

Annual Report

Indiana Department of Revenue



October 1, 1999

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LETTER FROM THE COMMISSIONER

October 1, 1999

The Honorable Frank O'Bannon
Governor, State of Indiana
State House, Room 206
Indianapolis, Indiana 46204-2797

Dear Governor O'Bannon:

It is my pleasure to present to you a copy of the Indiana Department of Revenue's tenth annual report. The report provides you and the Indiana Legislative Council with a summary of the Department's accomplishments and also meets all legal requirements set forth by Indiana Code 6-8.1-1-8, which is known as the Indiana Taxpayer Bill of Rights.

Also, as Commissioner, I attest that the Department is in compliance with Indiana Code 6-8.1-3-2.5, which states that the Department may not include the amount of revenue collected or tax liability assessed in the evaluation of an employee; nor may it impose or suggest production quotas or goals for employees based on the number of cases closed.

Sincerely,

Kenneth L. Miller
Commissioner

ABOUT THE INDIANA DEPARTMENT OF REVENUE

Mission Statement

The Indiana Department of Revenue will administer the tax laws of the State of Indiana in an equitable and courteous manner to promote the highest degree of public trust and voluntary compliance.

Motto

“Committed to public trust and service.”

Department Divisions

Administration

Sections: Commissioner, Deputy Commissioner, General Counsel to the Commissioner, Director of Operations.

The four main components of this Division assist in overseeing the entire agency.

Audit

Sections: Audit Billing/Inquiries, Audit Review, Audit Selection, Communications/Training, Computer Systems, Investigations, Operations Manager, Travel and Supplies, Special Tax Liaison.

This Division promotes voluntary compliance throughout the state and the country in all Indiana tax areas through quality examinations. It is also responsible for the Department's 11 District Offices, which are located throughout Indiana.

Collections

Sections: Correspondence, Billings/Agent, Phone Pursuit, Title/Licensing.

This Division provides centralized management in the collection of delinquent tax liabilities.

Compliance

Sections: Administrative, Aeronautics, Bankruptcy, Charity Gaming/Not-for-Profit, Individual Income Tax, Pre-paid Sales Tax, Responsible Officer, Strategic Compliance, Utility Refund, Withholding Tax.

This Division develops, tests and implements projects that identify non-filing, noncomplying taxpayers for individual, sales/use, and withholding taxes. All information for filing and registration of not-for profit organizations is conducted by this Division, as well as issuance of charity gaming annual licenses. Research of tax records of bankrupt individuals and businesses is also identified by this Division for possible identification of tax liabilities.

Controller

Sections: Budget Analyst, Business Administration, Accounting/Counties, Electronic Funds Transfer (EFT), Cigarette Tax and Other Tobacco Products, Mail Services.

This Division handles budgeting and purchasing for the Department under the guidance of the Controller. Other responsibilities include depositing of tax revenues, preparing appropriate reports and conducting all related banking functions. The Controller's Office administers those taxes collected by the state and returned to the county of origin. This Division also handles the inventory and sale of cigarette tax stamps.

Criminal Investigation

Sections: Case and Data Management, Charity Gaming Enforcement, Controlled Substance Excise Tax, Motor Fuel Tax Evasion, Motor Vehicle Excise Tax, Operations and Investigations, Internal Affairs, Employment Agencies.

This Division conducts investigations of alleged violations of the Indiana tax laws and secures necessary evidence to determine civil liabilities or to recommend criminal prosecutions. This Division also is responsible for the administration of Controlled Substance Excise Tax, the compliance program for the Motor Vehicle Excise Tax, Employment Agency Licensing, and Charity Gaming enforcement.

Information Technology

Sections: Administrative Services, Operations, Systems & Programming, Technical Support.

This Division supports the Department's efforts and goals by creating and administering computerized tax processing systems for the other divisions of the Department. This Division operates with a goal of providing tax processing systems that are increasingly easier to use; constantly improving efficiency and service to the taxpayer; and maintaining secure and confidential records.

Legal

Sections: Appeals, Litigation, Inheritance Tax, Fiduciary Income Tax, and Protest Review.

This Division includes the Department's legal staff, which oversees the appeals process from an original tax protest to the Indiana Tax Court. This Division also contains the Inheritance Tax Section, which collects tax on all taxable transfers of property resulting from the death of an Indiana resident, or a nonresident decedent, with real or tangible personal property located in Indiana.

Motor Carrier Services

Sections: Motor Carrier Fuel and Road Tax, IRP (International Registration Plan), Insurance and Safety, Oversize and Overweight Permits, Commercial Drivers License (CDL), Superload Vehicle Permits, Intrastate, Interstate, Walk-in Service.

This Division provides tax and registration services for motor carriers. It collects the tax for the International Fuel Tax Agreement (IFTA), issues registration numbers (US DOT) to all motor carriers, and works with the Single State Registration System (SSRS). The Division also issues oversize/overweight permits and collects Indiana fuel and road taxes. In 1999, the Division also assumed CDL responsibilities for the Bureau of Motor Vehicles.

This Division is located at the Ameriplex Office Park on the southwest side of Indianapolis, and serves as a "One-Stop Shop" for the trucking and transport community.

Office of the Taxpayer Advocate (formerly called Problem Resolution Program)

Sections: Taxpayer Advocate and staff.

The Office of the Taxpayer Advocate is designed to address complex and special tax problems. The primary goal is to correct exceptional tax problems. The secondary goal is to identify and restructure departmental processes and procedures which may have created or contributed to legitimate problems. A taxpayer's problem is considered exceptional if 1) attempts at resolution through normal departmental channels have been unsuccessful; or, 2) an ongoing, continual problem exists with the filing of tax returns; or, 3) continual assessments result from systematic processing problems.

Personnel

Sections: Training, Administration, Affirmative Action, Wellness, Payroll/Benefits.

This Division administers all "human resource" aspects within the Department, including employee and supervisor training, wellness programs, recruiting, payroll and benefits, labor relations, and governmental regulatory administration. It also assists with employee morale programs.

Public Affairs

Sections: Media Inquiries and Publicity, Form Development and Revisions, Outreach Education, Practitioner Services, Tax Preparation Software approval, Indiana TaxFax, and Internet.

This Division handles all media inquiries; internal and external education; and tax form revision. This division also administers the Indiana TaxFax form distribution system, coordinates content for the Department's website and approves software companies who produce Indiana tax preparation software.

Quality Assurance

Section: Quality Systems.

This Division oversees the development, testing and ongoing changes to the Department's Returns Processing System (RPS). The final phase of this four-year project was completed in June, 1999, with the addition of trust taxes to the system. In addition, the Quality Assurance Division monitors system output to ensure standards of quality and to assist in problem identification.

Returns Processing Center

Sections: A/R Payments, Administration, Batch/Edit, Central Mail Room, Check Processing, Computer Support, Corporate Income Tax, Data Control -- Individual Income Tax, Data Entry, Forms Processing, Mail Opening, Print Shop, Records Management, System Services, Systems Training, Unidentified Payments, Forms Ordering, Gasoline, Special Fuel and Environmental Taxes.

This Division is responsible for the receipt, processing, storage and retrieval of tax documents. It works with corporate and partnership filings and refers appropriate taxpayers for audit. New responsibilities include fuel and environmental tax administration and processing.

Tax Policy

Sections: Policy Research, Fiscal Analysis, Technical Tax Research, Legislative Affairs.

