Recent MCS enhancements include the addition of a dedicated trainer, service operations leadership, a dedicated project manager, a business communications manager, business process improvement projects and dedicated legal division staff.



MCS IT improvements include major infrastructure upgrades, order automation functionality and new INDOT oversized and overweight bridge program features.



Additional system improvements are being planned, including the implementation of modernized registration, development of IRP system enhancements, an enhanced website, automated communication to customers, automated refunds, VIN validation, customer-initiated payment and receipt enhancements and a completely new oversized and overweight state of the art system.



In addition to providing MCS services to nearly 20 percent of motor carriers in the United States, during FY 2018, MCS was also able to partner with the State of Louisiana to provide system functionality and services.

Motor Carrier Services



Over 9,000
Motor Carrier
Business Registrations





Over 1 Million
Vehicle Registrations



Over 400,000
Oversize/Overweight
Permits

Operations Improvement

Business Systems Support is a team of project management, process improvement and organizational development specialists who are charged with providing the agency with a variety of process analysis, project management, problem research/resolution and operational improvement services. This team includes the Enterprise Project Management Office (ePMO), Corporate Training, Operations Improvement and Business Systems Support. This team helps DOR management and staff identify, research, design and implement business process and system improvements. Using advanced project management, training and process analysis disciplines, this team's work improves the quality, speed and efficiency of DOR operations.




-  This group has now integrated DOR's project management, business analysis, operational improvement and training teams to increase the effectiveness of business improvement implementation.
-  This team is developing process analysis and improvement capability to identify, engineer and implement significant process and service delivery speed, quality and efficiency improvements. They are developing root cause analysis capabilities to resolve issues quickly, then dig into the root cause to identify improvements in systems, procedures and training to stop reoccurrence.



Payment Services team

Payment Services

Payment Services is responsible for helping, educating and guiding individuals and businesses who have a tax delinquency. This team assists customers with paying their outstanding balances and provides compliance education. Payment Services also works with businesses to ensure they have a current and accurate Registered Retail Merchant Certificate.

-  With the goal of improved customer education and care, procedures have been enhanced and new training and new service management programs have been established. New customer service, empathy and de-escalation training has been implemented to improve service and results.
-  DOR has developed an enhanced partnership with Premiere Credit (DOR's collection agency), including adding an onsite liaison for swift problem resolution. DOR and Premiere have also developed new training, new procedures, implemented DOR's Pyramid of Excellence and introduced a new Premiere Tax Practitioner Hotline.
-  In partnership with Indiana tax practitioners and Indiana taxpayer advocates, DOR introduced new payment plan options and terms. DOR has successfully changed the focus of our "collections" operations to serve customers with education and assistance in resolving tax delinquency cases.

Returns Processing Operations (RPO)

Returns Processing Operations (RPO) is dedicated to the efficient and high-quality processing of all paper tax returns, correspondence, incoming mail and check payments. RPO is also responsible for the research and resolution of returns and payments that are identified as requiring tax analyst review. In addition, this team handles special processing functions including titles, tax clearances, bankruptcy, utility exemptions and special refunds. This high volume, high complexity and high variability operation annually processes over 4 million tax returns, correspondence and paper check transactions.



Investments have been made across all of returns processing operations to introduce new service level management disciplines and science. A new processing strategy has been developed and implemented, including increased temporary staffing, training and extended shifts and weekends.



RPO has implemented new processing plans to ensure all incoming workload, regardless of return type, is worked more consistently and timely. A new streamlined organization to provide end-to-end service delivery oversight and ownership has been developed. Enhanced staffing, training and workforce management has been implemented to improve service performance. New management processes to dynamically flow staff across work categories has been developed. DOR has also made investments in processing technologies and enhanced management to eliminate hardware and software bottlenecks.

Special Tax

Special Tax, a dedicated team of tax specialists who are responsible for administering 25 special taxes and fees that touch a diverse group of individuals and businesses in a variety of industries. These unique tax types generate over 60,000 transactions and account for approximately 10 percent of all tax revenues collected by DOR annually. At the top of the list of this team's responsibilities is the administration of fuel, tobacco and alcohol excise taxes.

FY 2018 Service Performance Snapshot			
Individual Tax Refund Performance			
Electronic Return Refunds:			
Total refunds from electronic returns:	1,945,937		
	Service level goal:		14 days
	Receipt to refund average:		13 days
	Percent processed within 14 days:		90%
Paper Return Refunds:			
Total refunds from paper returns:	246,043		
	Service level goal:		60 days
	Receipt to refund average:		41 days
	Percent processed within 14 days:		82%
<i>* Most returns processed outside 14 and 60 days require additional research and/or correction.</i>			
Customer Service Operations			
<i>Customer Service staff serve Hoosiers at 12 DOR locations across Indiana.</i>			
<i>They provide services via phone, walk-in, email and correspondence.</i>			
<i>They also support other critical functions including fraud operations and tax return research and resolution.</i>			
Customer calls answered:	751,747		
	Service level goal:		85% answered
	FY 2018 performance:		80% answered
Correspondence processed:	103,006		
Walk-in customers served:	70,700		
Emails processed:	47,114		
Returns requiring manual research/correction:	407,565		
Amended/duplicate returns:	109,852		
Returns reviewed by fraud analysts:	50,000		

Tax Policy & Legislative Affairs

Tax Policy interprets, evaluates, formulates, compiles and disseminates tax law, policies and procedures to internal staff, DOR customers, practitioners, county officials, state legislators, other state agencies and members of Governor Holcomb's administration.

The division also serves as DOR's liaison to the Indiana General Assembly, including attending and testifying before legislative committees, as well as assisting the Legislative Services Agency in the evaluation of fiscal impact statements of proposed legislation.

Every year, the DOR Policy team invests significant resources in researching, developing and implementing important changes to Indiana tax laws and statutes, including regularly scheduled tax year changes.



The Policy team recreates the iconic "Abbey Road" cover outside the State House.



In FY 2018, DOR's Policy team led an initiative that resulted in legislative bills that addressed a variety of issues key to DOR administration including:

- Authority to use fingerprint information in screening state and local employees, contractors and subcontractors whose duties include access to confidential tax information.
- Authority to require updated responsible officer information before issuing or renewing a Registered Retail Merchant Certificate to a business.
- Authority to issue certain refunds without a taxpayer having to file a refund claim.
- Ability to require an income tax preparer to provide a Preparer Tax Identification Number when submitting an income tax return to DOR and various technical changes.



DOR's policy team also participated in a major initiative to provide Indiana's legislative response to the federal government's tax reform measures, specifically the Tax Cuts and Jobs Act (TCJA). This work includes updating Indiana's conformity date to the Internal Revenue Code and decoupling from several provisions of the TCJA to prevent passive state tax increases; as well as developing rules regarding the deemed repatriation of foreign earnings, the expansion of 529 saving plan to include K-12 education and the one year carryforward for certain business tax credits.

TAXPAYER BILL OF RIGHTS

All Indiana Taxpayers have certain rights and responsibilities under Indiana Tax Law. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana taxpayers.

- | | | |
|---|---|-------------------------------------|
| 1 Quality Taxpayer Service | 5 Hearing Time & Representation | 9 Annual Public Hearing |
| 2 Taxpayer Advocate | 6 Demand Notices | 10 Taxpayer Responsibilities |
| 3 Taxpayer Education & Information | 7 Warrants for Collection of Tax | |
| 4 Fair Collection Process | 8 Judgement Leans Against Property | |



Find it online at www.in.gov/dor under "Legal Resources"



Audit Division Statistical Study

The Audit Division Statistical Study addresses the requirements set forth by IC 6-8.1-14-4 (2). The information is based on 100 percent of the audits completed and taxpayers assisted during FY 2018.

Amounts of Tax Assessed

Exhibits B, C, D, and E display the amount of assessments (refunds) of the sales/use tax, adjusted gross income and financial institutions tax, special tax, and miscellaneous tax violations, respectively. “Total assessments” for any tax type represent gross assessments less amounts refunded. The amount assessed or refunded for each of the most frequent violations and the percentage of the amount to total net assessments are as follows:

Sales/Use Tax Violations

Audit assessments for Indiana sales/use tax typically occur in a few main areas. Use tax is due on any purchases of personal property stored, used or consumed in Indiana if sales tax was not paid at the time of the purchase and no valid exemption applies. In FY 2018, general use tax rule violations [45 IAC 2.2-3] accounted for approximately \$6.1 million in audit adjustments. Often, DOR determines that use tax is due from business taxpayers that erroneously believe an exemption from sales/use tax should apply. This is especially true of manufacturers and processors, who gain various exemptions from Indiana sales/use tax under 45 IAC 2.2-5 (primarily section 8). Indiana retail merchants are required to collect sales tax on all sales of personal property unless the buyer offers proof of exemption.

Adjusted Gross Income and Financial Institutions Tax Violations

Individuals and regular corporations are liable for adjusted gross income tax. Financial institutions are subject to financial institutions tax (FIT), which is computed in much the same way a corporation computes its adjusted gross income tax. During FY 2018, the statute or regulation that yielded the largest corporate adjusted gross income tax adjustments was IC 6-3-1-3.5. This article defines adjusted gross income. Adjustments made under this statute totaled approximately \$14 million this fiscal year.

Special Tax Violations

Field auditors assigned to these special tax audits perform audits not only for Indiana but often for many other jurisdictions when examining reports for the IFTA and the IRP. The largest adjustments to tax dollars in this area this year relates to examinations under these agreements. IFTA assessments were approximately \$4.1 million in FY 2018 while IRP assessments were approximately \$350,000. Special tax auditors also audit a variety of excise taxes: cigarette, other tobacco products (OTP), beer and wine excise tax and other fuel excise taxes.

