SOME INDIANA DEPARTMENT OF STATE REVENUE INFORMATION BULLETINS WHICH ARE DIRECTLY APPLICABLE TO THE GROSS INCOME TAX OF THE STATE OF INDIANA

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Some Indiana Department Of State Revenue Information Bulletins Which Are Directly Applicable To The Gross Income Tax Of The State Of Indiana

Income Tax Information Bulletin #11
October 1997
(Replaces bulletin #11 dated April 1994)

Disclaimer: Information Bulletins are intended to provide non-technical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Subject: INDIANA CORPORATE ESTIMATED INCOME TAX PAYMENTS (FORM IT-6)
Reference: IC 6-2.1-1; IC 6-2.1-2; IC 6-2.1-5-11; IC 6-3-4-4.1

Introduction
Form IT-6 Should be used by all corporations required to file Indiana corporate estimated income tax returns. This return must be filed by the twentieth day of the fourth, sixth, ninth, and twelfth month of the taxpayer's taxable year.

I. Filing Requirements
Corporations meeting any one of the three following qualifications must make estimated payments.
1) Gross Income Tax: Estimated gross income tax payments will be due only if the gross income tax liability exceeds one thousand dollars ($1,000) for the taxable year;
2) Adjusted Gross Income Tax: Estimated adjusted gross income tax payments are due if the adjusted gross income tax exceeds the gross income tax by more than one thousand dollars ($1,000) for the taxable year; or
3) Supplemental Net Income Tax: Estimated supplemental net income tax payments are due if the estimated supplemental net income tax exceeds one thousand dollars ($1,000) for the taxable year.

Taxpayers should note that refunds reflected on the annual corporate income tax return may be applied to the next taxable year's estimated liability by entering the amount to be credited on the designated line of the annual return. Overpaid estimated payments must be claimed on the annual return to obtain a refund.

One check is remitted for the remainder of a year's estimated income tax liability, no further estimated returns should be filed with the Department after the date of payment. All checks remitted to the Department should be accompanied by a return or a complete explanation for the payment. A zero liability for a quarter does not require Form IT-6 to be filed.

If a taxpayer's estimated liability exceeds ten thousand dollars ($10,000) per estimating period, the taxpayer is required to remit the tax by electronic funds transfer. If the estimated payment is made by electronic funds transfer, the taxpayer is not required to file Form IT-6 for estimated payments. Questions relating to electronic funds transfer payments should be directed to (317) 232-5500.

II. Extension Payment Using Form IT-6
The Department recognizes the Internal Revenue Service application for automatic extension of time to file. It is not necessary to request a separate Indiana extension if you have a federal extension of time. Returns received within thirty (30) days after the last date indicated on the federal extension form will be considered filed on a timely basis. A copy of the federal extension form must be attached to the Indiana annual return when filed. If a federal extension is not needed, a corporation may request a separate Indiana extension of time to file with the Department. To request an Indiana extension of time to file contact the Indiana Department of Revenue, Data Control Business Tax, Returns Processing Center, 100 N. Senate Avenue, Indianapolis, IN 46204.

Ninety percent (90%) of the tax reasonably expected to be due must be prepaid prior to the original due date. Form IT-6 should be used to make an extension payment. This payment will be processed as a "fifth estimated" payment.

III. Gross Income Tax
In computing estimated gross income tax due, corporations should be aware of the two different tax rates for the gross income tax. Typical receipts taxed at the high rate of one and two-tenths percent (1.2%) include:
1. Retail sales other than by a retail merchant;
2. Sales of capital assets and the sale of real estate;
3. Dividends, interest, and rental receipts;
4. Income received by utilities for gas, electric, telephone and water services;
5. All service receipts;
6. All other income sources of utilities except retail sales of inventory;
7. Gross earnings of the following businesses:
   a) Grain dealers;
   b) Wholesale grocers;
   c) Insurance companies;
   d) Livestock dealers and meat packers;
   e) Qualified lessors; and
   f) Drug wholesalers selling legend drugs.
Typical receipts taxed at the low rate of three tenths of one percent (0.3%) include:
Retail merchants' receipts from selling at retail;
1. Wholesale sales;
2. Display advertising, including outdoor posted and painted display advertising and radio and television media advertising;
3. Laundering and dry cleaning, excluding receipts from coin operated laundry and dry cleaning equipment;
4. Motel and hotel rooms rented for a period of thirty (30) days or less;
5. Receipts from industrial processing or servicing including tire retreading and enameling or plating of tangible personal property;
6. Commercial printing; and
7. Water softening and conditioning of water.

IV. Adjusted Gross Income Tax
Corporations whose estimated adjusted gross income tax exceeds the gross income by more than one thousand dollars ($1,000) for the taxable year must pay adjusted gross income tax on the estimated return. When computing the estimated adjusted gross income tax for the taxable year, the adjusted gross income tax rate is three and four tenths percent (3.4%) of Indiana adjusted gross income after apportionment.

V. Supplemental Net Income Tax
If the estimated supplemental net income tax is more than one thousand dollars ($1,000) for the taxable year, the supplemental net income tax must be paid with the estimated return. To compute the estimated supplemental net income tax, the estimated adjusted gross income is reduced by the amount of the estimated gross income tax or adjusted gross income tax payment, whichever is greater. The result is then multiplied by the four and one-half percent (4.5%) supplemental net income tax rate.

VI. Example
The estimated payment is the greater of the gross income tax or adjusted gross income tax, plus the supplemental net income tax.
Estimated Indiana adjusted gross income for the period. $1,025,000
Adjusted gross income tax (3.4%). 34,850
Gross income tax. 30,250
SUPPLEMENTAL NET INCOME TAX
Estimated Indiana adjusted gross income for the period. $1,025,000
Subtract the greater of the gross income tax or the adjusted gross income tax from the Indiana adjusted gross income. -34,850
$ 990,150
Multiply the remainder by 4.5%. X.045
Supplemental net income tax due $ 44,557
QUARTERLY PAYMENT DUE
Adjusted gross income tax. $34,850
Supplemental net income tax +44,557
TOTAL TAX DUE FOR THE QUARTER $79,407
VII. Penalties
Corporations required to estimate their income taxes will be subject to a ten percent (10%) underpayment penalty if they fail to file estimated tax payments or fail to remit a sufficient amount of estimated tax. The required estimate should include at least twenty percent (20%) of the total liability for the current taxable year, or twenty-five percent (25%) of the final tax liability for the prior taxable year. If either one of these conditions are met, there will be no penalty assessed for the estimated period.

If you have any questions concerning the filing of the estimated return, or if you need to obtain an IT-6 booklet, please do not hesitate to contact the Indiana Department of Revenue.

Income Tax Information Bulletin #12
November 1993
(replaces bulletin #12 dated June 1988)

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Subject: CORPORATE INCOME TAXES
Reference: IC 6-2.1-3; IC 6-2.1-6-1; IC 6-3-2; IC 6-3-3; IC 6-3-4; IC 6-3-8; IC 6-3-1; IC 6-5.5-1-17; IC 27-1-18-2

General Statement
Except as otherwise provided in this bulletin, a corporation doing business in Indiana, other than a corporation defined as a taxpayer under IC 6-5.5-1-17, is subject to the gross income tax, the adjusted gross income tax, and the supplemental net income tax. The gross income tax is allowed as a credit against the adjusted gross income tax determined to be due before the credit. Therefore, the corporation will, in effect, pay the greater of the two taxes.

S Corporation
A corporation is not subject to the corporate income taxes if it meets both of the following conditions:

1. It is a corporation which is exempt from the federal income tax under Section 1363 of the Internal Revenue Code.
2. It complies with the requirements of IC 6-3-4-13 by withholding the amounts prescribed by the department at the time it pays or credits amounts to a nonresident shareholder as dividends or as a share of the corporation’s undistributed taxable income.

A qualified S corporation is required to file an annual information return on Form IT-20S. The return is due on the fifteenth (15th) day of the fourth (4th) month following the close of its taxable year. For more information on S corporations, see Information Bulletin #30 on income tax.

An S corporation may file a composite adjusted gross income tax return on behalf of some or all of its shareholders who are not residents of Indiana, if it complies with the instructions found in Information Bulletin #72. The nonresident shareholders properly electing to participate in the composite return will be relieved of the obligation to file an individual adjusted gross income tax return.

Special Corporation
A corporation that qualifies and files as a small business corporation under IC 6-2.1-3-24.5 is exempt from the gross income tax. The corporation is still subject to the adjusted gross income tax and the supplemental net income tax. As used in this paragraph, the term “special corporation” has the same meaning as the term “small business corporation”. The filing of Form IT-20SC with all questions fully answered will be considered prima facie proof that the corporation qualifies as a special corporation. However, upon request, the department must be provided with further proof that the corporation qualifies as a special corporation for the taxable year for which the exemption from gross income tax is claimed. An exemption may not be denied because of a late filed return. However, a special corporation that files a return after the due date seeking an exemption from the gross income tax is subject to a penalty. The penalty is ten percent (10%) of the corporation’s adjusted gross and supplemental net income tax liabilities for the taxable year. However, if no income tax liability is imposed for the taxable year the penalty is ten dollars ($10) for each day the corporation’s income tax return is past due, but not to exceed two hundred fifty dollars ($250).