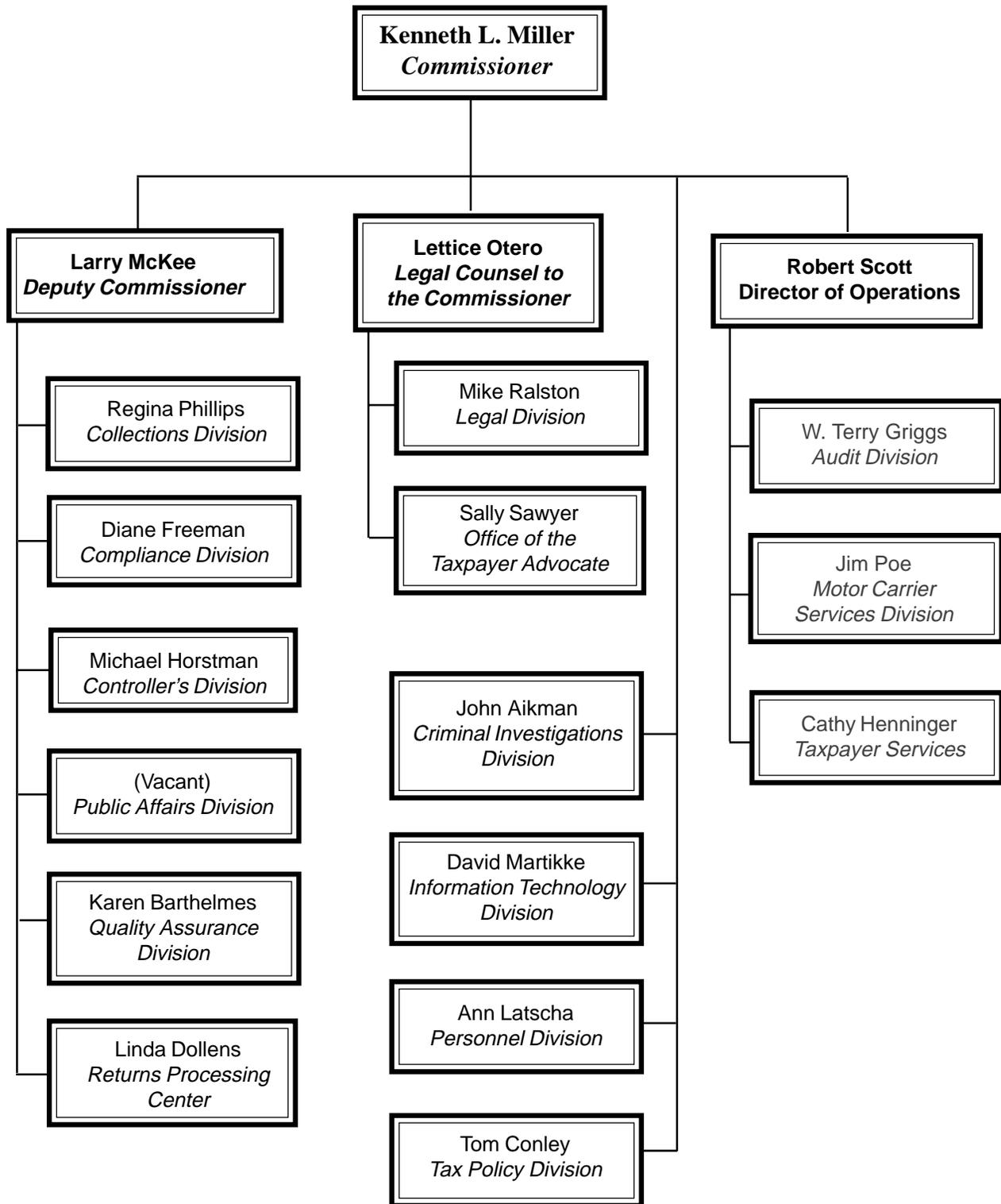
This Division primarily works with legislative efforts, serving as a legislative liaison for the Indiana General Assembly. This division also is responsible for all voluntary compliance agreements that are completed with previously unregistered taxpayers. The Division issues rulings, policy directives and some information bulletins, as well as helps to determine the correct interpretation of the law. The Division provides tax statistics to both federal and state agencies as well as to other states.

Taxpayer Services

Sections: Assistance Center, Correspondence, PC Support, Research & Support, Telephone Contact, Automated Taxpayer Information System.

This Division provides free-of-charge walk-in and telephone assistance to Indiana taxpayers. This Division combines many direct contact functions generally involving three major tax types: individual income tax, sales, and withholding taxes.

DEPARTMENTAL STRUCTURE



The Indiana Department of Revenue has 948 employees.

TAX HELP TELEPHONE NUMBERS

AUTOMATED INFORMATION LINE

Check on the status of refunds;
prerecorded tax topics; tax liability
balances.

(317)233-4018

COLLECTION/LIABILITY INQUIRIES

(317)232-2165

CORPORATE TAX INFORMATION

(317)486-5548*

INDIANA TAXFAX SYSTEM

Call from the telephone portion of your
FAX machine to retrieve tax forms
and information bulletins. Available
24 hours a day.

(317)233-2329

INDIVIDUAL INCOME TAX INFORMATION

(317)232-2240

INTERNET ACCESS

Access to forms, information bulletins
and directives, tax publications, e-
mail, the PC-Filing Program, et al.

<http://www.state.in.us/dor/>

SALES TAX INFORMATION

(317)233-4015

TAX FORMS ORDER LINE

Available 24 hours a day

(317)486-5103*

TELEPHONE DEVICE FOR THE DEAF (TDD)

(317)232-4952

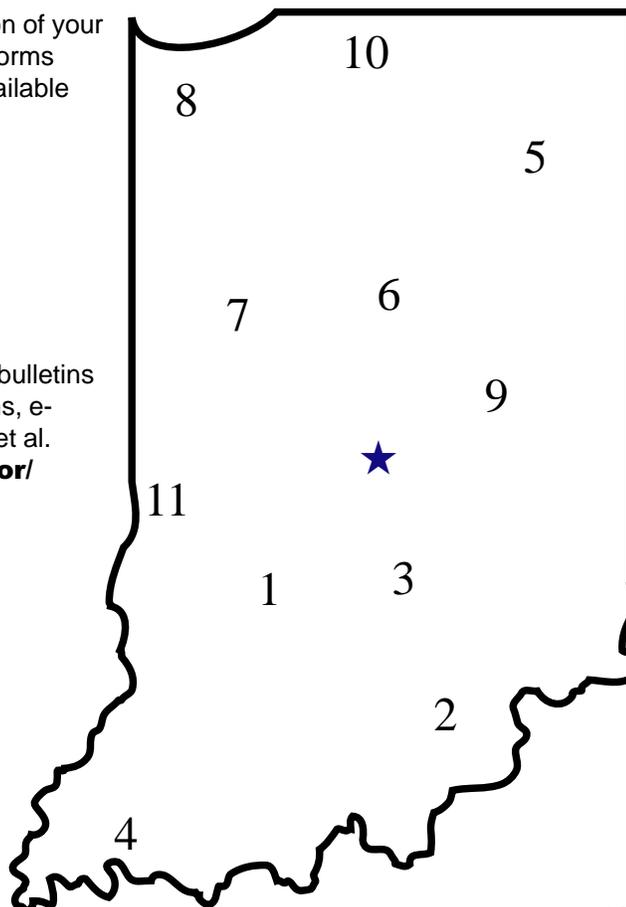
WITHHOLDING TAX INFORMATION

(317)233-4016



INDIANAPOLIS (MAIN OFFICE)

Indiana Government Center
North, Room N105
100 N. Senate Avenue
Indianapolis, IN 46204
(317)232-2240