This group recently conducted several audits on distribution and taxability of tobacco products in FY 2018, prompted by continued noncompliance in this area and the industry’s general lack of consistency in reporting. As a result, approximately \$4.4 million in assessments is attributed to due from Indiana distributors, required by IC 6-7-1 and IC 6-7-2.

Miscellaneous Code Violations

Exhibit E provides the assessment amounts for miscellaneous code violations. In FY 2018, the most violated miscellaneous code section was IC 6-8-1-10-2.1 which accounted for eight (25 percent) of the violations. These violations yielded \$8,500 in net assessments and/or refund reductions in FY 2018. This code refers to failure to file a return for any of the listed taxes.

Voluntary Disclosure Program

DOR continues to promote voluntary compliance by encouraging businesses and individuals who are not in compliance with Indiana tax laws to voluntarily and anonymously come forward to request participation in our Voluntary Disclosure Agreement (VDA) Program. This program allows previously noncompliant taxpayers to work with DOR's audit and legal teams to voluntarily become compliant by filing prior years' tax returns and paying related taxes without penalty.

During FY 2018, DOR enhanced the promotion and education of this program through improved information, processing flow and taxpayer assistance tools. Enhanced guidance and forms were developed and published on DOR's website, shared with Indiana's CPA Society and distributed to tax practitioners around the state and country.

In addition, DOR developed and promoted a one-time voluntary disclosure initiative for out-of-state retailers that have inventory located in third-party Indiana warehouses and sell to Indiana customers. This initiative, effective through December 31, 2018, is helping retailers with their tax obligations and bringing them into compliance going forward. During FY 2018, these VDA programs have resulted in the collection of \$12.6 million in tax revenue.

All VDA information, forms and guidance can be found on DOR's website at www.in.gov/dor under "Legal Resources."



Sales & Use Tax Violations



643

Violations

Wholesale, Retail & Transportation Businesses



352

Taxpayers Engaged in Arts, Entertainment, Recreation, Food Service & Accommodations Industry

Industry/Business Most Frequently in Violation

Sales and use tax

For the FY 2018 reporting period, taxpayers engaged in wholesale, retail and transportation businesses accounted for the most violations of the sales and use tax rules. This group accounted for 643 violations (35 percent of the total violations). The most frequently violated rule by this group of taxpayers was 45 IAC 2.2-3-20 with 123 violations. Rule 3-20 states if a seller of tangible personal property for storage, use or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit the tax directly to DOR.

The second largest number of sales and use tax violations was committed by taxpayers engaged in the arts, entertainment, recreation, food service and accommodations industry. This group committed 352 violations (19 percent of the total violations) for FY 2018. The most frequently violated rule of this group was 45 IAC 2.2-3-4 with 52 violations. This rule defines the definition and imposition of use tax.

Adjusted gross income and financial institutions tax

For the FY 2018 reporting period, unclassified taxpayers engaged in unrelated business activities such as debt-finance, rental of real estate, investment and passive income of exempt organizations, rental of personal property, and other miscellaneous activities accounted for the most violations of the adjusted gross income tax rules. This group accounted for 4,686 violations (94 percent of the total violations). The rule most frequently violated by this group was IC 6-3-4-6(c) with 4,528 violations. This code requires taxpayers to notify DOR and file amended returns when a federal modification is made.

Taxpayers engaged in wholesale, retail and transportation committed the second largest number of adjusted gross income tax violations. This group committed 107 violations (2.2 percent of the total violations) for FY 2018. The rule most frequently violated by this group was IC-6-3-1-3.5 with 30 violations. This code defines what is included in individual adjusted gross income.

Exhibit D illustrates the tax dollar changes related to adjusted gross income tax rule violations, segregated by industry. Financial institutions tax, which is comparable to the adjusted gross income tax but applies only to the banking and loan industry, is also reflected in this exhibit.

Special tax violations

The taxpayer group most frequently in violation of the special tax statutes and IFTA Articles for FY 2018 was the wholesale, retail and transportation industries. This group committed 769 violations, accounting for around 80 percent of the total violations.



Executive Director of Audit & Compliance Support Laura Rakaska leads an audit presentation amongst her team.

Exhibits

Standard Industrial Codes	Exhibit A	Page 49
Sales and Use Tax Audits Dollars Assessed by Industrial Code	Exhibit B	Page 50
Adjusted Gross Income Tax Audit Dollars Assessed by Industrial Code	Exhibit C	Page 54
Special Tax Violations Dollars Assessed by Industrial Code	Exhibit D	Page 56
Miscellaneous Tax Violations Dollars Assessed by Industrial Code	Exhibit E	Page 57

Standard Industrial Codes

Exhibit A

CLASS	EXPLANATION
1	AGRICULTURAL; FORESTRY
2	MINING; OIL AND GAS EXTRACTION; CONSTRUCTION
3	MANUFACTURING
4	WHOLESALE; RETAIL; TRANSPORTATION
5	INFORMATION; PUBLISHING; TELECOMMUNICATIONS; FINANCE; RETAIL INSURANCE; REAL ESTATE; LEASING; PROFESSIONAL SERVICES
6	EDUCATION; HEALTH SERVICES
7	ARTS; ENTERTAINMENT; RECREATION; FOOD SERVICES; ACCOMMODATIONS
8	REPAIR; PERSONAL SERVICES; OTHER SERVICES
9	PUBLIC ADMINISTRATION; UNRELATED BUSINESS ACTIVITIES; INDIVIDUALS

The Standard Industrial codes (SIC) used in the Audit Division reports and exhibits are based on the North American Industry Classification System (NAICS). Refer to the above to explain the industry classification numbering system.

Sales and Use Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit B

Standard Industrial Code (SIC)										
Citation*	1	2	3	4	5	6	7	8	9	Grand total
45 IAC 2.2-1-1		12,383	1,624	34,040	1,211,310	144	16,177			\$1,275,677
45 IAC 2.2-2-1			4,445	1,015,029	293,790		105,980			\$1,419,243
45 IAC 2.2-2-2		2,433	13,507	271,285	203,654		365,581	39,780	2,709	\$898,950
45 IAC 2.2-3-3								17,087		\$17,087
45 IAC 2.2-3-4	14,120	311,935	676,896	1,830,145	978,976	799	130,062	44,694	2,251	\$3,989,878
45 IAC 2.2-3-5				22,473						\$22,473
45 IAC 2.23-8		21,734		123,980						\$145,713
45 IAC 2.2-3-9		11,055								\$11,055
45 IAC 2.2-3-12	14,956	46,081	17,951		1,064			2,998		\$83,049
45 IAC 2.2-3-13			5,866	71,930						\$77,796
45 IAC 2.2-3-14				109,076						\$109,076
45 IAC 2.2-3-15		5,795		9,608	156,035			1,091		\$172,530
45 IAC 2.2-3-16		3,540	935	(14,267)	491		215			(\$9,086)
45 IAC 2.2-3-20	19,468	236,363	14,737	400,882	203,898	73,180	154,081	77,563		\$1,180,172
45 IAC 2.2-3-27	4,420	6,188	115,663	66,279	34,569	4,978	63,393	5,806		\$301,296
45 IAC 2.2-4-1	48	68,299	27,591	2,719,250	956	3,596	38,536	3,518		\$2,861,794
45 IAC 2.2-4-2		(358)	(6,907)	3,144	4,991			4,002		\$4,872
45 IAC 2.2-4-8		181		30,482			29,005			\$59,669
45 IAC 2.2-4-13			(125)	91,042			51,454			\$142,371
45 IAC 2.2-4-22		397								\$397
45 IAC 2.2-4-26		19,812	1,485							\$21,297
45 IAC 2.2-4-27	5,201	11,726	27,478	12,940	35,978		1,335	3,390		\$98,047
45 IAC 2.2-4-30		1,009,105			472,341					\$1,481,446
45 IAC 2.2-4-32		6,053			5,415					\$11,468
45 IAC 2.2-5-4	49,522			3,340						\$52,862
45 IAC 2.2-5-6	5,053			63,724						\$68,777
45 IAC 2.2-5-8			3,113,211	204,018	287	6,000	(17,276)	3,892		\$3,310,133

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Sales and Use Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit B

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
45 IAC 2.2-5-9		217					(960)			(\$743)
45 IAC 2.2-5-10				1,251			37,689			\$38,940
45 IAC 2.2-5-12			192,142	113,347	3,710		11,078			\$320,276
45 IAC 2.2-5-13	3,741									\$3,741
45 IAC 2.2-5-14		(607)	(410)		(4,594)		(1,633)			(\$7,244)
45 IAC 2.2-5-15		(9,655)	(967)	(648)	(919)	(9,404)	(31,440)	(7,974)		(\$61,006)
45 IAC 2.2-5-16			24,615	97,623			(503)	(14,397)		\$107,338
45 IAC 2.2-5-24		(157)								(\$157)
45 IAC 2.2-5-26		59	(78)	(148)			90			(\$76)
45 IAC 2.2-5-28					1,216					\$1,216
45 IAC 2.2-5-36					6,004	10,946				\$16,950
45 IAC 2.2-5-4									53,950	\$53,950
45 IAC 2.2-5-43				10			(16,877)			(\$16,868)
45 IAC 2.2-5-45				31,870						\$31,870
45 IAC 2.2-5-55		(3,715)				102,343				\$98,628
45 IAC 2.2-5-62				943						\$943
45 IAC 2.2-5-67					41,029					\$41,029
45 IAC 2.2-6-1	3,966			390			4,763			\$9,120
45 IAC 2.2-6-6							398			\$398
45 IAC 2.2-6-8	934	8,172	69,034	5,568,624	13,788	100,034	906,029	78,412		\$6,745,026
45 IAC 2.2-6-14				958			24			\$982
45 IAC 2.2-7-3				2,146						\$2,146
45 IAC 2.2-7-6				841						\$841
45 IAC 2.2-7-7				500						\$500
45 IAC 2.2-8-12		12,871	44,042	179,035	26,874		32,598	8,874	868	\$305,163
49 IAC 2.2-3-5									325,044	\$325,044
IC 6-2.5-1-5	444	852	131	238,675	210	14	884			\$241,211

