

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 N SENATE AVE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: All Public Utility Companies
FROM: Barry Wood, Assessment Division Director
RE: General Instructions for Filing Utility Ad Valorem Tax Returns (Annual Report UD-45)
DATE: March 31, 2016

PLEASE NOTE: This memorandum is simply intended to be informative and does not take the place of Indiana law. In the event any part of this memorandum conflicts with Indiana law, Indiana law governs.

The Annual Report Form UD-45 is to be completed by all (non-rail) utility companies. Please read all of the instructions before completing the Annual Report. This report is for the current tax year based on information for the year ending December 31 of the previous year. Forms are available at: <http://www.in.gov/dlgf/8516.htm>. Please be sure to keep a copy of your return for your own records.

Taxpayers that have property in only one taxing district may choose to file with their local assessing official pursuant to IC 6-1.1-8-3(c)(6). This also applies to taxpayers that participate in a net metering program under 170 IAC 4-4.2 or a feed-in tariff program pursuant to IC 6-1.1-8-3(c)(7).

When to File

The Annual Report and all other required documents must be filed, by statute, on or before April 1 (IC 6-1.1-8-19) unless an extension has been requested and granted pursuant to 50 IAC 5.1-3-6. *Failure to file the Annual Report by the due date will result in a penalty of \$100 a day for every day the report is late (IC 6-1.1-8-20), with a maximum penalty of \$1000.* Non-filers will be subject to the same penalty.

Where to File

The Annual Report and all other required material should be mailed to:

Department of Local Government Finance
Assessment Division/Utilities
100 North Senate Ave., Room IGCN 1058
Indianapolis, IN 46204
Phone: (317) 232-3756

Fax: (317) 974-1629

NOTE

An Annual Report cannot be accepted if it is incomplete, illegible, or displays information in a manner other than as prescribed by Form UD-45. Annual Reports that are rejected may be subject to a late filing penalty if a corrected copy is not resubmitted by the filing deadline. Note that Schedules A-1 through C, should be filled out prior to filling in Schedule A because those Schedules support Schedule A. Do not leave Schedule E blank. Schedule E is required for appropriate distribution of assessed values to the local taxing jurisdictions.

Indiana Code 6-1-1-8-3(c) states that a taxpayer that owns definite situs property located in one taxing district and/or a taxpayer participating in a net metering or feed-in tariff program may elect to file a personal property tax return with the county assessor or, if applicable, the township assessor. Please review the Indiana Code to make sure it this provision is applicable to you. If you decide to file locally, but have previously filed with the Department of Local Government Finance (“Department”), please contact the Department indicating that you have filed locally.

What to File

One copy of each of the following must be filed:

- Annual Report prescribed by the Department.
- Annual Report to Stockholders and/or certified financial statements.
- Special Note: REMC’s should file a complete copy of the RUS Form 7.

Tentative Assessment and Appeal Rights

An Order notifying each company of its tentative assessment will be mailed on or before June 1 (IC 6-1.1-8-28(b)).

Not later than ten (10) days after the taxpayer receives notice of the Department’s tentative assessment, the taxpayer may:

- (1) file with the Department its objections to the tentative assessment; and
- (2) request that the Department hold a preliminary conference on the tentative assessment (IC 6-1.1-8-28(c)).

Any appeal should be made in writing and state the nature of the objections.

If the taxpayer does not file a timely, written appeal, the tentative assessment is considered final. However, the assessment may still be appealed to the Board of Tax Review (IC 6-1.1-8-28(d)). The taxpayer must initiate the appeal in writing with the Board of Tax Review within forty-five (45) days after receiving notice of the tentative assessment if that tentative assessment becomes final due to the taxpayer’s failure to timely file an objection with the Department or not later than forty-five (45) days after the Department gives notice of its final determination on an objection

filed by the taxpayer (IC 6-1.1-8-30).

If the taxpayer files a timely appeal and a request for a preliminary conference on the tentative assessment, the Department may hold a preliminary conference at a time and place fixed by the Department. After the conference, the Department will make a final assessment of the taxpayer's distributable property and will notify the taxpayer not later than June 30 (IC 6-1.1-8-29).