DISTRICT OFFICES

1) Bloomington

410 Landmark Avenue
Bloomington, IN 47043
(812)339-1119

2) Clarksville

Physical Location

1446 Horn Street
Clarksville, IN 46129

Mailing Address

P.O. Box 3249
Clarksville, IN 47131-3249

3) Columbus

3138 N. National Road
Columbus, IN 47201
(812)376-3049

4) Evansville

500 S. Green River Rd.
Goodwill Building
Suite 202

Evansville, IN 47715
(812)479-9261

5) Fort Wayne

5800 Fairfield Avenue
Suite 200

Fort Wayne, IN 46807
(219)456-3476

6) Kokomo

117 E. Superior St.
Kokomo, IN 46901
(765)457-0525

7) Lafayette

100 Executive Dr.
Suite B
Lafayette, IN 47905
(765)448-6626

8) Merrillville

8368 Louisiana Ave.
Suite A

Merrillville, IN 46410
(219)769-4267

9) Muncie

3640 N. Briarwood Lane
Suite 5

Muncie, IN 47304
(765)289-6196

10) South Bend

1025 Widener Lane, Suite B
South Bend, IN 46614

(219)291-8270

11) Terre Haute

30 N. 8th St., 3rd Floor
Terre Haute, IN 47807

(812)235-6046

*Subject to change

A YEAR IN REVIEW: FISCAL YEAR 1999 -- July 1, 1998 - June 30, 1999

Bar Coding – Building A Bridge to Electronic Filing

The Indiana Department of Revenue was the first state to develop bar coded tax returns, enabling the processing of paper returns as if they were filed electronically. The Department realizes that a number of taxpayers are not yet ready to file their tax returns electronically because they want the security of a paper return; therefore, bar coded returns act as a bridge between electronic filing and paper returns.

This year for the first time, when a taxpayer had a return prepared by most H & R Block offices, a 2-D Bar Code was added to the tax return as it was printed. The same was true for all tax returns printed off the Internet. This 2-D bar code contains all of the information that is entered onto a tax return, in addition to all of the information contained on up to 10 W-2 forms.

When a return with a bar code is received by the Department, it is scanned directly into the Returns Processing System. During the initial year of this project, the Department received slightly over 131,000 bar coded returns. Fewer errors were found in the bar coded returns received (the same 2% rate as for electronically-filed returns, as opposed to 14% for regular paper returns); and, since no data entry had to be made at the Department, there were no keying errors. This means that not only can these returns be processed faster and with fewer errors involved, but refunds can be generated much faster with an additional savings to the Department and ultimately to the taxpayers of the State of Indiana.

In addition to the faster processing time, the Department has also realized savings in processing costs of about \$100,000. With an average savings ranging from \$.69 to \$.79 per return, depending on whether the return is a refund or remit return, it becomes advantageous for the Department to pursue the use of bar coded returns.

Though the Department of Revenue would prefer that all returns be filed electronically, it sees bar coded returns as the bridge to that goal. Says one spokesperson: "We are trying to serve our customers in a way that allows them to tell us how they want to file their returns, whether it be by traditional paper, TeleFile, electronically, or bar coded. We have been asked to run state government smaller and smarter, and we feel that with the use of this technology we are doing just that."

IDOR Web Page Accessed the Most

Though fairly new, the Indiana Department of Revenue's web site has proven so popular that it was accessed more than those of any other state agency during the 1998 tax-filing months of February and April, 1999, and came in second in January and March of the same year. Department officials plan to continue to utilize the site, which was launched in a fully mature stage with 3,000 pages in 1998, and to leverage all available Internet technology to help it move towards a paperless system in the future.

Hoosier taxpayers were able to file their IT-40 returns via the Internet for the first time during the 1998 tax season (in 1999), and officials plan to continue to refine the site with new functions and services requested by taxpayers.

During FY99, a total of 2,453,798 accesses were made of the Department of Revenue's Internet Web Site at <http://www.state.in.us/dor/>. A breakdown by month follows:

July, 1998	46,378
August, 1998	50,007
September, 1998	47,084
October, 1998	56,184
November, 1998	56,236
December, 1998	76,340
January, 1999	278,942
February, 1999	519,329
March, 1999	476,986
April, 1999	623,286
May, 1999	103,219
June, 1999	119,807

The Indiana TaxFax System

During Fiscal Year 1999, the TaxFax System answered 29,041 calls, down 18% from the 35,219 calls during FY98. This decrease is attributed to the implementation of the Indiana Department of Revenue's Internet site at "<http://www.state.in.us/dor/>" and last year's release of Indiana Package IN-X on CD ROM. However, since the Internet site and the Package IN-X CD both require computer access, for many users the TaxFax System is still a viable method for obtaining forms, especially the harder-to-locate documents, such as information bulletins and departmental notices.

The total number of documents ordered via the TaxFax System was also down about 6,000 from the 19,578 ordered in FY98 to 13,639 in FY99.

An interesting sidelight is that the percentage of successful faxes transmitted rose from 73% to 79% between FY98 and FY99, possibly indicating fewer people were changing their minds after calling TaxFax (disconnecting before transmission) and/or were learning how to better use the TaxFax System.

Electronic Filing Forging Ahead, but Paper Returns Maintain a Majority

An ever-increasing portion -- about 31.7% -- of all Individual Income tax returns filed during the 1998 filing season (FY99), were filed electronically, Department statistics indicate. The largest group of non-paper returns, accounting for 22.2% of the total and consisting of 454,820 returns, was Federal/State Electronic-Filed returns.

The second largest group of electronically-filed returns was bar-coded returns (in their premier appearance), with 122,915, or 6.0%. Federal/State TeleFile returns numbered 65,398 and accounted for 3.2% of all Individual Income tax returns. And, finally, Indiana Internet returns totalled 6,201, but accounted for less than one-third of 1% (0.30%) of all returns filed.

Though electronically-filed returns are forging ahead, traditional paper returns still outweigh all other methods of filing combined, with a total of 1,398,758 returns, or 68.3%.

New Ways to File Taxes

The traditional way to file Indiana State taxes is by completing and mailing a paper tax return. The Department of Revenue is continually researching faster, easier, and more efficient methods of tax filing.

Current Trust Tax Initiatives **Business Tax Electronic Filing Program**

Businesses collecting Retail Sales and Use Taxes and Employer Withholding Taxes are now able to pay these taxes via an Electronic Data Interchange (EDI) program, as well as file corresponding returns with their computer modem, thereby eliminating time-consuming telephone calls related to the Electronic Funds Transfer system (EFT). Personal computer software is provided free by the Indiana Department of Revenue to businesses for either single returns or for thousands of re-

turns. An account is established with a simple registration process; and, unless the signatures on the original electronic filing application change or become invalid, there is never a need for paper transactions again. Filers may, however, print out running histories and detailed summaries of their accounts at any time.

Current Individual Income Tax Initiatives **Federal/State Electronic Filing Program**

Individuals who use tax practitioners to prepare their Individual returns can now file both state and federal returns via the Federal/State Electronic Filing Program (EPF). This was the sixth year that Indiana has participated in this program.

IT-40 Express

This new program allows taxpayers to file IT-40 returns directly through the Internet. It may also be used to prepare hard copy returns, which may then be mailed to the Department of Revenue. These returns have the special, two-dimensional barcode on them, which allows the Department to "scan" them into its computer system for faster processing.

Federal/State TeleFile Program

Individuals who traditionally file "EZ" forms can now file both their federal and Indiana tax returns during one, toll-free phone call.