Not-For-Profit Organization
A not-for-profit organization is subject to the gross income tax, the adjusted gross income tax, and the supplemental net income tax, unless the income is specifically exempted from taxation under the provisions of the Gross Income Tax Act (Indiana Code 6-2.1-3, sections 19, 20, 21 or 22) or the Adjusted Gross Income Tax Act (Indiana Code 6-3-2-2.8 and 6-3-2-3.1). The income of a not-for-profit organization complying with the filing requirements may be wholly exempt or partially exempt from gross income tax, or fully taxable, depending upon the type of organization and the nature of its income. An organization which does not comply with the filing requirements is fully taxable. A not-for-profit organization will be subject to tax on income derived from an unrelated trade or business as defined in Section 513 of the Internal Revenue Code. A political organization and a homeowners organization are not considered not-for-profit organizations and therefore must file as regular corporations on Form IT-20. Effective July 1, 1992, a not-for-profit organization granted exemption under IC 6-2.1-3-21 as a fraternal or social organization, or as a business league or association, will be subject to gross income tax on its membership fees or contributions for which the payor receives or may expect to receive specific services or tangible personal property. For further information on not-for-profit organizations, see Information Bulletin #17.

Municipal Corporation
The gross income received by the State of Indiana, its agencies, instrumentalities, counties, townships, municipal corporations, and their respective agencies and instrumentalities, and all other state governmental utilities and subdivisions, including state colleges, universities, and rural water companies shall be subject to the gross income tax on receipts earned in the performance of private, proprietary, or other business activities as enumerated in IC 6-2.1-3-29. Receipts from sales to non-profit organizations such as schools, churches, hospitals, and libraries are subject to the gross income tax although the receipts earned by these and other non-profit organizations may be exempt from the gross income tax. All governmental units are taxable under the Gross Income Tax Act if the gross receipts exceed one thousand dollars ($1,000) during the taxable year. All returns are due on or before the fifteenth (15th) day of the fourth (4th) month following the close of the taxable year.

Insurance Company
A foreign insurance company (one organized under the laws of a state other than Indiana) is required by IC 27-1-18-2 to pay the insurance premium tax to the Indiana Department of Insurance. Paying the premium tax exempts a foreign corporation form the gross income tax and the adjusted gross income tax.

An Indiana domestic insurance company may elect to be taxed under IC 27-1-18-2 by filing a notice of such election with the Commissioner of The Indiana Department of Insurance and with the Commissioner of The Indiana Department of Revenue. The election must be filed on or before the thirtieth (30th) day of November of each year with respect to the following calendar year. Filing under IC 27-1-18-2 exempts a domestic insurance company from the gross income taxes. The domestic insurance company is still subject to the supplemental net income tax. A domestic insurance company not electing to pay the premium tax is permitted to use gross earnings for gross income tax purposes. The appropriate supplemental schedule should accompany its tax return:
Schedule 4A: Farmer’s Mutual Insurance Company;
Schedule 7A: Fire, Casualty, and Assessment Life and Accident Insurance Company; and
Schedule 9A: Life Insurance Companies.
For the purpose of computing the supplemental net income tax of insurance companies, see IC 6-3-8.

Financial Institutions
Financial institutions are subject to a franchise tax under IC 6-5.5. The franchise tax extends to both resident and non-resident financial institutions and to all other corporate entities when eighty percent (80%) of gross income is derived from activities which encompass the business of a financial institution. The business of a financial institution is defined as activities authorized by the Federal Reserve Board; the making, acquiring, selling, or servicing loans or extensions of credit; or operating a credit, debit card or charge card business. Entities subject to this tax must file Form FIT-20.

Corporation Gross Income Tax
The gross income tax is a gross receipts tax. The corporation’s entire amount of gross receipts is used as the tax base. Deductions for costs, losses, or expenses are generally not allowed in computing the Indiana gross income tax liability. Every corporation, when computing its annual gross income tax, is entitled to an annual exemption of one thousand dollars ($1,000). If the taxpayer is subject to the gross income tax for less than twelve months, the exemption is computed at the rate of $83.33 per month. This
tax is not to be confused with the Indiana sales and use tax, for the gross income tax is not imposed on the act of sale but on the receipts from sale when received or credited. This tax generally applies to all intrastate transactions and receipts from doing business in Indiana. This includes receipts from sales completed in Indiana prior to or after shipment in interstate commerce.

The gross income tax rate is determined by the nature of the receipts. For example, receipts from the following business transactions are subject to a tax rate of one and two-tenths percent (1.2%):
1. Sale of real estate.
2. Sale of capital assets.
3. Dividends, interest, and rental receipts.
4. All service receipts, including commissions and fees.
5. Income received by Public Utilities for gas, electrical, telephone and water services.
6. All other sources of income of Public Utilities (except retail sales of inventory items such as various appliances which would be taxed at the lower rate).
7. Grain dealers (gross earnings).
8. Wholesale grocers (gross earnings).
9. Livestock dealers and meat packers (gross earnings).
10. Insurance carriers (gross earnings).
11. Contractor’s receipts (except those receipts from the sale of materials).
12. The provision of cable television.

Receipts from the following business transactions are subject to a tax rate of three-tenths of one percent (0.3%):
1. Wholesale sales.
2. Display advertising, including outdoor posters, painted display advertising, and radio and television media advertising.
3. Receipts from selling at retail.
4. Laundering and dry cleaning, excluding receipts from coin-operated laundry and dry cleaning equipment.
5. Hotel and motel room rental receipts (rentals for periods of less than 30 days).
6. Contractor’s sale of materials.

The above categories provide examples of income applicable to each tax rate, but are not all inclusive.

Corporate Adjusted Gross Income Tax
The adjusted gross income tax rate is three and four-tenths percent (3.4%).
The tax base is computed by using net federal taxable income from the federal Form 1120 and adding back all state income taxes (all taxes based on income), all real estate and personal property taxes, and charitable contributions that were deducted on the federal return.

The nonbusiness income of a corporation is specifically allocated under IC 6-3-2-2(g) through (k). Nonbusiness income is only that income that is not considered business income. Business income is all income which arises from the conduct of trade or business operations of the taxpayer. For further information concerning the classification of business and nonbusiness income, refer to the annual return, its filing instructions, and the department’s regulations.

If a corporation has business income from both within and without Indiana, the corporation must apportion its income by means of the three-factor formula under IC 6-3-2-2. Indiana has generally followed the provisions of the Uniform Division of Income for Tax Purposes Act.

For Indiana adjusted gross income tax purposes, the term “doing business” generally means the operation of any business enterprise or activity in Indiana including but not limited to the following:
1. Maintenance of an office, warehouse, construction site or other place of business in Indiana.
2. Maintenance of an inventory of merchandise or material for sale, distribution, or manufacture.
3. The sale or distribution of merchandise to customers in Indiana directly from company owned or operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution.
4. The rendering of a service to customers in Indiana by agents or employees of a foreign corporation.
5. The ownership, rental, or operation of business or income-producing property (real or personal) in Indiana.
6. Acceptance of orders in Indiana with no right of approval or rejection in another state.
7. Interstate transport of goods by vehicles on Indiana highways.
For tax years that begin prior to January 1, 1993, the apportionment factor to be applied to a corporation’s business income to determine the amount taxable by Indiana is determined by taking the average of the sum of the property factor, the payroll factor, and the sales factor. The property factor is determined by dividing the total value of the taxpayer’s Indiana property by the total value of the taxpayer’s property everywhere. The payroll factor is determined by dividing the total compensation paid by the taxpayer within Indiana by the total compensation paid everywhere by the taxpayer. The sales factor is determined by dividing the taxpayer’s total Indiana sales by the taxpayer’s total sales everywhere. As used in this paragraph, the term “everywhere” does not include property, payroll, or sales of a foreign corporation in a place that is outside the United States.

For tax years that begin within calendar year 1993, the apportionment factor to be applied to a corporation’s business income to determine the amount taxable by Indiana is determined by dividing the sum of the property factor, the payroll factor, and one hundred thirty-three percent (133%) of the sales factor by three and thirty-three hundredths (3.33).

For tax years that begin within calendar year 1994, the apportionment factor to be applied to a corporation’s business income to determine the amount taxable by Indiana is determined by dividing the sum of the property factor, the payroll factor, and one hundred sixty-seven percent (167%) of the sales factor by three and sixty-seven hundredths (3.67).

For tax years that begin on or after January 1, 1995, the apportionment factor to be applied to a corporation’s business income to determine the amount taxable by Indiana is determined by dividing the sum of the property factor, the payroll factor, and two hundred percent (200%) of the sales factor by four (4).

The numerator of the sales factor includes all sales made in Indiana, sales made from Indiana to the U.S. Government, and sales made from Indiana to a state which does not have jurisdiction to tax the activities of the seller. Destination sales by an Indiana seller which has activities in the state of destination, other than mere solicitation, will not be included in the numerator of the sales factor regardless of whether or not the destination state levies a tax. For more information on the determination of Indiana source income, see IC 6-3-2-2.

Supplemental Corporate Net Income Tax
A supplemental net income tax is imposed on the net income of all corporations. The supplemental net income tax rate is four and five-tenths percent (4.5%). The term “corporation” includes financial institutions not subject to tax under IC 6-5.5 and domestic insurance companies. The term “net income” means adjusted gross income derived from sources within Indiana minus an amount equal to the greater of: (1) the adjusted gross income tax imposed, or (2) the gross income tax imposed, or (3) the premiums tax imposed on domestic insurance companies. For more information on the supplemental corporate net income tax, see IC 6-3-8.