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Sales and Use Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit B

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
IC 6-2.5-1-14					3,892					\$3,892
IC 6-2.5-1-24	619		8,080	87,642	160,367	3,534	31	692		\$260,964
IC 6-2.5-2-1		263,532	764,273	1,616,210	4,970,184	443,279	23,927	47,244		\$8,128,649
IC 6-2.5-3-2		25,087	19,935	10,431	78,033		6,264			\$139,749
IC 6-2.5-3-8			481							\$481
IC 6-2.5-4-1			1,745	108,191			(431)			\$109,505
IC 6-2.5-4-9		1,938	63,839							\$65,777
IC 6-2.5-4-17	4,037	3,372	3,863	2,225	6,882	166	113			\$20,656
IC 6-2.5-5-4						(562)				(\$562)
IC 6-2.5-5-5.1							17,864			\$17,864
IC 6-2.5-5-20			(1,124)	40,855			11,460			\$51,191
IC 6-2.5-5-35							(13,174)			(\$13,174)
IC 6-2.5-5-39				8,811						\$8,811
IC 6-2.5-5-40			12,974	23,511						\$36,485
IC 6-2.5-5-45.8					37,920					\$37,920
IC 6-2.5-6-1			3,098	20,708						\$23,806
IC 6-2.5-6-9				20,444	1,799,891					\$1,820,335
IC 6-2.5-6-14.1		104,754								\$104,754
IC 6-2.5-7-5				10,523						\$10,523
IC 6-2.5-8-8		2,208,798								\$2,208,798
IC 6-9-12-2			6,763	(21,462)			9,215			(\$5,485)
IC 6-9-20-3							83,259			\$83,259
IC 6-9-21-3				27,303						\$27,303
IC 6-9-25-3				6,661						\$6,661
IC 6-9-27-4							4,354			\$4,354
IC 6-9-35-5				12,286	619		3,338			\$16,243
Supp 45 IAC 2.2-2-1					(171,697)					(\$171,697)

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Sales and Use Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit B

Citation*	SIC									Grand total	
	1	2	3	4	5	6	7	8	9		
Supp 45 IAC 2.2-3-4		(78,750)									(\$78,750)
Supp 45 IAC 2.2-3-20		(338)		(51,762)							(\$52,100)
Supp 45 IAC 2.2-6-8				(125,025)							(\$125,025)
Supp 45 IAC 2.2-8-12		(3,466)									(\$3,466)
Supp IC 6-2.5-1-5							2				\$2
Grand Total	126,531	4,305,687	5,226,795	15,101,368	10,577,163	739,045	2,026,902	315,671	384,822	\$38,804,985	

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Adjusted Gross Income Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit C

SIC										
Citation*	1	2	3	4	5	6	7	8	9	Grand total
45 IAC 3.1-1-1									1,156,620	\$1,156,620
45 IAC 3.1-1-2									710,279	\$710,279
45 IAC 3.1-1-5									(2,306)	(\$2,306)
45 IAC 3.1-1-8		29,136	2,521	24,260			119,910			\$175,827
45 IAC 3.1-1-9		5,544	(328,683)	(4,896)			1,571,783			\$1,243,748
45 IAC 3.1-1-19					(10,800)					(\$10,800)
45 IAC 3.1-1-29			8,582						1,378	\$9,960
45 IAC 3.1-1-38			1,178,160							\$1,178,160
45 IAC 3.1-1-39			(101,416)							(\$101,416)
45 IAC 3.1-1-50				150,000		188,885				\$338,885
45 IAC 3.1-1-52				150,000						\$150,000
45 IAC 3.1-1-53		(1,917)	731,342		393,658					\$1,123,083
45 IAC 3.1-1-55			(2,000,000)	1,817,590						(\$182,410)
45 IAC 3.1-1-62				770,819						\$770,819
45 IAC 3.1-1-66									125,420	\$125,420
45 IAC 3.1-1-67									53,734	\$53,734
45 IAC 3.1-1-68									2,493	\$2,493
45 IAC 3.1-1-97	7,401		66,169	301,867	10,644		56,737		4,786	\$447,604
45 IAC 3.1-1-106									5,596	\$5,596
45 IAC 3.1-1-107				2,337						\$2,337
45 IAC 3.1-1-109				(1,592)						(\$1,592)
45 IAC 3.1-1-153			1,400,000	1,085						1,401,085
6-3-4-6(c)									9,240,379	\$9,240,379
IC 6-2.3-2-1		6,327	998,528							\$1,004,855
IC 6-3.2-3.5	2,259	12,564	2,495,077	8,983,591	2,542,401		30,032		116,134	\$14,182,058
IC 6-3.2-1.5					13,805					\$13,805
IC 6-3-2-2			131,898	1,557,945	807,250				1,135,388	\$3,632,481

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Adjusted Gross Income Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit C

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
IC 6-3-2-2.6			22,582	(6,156)			15,084		33,836	\$65,346
IC 6-3-2-3.2		2,375			87,237					\$89,612
IC 6-3-2-20				2,216,872	9,000					\$2,225,872
IC 6-3-3-10					6,000					\$6,000
IC 6-3-4-6				141						\$141
IC 6-3-4-8	68,805	12,611	342,814	474,632	131,996	43,200	89,435	21,792		\$1,185,286
IC 6-3-4-12				42,003			1,235			\$43,238
IC 6-3-4-13			74,975	40,047			8,638			\$123,660
IC 6-3.1-4-1	10,803		1,243,339		154,286					\$1,408,428
IC 6-3.1-4-7			17,177						1,530,949	\$1,548,126
IC 6-3.1-13-11					(34,019)					(\$34,019)
IC 6-3.1-21-6									2,874	\$2,874
IC 6-5.5-2-1				848,581						\$848,581
IC 6-9-8-2							4,844			\$4,844
IC 6-9-9-2							10,297			\$10,297
Supp 45 IAC 3.1-1-2									(440)	(\$440)
Supp 45 IAC 3.1-1-62				(770,819)						(\$770,819)
Supp IC 6-3-2-2			552,199							\$552,199
Grand Total	89,268	66,640	6,835,263	16,598,306	4,111,459	232,085	1,907,995	21,792	14,117,119	\$43,979,928

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Special Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit D

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
IC 6-2.5-3				33,864						33,864
IC 6-2.5-3.5-16 Remittance of Gasoline Use Tax				(45,300)						(\$45,300)
IC 6-2.5-3.5-21 Sales to Exempt Purchasers				3,842						\$3,842
IC 6-6-1.1-201				(494,549)						(\$494,549)
IC 6-6-1.1-301				(180)						(\$180)
IC 6-6-1.1-502				1,385						\$1,385
IC 6-6-2.5-28					2,410					\$2,410
IC 6-6-4.1-6		898								\$898
IC 6-6-4.1-9		84								\$84
IC 6-6-9-9				7,727						\$7,727
IC 6-7-1-18				6,927						\$6,927
IC 6-7-1-19				22,025						\$22,025
IC 6-7-2-7				4,398,144			1,978			\$4,400,122
IC 7.1-4-2			444	61			(75)			\$430
IC 7.1-4-4				(38)						(\$38)
IC 13-20-13-7				3,425						\$3,425
IC 16-44-2-18				(27,676)						(\$27,676)
IC 22-11-14-12				342						\$342
IFTA Non-Indiana Assessment Adequate Rating	(794)	508	2,192	2,751,314	3,312			497		\$2,757,028
IFTA Non-Indiana Assessment Inadequate Rating	5,264	16,042	222,178	695,062	12,040		15	1,488		\$952,089
Indiana IFTA Assessment Adequate Rating	1,465	5,145	1,834	45,962	304		3,009			\$57,720
Indiana IFTA Assessment Inadequate Rating	2,165	11,613	16,520	358,379	9,360		582	2,738		\$401,357
IRP Article X-1005	56	74	682	4,355	(354)		46			\$4,859
IRP Article X-1015	7,978	17,139	57,863	255,437	8,742			531	966	\$348,656
Motor Carrier Assessment Adequate Records		2,047	(929)	7,085	329					\$8,533
Motor Carrier Assessment Inadequate Records		5,099	4,500	20,057	47					\$29,704
Supp IFTA Assessment Inadequate Rating				(15,414)	(869)					(\$16,283)

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Special Tax Audits

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit D

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
Supp IFTA Indiana Assessment Adequate Rating				(4,268)						(\$4,268)
Supp IFTA Non-Indiana Assessment Inadequate Records				(32,944)	(224)					(\$33,169)
Supp IFTA Non-Indiana Assessment Adequate Records				(2,803)						(\$2,803)
Supp Motor Carrier Assessment Adequate Records				(912)						(\$912)
Supplemental Adjustment			(234,970)	(4,617)						(\$239,587)
Supplemental Adjustment, Second			(54,623)	(1,288)						(\$55,910)
Grand Total	16,134	58,650	15,692	7,985,404	35,095		1,903	4,680	5,192	\$8,122,750

Miscellaneous Violations

DOLLARS ASSESSED BY INDUSTRIAL CODES

Exhibit E

Citation*	SIC									Grand total
	1	2	3	4	5	6	7	8	9	
IC 6-8.1-4-2				(5,056)			(3,120)			(\$8,176)
IC 6-8.1-5-1				138,288			11,601		244,283	\$394,172
IC 6-8.1-5-2					169,534				120,182	\$289,716
IC 6-8.1-5-4				30,346			4,506			\$34,852
IC 6-8.1-9-1							8,745			\$8,745
IC 6-8.1-10-2.1				3,000			5,500			\$8,500
IC 36-8-16.6-12				806						\$806
IC 36-8-16.6-13				2,695						\$2,695
Grand Total				170,079	169,534		27,231		364,465	\$731,309

* To view the 45 IAC citation, visit www.state.in.us/legislative/iac/title45.html

* To view the IC citation, visit www.in.gov/legislative/ic/code

Recurring Taxpayer Noncompliance

Calculation Errors

When a calculation error is detected, the return is flagged for review by a tax analyst. During FY 2018, 189,721 returns were flagged for a calculation error review. For each case, research is performed and calculations checked to determine the root of the error and make the correction. Errors include calculation errors submitted by the filer, errors resulting from the data-capture process and errors resulting from data being submitted on the incorrect tax return line. After the error has been analyzed and corrected, the return is able to be successfully processed. The increase in electronic filing and improvements in high-speed imaging and data capture have improved data accuracy and reduced the occurrences of these errors.