Indiana and Kentucky are the first states participating in this program, which was brand new this year. Participation is by invitation only (taxpayers had to receive both a federal TeleFile and an Indiana TeleFile package in the mail.)

Federal/State On-Line Filing

This new filing initiative offers the same benefits as Federal/State Electronic Filing, except it can be done from a home computer.

Paper Returns

Of course taxpayers can still file Indiana Individual Income Tax Returns by the traditional paper method, as always. Many Indiana tax forms are available for downloading from the Department's web site: <http://www.state.in.us/dor/>.

Indiana and Illinois Discuss Reciprocity

Thousands of Hoosier taxpayers who work in Illinois will be watching discussions between representatives from Indiana and Illinois to see if the two states reach a new reciprocal tax agreement. The states met several times to share information.

A former 25-year-old reciprocity agreement between the two states required taxpayers living in one state and working in the other to file tax returns with only their state of residence. However, the agreement was terminated by Illinois on January 1, 1998, because Illinois claimed Indiana had many more workers in Illinois than Illinois did in Indiana and that Illinois was losing millions of dollars in tax revenue. As a result, Hoosier taxpayers working in Illinois were required to file with Illinois, as well as with the Indiana for Tax Year 1998.

A law enacted by the Indiana General Assembly during Spring, 1999 allowed the Indiana Department of Revenue to negotiate a tentative settlement amount with the State of Illinois. If an agreement is reached, approval also is needed by the Governor's Office and the State Budget Committee.

Year End Collections Bring in Over \$10 Billion for State

The Department closed out FY99 (July 1, 1998 - June 30, 1999) with collections of \$10,599,037,400, up 6.26% from \$9,974,973,400 in FY98.

The Indiana Department of Revenue serves as the primary administrator for the tax laws of the State of Indiana, operating on a fiscal year (FY) basis covering July 1 through June 30. The Department strives to maintain a fair and efficient work ethic, while promoting the highest degree of public trust and voluntary compliance.

TAXPAYER BILL OF RIGHTS

Indiana Taxpayer Rights and Responsibilities IC 6-8.1-1-8

All Indiana taxpayers have certain rights and responsibilities that correspond to the Indiana tax laws. The Taxpayer Bill of Rights sets forth these rights and responsibilities for Indiana Taxpayers:

- I Quality taxpayer service
- II Taxpayer Advocate to help you in the preservation of your rights
- III Taxpayer education and information
- IV A fair collection process
- V Appointed hearing time and representation
- VI Demand Notices
- VII Warrants for collection of tax
- VIII Judgement liens against property
- IX Annual Public Hearing and Department Report
- X Taxpayer responsibilities

OFFICE OF THE TAXPAYER ADVOCATE

The Office of the Taxpayer Advocate (OTA), formerly known as the Problem Resolution Program (PRP), was established in January, 1990. Indiana Code (IC) 6-3-8.1-11-3 provides for a Taxpayer Advocate, who administers an Office of nine employees. The Taxpayer Advocate reports to the Legal Counsel.

It is the responsibility of the Office of the Taxpayer Advocate to ensure that all Indiana taxpayers are treated fairly and to resolve recurring problems or complaints in which taxpayers' previous attempts at resolution were unsuccessful. The Office of the Taxpayer Advocate acts as a last resort within the Indiana Department of Revenue for taxpayers who need assistance. When specific areas of recurring internal problems are identified, recommendations are made for internal remedial procedures. In addition, recommendations are made to administration as a result of recurring problems that indicate the need for taxpayer education.

The Office of the Taxpayer Advocate assists those taxpayers who claim hardship and can prove that the Department's normal procedures create great difficulty or inability for them to meet both Departmental requirements and their own basic needs. In addition, the Taxpayer Advocate reviews offers in compromise presented to the Department, due to medical or financial hardship. The Taxpayer Advocate is authorized to use unprecedented methods of resolution to provide taxpayers with alternative methods for meeting their responsibilities, thereby providing them with a light at the end of the tunnel and promoting voluntary compliance.

The Office of the Taxpayer Advocate also reviews any complaints presented by taxpayers regarding alleged unfair treatment by Departmental employees.

Special projects completed by the Office of the Taxpayer Advocate during Fiscal Year 1999 included the following:

In order to better serve the growing number of Hispanic residents of the State, the Office of the Taxpayer Advocate produced audio tapes in Spanish of the entire Indiana Individual Income Tax booklet (IT-40) for the first time. Copies of the tapes were made available to Hispanic community centers, radio stations and churches throughout the state.

In addition, the Office of the Taxpayer Advocate produced audio tapes in English of the entire IT-40 booklet for the visually impaired or persons unable to read due to a disability, but who still wish to have the option of independently filing their tax returns and/or understanding the requirements when filing. (Large print forms of the IT-40 booklet continued to be made available.)

300 special payment plans were established due to hardship and using unprecedented methods (e.g., manual payment plans).

931 ongoing payment plans were maintained and monitored for success within the Office of the Taxpayer Advocate.

\$2,016,691.54 was collected from taxpayers who fell under the program's criteria for assistance.

Productivity statistics for The Office of the Taxpayer Advocate's FY99 included the following:

54,639 telephone callers were assisted.

67,468 cases were resolved, including:

5,691 case files reviewed for compliance

4,480 hardship claims

1,344 compromises

8,682 outside agency referrals

41,771 recurring problems

5,500 payments processed

1999 LEGISLATIVE SUMMARY -- NEW AND AMENDED STATUTES/RULES

Regular Session
1999 Indiana General Assembly
Organization Day: November 17, 1998
Convened: January 6, 1999
Adjourned: April 29, 1999

GROSS INCOME TAX (IC 6-2.1)

SEA 40, SECTION 15. EFFECTIVE UPON PASSAGE. IC 6-2.1-4-3. Technical change to correct an erroneous code cite.

SALES AND USE TAX (IC 6-2.5)

HEA 1104, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-2.5-6-14. Requires the Department to annually provide the Division of Mental Health and the Alcoholic Beverage Commission with a county-by-county listing of every retailer of cigarettes. The list is to include the name and address of each retail merchant; and the updated annual listing will include all retail merchants newly added since the previous year, as well as those which no longer sell cigarettes.

HEA 1789, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-2.5-7-1. Provides that kerosene, for sales tax purposes, is treated the same as gasoline.

HEA 1789, SECTION 2. EFFECTIVE JULY 1, 1999. IC 6-2.5-7-3. Provides that kerosene sold through a metered pump will have the sales tax applied to the net cost of the unit, which is less state and federal road taxes.

SEA 234, SECTION 3. EFFECTIVE JULY 1, 1999. IC 6-2.5-10-1. Changes the distribution of the sales tax. Provides that 59.03%, instead of 59.2%, will be deposited in the State General Fund. Provides that the commuter rail service fund shall receive 0.17% of the sales tax revenue.

ADJUSTED GROSS INCOME TAX (IC 6-3)

SEA 297, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-1-3.5. Increases the exemption for dependents from \$500 to \$1,500 per year.

SEA 307, SECTION 1. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-3.5. Provides a deduction for the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

SEA 7, SECTION 1. EFFECTIVE JANUARY 1, 2000. IC 6-3-1-3.5. Provides an income tax deduction equal

to the portion of any premiums paid during the taxable year for a long-term care policy (as defined in IC 12-15-39.6-5).

SEA 198, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-1-3.5. Provides an additional \$500 personal exemption for individuals who are over 65 with an adjusted gross income of less than \$40,000.