Computation of Indiana corporation income taxes
Example: For the calendar year ending December 31, 1992, the ABC Corporation reported the following:
Service receipts $ 12,000.00
Sales at wholesale $160,000.00
Interest and dividends $ 4,000.00
Net federal taxable income $ 21,000.00

Computation of Gross Income Tax
Example: For the calendar year ending December 31, 1992, the ABC Corporation reported the following:
High Rate Receipts:
Service receipts $ 12,000.00
Interest and dividends $ 4,000.00
Less annual exemption $ <1,000.00>
Taxable high rate receipts $ 15,000.00
tax rate 1.2%
tax $ 180.00

Low Rate Receipts:
Sales at wholesale $160,000.00
tax rate .3%
tax $ 480.00
### Gross Income Tax

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</tr>
<tr>
<td>Low</td>
<td>$480.00</td>
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</tbody>
</table>

**Total Gross Income Tax**

$660.00

### Computation of Adjusted Gross Income Tax

**Net Federal Taxable Income**

$21,000.00

Add back the following deductions taken on the federal return (which are not allowed by Indiana law):

- Deductions for state income taxes: $3,000.00
- Deductions for real estate taxes and personal property taxes: $2,000.00
- Deductions for charitable contributions: $0
- Deduct: Interest on U.S. Government Obligations: $0
- Deduct: Foreign dividend gross-up: $0

**Adj. gross income after modifications**

$26,000.00

**Percentage of Indiana activities**

75.23%

**Indiana Taxable Adjusted Gross Income**

$19,559.80

**Adjusted Gross Income Tax Rate**

3.4%

**Adjusted Gross Income Tax**

$665.03

### Computation of Supplemental Net Income Tax

**Indiana Taxable Adjusted Gross Income**

$19,559.80

Deduct the Greater of the Gross Income Tax or the Adjusted Gross Income Tax

$665.03

**Supplemental Net Income**

$18,894.77

**Supplemental Net Income Tax Rate**

4.5%

**Supplemental Net Income Tax**

$850.26

### Computation of Total Indiana Tax

**Greater of the Adjusted Gross Income Tax or the Gross Income Tax**

$665.03

**Plus the Supplemental Net Income Tax**

$850.26

**Total Indiana Income Tax**

$1,515.29

### Filing Requirements

Annual tax returns are required under both the Gross and Adjusted Gross Income Tax Acts. The computation of both taxes is combined on a single tax return, the Indiana Corporation Income Tax Return, Form IT-20. The due date for the annual Indiana Corporation Income Tax Return is the fifteenth (15th) day of the fourth (4th) month following the close of the taxable year. The Indiana Department of Revenue accepts Federal extension of time applications (Form 7004) and it is not necessary to contact the Department prior to filing the annual return. A copy of the Federal extension of time must be attached to the return when it is filed. When a corporation does not need a Federal extension of time and one is necessary for filing the state return, a letter requesting such an extension should be submitted to this Department prior to the due date of the annual return.

An extension of time granted under IC 6-8.1-6-1 waives the late payment penalty for the extension period on the balance of tax due provided ninety percent (90%) of the current year’s total tax liability is paid on or prior to the original due date. Interest on the balance of tax due must be included with the return when it is filed. Interest is computed from the original due date until the date of payment. In October of each year the department establishes the interest rate for the next calendar year. The taxpayer should contact the Department for the applicable interest rate.

### Separate Accounting

Indiana does not accept returns filed on a separate accounting basis without prior approval. If the apportionment provisions do not fairly reflect the corporation’s Indiana income, the corporation must petition the department for permission to use an alternative method.
Consolidated Reporting
The Gross Income Tax Act and the Adjusted Gross Income Tax Act provide for an election to file a consolidated return for a qualified affiliated group. To file a consolidated return for gross income tax purposes, the parent corporation must own eighty percent (80%) of the voting stock of each subsidiary. Each corporation in the affiliated group electing to file consolidated must be either incorporated in Indiana or be registered with the Secretary of State to do business in Indiana. An affiliated group filing a consolidated gross income tax return with the department must attach Schedule 8-D to the return. The schedule may be obtained from the department upon request.

Under the Adjusted Gross Income Tax Act, an affiliated group has the privilege of filing a consolidated return as provided in IC 6-3-4-14. The affiliated group may not include any corporation which does not have taxable income or loss derived from Indiana sources. If such an election is made for Indiana tax purposes, the department should be notified by attaching a statement to the return which indicates those affiliated corporations electing to file a consolidated return. In addition, a worksheet must accompany the annual return supporting the adjusted gross consolidated income of the participating affiliates.

If an affiliated group elects to file a consolidated return under either the Gross or Adjusted Gross Income Tax Acts, the department strongly urges the affiliated group to file a consolidated return under both Acts. The department and taxpayers have experienced many administrative and procedural problems in applying proper credits, payments and the computation of tax for each member filing separately. If each member of an affiliated group files separately under one Act and consolidated under the other Act, the burden will be on each member to provide a complete breakdown of that member’s individual gross, adjusted gross, and supplemental net income tax liability, quarter payments and other credits. This would include each member filing estimated quarterly payments for its own tax liability separate from that of the reporting member for the affiliated group, individually claiming credits on proper forms, and submitting separate checks in payment of taxes, etc.

An election to file a consolidated return for Indiana purposes can be made by filing the consolidated return by the due date; if filed past the due date, a copy of the valid federal extension of time to file must be attached to the return. An election to file a consolidated return cannot be made on a retroactive basis. Once an affiliated group elects to file consolidated for Indiana purposes, the group must follow that election for all subsequent years of filing. If the group wishes to revoke the election in a subsequent tax year, the group must obtain written permission from the department prior to filing the return. For further information on consolidated returns and the calculation of consolidated taxable income of an affiliated group, see Information Bulletin #23.

Combined Reporting
A taxpayer may petition the Department for permission to file a combined income tax return for a tax year. However, the petition must be filed with the Department on or before thirty (30) days after the end of the tax year for which permission is sought. A timely filed petition will be granted if combined reporting will more fairly reflect the unitary group’s Indiana source income. However, combined reporting is limited to the “water’s-edge” of the United States.

A unitary group who has petitioned and received permission from the Department to file a combined return in Indiana may file one return for the unitary group, providing a schedule is attached showing the gross income tax due and adjusted gross income tax due by member. In the alternative, the unitary group should file an Indiana return for each member doing business in Indiana. The basic premise in filing a combined return is that all activities carried on by separate entities are part of a single unitary business (one taxpayer). Under the “Finnigan” concept a taxpayer is defined to mean all corporations (members) of a unitary group. For purposes of computing the apportionment factor, the Department follows the decision of the California State Board of Equalization in the Appeal of Finnigan Corporation, Cal. St. Board of Equal., Jan 24, 1990 (88-SBE-022A). This apportionment computation method applies to corporations who file combined tax returns in Indiana and does not apply to corporations not filing combined returns in Indiana. For an example of how to compute the apportionment factor, see Tax Policy Directive #6.

Accounting Period
The accounting period for both the gross income tax and the adjusted gross income tax must be the same as the accounting period adopted for federal income tax purposes.

Accounting Methods
Under the Gross Income Tax Act, the accounting method for reporting gross receipts of a corporation shall be limited to the cash or accrual method. The method of accounting will normally conform with the accounting method used for federal tax purposes. However, in the instance that an accounting method other than the cash or accrual method is used for federal tax purposes, the
method used for reporting gross receipts shall be limited to the cash method. The completed contract and the installment method of accounting are not permitted under the Gross Income Tax Act. Under the Adjusted Gross Income Tax Act, the department will recognize the method of accounting used for federal income tax purposes.

Withholding Requirements
Under IC 6-2.1-6-1, a withholding requirement is placed on those who engage nonresident corporate contractors. There is a requirement to withhold a percentage of the contract receipts at the higher rate from those nonresident corporations who are not qualified with the Indiana Secretary of State to do business in Indiana. The nonresident corporate contractor will claim credit for the tax withheld when filing its annual return. For further information on withholding requirements, see Information Bulletin #49.

Estimated Tax Requirements
A corporation whose estimated gross income tax liability exceeds one thousand dollars ($1,000) for a taxable year, or whose adjusted gross income tax exceeds the gross income tax by one thousand dollars ($1,000) annually, or whose supplemental net income tax liability exceeds one thousand dollars ($1,000) annually, must file quarterly estimated tax payments. The quarterly estimated tax payments are submitted with Indiana voucher IT-6 or by electronic funds transfer, depending on the amount of the payment due. To avoid the underpayment of estimated tax penalties, corporations are required to make quarterly payments equal to twenty percent (20%) of the final tax liability for the current year, or twenty five percent (25%) of the corporation’s liability for the previous tax year. The penalty is assessed on the difference between the actual amount paid by the corporation for each quarter and twenty-five (25%) of the corporation’s final adjusted gross income tax liability for the current year. For taxable years beginning after December 31, 1993, the due dates for the quarterly estimated tax payments shall be accelerated. A separate publication will be issued by the Department covering those due dates and the estimated tax payments.

Sale of Real Estate
A corporation (unless specifically exempt) will be required to pay gross income tax at the time of a sale of real estate. Payment should be made to the County Treasurer in the county in which the real estate is located.

The tax, at the higher rate, is assessed against the gross receipts less the amount of any mortgage indebtedness of the seller on the property transferred.

Detailed information can be obtained from Information Bulletin #47.

Tax Credits
The following are selected tax credits applying to corporations. For a complete list of available credits, see Information Bulletin #59.