Claiming Credits Incorrectly

A small percentage of taxpayers claim credits that are not correct or the proper documentation is not included with the return. This results in the credit being denied and worked manually by a DOR tax analyst. For each of these cases, the tax analyst contacts the customer to correct the filing, which may include obtaining additional information. In FY 2018, more than 65,584 tax returns required this manual processing correction. DOR works to continuously improve tax preparation education that drives improvements in this area.

Driving Improvements

Each of the previously mentioned issues requires manual processing and data entry to process a return correctly. DOR is addressing these issues with awareness campaigns through the tax preparer community and DOR's website, written communication to taxpayers who repeatedly file incorrectly, problem identification and remediation during customer service contacts and conducting outbound customer contact for problem accounts. These improvement and educational activities are designed to help customers learn to use the correct practices that will expedite the processing of their returns.



Duplication of Filing

Duplicate filing usually occurs when a taxpayer files a return electronically and then also sends a paper copy of the return to DOR. In FY 2018, DOR received approximately 14,396 duplicate returns. After a duplicate filing is identified, a tax analyst must perform manual steps to mark the second filing as “information only” to avoid processing errors. Customer education by both DOR and tax software companies continue to reduce this number.

Failure to Complete a Tax Return or Filing

When a return is received lacking the necessary information, including all W-2s, schedules and required enclosures and documentation, the return is selected for special processing. A specialized team of tax analysts works with the customer to obtain all required information so processing can continue. In FY 2018, this team processed 682 returns with this classification.

Miscellaneous

The following taxpayer filing errors require manual review, data entry and processing:

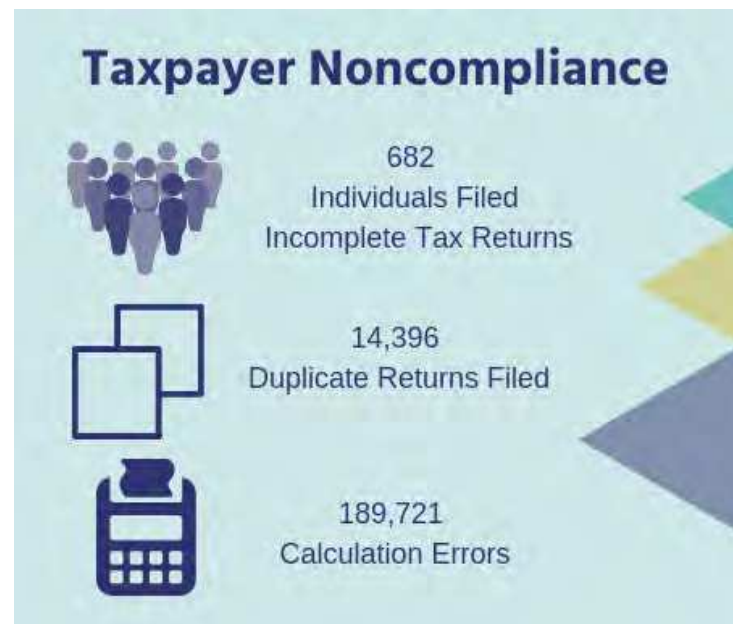
- Unidentified checks – 55,000: These are checks that arrive without the required information for high-speed processing. The majority of these are generated by third-party bill pay services, who submit a check with no voucher.
- WH-3 filed outside of legislatively mandated guidelines – 602: These are business filers that are required to file their WH-3 electronically, but continue to file via paper.
- DOR worked an additional 28,931 paper returns that had to be processed manually. This is often a result of older forms being used that require manual processing.

Returns Processing

The vast majority of returns and forms sent to DOR annually are prepared correctly, and DOR processes them using the latest technology available. In FY 2018, DOR received 1.2 million paper returns, an additional 746,000 paper wage statements and 1.6 million checks to be processed. Some of those items were received with incomplete information or no basic information from the customer (such as checks without an accompanying return). When this occurs, DOR must perform manual research to process the returns and/or payments.

Significant Data Quality Improvements Drive Improved Customer Service

It should be recognized this past individual tax season was especially good in relation to electronically filed returns. In FY2018 there were over 2.8 million returns filed electronically. In a typical year DOR would need to take further action on 3 to 5 percent of these returns. DOR worked with tax practitioners, software providers and tax filers to improve data quality during the FY 2018 individual tax season. As a result, returns requiring manual research dropped to 1 - 2 percent which was a significant reduction and improvement for internal processing, refund processing and customer service delivery.



2018 Legislative Impact Report

The following is a summary of 2018 legislation that impacts DOR and its customers. This summary highlights some of the key changes to Indiana's tax laws, listed by enacted legislation.

For a more in-depth technical listing of enacted 2018 legislation impacting DOR, please consult the 2018 Legislative Synopsis found online at www.in.gov/dor under "Legal Resources."

House Enrolled Acts (HEA):

HEA 1003: Streamlining Agency Reporting Requirements

Provides that for a qualified patent issued to a taxpayer after December 31, 2007, DOR shall provide an evaluation report to the legislative council, the budget committee and the Indiana Economic Development Corporation on or before December 1 of each year. The evaluation report must contain the following: the number of taxpayers claiming the patent income exemption; the sum of all such exemptions claimed; the North American Industry Classification System code for each taxpayer claiming the exemption; and any other information DOR considers appropriate, including the number of qualified patents for which an exemption was claimed under this section. The required report must be in an electronic format under IC 5-14-6. DOR shall determine, record and retain the North American Industry Classification System code for each taxpayer claiming an exemption under this section.

Changes from an annual requirement to once every five years (beginning with 2023), the requirement that the commissioner reports information concerning the implementation of the centralized debt collection program for the previous calendar year to the governor, the budget director and the

legislative council no later than March 1. The report must include the number of debts collected during the reporting period; the dollar amounts of debts collected and an estimate of the future costs and benefits that may be associated with the collection program. A report to the legislative council under this subsection must be in an electronic format under IC 5-14-6. (HEA 1288 (2018) repealed the centralized debt collection program).

Requires the following information to be included in DOR's annual report to the governor and legislative council no later than October 1 of each year: ((5) The following information: the number of taxpayers; the amount of gross collections; the amount of net collections; the amount of refunds; the amount of collection allowances; the amount of administrative costs; and the amount of delinquencies by type of tax collected by DOR. These changes will appear in next year's annual report covering FY 2019.

HEA 1031: Cleanup of Certain Terms

Makes several technical corrections to the following sections of Indiana Code (IC), affiliated group of corporations; consolidated returns (IC 6-3-4-14), and motor carrier regulation (IC 8-2.1).

HEA 1056: Innkeepers' Taxes

Commission Membership: This act provides that a member appointed to a Convention and Tourism Commission under the uniform innkeeper's tax statute who is required to be:

1. Engaged in a convention, visitor or tourism business; or
2. Involved in or promoting conventions, visitors or tourism; need not be a resident of the county if the member is an owner or an executive level employee of a convention, visitor or tourism business that is located within the county. It provides that such a member must be a resident of Indiana.

It also repeals the requirement in the uniform innkeeper's tax statute that not more than a simple majority of the members of a convention and tourism commission may be affiliated with the same political party.

Reporting Requirements: The act requires DOR to provide each commission with summary data of the amount of the innkeeper's tax collections to the county. It provides that, in the case of a county that has adopted an ordinance requiring the payment of the innkeeper's tax to the county treasurer instead of the DOR:

1. The county treasurer is required to annually report to the DOR the amount of innkeeper's tax collected in the county in the preceding calendar year; and
2. DOR is required to provide summary data of the total amount of the county's innkeeper's tax collected in the preceding calendar year to the commission established for that county.

HEA 1095: Electronic Titles

Provides that a certificate of title may be possessed either in printed form or electronic form. Provides that if a certificate of title is maintained electronically by the bureau, the Indiana Bureau of Motor Vehicles (BMV) is not required to physically deliver the certificate of title. Instead, they shall provide electronic notification either to the person who owns the vehicle for which the certificate of title was issued, if no lien or encumbrance appears on the certificate of title. If a lien or an encumbrance appears on the certificate of title, they shall provide electronic notification to the person that holds the lien or an encumbrance as set forth in the application for the certificate of title. Defines "transferring party" to mean person that is listed on the certificate of title as the owner of the vehicle or a person that is acting as an agent of the owner and holds power of attorney for the owner of the vehicle.