HEA 1001, SECTION 51. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-1-3.5. Removes the property tax add-back for taxes levied by any local governmental unit of any state. Provides an income tax deduction for individuals equal to the lesser of \$2,500 or the amount of property taxes that are paid during the taxable year on the individual's principal place of residence. Removes the property tax add-back for corporations.

SEA 307, SECTION 2. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-29. Defines an "eligible individual" for purposes of determining who is eligible for the deduction for Holocaust victim's settlement payments.

SEA 307, SECTION 3. EFFECTIVE JANUARY 1, 1998 (RETROACTIVE). IC 6-3-1-30. Defines what is to be included as a Holocaust victim's settlement payment.

SEA 247, SECTION 1. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-2-6. Increases the renters' deduction from \$1,500 to \$2,000.

HEA 1001, SECTION 228. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3-2.5. Repeals the earned income tax deduction.

HEA 1983, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-3-3-10. Provides that a pass-through entity is eligible for the enterprise zone credit for increased wages in the zone.

HEA 1573, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-3-5-3. Gives the Department of Revenue authority from the Governor and the Budget Agency to negotiate a tentative dollar amount to compensate Illinois for its tax loss from Indiana workers. Such a settlement would reinstate reciprocity, so that taxpayers living in either Indiana or Illinois but working in the other state will be required to file only one state tax return.

TAX CREDITS (IC 6-3.1)

HEA 1983, SECTION 4. EFFECTIVE JANUARY 1, 2000. IC 6-3.1-7-1. Provides that a pass-through entity is eligible for the Enterprise Zone Loan Interest Credit.

HEA 1983, SECTION 5. EFFECTIVE JANUARY 1, 2000. IC 6-3.1-7-2. Provides the methodology for calculating the distribution of the credit to pass-through entity shareholders, members, or partners.

HEA 1126, SECTION 4. EFFECTIVE UPON PASSAGE. IC 6-3.1-18-6. Provides that an individual who makes a donation to an individual development fund account is eligible for a credit if the donation is \$100 (rather than \$1,000).

HEA 1001, SECTION 227. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-3.1-21. Provides an earned income credit for taxpayers. "Earned income" means the wages, salaries, tips, and other employee compensation, and net earnings from self employment. Defines "qualifying child" to include children, grandchildren, step children and foster children. Children must be less than 19 years old unless they are students less than 24 years of age. Taxpayers are eligible for the credit if they have a qualifying child, their gross income is less than \$12,000, and 80% or more of their total income is earned income. The amount of the credit is 3.4% multiplied by the difference between \$12,000 and the individual's total income. The credit is a refundable credit and could allow refunds of as much as \$408 to the taxpayer. Requires the DOR to gather data requested by the Division of Family and Children to comply with this act.

LOCAL OPTION INCOME TAXES (IC 6-3.5)

HEA 1001, SECTION 69. EFFECTIVE JANUARY 1, 2000. IC 6-3.5-1.1-15. Changes the definition of "attributed levy" for the county adjusted gross income tax distributions for the county's welfare fund and welfare administration funds.

HEA 1001, SECTION 70. EFFECTIVE JANUARY 1, 2000. IC 6-3.5-6-17.6. Technical change to the County Option Income Tax, so that Marion County's special distribution will take into account the change of welfare costs from the County to the State. SECTIONS 71, 72, 73 and 74 make conforming technical changes in other sections of the COIT and CEDIT laws.

SEA 166, SECTION 3. EFFECTIVE UPON PASSAGE. IC 6-3.5-7-23. Allows Hancock County to adopt the County Economic Development Income Tax, and dedicate up to fifteen hundredths of one percent (0.15%) to

Library Property Tax Replacement Credits.

INHERITANCE TAX (IC 6-4.1)

HEA 1304, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-4.1-8-5. Removes the requirement that the county assessor or a representative of the DOR must be present when the safety deposit box of a decedent is opened.

HEA 1304, SECTION 2. EFFECTIVE JULY 1, 1999. NON CODE. Repeals IC 6-4.1-8-6 and IC 6-4.1-8-8. These sections relate to penalties for failing to file an inheritance tax return, and non-resident decedents respectively.

FINANCIAL INSTITUTIONS TAX (IC 6-5.5)

HEA 1001, SECTION 52. EFFECTIVE JANUARY 1, 1999 (RETROACTIVE). IC 6-5.5-1-2. Removes the property tax add-back in determining adjusted gross income for financial institutions that are subject to the Financial Institutions Tax.

MOTOR CARRIER FUEL USE TAX (IC 6-6-4.1)

HEA 1789, SECTION 3. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4. Provides a Proportional Use Credit for the consumption of fuel used to operate equipment mounted on a motor vehicle.

HEA 1789, SECTION 4. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.5. Provides that the Proportional Use Credit must be claimed on a quarterly basis.

HEA 1789, SECTION 5. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.7. Provides that a motor carrier must be certified by the DOR in order to qualify for a Proportional Use Credit. The carrier must list his Tax Identification Number, the carrier's principal place of business, a description of each vehicle, and the vehicle identification number. There is a one-time fee of \$7.00, to be deposited in the Motor Carrier Regulation Fund.

HEA 1789, SECTION 6. EFFECTIVE JULY 1, 1999. IC 6-6-4.1-4.8. Provides that the Proportional Use Credit will be claimed on forms prescribed by the DOR. The DOR is to determine the aggregate amount of credits claimed for each quarter. The Department may approve the full amount of the credits applied for, if the total does not exceed the quarterly limits for the fiscal year. The limit for the first quarter is \$1,375,000; second quarter, \$625,000; third quarter, \$625,000; and, fourth quarter, \$875,000. If the claims exceed the quarterly limit, the claims shall be paid on a pro rata basis. If the cap is not reached in any quarter, then the balance is added to the subsequent quarter.

COMMERCIAL VEHICLE EXCISE TAX (IC6-6-5.5)

HEA 2022, SECTION 2. EFFECTIVE JANUARY 1, 2000. IC 6-6-5.5. Creates the commercial vehicle excise tax for commercial vehicles such as tractors and trailers that were subject to the property tax. The tax is based on the weight of the vehicle and is paid at the time of registration. The Motor Carrier Services Division collects the tax.

TAX ADMINISTRATION (IC 6-8.1)

HEA 2022, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-1-1. Provides that the Commercial Vehicle Excise Tax is a listed tax.

HEA 2022, SECTION 4. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-3-1. Provides that the DOR will investigate complaints concerning the Commercial Vehicle Excise Tax only if the vehicle is not subject to registration under the International Registration Plan.

HEA 2022, SECTION 5. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-4-4. Clarifies that the Motor Carrier Services Division is to administer the Commercial Vehicle Excise Tax.

HEA 1789, SECTION 7. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-4-4. Clarifies that the Motor Carrier Services Division is responsible for issuing the Proportional Use Credit Certificates.

HEA 2022, SECTION 6. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-5-2. Clarifies that if a motor carrier tries to avoid the Commercial Vehicle Excise Tax, it will be subject to the same penalty as a person failing to file a tax return.

HEA 2022, SECTION 7. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-7-1. Provides that attempts to evade the Commercial Vehicle Excise Tax by a motor carrier can be disclosed to other states for enforcement purposes. Also provides that the DOR Confidentiality Statute does not apply to the Commercial Vehicle Excise Tax.

HEA 1104, SECTION 2. EFFECTIVE JANUARY 1, 2000. IC 6-8.1-7-1. Permits the DOR to release information concerning retailers of cigarettes to the Division of Mental Health and the Alcoholic Beverage Commission.