1. College and University Contribution Credit. This tax credit can be taken by those corporations making contributions to Indiana colleges and universities as described in IC 6-3-3-5. This credit is also available for contributions to a corporation or foundation organized and operated solely for the benefit of an institution of higher education. The credit is limited to the least of: (1) one thousand dollars ($1,000); (2) fifty percent (50%) of the contribution; or (3) ten percent (10%) of the adjusted gross income tax. Schedule CC-20 must be completed and filed with the annual return to claim this credit.

2. Neighborhood assistance Credit. IC 6-3.1-9-2 provides a state income tax credit to taxpayers who contribute to neighborhood organizations or who engage in activities to upgrade economically disadvantaged areas. The Department will grant a tax credit against the gross, adjusted gross, or supplemental net income tax due equal to fifty percent (50%) of the amount invested by a business or person in a program approved by the Director of the Department of Commerce. The tax credit shall not exceed twenty-five thousand dollars ($25,000) in any taxable year of the taxpayer. The total amount of these tax credits allowed shall not exceed one million dollars ($1,000,000) in any state fiscal year. The credit is allowable only for the taxable year in which the contribution qualifying for the credit is paid or permanently set aside in a special account for the approved program or purpose. For further information in applying for this credit, see Information Bulletin #22.

3. Research Expense Credit. IC 6-3.1-4-2 provides a tax credit to a corporate taxpayer entitled to the Federal Research Expense Credit (Section 41 IRC) who also incurs Indiana qualified research expenses. For further information, see Schedule IT-20REC.

4. Teacher Summer Employment Credit. IC 6-3.1-2-2 provides a tax credit to a person who hires math or science teachers during summer vacation. The credit for each teacher hired is the lesser of: (1) two thousand five hundred dollars ($2,500); or (2) fifty
percent (50%) of the compensation paid. This credit may be applied toward the taxpayer’s gross, adjusted gross, and supplemental net income taxes. To receive the credit, Schedule TSE must be attached to the return, and the credit must be approved by the State Board of Education.

5. Enterprise Zone Employment Expense Credit. IC 6-3-3-10 provides for a credit equal to the lesser of: (1) ten percent (10%) of the increase in wages paid to qualified enterprise zone employees; or (2) one thousand five hundred dollars ($1,500) times the number of qualified enterprise zone employees. This credit may be applied toward the gross income tax, the adjusted gross income tax, and the insurance premiums tax. For further information concerning enterprise zone tax benefits, refer to Information Bulletin #66.

6. Enterprise Zone Loan Interest Expense. IC 6-3-1-7 provides for a credit equal to five percent (5%) of the interest earned from qualified loans. “Qualified loan” means a loan made to an entity that uses the loan proceeds for: (1) a purpose that is directly related to a business located in an enterprise zone; (2) an improvement that increases the assessed value of real property located in an enterprise zone; or (3) rehabilitation, repair, or improvement of a residence located in an enterprise zone. This credit may be applied toward the gross income tax, the adjusted gross income tax, the supplement net income tax, the bank tax, the savings and loan association tax, the insurance premiums tax, and the financial institutions tax. Further information concerning enterprise zone tax benefits may be obtained in Information Bulletin #66.

7. Enterprise Zone Investment Cost Credit. For taxable years beginning after December 31, 1985, certain taxpayers may be entitled to a credit against their state tax liability for qualified investments in an enterprise zone. Purchases of stock of businesses located in an enterprise zone must be approved by the Department of Commerce in order to “qualify” for this credit. For further details concerning this credit, see Information Bulletin #66.

8. Industrial Recovery Tax Credit. IC 6-3.1-11 provides a credit for qualifying investments in vacant industrial facilities (industrial recovery sites). A “vacant industrial facility” means a tract of land on which there is located a plant that:

(A) has at least three hundred thousand (300,000) square feet of floor space;
(B) was placed in service at least twenty (20) years ago; and
(C) has been vacant for two (2) or more years unless the tract and the plant are owned by a municipality or a county, in which case the two (2) year requirement does not apply.

This credit is for taxable years beginning after January 1, 1987. It may be applied against the taxpayer’s gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax insurance premiums tax, and financial institutions tax. The credit is nonrefundable and must be carried forward only. For further information contact the Indiana Department of Commerce, Enterprise Zone Board, One North Capital Avenue, Suite 700, Indianapolis, Indiana 46204.

Summary
A corporation operating in Indiana which is not certain of its tax status should promptly apply to the Department for a determination of its status. Complete detailed information as to the corporation’s operation should be submitted. All correspondence concerning the matter should be addressed to the Indiana Department of Revenue, Compliance Division, Room N203, Indiana Government Center North, Indianapolis, Indiana 46204-2253.

To avoid the possibility of costly penalties and interest charges for the delinquent filing of returns, a corporation should ask for a determination of its tax status before commencing business in Indiana.
Application must be attached to the return.

If an extension of time to file is not being requested from the Internal Revenue Service, or if an extension is being sought for a period in excess of thirty (30) days past the expiration date of a federal extension, a special extension of time to file must be requested. The written request for a special extension of time to file must be made prior to the original due date or before the current extension of time expires. This request should contain an explanation as to why the extension is being sought and for what period. The request for a special extension of time to file should be sent to:
Corporation Income Tax Section  
Indiana Department of Revenue, Room 203  
State Office Building  
Indianapolis, Indiana 46204-2253

A letter of approval or denial will then be issued by the Corporation Income Tax Section.

A corporation must pay by the original due date for filing its return at least 90% of the tax that is reasonably expected to be due. Any amount due should be sent to the Corporation Income Tax Section as a fifth quarter estimated payment on Form IT-6.

Penalties
A 10% penalty will be assessed those taxpayers who file their Indiana corporation income tax return past the due date of the return and do not attach a valid extension of time to file or have not prepaid at least 90% of the tax reasonably expected to be due by the original due date. The penalty is imposed under IC 6-8.1-10-2.

Interest
Any tax that remains unpaid during an extension period accrues interest in accordance with IC 6-8.1-6-1 (d). The rate at which interest accrues depends upon the rate in effect during the extension period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>8%</td>
</tr>
<tr>
<td>1979</td>
<td>8%</td>
</tr>
<tr>
<td>1980</td>
<td>8%</td>
</tr>
<tr>
<td>1981</td>
<td>12%</td>
</tr>
<tr>
<td>1982</td>
<td>17%</td>
</tr>
<tr>
<td>1983</td>
<td>13%</td>
</tr>
<tr>
<td>1984</td>
<td>12%</td>
</tr>
<tr>
<td>1985</td>
<td>12%</td>
</tr>
<tr>
<td>1986</td>
<td>10%</td>
</tr>
</tbody>
</table>

Any interest accrued should be paid with the remittance accompanying the tax return.

If you have any questions concerning extension of time to file, you can call the Corporation Income Tax Section at (317) 232-2189, or write to:
Corporation Income Tax Section, Room 203  
State Office Building  
Indianapolis, Indiana 46204-2253

Income Tax Information Bulletin #19  
July, 1992  
(replaces bulletin #19 dated September, 1991)

Disclaimer: Informational bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Subject: GOVERNMENT OBLIGATIONS  
Reference: IC 6-2.1-3-1, IC 6-3-1-3.5

For purposes of the Gross Income Tax Act and the Adjusted Gross Income Tax Act, obligations issued by the following organizations are considered direct United States Government obligations specifically exempted from state income taxation by

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IDSRBullAppToGIT, Page -11-
federal law. Although not all inclusive, the Indiana Department of Revenue recognizes the following list of United States obligations, and is correct as of the date of issuance of this bulletin. For obligations not listed below refer to 31 U.S.C. 3124(a) for further guidance.

1. Banks for Cooperatives (12 U.S.C. Section 2134)
2. Central Banks for Cooperatives (12 U.S.C. Section 2134)
3. Commodity Credit Corporation (15 U.S.C. Section 714)
4. District of Columbia
5. Export-Import Banks of the United States (12 U.S.C. Section 635(b))
6. Farm Credit Banks (12 U.S.C. Section 2023)
7. Farmers Home Corporation
9. Federal Farm Loan Corporation
10. Federal Financing Banks (12 U.S.C. Section 2290(b))
12. Federal Housing Administration
20. Maritime Administration (Merchant Marine Bonds)
21. Production Credit Association (12 U.S.C. Section 2077)
22. Student Loan Marketing Association (20 U.S.C. Section 1087-2)
24. Small Business Administration
25. Tennessee Valley Authority (bonds only) (16 U.S.C. Section 831(n)-4 (di))
29. U.S. Housing Authority
31. U.S. Maritime Commission

The proportionate share of dividends or interest received from a Mutual Fund, Money Market Fund, Regulated Investment Trust or other investment fund derived from investments in direct U.S. government obligations will be allowed as a deduction in the computation of Indiana gross income tax and Indiana adjusted gross income. This deduction will be allowed to the extent such income is included in Indiana gross income or Indiana adjusted gross income. (For purposes of this deduction, earnings from investing in repurchase agreements are not considered to be derived from direct obligations of the U.S. government.)