INSTRUCTIONS FOR COMPLETING THE ANNUAL REPORT

The information requested on pages 1 and 2 is of a general nature. The remainder of the Annual Report consists of the following Schedules:

Schedule A	Computation of Assessment (required)
Schedule A-1	Computation of Value for Construction in Progress Computation of Credit for Gross Additions Reporting of CIAC & CAFC (required, if applicable)
Schedule A-2	Leased Property (required, if applicable)
Schedule A-3	Air Pollution Control Equipment (required if applicable)
Schedule A-4	Water Pollution Control Equipment (required if applicable)
Schedule A-5	REMC Schedule (required if applicable)
Schedule A-6	Pipelines - Pipe Valuation (required if applicable)
Schedule A-7	Pipelines - Other Distributable Property (required if applicable)
Schedule A-8	Passenger Bus Schedule (required if applicable)
Schedule B	Balance Sheet and Franchise Schedule (required)
Schedule C	Reconciliation of Book to Federal Tax Basis (required)
Schedule D	Income Statement (requested)
Schedule E	Assessment Distribution (required)

REMC's, pipeline companies, and passenger bus companies should refer to the specific instructions for their respective companies before completing any Schedule. If other Schedules are required, please contact the Department or visit <http://www.in.gov/dlgf/8516.htm>.

The following are specific instructions concerning each Schedule.

Schedule A - Computation of Assessment

The Schedule A is used to compute the true tax value of the utility company's property in Indiana. Specific instructions by line number are as follows:

1. Enter the total cost of utility plant in service at December 31, previous year. The total cost is to be reported at tax basis. (Refer to 50 IAC 5.1-6-2 through 50 IAC 5.1-6-5)
2. Enter the total cost of non-utility property at December 31, previous year. The total cost is to be reported at tax basis.
3. Enter the total cost of plant held for future use at December 31, previous year. The total cost is to be reported at tax basis.

4. Add Lines 1, 2, and 3.
5. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the utility plant in service amount shown on Line 1 above. The total cost is to be at tax basis.
6. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the non-utility property amount shown on Line 2 above. The total cost is to be at tax basis.
7. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the plant held for future use amount shown on Line 3 above. The total cost is to be at tax basis.
8. Add Lines 5, 6, and 7.
9. Subtract Line 8 from Line 4.
10. Enter the total cost of organization expense at December 31, previous year.
11. Enter the total cost of any acquisition adjustment at December 31, previous year.
12. Add Lines 9, 10, and 11.
13. Enter the total cost of intangibles at December 31, previous year. The total cost is to be at tax basis. Please provide supporting documentation for intangibles, or your claim will be disallowed.
14. Enter the total cost of locally assessed real property (except R/O/W, easements, and towers) included in the intangible amount shown on Line 13 above. The total cost is to be at tax basis.
15. Subtract Line 14 from Line 13.
16. Enter the total cost of Air Pollution Control Equipment in Service from Schedule A-3.
17. Enter the total cost of Stream Pollution Control Equipment in Service from Schedule A-4.
18. Add Lines 15, 16, and 17.
19. Subtract Line 18 from Line 12.
20. Carry forward Line 19 from page 3.
21. Enter the total amount of accumulated depreciation as computed for federal tax purposes at December 31, previous year. This amount should agree with amount shown on Schedule C- Reconciliation.

22. Enter the total amount of accumulated amortization reserve as computed for federal tax purposes at December 31, previous year. This amount should agree with amount shown on Schedule C-Reconciliation.
23. Sum of Line 21 and Line 22.
24. Enter the total amount of accumulated depreciation as computed for federal tax purposes applicable to locally assessed real property at December 31, previous year.
25. Enter the total amount of accumulated depreciation as computed for federal tax purposes applicable to the pollution control equipment deducted on Lines 16 and 17 above. This amount should be the difference between the cost of pollution control facilities in service shown on Schedules A-3 and A-4 and the net tax value also shown on Schedules A-3 and A-4.
26. Enter the total amount of accumulated amortization reserve applicable to locally assessed Real property at December 31, previous year.
27. Enter the total amount of accumulated amortization reserve applicable to the intangibles deducted on Line 15 above.
28. Line 23 minus the sum of Lines 24, 25, 26, and 27.
29. Enter your credit for gross additions from Schedule A-1.
30. Sum of Line 28 and Line 29.
31. Subtract Line 30 from Line 20.
32. Multiply Line 20 by thirty percent (30% or 0.30).
33. Enter the greater of Line 31 or Line 32.6
34. Enter the true tax value (10% of cost) of Construction in Progress from Schedule A-1.
35. Enter the true tax value of leased distributable property from Part I-B of Schedule A-2. Please note that leased distributable property must meet the requirements of 50 IAC 5.1-6-9 (minimum value (30% Floor)).
36. Sum of Line 34 and Line 35.
37. Enter the true tax value of REMC property as shown on Schedule A-5 (if applicable).
38. Pipeline companies must enter the true tax value of their pipe as shown on Schedule A-6.
39. Pipeline companies must enter the true tax value of their distributable property other than pipe as shown on Schedule A-7.