Provides that persons having physical possession of a certificate of title for a vehicle because the person has a lien or an encumbrance on the vehicle must now note the discharge on the certificate of title over the signature of the holder of the lien or encumbrance, in addition to delivering not more than 10 business days after receipt of the final payment for the satisfaction or

discharge of the lien or encumbrance indicated upon the certificate of title.

Further provides that a person having a lien or encumbrance on a vehicle for which the certificate of title is electronically recorded shall electronically release the lien or encumbrance not more than 10 days after the receipt of the final payment for the satisfaction or discharge of the lien or encumbrance. The electronic lien or encumbrance release referenced in this subsection constitutes notice to the BMV that the lien or encumbrance has been satisfied or discharged.

Further provides that a person having a lien or encumbrance on a vehicle for which the certificate of title is electronically recorded shall notify the person who is either listed on the certificate of title as owner of the vehicle, or who is acting as an agent of the owner and holds power of attorney for the owner of the vehicle, of the release of the lien or encumbrance not more than 10 business days after receipt of the final payment for the satisfaction or discharge of the lien or encumbrance.

Further provides that a notice of the release of the lien must include the date the satisfaction or discharge of the lien or encumbrance occurred, as well as the name and address of the person who is listed on the certificate of title as owner of the vehicle, or who is acting as an agent of the owner and holds power of attorney for the owner of the vehicle.

Provides that when the BMV receives notice of an electronic lien or encumbrance release, the BMV shall remove the record of the lien or encumbrance from the certificate of title. Adds the failure to notify the owner of a vehicle or the owner's agent of the release of the lien and the

failure to deliver a certificate of title to the owner of a vehicle to the list of Class C infractions.

Adds section one as an exception to this statute, which applies to security agreements covering a security interest in a vehicle. Removes the requirement that whenever a lien is discharged, the holder shall note the discharge on the certificate of title over the signature of the holder, as that is now covered in section one of this chapter.

Makes conforming changes.

HEA 1242*: Gaming Taxes

Changes the date for the remittance of riverboat supplemental wagering taxes from the day before the last business day of the month to the 24th calendar day of each month and provides that gaming activity information is reported to Indiana Gaming Commission (IGC) on forms prescribed by IGC. Changes reporting and remitting requirements of the racino slot machine wagering tax from daily to the 24th of each month and provides that gaming activity information is reported to IGC on forms prescribed by IGC.

Repeal Provisions: Repeals the Next Level Indiana Innovation & Entrepreneurial Fund, an investment product for the public employee deferred compensation plan and an alternative investment program for the annuity savings account of public employee retirement plans. Sunsets the maritime opportunity district property tax deduction. Sunsets the corporate relocation in qualified military base enhancement area.

DOR Administrative Changes: Requires state and local employees, contractors and subcontractors whose duties include access to confidential tax information to submit to and update background checks. (The IRS has developed new guidelines requiring background checks for all individuals who have access to

federal tax information.) Allows DOR to require updated responsible officer information before issuing or renewing a business' Registered Retail Merchant Certificate. Makes a technical change to the calculation of the corporate income tax rate from months to days. Makes a technical change regarding the extension of income tax due dates. Authorizes DOR to issue a refund in certain circumstances without a taxpayer having to file a refund claim. Requires an income tax preparer to provide a Preparer Tax Identification Number (PTIN) when submitting an income tax return to DOR.

Sales Tax Exemption for Hot Mix Asphalt: Provides a sales tax exemption for certain property purchased and used by a person that manufactures hot mix asphalt. Codifies the prior treatment for this equipment under old Sales Tax Information Bulletin #60.

Expansion of Allocation Options for DINO tax credit: Allows the Industrial Recovery (aka DINO) tax credit for pass-throughs to be allocated to shareholders, partners and beneficiaries in a manner other than pro rata ownership basis in certain circumstances. Applies only for a project that is located in a development project area, an economic development area or an urban renewal project area and that includes as part of the project, the use and repurposing of two or more buildings and structures that are:

1. 75 years old, and
2. Located at a site at which manufacturing previously occurred over a period of at least 75 years.

Vigo County Food and Beverage Tax: Authorizes Vigo County to enact a food and beverage tax. The tax rate may not exceed one percent.

Required Redevelopment Commission Presentation to Taxing Units: Requires a member of a redevelopment commission to annually present certain information to the governing body of all taxing units with territory within an allocation area.

Property Tax Allocation to Parks and Recreation Departments: For a territory annexed by a municipality after 6/1/1976 and before 3/4/1988, requires half of the property taxes attributable to property tax imposed by the park and recreation district on property that is within the annexed territory to be transferred to the annexing municipality's parks and recreation department.

Taxation of Facilitators of Online Rentals of Lodging (Delayed): Delays the effective date of facilitator language related to the application of sales tax to online rentals of lodging (passed in SB 309-2016) from 7/1/2018 to 7/1/2019.

HEA 1262: Public Funds and Tax Refund Intercepts

The act provides that certain restrictions requiring deposits of public funds to be made within the territorial limits of a political subdivision apply to funds invested in:

1. Transaction accounts; and
2. Certificates of deposit in a depository designated by the state board of finance but not by the local board of finance.

The act provides that an ordinance or resolution authorizing funds to be invested in such certificates of deposit expires not later than one year (rather than two years, under current law) after the ordinance or resolution is adopted. The bill revises the procedures involved when a political subdivision seeks a set off of a tax refund from DOR for debts

owed to the political subdivision by a debtor. It repeals a provision pertaining to hearings with debtors on disputed debts that are owed to political subdivisions that use the tax refund set-off process.

HEA 1288: Economic Development

Repeals the statute authorizing DOR to carry out a centralized debt collection program for use by state agencies to collect delinquent amounts owed by state agencies.

HEA 1290: Transportation Finance

Changes the special fuel excise tax rate starting July 1, 2018 through June 30, 2019. The rate will be \$0.26 plus \$0.21, multiplied by the special fuel index factor in IC 6-6-1.6-3, and rounded to the nearest cent. Provides that the new applicable rate may not exceed the rate in effect on June 30, 2018, plus \$0.23. Moves the annual recalculation to 2019 from 2018, and provides that the new rate each year may not exceed the rate in effect on June 30 of that year by more than two cents. Changes the distribution scheme of the special fuel tax, so that the first 1.5 percent of revenue collected each month will be deposited in the motor carrier regulation fund. The remaining revenue collected is distributed completely in the same manner as the gasoline tax in IC 6-6-1.1-802. Removes the stipulation that the tax rate of the motor carrier fuel tax for a carrier that has paid the surcharge tax at the time of purchasing special fuel (that is not an alternative fuel) is the tax rate of the special fuel tax plus the surcharge tax rate.

Provides that because the International Fuel Tax Agreement requires that members net all of their IFTA returns received in a month, and the result of netting is that Indiana is owed motor carrier fuel tax or must refund gasoline tax or special fuel tax, then the transmittal shall be done through the IFTA Clearinghouse according to the terms of

the Agreement. Further provides that if Indiana is owed motor carrier fuel tax, it shall be deposited according to the terms prescribed in IC 6-6-4.1-5 (i.e., the state highway fund at IC 8-23-9-54); conversely, if Indiana owes another jurisdiction money, the money shall be credited pursuant to the refund terms in IC 6-6-1.1-803 (i.e., the motor fuel tax fund).

Clarifies that the commercial vehicle excise tax that is calculated on October 1 each year is effective on January 1 of the following year. Further clarifies that the sum of the registration fees paid exclude the transportation infrastructure improvement fees and the supplement fees to register electric vehicles and hybrid vehicles during the state's fiscal year. Finally, clarifies that the calculation for the annual CVET for commercial vehicles other than semitrailers excludes the supplement fees to register electric vehicles and hybrid vehicles.

Additionally, it makes conforming changes and repeals to contradicting Indiana statutes.

HEA 1301: Insurance Matters

Changes the minimum level of financial responsibility for contract carriers that transport railroad employees, to at least five million dollars (\$5,000,000).

HEA 1311: Motor Vehicle Matters

Adds a new chapter to IC 6-8.1, creating and establishing DOR's Pilot Program, which will assist Indiana and other states, as well as other government agencies, in the administration of various governmental responsibilities under the International Registration Plan and the International Fuel Tax Agreement. Provides that the pilot program may be staffed by non-public employees, allows DOR to determine their compensation, duties, etc. and clarifies the legal standards and laws that the employees will

be subject to or immune from. Permits DOR to enter into contracts necessary to carry out the pilot program efficiently. Establishes DOR pilot program fund, which will administered by DOR, and the purposes and standards for said fund. Creates an exception to the public records law for records pertaining to incremental pricing, trade secrets or confidential financial information. Clarifies that local and state taxes may not be imposed on the pilot program, except as permitted under state or federal law. Provides that on or before November 1 of each year, DOR must submit a report to the interim study committee on roads and transportation, which must be in an electronic format and contain information concerning the pilot program activity during the preceding state fiscal year. Permits DOR to adopt emergency rules to implement this chapter.

Specifies that for a vehicle that is assembled using all new or used vehicle parts "that does not resemble a specific manufacturer make or model" (rather than a specialty constructed vehicle as was previously stated), the certificate of title shall contain the notation "RECONSTRUCTED VEHICLE" if the certificate of title is issued before January 1, 2019, or "SPECIALTY CONSTRUCTED VEHICLE," if the certificate of title is issued after December 31, 2018. Removes the requirement that a certificate of title for a vehicle assembled using a salvage vehicle or parts contain the phrase "REBUILT". Further specifies that for a vehicle with a body built to resemble and be a reproduction of another vehicle of a given year that was manufactured at least 25 years in the past and which is assembled using all new or used parts, the certificate of title shall contain the notation "SPECIALTY CONSTRUCTED VEHICLE", if the certificate of title is issued before January 1, 2019, or "REPLICA VEHICLE", if the certificate of title is issued after December 31, 2018. Finally specifies that for a vehicle that

has been permanently altered from its original construction by adding, removing, or substituting component parts, the certificate of title shall contain the notation "RECONSTRUCTED."