The following sources of obligations are not considered United States obligations:

1. Building and Loan Associations
2. District of Columbia Armory Board
3. FSLIC secondary reserve prepayments
4. Farmer's Home Administration
5. Federal or State Savings and Loan Associations
6. Federal Home Loan Mortgage Corporation participation certificates in mortgage pools
7. Federal Home Loan Time Deposits

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8. Federal National Mortgage Association (including dividends from FNMA stock)
9. GI Loans
10. Government National Mortgage Association (including participation certificates)
11. Inter-American Development Bank
12. International Bank for Reconstruction and Development (World Bank obligations)
13. Obligations issued under the New Commodities Act (Interstate and development bonds)
14. Panama Canal Bonds
15. Participating loans in the Federal Reserve System for member banks (Federal funds)
16. Philippine Bonds
17. Reconstruction Finance Corporation
18. Student Loans
19. U.S. Postal Service certificates and savings deposits
20. Repurchase Agreements

Also, interest or dividends received in the following instances is not exempt for gross income tax or adjusted gross income tax purposes:
Debentures issued to mortgage or mortgages foreclosed under the provisions of the National Housing Act.
Interest bearing certificates issued in lieu of tax exempt securities, such income losing its identity when merged with other funds
Promissory notes of a federal instrumentality
Refunds of Federal income tax
Earnings from repurchase agreements
Obligations of the State of Indiana
Any direct obligation of the State of Indiana or a political subdivision of the State of Indiana is nontaxable for purposes of the Gross Income Tax Act and the Adjusted Gross Income Tax Act.

The Effect of Government Obligations on Indiana Gross Income Tax
For Indiana gross income tax purposes, corporate taxpayers must report all interest received. The only interest exempt from this tax is that derived from direct United States Government obligations and accumulated interest on bonds of Indiana municipalities or taxing subdivisions.

Interest on bonds, notes or other obligations of states or their subdivisions) other than in Indiana is taxable for gross income tax purposes. Consequently, interest from bonds issued by public housing authorities in Indiana is nontaxable while interest from bonds issued by public housing authorities in other states is taxable.

Receipts from the issuance of corporate bonds are not subject to taxation. Receipts from the redemption of bonds are not considered to be gross income; however, any gain realized or interest accumulated at the time of redemption is taxable at the higher rate under IC 6-2.1-2-5. The only interest exempt from tax is that derived from direct United States Government obligations and accumulated interest on bonds of Indiana municipalities or taxing subdivisions.

Gross income from the sale of any bond, note or other obligation held for investment purposes is taxable as gross receipts unless the sale is exempt under IC 6-2.1-3-3 (commerce clause) of the Gross Income Tax Act. If the corporation is permitted to compute its income under the gross earnings basis as described in IC 62.1-1-8, only the gain from the sale of the securities is taxable with the exception of those nontaxable sales in interstate commerce. This would include receipts from the sale of United States Government obligations and Indiana state and municipal obligations which are taxable to the extent of any profit or gain.

The Effect of Government Obligations on Indiana Adjusted Gross Income Tax
All interest reported for federal tax purposes must be reported for Indiana adjusted gross income tax purposes. However, in determining taxable interest income for Indiana adjusted gross income tax purposes, a deduction may be taken for interest received on direct obligations of the Federal government or its agencies, as required under 31 U.S.C. Section 3124. The exemption for Government obligations is not a total exclusion, and may be limited by charging the obligations and interest their fair share of related expenses. However, the deductions generated by the expenses are limited to the amount of income generated by the obligation.

NOTE: Although municipal bond interest (including interest on public housing bonds) and bond interest from United States
Government obligations are excludable, the gain derived from the sale of tax-exempt municipal bonds and United States Government obligations held as investments is not exempt. The gain to be reported for Indiana tax purposes is the gain reported for Federal income tax purposes. Losses sustained are deductible, subject to capital loss limitations.

You may contact the Compliance Division for a determination of the exempt (or nonexempt) status of any governmental obligation.

Indiana Department of Revenue
Compliance Division
P.O. Box 2253
Indianapolis, Indiana 46204

Income Tax Information Bulletin #22
Revised October, 1983
Subject: NEIGHBORHOOD ASSISTANCE CREDIT

General Statement
An income tax credit is available to Indiana taxpayers who contributed to individuals, groups or neighborhood organizations or who engage in activities to upgrade economically disadvantaged areas. This credit, which became effective July 1, 1976, is limited to the lesser of 50% of the amount contributed or invested, state income tax due or $25,000 in any taxable year. The credit can be applied to reduce a taxpayer's Indiana gross, adjusted gross and supplemental net income tax liability.

Qualifications For Claiming The Neighborhood Assistance Credit
The credit may be claimed by any taxpayer (including any business firm or individual) who makes a contribution to or investment in some type of activity which will result in the upgrading of an area designated as economically disadvantaged by the Director of the Indiana Department of Commerce after consultation with, the community services agency. Examples of qualifying activities are:
1. Furnishing financial assistance, labor, material, and technical advice to aid the physical or economic improvement of an economically disadvantaged area.
2. Any type of instruction to an individual who resides in an economically disadvantaged area that enables the individual to acquire the necessary vocational skills to become either employable, or to be able to seek higher grade of
3. Any activity which aids in the reduction of crime in an economically disadvantaged area;
4. Contributions to any neighborhood organization which performs community services in an economically disadvantaged area, provided that such organization qualifies and obtains a ruling as exempt from taxation under provisions of the Internal Revenue Code and from the Indiana Department of Revenue as a religious, charitable, scientific, literary, educational or civic organization.
5. Any type of scholastic instruction or scholarship assistance to an individual residing in an economically disadvantaged area which enables such individual to prepare for better life opportunities. Note: None of the above activities can benefit an individual employed by the donor or an individual administering such activities. On-going volunteer activities and out-of-pocket expenses necessary for the day-to-day operation of the program do not qualify for credit.

Credit Limitations And Application
The credit is limited to the lesser of 50% of the amount contributed or invested, state income tax due or $25,000 and should be claimed for the tax year in which the contribution is made. For purposes of the limitation, state income tax due is first reduced by any Credit for Taxes Paid to Other States (individuals) and College Credit (all taxpayers).

The credit is first applied to reduce a taxpayer's Indiana gross income tax liability, then the taxpayer's Indiana adjusted gross income tax liability and then the taxpayer's Indiana supplemental net income tax liability. It should be noted that individual donors are not subject to gross or supplemental net income tax and that the credit cannot be applied to reduce an individual donor's county adjusted gross income tax liability.

The total amount of Neighborhood Assistance Credit allowed to all taxpayers in any state fiscal year is further limited to $1,000,000. Applications for the credit will be considered in the chronological order received until the $1,000,000 limit is reached.

Procedure
Any organization or individual providing neighborhood assistance must first apply to the Director of the Department of Commerce
requesting approval of a proposed program. Such application should set forth the program to be conducted, the economically
disadvantaged area selected, the estimated amount to be invested and the plans for implementing the program. For further
information, contact the Director of the Indiana Department of Commerce by writing to:
Indiana Department of Commerce
Community Economic Development Division
Indiana Commerce Center
One North Capitol, Suite 700
Indianapolis, Indiana 46204-2248
Donors to approved programs should complete Form NC-10, Neighborhood Assistance Credit Application, and Form NC-20,
Notice of Department Decision on Neighborhood Assistance Credit Application, and submit both forms along with the
Contributor Application and Certification to the Indiana Department of Commerce at the address listed above. The Department
of Commerce will review the application and forward it to the Department of Revenue with a recommendation for approval or
rejection of the credit. The Department of Revenue will return Form NC-20 to the donor indicating the amount of credit
approved or the reason the credit was disapproved. The Department of Revenue will accept a properly completed Contributor
Application and Certification as proof of cash donations. Contributions of property, and/or services require additional
documentation as explained below.

Contributions Other Than Cash
In order to qualify for credit, contributions other than cash must be contemplated by the program proposal submitted by an
organization for approval. Donors to approved programs should check with the organization administering the program to
determine if contributions other than cash are within the scope of the approved program.
Contributions other than cash should be valued and documented according to the following guidelines.

Property
Donations of property should be valued at the lower of cost or market. The value for new property will be determined on the
basis of fair and reasonable market price as available to consumers on the open market but not in excess of substantiated cost
to the donor. The value of used property will be determined on the basis of book value (using generally accepted accounting
principles) as certified by the donor. Book value is the purchase cost less reasonable depreciation using the straight-line method,
with one-half year of depreciation used in the year of purchase and one-half year used in the year of contribution. Unless it can be
otherwise clearly established, a five-year useful life should be used in calculating depreciation.

"New property" is property which has not been used by an end-user and which is packaged as it would normally be received by
the end-user upon purchase. Unless it can be otherwise clearly established, "new property" held more than twelve (12) months
prior to contribution will be treated as used property.

A copy of the original invoice showing cost and date of purchase must be submitted with each application. In the case of
manufactured property, a statement supporting the cost of the manufactured property must accompany any claim.

Services
Contributions of services should be valued at the donor's usual charge for such services, but not to exceed the average. tee
charged for the same type of services in the locality in which the services are rendered.

An itemized listing of the services rendered with the proposed charge for each service should be submitted with each application.
Questions concerning the Neighborhood Assistance Credit should be directed to the Indiana Department of Commerce at the
address given above or to the Income Tax Division of the Indiana Department of Revenue, State Office Building, Indianapolis,
Indiana 46204.

Income Tax Information Bulletin #42
November, 2000
(Replaces Information Bulletin #42, dated September 1983)

Subject: INDIANA INCOME TAX FORMS AND SCHEDULES
Reference: IC 6-2.1; IC 6-3; IC 6-3.1; IC 6-3.5; IC 6-5.5; IC 6-8.1

Introduction

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The Indiana Department of Revenue has the sole authority to prescribe and furnish forms and schedules used in the administration and collection of state income taxes. These forms are available to the taxpayer free of charge upon request. The forms can also be obtained by retrieving them from the Department's web site (www.state.in.us/dor/pubs/bullets/bullet.html). Software developers who wish to produce forms that are acceptable to the Department should consult Departmental Notice #4 for more detailed information.