40. Bus companies must enter the true tax value of buses and tires as shown on Line 27 of Schedule A-8.
41. Other. This is usually Abnormal Obsolescence or a dark fiber adjustment. Please attach a detailed explanation and worksheet showing how you arrived at the amount requested. Note the percentage of Line 37 that is being requested as abnormal obsolescence and state the subsection under which the property qualifies for abnormal obsolescence. If you do not explain your request in detail and provide adequate supporting documentation, your claim will be denied. The backup must quantify the amount of obsolescence due to the assets in Indiana on the assessment date and it must be verifiable and applicable to true tax value. See 50 IAC 5.1-11-1 through 50 IAC 5.1-11-5 for details on obsolescence.
42. Sum of Lines 33, 36, 37, 38, 39, 40, and 41.
43. Line 42 - Rounded to nearest ten dollars. This is the assessed value/true tax value.

Schedule A-1 - Computation of Value for Construction in Progress, Computation of Credit for Gross Additions, and Reporting of Contributions in Aid of Construction (CIAC) & Customer Advances for Construction (CAFC)

The value of construction in progress at December 31, previous year must be computed on Part A of Schedule A-1. Construction in Progress will be valued at ten percent (10%) of cost (50 IAC 5.1-9-1(d)). Carry total to line 34 of Schedule A.

The deduction for gross additions is sixty percent (60%) of the adjusted cost of depreciable personal property placed in service during the immediately preceding twelve (12) months minus the depreciation computed on the adjusted cost of depreciable personal property placed in service during the immediately preceding twelve (12) months. Carry the total to line 29 of Schedule A.

The cost of CIAC & CAFC should be included in Line 1 of Schedule A-Computation of Assessment. On the first line of Section C, show the cost of CIAC & CAFC in the applicable column. On the second line of Schedule C, show the amount of accumulated depreciation for CIAC & CAFC that is included in the amount of accumulated depreciation claimed on Line 24 of Schedule A-Computation of Assessment. You may calculate depreciation as if you were reporting the property on your federal tax return (50 IAC 5.1-7-2(b) & 50 IAC 5.1-7-4(b)).

Schedule A-2 - Leased Property

Report all property held, possessed, or controlled, but not owned. The true tax value or minimum value is to be carried to Schedule A, line 35. Send one copy to the local assessor.

Schedule A-3 - Air Pollution Control Equipment

Schedule A-4 - Water Pollution Control Equipment

On the applicable Schedule, report property claimed to be exempt as either air or water pollution control equipment. All claims for water pollution control equipment must be accompanied by a

letter of certification (or proof that such certification has been requested) from the Department of Environmental Management. Claims without certification (or proof of request) may be denied (IC 6-1.1-10-9, 6-1.1-10-12, and IC 6-1.1-10-13).

Schedule A-5 - REMC Schedule

Schedule A-6 - Pipelines - Pipe Valuation

Schedule A-7 - Pipelines - Other Distributable Property

Schedule A-8 - Passenger Bus Schedule

Specific instructions will accompany these forms. REMC's, pipeline companies, and passenger bus companies should refer to the specific instructions for their respective companies before completing any Schedule on the Annual Report.

Schedule B - Balance Sheet

Enter the information from your company's December 31, previous year balance sheet at book basis. Include all property. Adjustments to bring the total value down to Indiana values at federal tax basis should be reflected on Schedule C.

Schedule C - Reconciliation

Use this Schedule to reconcile the company's total cost of plant in service, accumulated depreciation, and accumulated amortization reserve as shown on the financial statements (Balance Sheet), with the tax basis of those items as reported in the Annual on Schedule A. Explain all differences between what is reported on Schedule B and Schedule A, such as book to tax adjustment, out of state property, or property that is not taxable by the state, like the service bundling of telecommunications, cable television, and/or internet. Do not remove intangibles on Schedule C and remove them again on Schedule A. Please be sure to check the appropriate box if the amount of federal tax depreciation at December 31, previous year was estimated. It is preferable that you use your actual numbers rather than an estimate. If you have some extenuating or unusual circumstances, there is a place for notes at the bottom of this Schedule.

Schedule D - Income Statement

Show applicable amounts for the last three years. If amounts are different than those shown in the company's annual statement to stockholders, attach a detailed explanation of the reasons for the differences. This Schedule is requested, but not required.