HEA 1316*: Sales Tax and Tax Credits
Indiana's Response to Federal Tax Reform: Updates Indiana's tax code to the Internal Revenue Code (IRC) as of February 11, 2018. Indiana is currently linked to the IRC as of January 1, 2016. The February date was chosen to encompass the changes in both the Tax Cuts and Jobs Act (TCJA) and the "Tax Extenders" bill.

Decouples from several provisions of the TCJA so that businesses do not experience a passive state tax increase. These provisions include: global intangible low-taxed income (GILTI) – despite the general move to a territorial tax system, TCJA taxes foreign returns above a certain percentage of fixed assets at a reduced rate. This is to discourage American companies from moving intangible property overseas. The proposed language requires corporations to add back the federal partial deduction from GILTI income used to create a lower federal tax rate, but also allows the gross GILTI income to be treated as a foreign source dividend. The limitation of the deduction of interest expenses to 30 percent of a business' federal income in a given year. The proposed language requires deduction of any allowable interest in the year in which it was incurred with no carryover amounts allowed as an interest deduction in later years. Modification of IRC Section 118 to no longer exclude from income capital contributions made by a government entity or civic group to a business. Includes in Indiana adjusted gross income the gross amount of the deemed repatriation of foreign earnings included under TCJA. The repatriated foreign earnings will be treated as foreign source dividends and taxed

in a manner consistent with pre-TCJA treatment. The vast majority of this income will not be taxed by Indiana because of the existing deduction rules for dividend from controlled foreign corporations. Any tax on repatriated foreign earnings must be paid in the year in which the income is taxable for federal purposes. No extended period for payment is expressly allowed. Maintains Indiana's current rules for carry forward of net operating losses (NOL). Companies may use NOLs to cover 100 percent of income and carry forward NOLs 20 years. TCJA limits use of NOLs in a given year to offset 80 percent of income, but allows an unlimited carryforward. Allows a period of up to 60 days after passage for taxpayers to pay any additional tax resulting from certain tax changes without interest or penalties.

Rules Regarding the Expansion of 529 Plans to K-12 Education: For purposes of the state 529 Plan tax credit, provides that money to be transferred to an ABLE account is not considered a contribution. Defines "qualified K-12 education expense." Provides that a qualified withdrawal does not include a withdrawal or distribution used for tuition for enrollment or attendance at a K-12 unless the school is located in Indiana. Before January 1, 2019, limits the amount of state 529 tax credit claimed for qualified K-12 education expenses to the lesser of either: \$500 or 10 percent of the total contributions made to a 529 plan that will be used to pay for K-12 education expenses. Beginning for tax years after December, 31, 2018, the 529 tax credit for qualified K-12 educational expenses is the same as the credit for qualified higher education expenses (20 percent of total contributions during the tax year with a limit of \$1,000 for the tax year). As well as requiring a person making a contribution to an Indiana 529 plan to designate whether the contribution is made for qualified higher education expenses or qualified K-12 education expenses.

Sales Tax Exemption for Certain Library Sales: Provides a sales tax exemption for sales of tangible personal property by a public library or charitable organization formed to support a public library, if the property consists of:

1. Items in the library's circulated and publicly available collections or
2. Items that would typically be included in the library's circulated and publicly available collections and that are donated by individuals or organizations to a public library or charitable organization formed to support a public library.

Clarifies that this sales tax exemption applies only to transactions occurring after June 30, 2018.

One Year Carry Forward for Certain Business Tax Credits: Allows one year, CY 2018 carry forward for corporation tax credits (particularly if carry forward was set to expire in CY 2017). Applies to the following:

- Enterprise zone investment cost credit
- Industrial recovery tax credit
- Community revitalization enhancement district tax credit
- Venture capital investment tax credit
- Hoosier business investment tax credit
- Hoosier alternative fuel vehicle manufacturer tax credit

Higher Education Bond Issuance for Certain Capital Projects: Allows the trustees of Indiana University, Purdue University, University of Southern Indiana, Ball State University and Ivy Tech Community College to issue and sell bonds for certain capital projects (authorized in the 2017 state budget bill) before June 30, 2019.

HEA 1406: Department of Child Services

Provides that a debtor who receives written notice pursuant the tax refund debt set-off program is entitled to contest the claimant agency's right to the debt and set-off at a hearing only if the debtor, not later than 30 days after the date the written notice was mailed to the debtor, mails to the claimant agency written notice that the debtor intends to contest the claimant agency's right to the debt. Previously the deadline was within 30 days of the debtor's receipt of notice.

Senate Enrolled Acts (SEA):

SEA 6: Technical Corrections

Known as the 2018 Legislative session's "technical corrections" bill, making several technical corrections to the following titles in the Indiana Code (IC), Title 6 Taxation (IC 6) and Title 7.1 Alcohol and Tobacco (IC 7.1). Additionally, SEA 6 made technical correction to reconcile two conflicting 2017 passed legislative acts that amended the same sections of Indiana Code: IC 6-3-1-3.5, IC 6-3.5-10-1, and IC 6-3.5-11-1. Also adds an employee of the legislative services agency to the list of recipients to whom certain taxpayer information, otherwise prohibited from being released, may be released for use solely for official purposes.

SEA 52: Low THC Hemp Extract

This will require DOR to suspend the Registered Retail Merchant Certificate for a business for one year if DOR finds (in a public hearing by a preponderance of the evidence) that a person has been convicted for a violation of selling marijuana based on the sale of fraudulently labeled low THC hemp extract.

SEA 124: Vending Machine Sales of Food

Eliminated the provision in current law that specifies that food sold through a vending machine is not eligible for the sale tax exemption for food, and food ingredients for human consumption.

SEA 212: Vehicle Weight Limits

Creates a definition for “equivalent single axle load,” which means the known quantifiable and standardized amount of damage to highway pavement structures equivalent to one pass of a single 18,000-pound dual tire axle, with all four tires on the axle, inflated to 110 pounds per square inch. Allows INDOT or the local authority that has jurisdiction over a highway or street and that is responsible for the repair and maintenance of the highway or street to, upon proper application in writing and upon good cause shown, grant a permit for transporting bulk milk in loads of up to 100,000 pounds. Provides that INDOT shall grant an annual bulk milk permit to an applicant whose application is approved if their total equivalent single axle load calculation is equal to or less than 2.40 equivalent single axle load credit. The fee for an annual bulk milk permit is \$20. Provides that INDOT may grant a bulk milk permit to an applicant whose total equivalent single axle load calculation is greater than 2.40 equivalent single axle load credit pursuant to IC 9-20-6-2.

SEA 238: Office of Judicial Administration

Makes technical changes and changes to the titles of government agencies and programs in the priority list for claims to tax refunds under DOR’s refund set-off program.

SEA 257: Sales Tax on Software

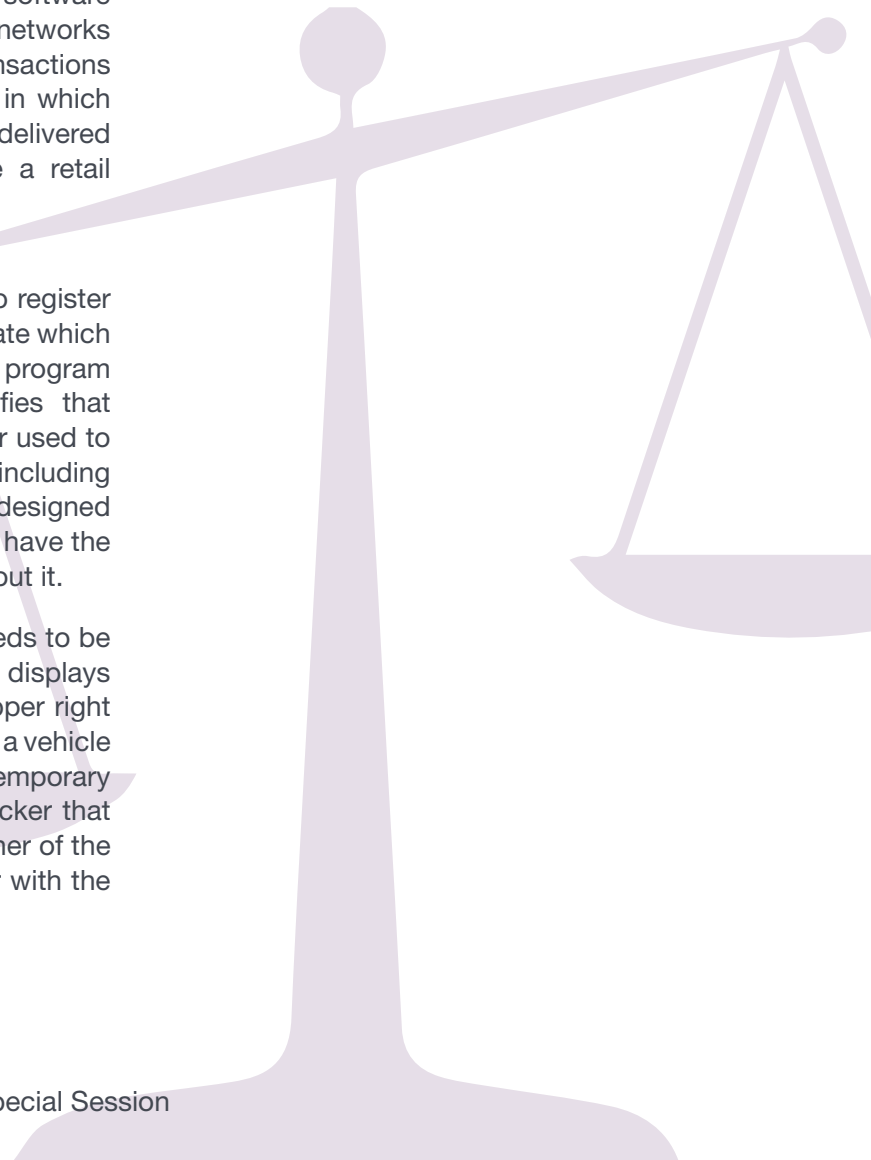
Clarifies that a person is a retail merchant making a retail transaction when the person sells, rents, leases or licenses for consideration the right to use prewritten computer software delivered electronically. However, an exception to this rule is also provided for transactions in which an end user purchases, rents, leases or licenses the right to remotely access prewritten computer software over the internet, over private or public networks or through wireless media. These transactions are not considered to be a transaction in which prewritten computer software is delivered electronically, and does not constitute a retail transaction.