INNKEEPERS' TAXES (IC 6-9)

HEA 1458, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-2.5-7. Provides that the Vanderburgh County convention and Visitor Promotion Fund is to receive the equivalent of a 2% innkeeper's tax.

HEA 1458, SECTION 2. EFFECTIVE JULY 1, 1999. IC 6-9-2.5-7.5. Provides that after December 31, 1999 and before January 1, 2006, the Tourism Capital Improvement fund is to receive the equivalent of a 1% rate. After December 31, 2005, the Tourism Capital Improvement Fund will receive the equivalent of a 3% rate.

HEA 1458, SECTION 3. EFFECTIVE JANUARY 1, 2000. IC 6-9-2.5-9. Provides that the Vanderburgh County Treasurer shall create a Convention Center Operating Fund. Between January 1, 2000, and December 31, 2005, the county treasurer must deposit the equivalent of a 2% rate into the Convention Center Operating Fund.

HEA 1164, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-11-16. Permits the County Council in Vigo County to increase the Innkeepers' Tax to a maximum rate of 5%. Current law caps the rate at 2%.

SEA 8, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-19-2. Removes the provision that members of the Elkhart County Tourism Commission include four members representing full-service hotels. Members must still be actively engaged in the hotel or motel business.

HEA 1074, SECTION 1. EFFECTIVE JULY 1, 1999. IC 6-9-32. Permits Jackson County to increase its innkeepers' tax to five percent (5%). Permits twenty-five percent (25%) of the monies to be spent promoting and encouraging economic and industrial development.

MOTOR CARRIER SERVICES (IC 8-2.1)

HEA 1469, SECTION 1. EFFECTIVE JULY 1, 1999. IC 8-2.1-24-18. Exempts farm vehicles from registering as intrastate motor carriers.

HEA 1469, SECTION 2. EFFECTIVE JULY 1, 1999. IC 8-2.1-24-28. Provides that if the United States Department of Transportation issues a safety-related order affecting a motor carrier operating in Indiana, the Department or the State Police may revoke and confiscate any registrations, license plates, or cab cards.

MISCELLANEOUS PROVISIONS

HEA 1130, SECTION 1. EFFECTIVE JULY 1, 1999. IC 9-20-15-2. Provides that a manufacturer of mobile homes may move a mobile home from the manufacturing site to a storage facility only if the manufacturer gets a special permit from the Motor Carrier Services Division and the distance moved is less than fifteen (15) miles.

HEA 1130, SECTION 2. EFFECTIVE JULY 1, 1999. IC 9-29-6-12. Provides that the annual permit to move a mobile home from the factory to a storage facility is \$40 for each three (3) mile increment that a tractor mobile home rig is transported, up to the fifteen (15) mile limit.

HEA 1578, SECTION 4. EFFECTIVE UPON PASSAGE. IC 13-23-12-1. This act decreases the underground petroleum storage tank fee from \$290 to \$90.

HEA 1578, SECTION 5. EFFECTIVE UPON PASSAGE. IC 13-23-12-4. Decreases the excess liability Trust Fund Fee from \$245 to \$45.

HEA 1870, SECTION 1. EFFECTIVE JULY 1, 1999. IC 24-3-3-11. Requires the DOR to adopt rules necessary to ascertain the annual amount of sales of cigarettes in Indiana by tobacco product manufacturers and the amount of Excise Tax attributable to those sales.

SEA 19, SECTIONS 1 THROUGH 6. EFFECTIVE JULY 1, 1999. IC 36-7-13-2.4. Allows two areas in Delaware County to be designated as Community Revitalization Enhancement Districts. (Current law authorizes a credit against certain state and local tax liabilities for taxpayers who make an investment for the redevelopment of property located in a Community Revitalization Enhancement District.) The act also provides for the incremental amount of state and local income taxes and state sales taxes collected from a Community Revitalization Enhancement District to be distributed to the District for deposit in its Industrial Development Fund. (Under current law, there is an annual cap of \$1 million in tax increments generated within the district.)

SEA 166, SECTION 4. EFFECTIVE UPON PASSAGE. NON CODE. Provides that Hancock county may impose a CREDIT for Library Property Tax Replacement Credits at any time between January 1 and June 15, 1999.

SIGNIFICANT COURT CASES

City Securities Corp. v. Department of State Revenue
704 N.E.2d 1122 (Ind. Tax 1998)

City Securities questioned whether the Department's failure to issue a letter of findings in a timely manner voided the Department's assessment of gross income tax and whether the Department has the authority to assess gross income tax on the profit made from buying and selling bonds when the bonds are exempt from gross income tax under their enabling statutes. The Tax Court found the legislature had not expressly provided a specific remedy for the Department's failure to issue a letter of findings within 60 days of an administrative hearing. "[T]his Court may not usurp the authority of the legislature by engrafting a remedy onto a statute where none exists." The Court, therefore, refused to void the assessment. However, the Court noted taxpayers may either appeal to the Tax Court if the Department fails to issue a letter of findings within 60 days of the administrative hearing or petition the Tax Court for mandamus to order the Department to act. The Court, citing IC §6-8-5-1, further held the General Exemption Statute specifically states income gained from the sale of so-called tax exempt bonds, to the extent that gain exceeds the amount the taxpayer initially invested in the bond, is taxable. "Merely citing the enabling statutes that create the tax exempt bonds is insufficient to prove that a profit made from the advanced marketing and sale of the bonds is also exempt from taxation."

Farm Credit Services of Mid-America v. Indiana Department of State Revenue
705 N.E.2d 1089 (Ind. Tax 1999)

The Department conceded Farm Credit Services, an Agricultural Credit Association, was a federal instrumentality, but contended the concession was not dispositive of Farm Credit Service's immunity from state taxation. The Department argued that federal instrumentalities are subject to state taxation unless Congress expressly exempts them from state taxation. Petitioner argued its undisputed status as a federal instrumentality meant it was immune from the State's Financial Institutions Tax. The Tax Court held the U.S. Constitution's Article VI Supremacy Clause bars state taxation of federal instrumentalities, absent a congressional waiver. Because Congress has not waived Petitioner's immunity from state taxation, under the Supremacy Clause Indiana is without power to collect the Financial Institutions Tax from Petitioner. The Court explained there was a difference between cases where the issue is whether the federal government conferred immunity from state taxation to entities that are not federal instrumentalities and cases where the issue is whether a state may tax a federal instrumentality. The Court found the issue in the present case to be whether a state may tax a federal instrumentality and held it could not. The Department filed a petition of transfer with the Indiana Supreme Court.

Tri-States Double Cola Bottling Co. v. Department of State Revenue
706 N.E.2d 282 (Ind. Tax 1999)

The Court determined uniforms, glass-front coolers, and computer equipment purchased by Tri-States were subject to Indiana Use Tax. The Court found the uniforms worn by the Tri-States' employees did not meet the requirements of 45 IAC 2.2-5-8(c)(2)(f) because the uniforms reduced the possibility of contamination by an unspecified degree. Additionally, the Court found that, if the uniforms were truly required to prevent contamination, it is highly unlikely Tri-States would have permitted the uniforms to be worn outside of the production facility. The Tax Court found Tri-States provided glass-front coolers free of charge to retailers who sell its products. The Court held the use of the coolers by the retailers is free of charge and this transaction between Tri-States and its retailers is not taxable under IC 6-2.5-4-10(a); therefore, the coolers were not exempt from use tax under section IC 6-2.5-5-8. The computer equipment Tri-States purchased from a retailer in Kentucky was subject to use tax even though Tri-States believed it had paid use tax to the retailer. In its holding, the Court determined Tri-States was liable for the Use Tax unless it could show the seller in this case was either a retail merchant engaged in business in Indiana or that the seller in this case had permission from the Department to collect the tax.