Schedule E - Assessment Distribution

This is a summary of the assessments by taxing district. Due to the reorganization of school corporations, annexation and/or incorporation of cities and towns, and newly created sanitation and conservancy districts in Indiana, the Department has experienced considerable difficulty in allocating the property of public utility companies. Therefore, it is specifically requested that if

you have any doubt about what taxing jurisdiction your property may be located in, before completing Schedule E, please obtain the assistance of local assessing officials to determine the proper taxing districts in which your company's property was located on December 31, previous year. Please include the Department Taxing District Number when completing Schedule E in the appropriate format XXXXX. Again this year, a check box is included if your information for allocation has not changed from the prior year. You do not need to fill in the Schedule if you check the box indicating that no changes have occurred compared to the prior year's distribution information. If you check this box, the Department will use the information in its database as entered from the prior year UD-45 Schedule E. Please give only one total per taxing district to avoid processing errors. If possible, please submit your taxing districts in numerical order by the Department Taxing District Number. If you have more than 20 taxing districts, please use the format available on the Department's website at <http://www.in.gov/dlgf/2486.htm> under 9(e) at the bottom of the page. The Department encourages all companies to submit their distribution of assessments (Schedule E) via e-mail in Microsoft Excel format. Do not include any additional columns on the Schedule E template, as only columns A and D are required. The addition of extra columns makes it more difficult to transfer the data into the Department's database.

You may check here [http://www.in.gov/dlgf/files/140606 - Township Lookup - Township-Taxing Districts List.pdf](http://www.in.gov/dlgf/files/140606_-_Township_Lookup_-_Township-Taxing_Districts_List.pdf) for taxing district information. The Department number is made up of the county number (first two digits) and the taxing district number (the last three digits). Example: for Adams County, North Blue Creek Township, the Department number would be 01001. You may retrieve local official contact information at: <http://www.in.gov/dlgf/2440.htm>

Computer-generated versions of the prescribed forms and Schedules may be used **after** the Department has approved the forms for use. No form can be approved if it has not been submitted for review. Due to the extremely short statutory deadline, the Department asks that you submit your completed Annual Report as early as possible.

If you have any questions, please contact Marlo Hayden at (317) 232-3756 or mhayden@dlgf.in.gov and Julie Waddell at (317) 232-3765 or jwaddell@dlgf.in.gov.

Special note to those taxpayers claiming an exemption under IC 6-1.1-3-7.2

For taxpayers with less than \$20,000 cost to report within a county, legislation was passed in 2015 which exempts this property. A taxpayer seeking to declare this exemption must check the box on page one of the UD-32 or UD-45, as applicable, and enter the total acquisition cost of the taxpayer's personal (state distributable) property in the named county or counties, and complete only Sections I, III, and IV of the UD-32 or only Sections I and III of the UD-45.

If a taxpayer owns distributable property in multiple counties but not all of the property is eligible for the exemption, the taxpayer is responsible for backing out any exempt property from the overall sum he reports to the Department. If the taxpayer owns distributable property in just one county (and in only one taxing district in that county) in Indiana and the total acquisition cost of that property is less than \$20,000 and the taxpayer otherwise would have filed locally rather than with the Department, the taxpayer must file Form 103 with the applicable assessor and declare the exemption on that Form 103.

This exemption does NOT apply to distributable property that is assessed under IC 6-1.1-8 and is owned by a public utility subject to regulation by the Indiana Utility Regulatory Commission. Also, a taxpayer who owns, holds, possesses or controls leased or rented personal/distributable property and who is filing a Form 103 locally may, as deemed necessary by the applicable assessor, need to file Form 103-O or 103-N, as applicable, to verify that he is the appropriate taxpayer to claim this exemption. The Department also reserves the right to request a taxpayer filing a UD-32 to disclose information concerning leased property to ensure the proper taxpayer is claiming the exemption.

EXAMPLES OF HOW AN ELIGIBLE TAXPAYER WOULD PROPERLY FILE:

If Acme, Inc., has utility property in only Lake County (and in only one taxing district in Lake County) with an acquisition cost of \$15,000, Acme would file a Form 103 with the applicable assessor and declare the exemption.

If Acme owns utility property in only Lake County but in multiple taxing districts in the county, but the total acquisition cost of all the property is still less than \$20,000, Acme would file a UD-32 or UD-45, as applicable, with the Department declaring the exemption. The Department will notify the applicable assessor.

If Acme owns utility property in multiple districts in Lake and Porter Counties and the total acquisition cost of the property in Lake County is \$15,000 but the total acquisition cost of the property in Porter County is \$30,000, then Acme would file a UD-32 or UD-45, as applicable, with the Department, check the box and list "\$15,000 Lake County" on page one, then back out that \$15,000 and report only the \$30,000 as the sum total.