SEA 266: Motor Vehicle Safety

Regarding the prohibition on the BMV to register a private bus that has an expired certificate which indicates compliance with an inspection program established under IC 9-19-22-3, clarifies that this applies to private buses designed or used to transport more than fifteen passengers, including the driver. This means that a private bus designed for fifteen or fewer passengers need not have the certificate at issue and can register without it.

Clarifies that a license plate not only needs to be horizontal but in an upright position that displays the registration expiration year in the upper right corner. Provides that upon the renewal of a vehicle registration, a license plate other than a temporary license plate must display a renewal sticker that is securely affixed in the upper right corner of the license plate and that covers the sticker with the previous registration expiration year.

* Legislation was passed during 2018 Special Session



Indiana Tax Descriptions

Aircraft License Excise Tax

Excise tax, due at the time of registration, is determined by weight, age and type of aircraft. All excise taxes are distributed to the county where the aircraft is usually located when not in use.

Alcoholic Beverage Excise Tax

Per-gallon rates are as follows: beer = \$0.115; liquor/wine (21 percent alcohol or more) = \$2.68; wine (less than 21 percent alcohol) = \$0.47; mixed beverages (14 percent or less) = \$0.47; malt = \$0.05.

Auto Rental Excise Tax

A tax based on the gross retail income from the rental of a motor vehicle weighing not more than 11,000 pounds for less than a 30-day period at a rate of 4 percent.

Aviation Fuel Tax

Excise tax collected by retailers of aviation fuel purchased in Indiana at the rate of 20 cents per gallon. This tax is added to the selling price of the aviation fuel. The United States, its agencies or instrumentalities, the State of Indiana and Indiana Air National Guard and common carriers of passengers or freight are exempt from tax.

Charity Gaming Excise Tax

A tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10 percent of the wholesale price. It is collected and remitted by the licensed distributor, not who sells to the end consumer.

Cigarette/Other Tobacco Tax

Rates are as follows: pack of 20 cigarettes = \$0.995; pack of 25 cigarettes = \$1.24375; other tobacco products excluding moist snuff = 24 percent of wholesale price; moist snuff = \$0.40 per ounce. It is collected and remitted by the licensed distributor.

Corporate Adjusted Gross Income Tax

The adjusted gross income tax rate for periods July 1, 2012, was 8.5 percent. Beginning July 1, 2012, the rate was reduced by 0.5 percent per year until July 1, 2015, when the rate became 6.5 percent. Starting on July 1, 2016, the rate continues to reduce by 0.25 percent per year until July 1, 2020, when the rate will be 5.25 percent. Beginning July 1, 2021, the rate will be 4.9 percent.

County Inkeeper's Tax (CIT)

Tax determined locally on the gross income derived from lodging income. Tax may be collected either by DOR or locally through the county treasurer's office.

Financial Institutions Tax

A tax based on the federal adjusted gross income at a rate of 8.5 percent for businesses that are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations. Beginning January 1, 2014, the rate was reduced by 0.5 percent per year until January 1, 2017, when the rate became 6.5 percent. Beginning January 1, 2019, the rate will be reduced to 6.25 percent, with further reductions to 6 percent in 2020, 5.5 percent in 2021, 5 percent in 2022 and 4.9 percent in 2023.

Food and Beverage Tax

Tax determined locally for purchases of food and beverages for immediate consumption at a rate of 1 percent of the retail sales price. Marion County's rate is 2 percent. An additional 1 percent is allowed for units adopting under IC 6-9-35 for a combined rate of 2 percent.

Gasoline Tax

The gasoline tax for FY 2018 was \$0.28 per gallon, beginning on July 1, 2018, the rate is \$0.29 per gallon for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

Gasoline Use Tax

This tax replaced the retail sales tax on gasoline purchases effective July 1, 2014. The gasoline use tax is imposed at the time a retail merchant takes delivery at a flat rate per gallon. The tax rate to be used is calculated each month.

Individual Adjusted Gross Income Tax

Individuals are taxed on federal adjusted gross income with numerous adjustments for individual residents, partners, stockholders in S corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.23 percent.

Local Income Tax (LIT)

For residents, individuals are subject to tax on their income subject to Indiana adjusted gross income tax based on their county of residence as of January 1. For most nonresidents, individuals are subject to tax on their income subject to Indiana adjusted gross income tax derived from the individual's principal place of business or employment and based on the individual's principal county of business or employment as of January 1. Nonresident sports team members and racing team members are subject to tax in all counties in which they perform services as a team member. The tax rate varies by county.

Marion County Admissions Tax

Specific to Lucas Oil Stadium, the Indiana Convention Center, Victory Field and Bankers Life Fieldhouse in Indianapolis for any event at a rate of 10 percent of the admission price (does not include events sponsored by educational institutions or religious or charitable organizations).

Marion County Supplemental Auto Rental Excise Tax

A tax based on the gross retail income from the rental in Marion County of a motor vehicle or truck weighing no more than 11,000 pounds for less than a 30-day period at a rate of 6 percent. Revenue from the tax is paid to the Capital Improvement Board of Managers.

Motor Carrier Fuel Tax

The per-gallon rate was \$0.26 for FY 2018, beginning July 1, 2018, the rate is \$0.48 for special fuel and \$0.29 for gasoline, for all motor fuel used by commercial motor carriers operating on Indiana highways.

Motor Carrier Surcharge Tax

The per-gallon rate was \$0.21 for FY 2018, beginning July 1, 2018, the rate was repealed for all motor fuel used by commercial motor carriers operating on Indiana highways.

Motor Vehicle Excise Tax

DOR's compliance program is aimed at locating vehicles owned by Indiana residents and registered illegally out of state, thus avoiding state vehicle excise tax. It is based on the age and class of the vehicle, plus penalty and interest for the time period the vehicle is illegally registered. (Except for this program, the motor vehicle excise tax is collected by the Bureau of Motor Vehicles.)

Pari-Mutuel Wagering Tax

Two percent levies are imposed on the total amount of money wagered on live races and simulcasts conducted at a permit holder's racetrack. The tax is 2.5 percent of the total amount of money wagered on simulcasts from satellite facilities.

Petroleum Severance Tax

A tax levied against producers or owners of crude oil or natural gas and imposed at the time these products are removed from the ground at a rate equal to the greater of either 1 percent of the petroleum value or \$0.03 per 1,000 cubic feet for natural gas and \$0.24 per barrel of oil.

Public Utility Tax (Railroad Car Companies/Railroads)

A tax based on assessments by the Indiana Department of Local Government Finance on the indefinite location distributable property of a railroad company that provides service within a commuter transportation district.

Slot Machine Wagering Tax

A pari-mutuel racetrack owner who conducts slot machine gaming at the owner's racetrack is responsible for this and is subject to a graduated tax on 88 percent of its adjusted gross receipts (AGR) from 25 percent to 35 percent. Indiana law allows gaming licensees to deduct AGR attributable to free-play wagering at any time during the year. The total amount deducted by a licensee for free-play may not exceed \$7 million annually.

Supplemental Wagering Tax

Effective July 1, 2018, all riverboat casinos (other than French Lick casino) are subject to a supplemental wagering tax. The tax rate is based on fiscal year 2017 riverboat admissions taxes divided by fiscal year 2017 adjusted gross receipts for each casino. However, the tax rate cannot exceed 4 percent (3.5 percent effective July 1, 2019).

Riverboat Wagering Tax

If a licensed riverboat does not have flexible scheduling (dockside gaming), a tax of 22.5 percent is levied against its adjusted gross receipts (total wagers, less payouts, less uncollected gaming receivables). If the boat has implemented flexible scheduling, the tax rate is graduated and ranges from 15 percent to 40 percent, depending on the amount of adjusted gross receipts. Indiana law allows gaming licensees to deduct AGR attributable to free-play wagering at any time during the year. The total amount deducted by a licensee for free-play may not exceed \$7 million annually.

Beginning in FY 2014, the lowest tax bracket of 15 percent can change to 5 percent if the riverboat had less than \$75 million of AGR

during the preceding state fiscal year. An additional tax of \$2.5 million is imposed if the riverboat taxed under the alternative schedule receives AGR exceeding \$75 million in a particular state fiscal year.

RVs and Truck Campers Excise Tax

The RV Excise Tax must be paid when the RV or truck camper is required to be registered. Payment is made to a license branch in the vehicle owner's county of residence. When an RV or truck camper is acquired after the annual registration date, the excise tax is reduced by 8.33 percent for each calendar month after the registration date.