CNB Bancshares, Inc. v. Department of State Revenue
706 N.E.2d 616 (Ind. Tax 1999)

At issue was the Department's final determination denying CNB a tax credit for interest received on qualified loans made to businesses located within a statutorily designated Enterprise Zone. The Department argued that, as a zone business, CNB was required to pay an Annual Registration Fee and to reinvest any credits received in the enterprise zone under IC 4-4-6.1-2(a)(4). CNB argued that, under IC 6-3.1-7-2, any taxpayer receiving interest on a qualified loan is entitled to the credit whether or not that taxpayer is an Enterprise Zone business. The Court's opinion stated that a taxpayer is not required to comply with the requirements of IC 4-4-6.1-2(a)(4) in order to be eligible for the credit. "A taxpayer need only receive interest from a qualified loan. There is no requirement that the entity loaning the money be a zone business or even located in an EZ." The credit CNB accessed is provided by IC 6-3.1-7-2 and not by IC 4-4-6.1. The Court held that CNB is not a zone business based on the definition provided by IC 4-4-6.1-1.1 and is, therefore, not subject to registration and reinvestment requirements.

First Chicago NBD Corp. v. Department of State Revenue
708 N.E.2d 631 (Ind. Tax 1999)

The issue was whether IC 6-5.5-1-12(a)(7), which requires the add-back of taxes "based on or measured by income" to federal taxable income in computing financial income tax liability, requires the add-back of the Michigan Single Business Tax (MSBT); or, stated differently, whether the MSBT is "based on or measured by income." The Tax Court held the MSBT was a type of value-added tax (VAT). The Court found a VAT is different from an income tax in that an income tax is based on a taxpayer's ability to pay and is measured by the price received for the particular product, while a VAT is a tax on the taxpayer's "total business activity" and is measured by the cost of producing its product. The Department claimed the MSBT is "based on or measured by income," because the formula for calculating a taxpayer's tax base begins with federal taxable income. Petitioner argued that regardless of whether income is one component of the tax base, the MSBT is not based on or measured by income. The Tax Court upheld the Petitioner's position, finding that, although taxable income is one portion of the tax base formula, "the MSBT is not measured by or based on income. The fact that the calculation of a taxpayer's tax base begins with taxable income demonstrates nothing." The Court found the MSBT formula is not designed to measure income but rather the value added through the production process. In contrast, a tax based on or measured by income would be calculated by subtracting such outlays in order to arrive at the income or profit made after the product is sold, and a tax measured by gross income or gross receipts would not add such outlays—it would merely look to what the taxpayer received during that tax period. "The MSBT may start out with income," the Tax Court concluded, "but after the extensive adjustments incorporated into the calculation of the MSBT, the MSBT becomes an entirely different tax, one that cannot be fairly read to fit under the 'based on or measured by income' language chosen by the Indiana General Assembly."

The Hunt Corp. v. Department of State Revenue
709 N.E.2d 766 (Ind. Tax 1999)

The Hunt Corp. contended the Department erroneously concluded certain income items constituted adjusted gross income taxable by Indiana, namely income from corporate partnerships in which members of the affiliated group were partners, as well as interest income derived from an installment sale of real property by a member of the affiliated group. The Court dealt at length regarding the differences between apportionment and allocation of income, as well as the means of determining business and non-business income. The Court ruled IC 6-3-2-2 is a "general provision that deals with how all of a corporate taxpayer's adjusted gross income is attributed by way of allocation and apportionment rules. It cannot be seriously disputed that affiliated groups of corporations are corporate taxpayers and consequently are subject to the apportionment and allocation rules contained in Section 6-3-2-2." (Citations omitted.). To determine where the income from the corporate partnerships is to be attributed,

it must first be determined whether that income constitutes business or non-business income for the affiliated group. The Department's finding that the income from the corporate partnerships constituted business income for the affiliated group means it was subject to factor apportionment. "Therefore, the Department properly included all of that income (and losses) in the apportionable base of the affiliated group." Under the three-factor apportionment formula, the Court ruled, "Where a corporation has income from sources within and without Indiana, the portion of that income attributed to Indiana is calculated by taking into consideration the corporation's business income from within and without Indiana. In other words, all of a corporation's business income is included in the calculation. Therefore, the relevant inquiry is not the source of the income from the corporate partnerships, but rather whether that income is part of the apportionment bases. Where income is subject to apportionment, it does not matter that the income sought to be included in the apportionment base is not or cannot be attributed specifically to the taxing State."

California Concepts, Inc. v. Indiana Department of State Revenue
49C01-9708-MI-1813 (Ind. Marion Cir. Ct., 1999)

California Concepts sought judicial review of the Department's denial of its application for a license to use "Bingo Mate" in Indiana. The Court found "Bingo Mate" to be a "hand held electronic bingo marker." The Court agreed with the Department's conclusion that using the "Bingo Mate" was not consistent with the statutory definition of bingo contained in IC §4-32-6-3. "Because it does not mark the physical card, board, pad, or sheet of paper, as required by statute, [the "Bingo Mate"] does not fall within the statute and its exclusion by the Department is proper."

AREAS OF RECURRING TAXPAYER NONCOMPLIANCE

- Returns Processing Center, Pg. 19

- Compliance Division, Pg. 20

- **Returns Processing Center**

Each year the Returns Processing Center of the Indiana Department of Revenue processes well in excess of 5,500,000 tax returns and approximately 3,500,000 payments. It is the Center's goal to process the returns in an efficient manner and to see that payments are deposited and posted in an accurate and timely manner. The Returns Processing Center is an intricate first step in the Department's mission of administering the tax laws in an equitable and courteous manner to promote the highest degree of public trust and voluntary compliance.

In our efforts to process these returns and payments quickly and efficiently, we have found the following to be areas of recurring taxpayer noncompliance:

Use of Non-Departmental Payment Coupons

The Department provides preprinted coupon vouchers to taxpayers who are registered with the Department and have a previous history of filing coupons. Relevant tax types include: sales tax, withholding tax, estimated tax for both individuals and corporations, and various other taxes and fees. Each month the Department receives several thousand payments without coupons, maybe with handwritten information on pieces of paper, coupons from prior filing periods that have been changed to fit the periods for which the taxpayers are trying to file, or just payments with no explanation.

Failure to Complete All the Required Lines/Information

The Department receives numerous returns that are not completed by the taxpayer, which delays their processing and necessitates Department personnel's having to complete the form based on the information provided, contacting the taxpayer, or returning the form to the taxpayer for additional information. These problems slow down the Department's ability to process returns quickly and efficiently.

Filing the Wrong Return

The Department receives numerous returns each year

which are on the correct forms but not for the current year, or may be for the correct year but are on the wrong forms. An example would be taxpayers' submitting IT-40EZ forms when they do not qualify for that form because of the type of income or deductions they may have. In these cases, Department employees must determine the correct form to be used and either attempt to transfer the information to the correct form, or return the form submitted along with a copy of the correct form to the taxpayer for resubmitting.

Failure to Attach W-2 Forms

The Department receives a vast number of Individual Income Tax returns without W-2 forms to verify the withholding taxes taken as credits on the returns. Failure to submit W-2 forms causes the returns to be rejected and returned to taxpayers with requests for correct documentation.