I. Forms and Schedules for Use By Individuals Only
Form IT-9 Application for automatic extension of time to file Indiana IT-40 or IT-40PNR
Form IT-40 Indiana full-year resident individual income tax return
Form IT-40EZ Indiana full-year resident EZ (short form) return
Form IT-40ES Declaration of estimated tax
Form IT-40P Indiana individual income tax return filing an original return for a year prior to 1997
Form IT-40PNR Part-year or nonresident Indiana individual income tax return
Schedule IT-40PNRA Indiana apportionment schedule for nonresident individuals
Schedule IT-40-NOL Individual income tax net operating loss computation
Form IT-2440 Indiana disability retirement deduction
Schedule CT-40 County income tax schedule for Indiana residents
Form IN-MSA Indiana medical savings account income tax information return
Form IT-40X Amended Indiana individual income tax return
Schedule IT-2210 Underpayment of estimated tax by individuals
Schedule IT-2210A Annualized schedule for underpayment of estimated tax by individuals
Form SC-40 Unified tax credit for the elderly
Schedule IN-EIC Computation of Indiana's earned income tax credit

II. Forms and Schedules for Corporations Only
Form 4A Income tax schedule-farmers mutual insurance company
Form 7A Income tax schedule - fire, casualty, and assessment life and accident insurance company
Schedule 8D To accompany consolidated gross income tax return of two or more corporations
Form 9A Income tax schedule - life insurance companies
Schedule E-7 Three factor apportionment schedule for entities involved with interstate transportation
Form IT-20 Corporation income tax return for gross, adjusted gross and supplemental net income taxes
Form FIT-20 Annual return for an entity conducting the business of a financial institution
Form IT-20S S Corporation return
Form IT-20SC Indiana special corporation return
Form IT-20X Amended Indiana corporation income tax return
Schedule IT-2220 Underpayment of estimated tax by corporations

III. Partnership, Trust and Estate Returns
Form IT-65 Partnership return
Form IT-41 Fiduciary return

IV. Not-for-Profit Organization Returns
Form IT-20NP Not-for-profit organization return
Form IT-35A Application to file as a not-for-profit organization
Form IT-35AR Return of not-for-profit organization exempt from Indiana gross income tax
Form IT-20G Gross income tax return, governmental units and agencies
Form GC-22(h) Report of construction and other service contracts by Indiana governmental units

IV. Miscellaneous Forms for Use By Most Taxpayers
Form POA-1 Power of attorney
Form CC-40 Indiana college credit
Form IT-6 Indiana corporation quarterly income tax return
Form IT-11A Information return transmittal form
Form IT-20REC Indiana credit for increased research activity
Form NC10/20 Neighborhood assistance credit application
V. Withholding Tax Forms
Form WH-1 Employers' withholding tax return
From WH-3 Annual reconciliation of employers withholding tax returns (Form WH-1) with amounts shown on withholding forms (Form W-2)
Form WH-4 Employee's withholding exemption and county residence certificate
Form WH-15 Indiana substitute (W-2)
Form WH-47 Certificate of residence for out of state employees

Income Tax Information Bulletin #66
November, 2000
(Replaces Information Bulletin #66, dated January 1985)

Subject: ENTERPRISE ZONES
Reference: IC 6-2.1-3-32; IC 6-3-2-7; IC 6-3-3-10; IC 6-3.1-7; IC 6-3.1-10

Introduction
An enterprise zone is an area within a city where there is a significant amount of unemployment, and several business facilities that are not being used to their maximum. An enterprise zone created is in effect for ten years with the potential for two five year renewals. There are currently eighteen areas that have been designated as enterprise zones. There are five state tax incentives and one local property tax incentive to encourage businesses to locate in a zone.

The state income tax incentives that are available include: gross income tax exemption; the employee tax deduction; the employment expense credit; the loan interest credit; and the investment cost credit.

I. Gross Income Tax Exemption (IC 6-2.1-3-32)
Generally, a qualified business (Regular C Corporation) pays no gross income tax on increased receipts earned by operating in an enterprise zone. The amount of the increased receipts is determined by subtracting the receipts of the current year from receipts of the base year. The base year is the twelve month period immediately preceding the designation of an enterprise zone. For businesses new to an enterprise zone, the base year receipts are zero.
For purposes of this exemption, "gross income derived from sources within an enterprise zone” means:
1. Gross income from real or tangible property located in an enterprise zone;
2. Income from doing business in an enterprise zone;
3. Income from a trade or profession conducted in an enterprise zone;
4. Compensation for labor or services rendered within an enterprise zone; and
5. Income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises and other tangible personal property having a situs in an enterprise zone.
If the business income derived from sources within an enterprise zone cannot be separated from the business income derived from sources without the enterprise zone, then the business income derived from sources within the enterprise zone is determined by multiplying the business income derived from sources both within and without the enterprise zone by a fraction. The numerator of the fraction is the property factor plus the payroll factor plus the sales factor. The denominator of the fraction is three (3).
If all of the business activity is derived from sources within the enterprise zone, then there is no need to apply the apportionment factor to the business.

II. Employee Income Tax Deduction (IC 6-3-2-8)
There is an income tax deduction for qualified employees of an enterprise zone business. The qualified employee is an individual who is employed by a taxpayer where the employee's principal place of residence is in the enterprise zone where the employee is employed. The employee must perform services for the employer, ninety percent (90%) of which are directly related to the conduct of the taxpayer's business that is located in the enterprise zone. The employee must perform fifty percent (50%) of the employee's service for the taxpayer during the taxable year in the enterprise zone.
The qualified employee is entitled to a deduction from his adjusted gross income equal to the lesser of:
1. one-half (1/2) of his adjusted gross income for the taxable year that he earns as a qualified employee; or
2. seven thousand five hundred dollars ($7,500).

III. Employment Expense Credit (IC 6-3-3-10)
There is an income tax credit for employers that hire qualified employees. A qualified employee is one who lives in the enterprise zone, works fifty percent (50%) of his time in the enterprise zone, and performs services for the taxpayer, ninety percent (90%) of which are directly related to the conduct of the taxpayer's trade or business that is located in the enterprise zone.
The credit is the lesser of ten percent (10%) multiplied by the qualified increased employment expenditures of the taxpayer for the taxable year; or one thousand five hundred dollars ($1,500) multiplied by the number of qualified employees employed by the taxpayer during the taxable year.

The tax credit can be carried forward for ten years or carried back for three years. Pass through entities' partners or shareholders are eligible for the credit in the same proportion as the distributive income to which the shareholder or partner is entitled.

IV. Loan Interest Credit (IC 6-3.1-7)
Any entity that makes a loan to an entity that uses the loan proceeds for:
(1) a purpose that is directly related to a business located in an enterprise zone;
(2) an improvement that increases the assessed value of real property located in an enterprise zone;
(3) rehabilitation, repair, or improvement of a residence.
A taxpayer is entitled to a credit against his state tax liability for a taxable year if he receives interest on a qualified loan in that taxable year. The amount of the credit to which the taxpayer is entitled is five percent (5%) multiplied by the amount of interest received by the taxpayer during the taxable year from the qualified loans. The credit can be carried forward for ten (10) years.

V. Enterprise Zone Investment Cost Credit (IC 6-3.1-10)
A taxpayer may purchase a qualified investment which means the purchase of an ownership interest in a business located in an enterprise zone if the purchase is approved by the department of commerce.
The amount of the credit to which a taxpayer is entitled is the percentage determined by the department of commerce multiplied by the price of the qualified investment made by the taxpayer in the taxable year.
If the department of commerce finds that a purchase is a qualified investment, the department shall certify the percentage credit based upon the following:
(1) A percentage credit of ten percent (10%) may be allowed based upon the inability of the business to obtain debt financing.
(2) A percentage credit of two percent (2%) may be allowed for business operations in the retail, professional, or warehouse/distribution codes of the SIC Manual.
(3) A percentage credit of five percent (5%) may be allowed for business operations in the manufacturing codes of the SIC Manual.
(4) A percentage credit may be allowed for jobs created during the twelve (12) month period following the purchase of an ownership interest in the zone business, as determined under the following table:

<table>
<thead>
<tr>
<th>Jobs Created Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 11 jobs</td>
<td>1%</td>
</tr>
<tr>
<td>11 to 25 jobs</td>
<td>2%</td>
</tr>
<tr>
<td>26 to 40 jobs</td>
<td>3%</td>
</tr>
<tr>
<td>41 to 75 jobs</td>
<td>4%</td>
</tr>
<tr>
<td>More than 75 jobs</td>
<td>5%</td>
</tr>
</tbody>
</table>

(5) A percentage credit of five percent (5%) may be allowed if fifty percent (50%) or more of the jobs created in the twelve (12) month period following the purchase of an ownership interest in the zone business will be reserved for zone residents.
(6) A percentage credit may be allowed for investments made in real or depreciable personal property, as determined under the following table:

<table>
<thead>
<tr>
<th>Amount of Investment Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,001</td>
<td>1%</td>
</tr>
<tr>
<td>$25,001 to $50,000</td>
<td>2%</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>3%</td>
</tr>
<tr>
<td>$100,001 to $200,000</td>
<td>4%</td>
</tr>
<tr>
<td>More than $200,000</td>
<td>5%</td>
</tr>
</tbody>
</table>

The total percentage credit may not exceed thirty percent (30%). The credit can be carried forward from one taxable year to the
next; however there is no carry back or refund of any unused credit.
Enterprise zone income tax questions: Other questions:
Indiana Department of Revenue Indiana Department of Commerce
Tax Policy Division Enterprise Zone Program
100 N. Senate, Room N248 One North Capitol, Suite 700
Indianapolis, IN 46204 Indianapolis, IN 46204
(317) 232-7282 (317) 232-8917

Income Tax Information Bulletin #69

Subject: FOREIGN SALES CORPORATIONS (FSC's)

The Foreign Sales Corporation (FSC) was established by the Deficit Reduction Act of 1984 and designed to encourage United
States competitiveness in world markets. In general, the FSC rules were designed to satisfy the General Agreement on Tariffs
and Trades and is a successor to the Domestic International Sales Corporation (DISC). To qualify as a FSC, a corporation must
meet six requirements designed to ensure that it has adequate foreign presence.