Sales and Use Tax

A tax imposed on retail transactions collected at the retail level at a rate of 7 percent on the purchase or rental of tangible personal property, accommodations, public utility service and other services per IC 6-2.5-4.

Special Fuel Tax

A license tax of \$0.48 per gallon is imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

Type II Gaming (Taverns)

An excise tax is imposed on the distribution of gambling games in the amount of 10 percent of the price paid by the retailer that purchases the games. The entity distributing the pull tabs, punchboards or tip boards is liable for the tax.

Utility Services Use Tax

The utility services use tax is an excise tax imposed on the retail consumption of utility services in Indiana. The rate is 1.4 percent and is imposed if the utility service provider is not subject to the utility receipts tax.

Utility Receipts Tax

An imposed tax of 1.4 percent on gross receipts from retail utility sales.

Indiana Tax Receipts

All Amounts in Thousands								
Tax Type	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	\$ incr (decr)	% incr (decr)
Aircraft License Excise Tax	\$445.2	\$491.9	\$557.3	\$43.8	\$1,187.1	\$237.0	(\$950.1)	-80%
Aircraft Registration Fee	\$73.2	\$79.2	\$87.7	\$22.8	\$64.5	\$40.8	(\$23.7)	-37%
Alcoholic Beverage Tax	\$45,248.0	\$45,954.7	\$46,063.6	\$48,309.7	\$49,402.8	\$51,577.9	\$2,175.1	4%
Alternative Fuel	\$0.0	\$232.4	\$864.9	\$692.3	\$364.7	(\$0.6)	(\$365.3)	-100%
Auto Rental Excise Tax	\$10,563.2	\$12,511.3	\$12,543.8	\$13,175.1	\$13,912.1	\$13,738.8	(\$173.3)	-1%
Aviation Fuel Tax	\$0.0	\$1,501.9	\$1,720.3	\$1,705.2	\$1,842.6	\$3,832.1	\$1,989.5	108%
Charity Gaming Excise Tax	\$1,146.0	\$1,138.7	\$1,085.2	\$1,137.7	\$1,050.0	\$1,250.4	\$200.4	19%
Cigarette/Other Tobacco Tax	\$461,636.8	\$447,561.4	\$439,264.5	\$443,209.9	\$434,350.7	\$418,805.2	(\$15,545.5)	-4%
Corporate Adjusted Gross Income Tax	\$669,063.9	\$764,355.1	\$777,777.5	\$699,192.6	\$730,919.4	\$390,631.5	(\$340,287.9)	-47%
County Adjusted Gross Income Tax (CAGIT)	\$529,134.8	\$619,385.6	\$728,955.2	\$777,201.6	\$399,052.1	\$0.0	(\$399,052.1)	-100%
County Economic Development Income Tax (CEDIT)	\$279,006.7	\$304,800.3	\$326,601.9	\$336,123.7	\$171,657.2	\$0.0	(\$171,657.2)	-100%
County Innkeepers Tax (CIT)	\$49,577.1	\$51,566.0	\$61,088.7	\$60,545.2	\$60,915.8	\$64,738.1	\$3,822.3	6%
County Option Income Tax (COIT)	\$754,692.9	\$805,742.9	\$882,188.9	\$935,027.7	\$477,079.5	\$0.0	(\$477,079.5)	-100%
Employment Agency Licensing Fee	\$33.8	\$30.8	\$27.6	\$23.9	\$17.7	\$29.3	\$11.5	65%
Enhanced Prepaid Wireless Telecommunication Fee	\$4,769.6	\$5,454.0	\$5,772.1	\$11,555.4	\$13,321.3	\$14,274.0	\$952.7	7%
Estate Tax	\$0.0						\$0.0	
Financial Institutions Tax	\$112,521.2	\$102,391.6	\$125,795.4	\$120,198.3	\$100,966.5	\$105,943.7	\$4,977.2	5%
Fireworks Public Safety Fee	\$1,524.2	\$2,270.5	\$2,625.9	\$2,796.5	\$2,842.4	\$2,745.8	(\$96.7)	-3%
Food and Beverage Tax	\$73,732.0	\$73,039.5	\$86,119.7	\$87,079.6	\$88,009.5	\$91,628.6	\$3,616.1	4%
Gasoline Tax	\$529,619.8	\$527,290.1	\$540,082.5	\$556,824.2	\$559,484.9	\$852,320.3	\$292,835.4	52%
Hazardous Chemical Fee	\$512.9	\$551.1	\$503.0	\$566.0	\$594.8	\$595.1	\$0.2	0%
Hazardous Waste Disposal Tax	\$1,188.9	\$1,237.7	\$0.0	\$0.0			\$0.0	
Historic Hotel District Community Support Fee				\$2,500.0	\$2,500.0	\$2,500.0	\$0.0	0%
Individual Adjusted Gross Income Tax	\$4,972,809.6	\$4,896,316.5	\$5,232,989.3	\$5,218,165.8	\$5,435,292.5	\$5,816,071.7	\$380,779.3	7%
Inheritance Tax	\$165,479.2	\$87,712.2	\$4,594.7	\$871.8	\$784.4	\$347.0	(\$437.3)	-56%
International Registration Plan (IRP) Licensing Fee	\$93,387.9	\$96,099.9	\$103,792.9	\$104,384.2	\$104,859.7	\$128,466.3	\$23,606.6	23%
K-12 Check-off	\$0.0	\$0.0	\$0.0	\$56.1	\$41.6	\$108.3	\$66.8	161%

All Amounts in Thousands

Tax Type	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	\$ incr (dcr)	% incr (decr)
Local Income Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$1,139,622.1	\$2,838,681.0	\$1,244,058.9	109%
LOIT/LIT Reserve	\$207,954.0	\$200,798.4	\$180,844.0	\$215,367.0	\$210,379.2	\$275,166.5	\$64,787.3	31%
Marion County Admissions Tax	\$8,259.4	\$14,151.7	\$13,166.5	\$12,963.9	\$13,620.5	\$14,904.5	\$1,283.9	9%
Marion County Supplemental Auto Rental Excise Tax	\$4,997.3	\$6,486.2	\$7,654.5	\$6,928.6	\$7,190.6	\$7,899.8	\$709.6	10%
Motor Carrier Fuel Tax	\$835.7	\$796.2	\$570.9	\$741.4	\$742.1	\$765.3	\$23.3	3%
Motor Carrier Surcharge Tax	\$94,228.2	\$99,272.1	\$91,690.5	\$91,147.8	\$92,767.6	\$252,536.1	\$159,768.5	172%
Motor Vehicle Excise Tax	\$6.2	\$2.8	\$0.5	\$0.6	\$0.3	\$1.2	\$0.8	262%
IMS Admissions Fee	\$0.0	\$295.1	\$1,312.3	\$1,446.3	\$41,561.9	\$1,326.5	(\$235.5)	-15%
Oversize/Overweight Permit Fee	\$15,969.6	\$18,200.3	\$20,963.5	\$21,774.4	\$21,328.1	\$22,168.1	\$840.0	4%
Pari-mutuel Wagering Tax	\$2,156.8	\$1,963.2	\$1,879.4	\$1,702.1	\$1,619.0	\$1,524.4	(\$94.6)	-6%
Petroleum Severance Tax	\$2,421.3	\$2,500.3	\$2,015.1	\$1,012.8	\$1,011.4	\$1,073.5	\$62.2	6%
Public Utility Tax (Railroad Car Companies/Railroads)	\$6,803.9	\$8,051.7	\$8,618.2	\$10,547.1	\$12,107.1	\$12,726.1	\$619.0	5%
Racino Slot Machine Wagering Tax	\$105,823.7	\$110,829.1	\$110,663.7	\$110,752.8	\$114,068.2	\$114,887.6	\$819.4	1%
Riverboat Admissions Tax	\$66,721.2	\$58,190.6	\$55,007.2	\$51,287.9	\$46,740.9	\$43,683.9	(\$3,057.0)	-7%
Riverboat Wagering Tax	\$579,759.5	\$485,331.9	\$452,301.9	\$446,408.4	\$429,709.9	\$433,883.5	\$4,173.7	1%
Sales and Use Tax	\$6,801,736.4	\$7,003,425.5	\$7,277,738.2	\$7,305,632.7	\$7,557,142.3	\$7,795,586.4	\$238,444.1	3%
Solid Waste Management Fee	\$5,326.8	\$5,433.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Special Fuel Tax	\$169,616.6	\$177,617.5	\$189,026.3	\$186,164.5	\$190,658.9	\$298,984.2	\$108,325.4	57%
Supplemental Wagering Tax						\$3,115.4		
Type II Gaming (Taverns)	\$416.5	\$403.5	\$414.4	\$437.9	\$477.5	\$507.7	\$30.3	6%
Underground Storage Tank Fee	\$46,238.4	\$51,191.9	\$50,987.4	\$50,261.6	\$52,584.6	\$46,144.7	(\$6,439.9)	-12%
Utility Services Use Tax	\$8,743.6	\$14,084.7	\$12,453.4	\$7,214.0	\$8,526.3	\$6,940.3	(\$1,586.0)	-19%
Utility Receipts Tax	\$215,468.0	\$219,406.9	\$218,597.1	\$207,762.2	\$185,087.0	\$195,208.9	\$10,121.8	5%
Waste Tire Management Fee	\$1,362.5	\$1,467.6	\$1,533.0	\$1,559.1	\$1,580.2	\$1,616.1	\$35.9	2%
Grand Total	\$17,101,012.1	\$17,327,616.1	\$18,078,540.6	\$18,152,522.7	\$18,739,038.9	\$19,874,213.1	\$1,135,174.2	6.058%

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Motor Carrier Services	317-615-7200
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