The corporation must be foreign corporation created or organized under the laws of:
a foreign country with which there was in effect, at the time the corporation was organized or created, either a bilateral or
multilateral agreement or an income tax treaty between such country and the United States providing for the exchange of tax
information; or,
a possession of the United States.
The corporation may not have more than twenty-five shareholders at any time during the taxable year.
The corporation may not have any preferred stock outstanding at any time during the taxable year.
The corporation must maintain an office located either outside the United States or in any United States possession at which there
is a permanent set of tax records, including invoices. Additionally, the corporation must maintain, at a location within the United
States, permanent books of account or records that are sufficient to establish the amount of gross income and deductions, credits
and other matters required to be shown on any return.

The board of directors of a FSC must always include at least one individual who is not a resident of the United States. The non-
resident member of the board can be a United States citizen.

A FSC cannot be a member of any controlled group of corporations of which a DISC is a member.
If a corporation meets all six of the above requirements and makes a proper election, it will be treated as a FSC.

Indiana Adjusted Gross Income Tax
The Indiana Legislature adopted the Internal Revenue Code and Regulations in effect as of January 1, 1985. Therefore, the
income of a FSC and the distributive share of income to the shareholders will be taxable to the extent it is taxable under Section

Indiana Gross Income Tax
Generally, the income and activities of the FSC will be foreign and as such will not be subject to Indiana Gross Income Tax.
However, if income is derived from activities within Indiana, then such receipts would be subject to gross income tax. Income
from sales to a FSC would be subject to gross income tax if such sales were completed within Indiana. Distribution of income
by a FSC would be taxable to an Indiana shareholder if the commercial domicile of the shareholder is within Indiana.

For additional information concerning taxability of FSC's in Indiana, please contact the Corporate Income Tax Section, Indiana
Department of Revenue, 207 State Office Building, Indianapolis, Indiana, 46204, (317) 232-2189.
Income Tax Information Bulletin #79
June 1995
(replaces bulletin #79 dated September 1987)

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Subject: INCOME DERIVED FROM INVESTMENT FUNDS HOLDING U.S. GOVERNMENT OBLIGATIONS
References: IC 6-2.1-3-1; IC 6-3-1-3.5; 45 IAC 1-1-127; 45 IA C 3.1-1-5

Introduction
The proportionate share of dividends or interest received from a mutual fund, regulated investment trust, or other fund derived from investments in direct federal government obligations may be deducted from Indiana gross income or adjusted gross income. This deduction is allowed only to the extent that such income is included in Indiana gross income or adjusted gross income. Earnings from investments in repurchase agreements do not qualify for this deduction. They are not considered to be derived from direct obligations of the federal government.

Distributions from individual retirement accounts (IRAs), pensions, and annuities represent ordinary income. Such investments do not qualify for a modification for interest earned on United States government obligations.

For further information on direct United States government obligations, please consult Income Tax Information Bulletin #19.

Income Tax Information Bulletin #84
November 1992

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Subject: NOT-FOR-PROFIT SPONSORED GAMBLING ACTIVITIES
Authority: Indiana Code 4-32

Qualifying Organizations
This bulletin explains what a qualifying organization is, the kinds of gambling activities permitted, the licensing requirements, the withholding and reporting requirements, and the taxation of funds raised by these activities.

The organization must be exempt from taxation under any of the following:
(A) Section 501 of the Internal Revenue Code; (B) Indiana Code 6-2.1-3 (gross income tax); or Indiana Code 6-1.1-10 (property tax).

The organization must also have been in existence for at least five (5) years in Indiana, or be affiliated with an Indiana parent organization which has been in existence at least five (5) years in Indiana.

Finally, the organization must be primarily religious, charitable, fraternal, educational, civic, political, or patriotic in nature.

Gambling Activities
A qualified organization may conduct bingo events, charity game nights, festivals, door prize drawings and raffle events to raise funds for the lawful purposes of the organization. The sale of pull tabs, punch boards and tip boards is also permitted.

Allowable events include the following:
Bingo
A card game
A dice game
A roulette wheel
A spindle
A door prize drawing
A raffle event

An organization is limited to four (4) charity game nights per calendar year. A festival can only be held once a calendar year and cannot exceed four (4) consecutive days. If the organization has a festival, the organization is precluded from conducting any further charity game nights during the year, unless the festival license is issued for less than four (4) days. Also, a festival license will be issued for less than four (4) days if an organization has previously been granted one (1) or more charity game night licenses.

Example: If an organization has held one charitable gaming night, and later in the year desires to hold a festival, the festival license will be limited to three (3) days.

Charitable gaming does not include a slot machine, a one ball machine, a pinball machine that awards anything other than a free play, a policy or numbers game, or a banking or percentage game played with cards or counters.

For more information concerning an allowable event contact the Department of Revenue, Charity Gaming Section, at (317) 232-4646.

Licensing
Any qualified organization conducting an allowable event must be licensed by the Department of Revenue. To receive information, contact the Department at the number listed above at least four to six weeks before the allowable event.

Withholding and Reporting Requirements
The Internal Revenue Service has established guidelines for withholding taxes and reporting prizes awarded. Indiana law follows these federal provisions. If the organization is required to withhold and remit federal income tax, it should also withhold and remit Indiana income tax. Generally, winnings from bingo games are not subject to federal withholding. The minimum amount required for reporting bingo winnings is subject to change. The current amount is twelve hundred dollars ($1,200), at which time a Form W-2G must be filed. Generally, withholding is required on winnings of more than $1,000 on other forms of gaming. Contact the Internal Revenue Service for any changes in withholding procedures. If, for federal purposes, the organization is required to report prizes awarded, it should also report them to Indiana. This is done by sending a copy of the Federal Form W-2G to the Indiana Department of Revenue, Compliance Division, 100 North Senate Avenue, Indianapolis, Indiana 46204.

The adjusted gross income tax is paid on Form WH-1, Indiana Employer's Withholding Tax Return. An Indiana withholding tax account can be established by contacting the Department at (317) 233-4016; the Department will establish an account and send WH-1 forms.

Questions concerning federal withholding and reporting requirements should be directed to the Internal Revenue Service.

Taxation of a qualified organization
Unless otherwise taxable by federal or state law, the income from an allowable event that is used for the lawful purpose of the qualified organization will be considered related income and therefore exempt from the adjusted gross income tax and supplemental net income tax.

If an organization conducts any kind of illegal activity such as a poker machine, slot machine, or numbers game, the income will be considered unrelated income and subject to the gross income tax, adjusted gross income tax, and supplemental net income tax, unless otherwise not taxable under federal or state law.

Unless otherwise provided by IC 6-2.1, the taxation of receipts from charity gaming activities for gross income tax purposes will depend upon the exempt status of the qualified organization. Generally, a wholly exempt organization would not be taxable on such receipts and a partially exempt organization would be taxable on such receipts for gross income tax purposes. Taxable income for gross income tax purposes would be the gross receipts from charity gaming less any money paid out as prizes and less the purchase price of any personal property given out as prizes. A deduction is not allowed for donated prizes.

The fees charged for participating in an allowable event are consideration paid for a chance to win and not a sale of tangible personal property. Therefore, such fees will not be subject to the Indiana sales and use tax.

If additional information on the taxation of this income is needed, contact the Not-For-Profit Section at (317) 232-2188 or by writing: Indiana Department Revenue Not For Profit Section 100 North Senate Avenue Indianapolis, Indiana 46204.
Income Tax Information Bulletin #87
August 1997

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Subject: HISTORIC BUILDING REHABILITATION TAX CREDIT
Reference: IC 6-3.1-16

Introduction
Effective for taxable years beginning after December 31, 1993 there is an income tax credit available for the rehabilitation of historic property. The credit can be applied against the gross income tax, the adjusted gross income tax, and the supplemental net income tax.

Qualified Taxpayers
The entities that can qualify for the credit include an individual, a corporation, an S corporation, a partnership, a limited liability company, a limited liability partnership, a nonprofit organization, or a joint venture. If a pass through entity is entitled to a credit but does not have state tax liability against which the credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a credit equal to the tax credit determined for the pass through entity for the taxable year multiplied by the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Qualified Expenditures
Qualified expenditures means expenditures for preservation or rehabilitation that are chargeable to a capital account. The term does not include costs that are incurred to do any of the following:
Acquire a property or an interest in a property.
Pay taxes due on a property.
Enlarge an existing structure.
Pay realtor's fees associated with a structure or property.
Pay paving and landscaping costs.
Pay sales and marketing costs.

Qualification for the Tax Credit
A taxpayer qualifies for the credit if all the following conditions are met.
The historic property is located in Indiana, at least fifty (50) years old, and owned by the taxpayer.
The division of historic preservation and archaeology of the department of natural resources certifies that the historic property is listed in the register of Indiana historic sites and historic structures.
The division certifies that the taxpayer submitted a proposed preservation or renovation plan to the division that complies with the standards of the division.
The division certifies that the preservation or rehabilitation work substantially complies with the proposed plan mentioned above. The preservation or rehabilitation work is completed in not more than two (2) years, or within five (5) years if the preservation or rehabilitation plan indicated that the preservation or rehabilitation is initially planned for completion in phases.
The historic property is actively used in a trade or business, held for the production of income, or held for the rental or other use in the ordinary course of the taxpayer's trade or business.

Limitation of the Tax Credit
The qualified expenditures for the preservation or rehabilitation of the property must exceed ten thousand dollars ($10,000). The tax credit is equal to twenty percent (20%) of the qualified expenditure that the taxpayer makes for the preservation or rehabilitation of the property. The total amount of all credits for all taxpayers for a fiscal year is limited to four hundred fifty thousand dollars ($450,000) in a state fiscal year, except for qualified expenditures approved between July 1, 1997 and June 30, 1999, when the limitation is seven hundred fifty thousand dollars ($750,000) per fiscal year.
Procedure to Claim the Credit
The taxpayer shall claim the credit on the taxpayer’s annual state income tax return. The taxpayer shall submit to the Department the certification approved by the Division of Historic Preservation and Archaeology within the Department of Natural Resources.

If the taxpayer's credit exceeds the liability for the taxable year for which the credit is first claimed, the excess may be carried over to succeeding taxable years, and used as a credit in those taxable years. The credit may be carried forward and applied to succeeding taxable years for fifteen (15) taxable years. A taxpayer is not entitled to a carry back or refund of any unused credit.

Recapture of Credit Claimed
The historic building rehabilitation tax credit shall be recaptured from the taxpayer if:
the property is transferred less than five (5) years after completion of the certified preservation or rehabilitation work; or
less than five (5) years after the completion of the certified preservation or rehabilitation, additional modifications to the property are undertaken that do not meet the standards of the division.
If the recapture of a credit is required, an amount equal to the credit recaptured shall be added to the tax liability of the taxpayer for the taxable year during which the credit is recaptured.

Income Tax Information Bulletin #90
November 2000

Subject: STATE UNIVERSITIES AND COLLEGES
Reference: IC 6-2.1-1-16; IC 6-2.1-3-19; IC 6-2.1-3-20; IC 6-2.1-3-23; IC 6-2.1-3-29; 45 IAC 1.1-1-22; 45 IAC 1.1-3-7; 45 IAC 1.1-3-14

Introduction
This information bulletin is directed to those colleges and universities which are recognized as governmental agencies and were created by an Indiana statute. As a governmental agency, a state college or university would be exempt from the gross income tax except to the extent that it receives income from engaging in private or proprietary activities or business.

I. Definitions
(a) "Educational materials" means materials which communicate information, graphic images or sound, that are utilized in teaching, instruction, or research. Educational materials may be in the form of any of a number of different communications media, including but not limited to the following:
(1) journals, reviews, and papers;
(2) cartographic materials reports, papers, surveys, polling data and summaries;
(3) books, guides, and other printed materials which support governmental purposes;
(4) audio-visual and digital materials which support the governmental purposes; and
(5) software and computerized tools which support governmental purposes.
(b) "General Public" means the community at large. For governmental functions, the term does not include patient, official visitor, or member of the faculty or staff of a state college or university. "Official visitor" means an individual who is present on campus to facilitate the carrying out of the governmental and educational purpose of the university.
(c) "Proprietary activities" means activities generating revenues for state colleges or universities from the general public that are both customarily associated with the conduct of a private business enterprise, and are outside the scope of activities of governmental and educational functions as defined herein for state colleges or universities.
(d) "Public services" means any activity that involves the general public benefit. The term includes any activity that promotes economic and agricultural development within the state; intellectual, social, recreational and physical health and welfare of citizens of the state; and cultural development through the arts and sciences.
(e) "Student" means an individual enrolled or registered in, and participating in any of the types of educational activities that are associated with the governmental and educational functions of a state college or university.

II. Governmental and Educational Functions of State Colleges and Universities
State colleges and universities carry out a wide range of governmental and educational functions in service to the citizens of the state of Indiana. These governmental functions fall into the three primary categories of teaching, research, and other governmental functions.
(a) The category of teaching involves educating citizens, businesses and institutions through the use of various mediums and facilities to provide:
(1) courses which grant credit toward the attainment of an undergraduate or graduate degree;
(2) post-graduate practical training and instruction in academic disciplines offered by state universities;
(3) continuing education courses (non-credit) and cooperative extension activities;
(4) professional development activities; and
(5) educational conferences, seminars, and training meetings.
(b) The category of research involves expanding the knowledge base of the citizens, businesses and institutions of the state of Indiana through scientific inquiry and dissemination of scholarly information. Activities customarily associated with the fulfillment of the research function include participation in laboratory and field research, the development and distribution of course related materials, and the development and distribution of educational or research related tools or materials that are published, copyrighted or patented.
(c) The category of other governmental functions involves activities that are consistent with other governmental and educational functions served by the state of Indiana, and other charitable, not-for-profit purposes for which the universities are granted exemption from federal income tax. This category also includes activities that are exempt by statute such as:
(1) the operation of a park or recreation facility,
(2) the sale or lease of real property,
(3) the occasional sale or lease of personal property, and
(4) the performance of similar governmental services.
Similar governmental services are addressed in Regulation 45 IAC 1.1-3-14.
(d) The following are examples of governmental and educational functions being fulfilled by state colleges and universities:
(1) sponsoring continuing education/extended service activities;
(2) operating the cooperative extension service for the state;
(3) providing public access to intercollegiate athletic functions;
(4) providing public access to recreational and physical fitness facilities;
(5) providing public access to musical, theatrical, and artistic performances; and
(6) providing access to informational and cultural events and productions.
(7) providing regulatory functions for other governmental entities.

III. Income Generally Exempt From Tax
State colleges and universities have a dual status under the law as both governmental organizations of the state of Indiana, and as bona fide not-for-profit educational organizations. As such, gross income of state colleges and universities is exempt to the extent that the revenues are raised in the fulfillment of either a governmental function or a bona fide not-for-profit educational function. The sale of educational materials and revenue received from research and other governmental activities, as defined herein, are specifically exempt from the gross retail tax.

The sale of goods or services that might otherwise be taxable, will be exempt from the gross income tax if students or employees of the state college or university are actively involved in the development or sale of the goods or services in support of instruction, research or public service, and, the sale of the goods or services is designed to recover the program's expenses. The following are examples of student-run educational programs:
(1) Catering and food services provided by students enrolled in a state college or university restaurant and hotel management program.
(2) Medical services provided by students participating in a state college or university health sciences, nursing, or other health care instructional programs, including veterinary science.
(3) Producing and selling agricultural commodities pursuant to the operation of research and experimental farm facilities under IC 15-4-2.
(4) Publishing cartographic, demographic and other survey or research-based information for use by the general public.

IV. Taxable Activities
(a) Certain revenue generating activities of state colleges and universities are taxable under state law as a private or proprietary business, or, as an "unrelated trade or business" under Section 513 of the Internal Revenue Code. Further, exemptions and exclusions from taxation are provided for certain types of income, in Section 512 of the Internal Revenue Code, such as passive income and sales for the convenience of an organization's students, employees, official visitors, patients or members. However, this does not include any trade or business in which:
(1) substantially all the work in carrying on such trade or business is performed for the college or university without compensation; or
(2) the college or university primarily carries it on for the convenience of its members, students, patients, officers, or employees.
Therefore, except for the exceptions cited above, the sale of any goods or services to the general public that are substantially unrelated to the governmental or not-for-profit function of a state college or university are subject to the gross income tax.
(b) The following are examples of taxable activities, when sold or provided to the general public by state colleges or universities:
(1) The sale of merchandise, cards, clothing, toiletries, and other goods typically purchased in a retail outlet, if sold from a location intended to be readily accessible to the general public.

(2) The sale of computers or processing time on computers to the general public.

(3) Advertising sales.

(4) The sale of athletic apparel and merchandise at intercollegiate athletic events and in retail operations to the general public.

(5) Child care services provided to the general public except where students provide these services as part of their formal academic training primarily for the convenience of the members, students, patients, officers, or employees of the college or university.

(6) The sale of catering or food services to the general public unless students provide these services as part of their formal academic training in the restaurant and hotel management program.

(7) Parking revenues generated from non-university functions.

(8) State university campus police auctions, other sales of abandoned, unusable personal property and salvageable sales of personal property used in connection with teaching, research, or public service functions, if such sales are held on a regular or consistent basis.

V. Sales by Third Parties On a State College or University Campus
Exemptions from gross income tax that are provided to a state college or university do not extend to sales made by a third party with whom a state college or university has contracted to provide service. The income of that third party would be subject to gross income tax as would any other business enterprise.

VI. Student Organizations at State Colleges and Universities
(a) The gross income received by a university sponsored organization is exempt from the gross income tax. As used in herein, "university sponsored organization" includes a fraternity, sorority, or student cooperative housing organization which is connected with and supervised by a college, university, or other such educational institution. Furthermore, the student organization's records must be maintained by the university as an "external agency" account.
(b) The exemption will not apply to an organization if any part of the gross income received is used for the private benefit or gain of any member, trustee, shareholder, employee, or associate of the organization. As used in this subsection, "private benefit or gain" does not include reasonable compensation to an employee for services actually performed.
(c) The exemption does not apply to gross income derived from an unrelated trade or business as defined in Section 513 of the Internal Revenue Code.