Failure to Attach W-2 Forms with the WH-3

The WH-3 is a reconciliation of the W-2 forms; and, both the WH-3 and all W-2 forms must be submitted together annually. The Department often receives WH-3 forms without W-2 forms attached. It also often finds cases of taxpayers changing business names during the year but continuing to file their taxes under their previous Identification Number, and then using the incorrect forms at the end of the year to submit their withholding information for the year.

Failure to Attach the Necessary Schedules

The Department finds that often taxpayers take credits on their tax returns, but fail to include documentation or necessary schedules to substantiate the deduction or credits being taken (e.g. College Credit, Form CC 40).

Failure to Comply with Enterprise Zone Deduction

If taxpayers live in an Enterprise Zone and work for a qualified employer in that zone, they may be qualified to take this deduction. The deduction is one-half (1/2) of the earned income shown on form IT-40QEC, or \$7,500, whichever is less. Often the deduction is calculated incorrectly, or Form IT-40QEC, which should

be provided and completed by the employer, is not attached to the taxpayers' Form IT-40.

Taxpayer Filing Wrong Form

Taxpayers who are residents from Reciprocal States often file on Indiana Form IT-40 and take a deduction of the other state's income, rather than filing the appropriate Indiana Form IT-40RNR (Reciprocal Nonresident).

Penalty for Underpayment of Estimated Tax

Taxpayers often owe penalties for underpayment of estimated taxes if they didn't have taxes withheld from their income and/or didn't pay sufficient estimated taxes throughout the year. Generally speaking, if a taxpayer owes \$400.00 or more in state and county taxes for the year that are not covered by withholding taxes, the taxpayer needs to begin making estimated tax payments.

Failure to Calculate County Tax

Often taxpayers fail to compute their county taxes. If, on January 1, 1998, taxpayers lived and/or worked in an Indiana county that has a tax, they must figure their county tax. Failure to calculate county tax due may delay processing of their returns.

■ **Compliance Division**

The Indiana Department of Revenue's Compliance Division researches, develops, tests and implements various projects to identify non-filing, non-complying taxpayers in the areas of individual, corporate, sales/use, and withholding taxes. Outreach through educational seminars and programs is conducted in an effort to promote "voluntary" compliance by Indiana taxpayers.

AERONAUTICS SECTION

The Aeronautics Section mailed 4,522 aircraft registration renewals for the calendar year 1998. As of December 31, 1998, 180 aircraft were delinquent. This translates to a 96% compliance rate. The following amounts were collected and processed by the Aeronautics Section for the Fiscal Year 1998 – 1999:

Aircraft Sales/Use Tax	\$1,487,006.00
Aircraft Excise Tax	\$ 408,924.00
Registration Fees	\$ 49,070.00
Total	\$1,945,000.00

According to Indiana Code (6-6-6.5), airport owners who fail to report to the Department all aircraft based at their facility are subject to a late penalty of \$10.00 per day. Penalties totaling \$2,120 were collected from delinquent airports in FY99. These reports are used to verify that all aircraft owners based in Indiana are in compliance with Indiana registration laws.

Indiana Code was changed, effective January 1, 1999, to limit the amount of time an aircraft dealer is allowed to hold aircraft as tax-exempt inventory "for resale" to eighteen (18) months from the purchase date. Aircraft dealers holding aircraft longer than eighteen (18) months will be subject to all applicable taxes of an aircraft owner.

BANKRUPTCY/RESPONSIBLE OFFICER SECTION

The Bankruptcy Section receives notification from federal district courts of bankruptcies related to the State of Indiana. The State file proofs of claims with the courts of any outstanding Indiana tax liabilities. During the Fiscal Year 1999, this Section filed 1,790 claims with the U.S. Bankruptcy Courts, totaling \$15,273,819.00 in unpaid tax delinquencies and projected tax liabilities for non-filed returns.

Trust fund taxes are comprised predominantly of sales and withholding taxes. Individuals who are employees or officers of corporations and who have a duty to remit trust taxes to the Department of Revenue are personally liable for the payment of these taxes. During the Fiscal Year 1999, responsible officers were assessed \$3,649,112.00 in delinquent trust taxes.

CHARITY GAMING/NOT-FOR-PROFIT SECTION

This Section is responsible for determining organizations' not-for-profit status and for licensing qualified not-for-profit organizations for bingo, festivals, raffles, door prizes, and charity game nights. The licensing of manufacturers and distributors to sell tip boards, punch boards, and pull tabs is performed in this Section.

A total of \$4,170,334.00 in fees was collected from the following licenses issued:

<u>Type of License</u>	<u>Number of Licenses Issued</u>
Annual Bingo	1,032
Charity Game Night	282
Door Prize	8
Festival	303
Raffle	517
Special Bingo	137
Total Licenses Issued	2,279

Gaming License Fees	\$ 4,015,334.00
Manufacturers License	\$ 33,000.00
Distributors License	\$ 122,000.00
Total License Fees	\$ 4,170,334.00

CORPORATE INCOME TAX SECTION

This Section handles a variety of tax issues as they relate to corporations, partnerships, financial institutions, and governmental entities. It provides assistance to taxpayers with telephone and/or written inquiries related to gross, adjusted gross, and supplemental net income taxes, as well as forms, schedules, deductions, credits and liabilities.

Corporation/Partnership Agreed

Agreed federal audit reports are provided to the Department by the Internal Revenue Service. If taxpayers have not filed amended returns with the Department to report the federal audit changes, assessments are created. For Fiscal Year 1999, this project generated total tax liabilities of \$1,651,186.00.

Voluntary Compliance Agreements

Voluntary compliance agreements occur when a taxpayer initiates contact with the Department to become compliant with Indiana filing requirements. This program resulted in collections of \$797,116.00 during FY99.

Penalty for Underpayment of Estimated Tax/ Late Payment Penalty

This project involves reviewing tax returns filed by taxpayers who either did not make any quarterly estimated income tax payments or omitted one or more quarterly payments during the tax year.

INDIVIDUAL/WITHHOLDING TAX SECTION

The Individual Income Tax Section's mission is to identify and pursue non-filers, as well as to verify the accuracy of filed returns. These functions are performed by utilizing information from the Internal Revenue Service, various Indiana state agencies, other state taxing agencies, and anonymous informants. Our standard compliance projects and findings for Fiscal Year 1999 are as follows:

Federal Audits

The Internal Revenue Service provides agreed federal tax audit reports to the Department. If taxpayers do not amend their Indiana individual income tax return to report the Indiana adjustments resulting from the federal modifications detailed in the audit findings, a tax assessment is generated. This project resulted in 2,272 taxpayers being assessed a total of \$2,261,925.00.

CP2000 Unreported Income

The Department receives data from the Internal Revenue Service regarding taxpayers who failed to report all taxable income. This could be income derived from wages, interest, dividends, or non-employee compensation. These types of income are reported on W-2's or Form 1099 information returns. An assessment is generated if the income was not reported on the original return, or an amended return. The project resulted in 3,017 taxpayer assessments totaling \$543,175.00.

Withholding Discrepancies

A comparison is made between taxpayers' annual WH-3 Forms with the state and county withholding payments (from Form WH-1) made during the year. If underpayments exist, taxpayers are assessed the differences. The project resulted in 1,466 taxpayers being assessed \$2,956,829.00.

Individual Desk Audits

Individual Desk Audits resulted in 75 assessments totalling \$63,291.00. These audits were conducted from submissions within the Department, as well as from anonymous sources.

STRATEGIC COMPLIANCE SECTION

The Strategic Section of the Compliance Division researches, develops, and implements projects designed to increase taxpayer education and voluntary compliance. This staff also assists other areas, eliminating processing backlogs by completing various types of correspondence, examining tax returns for accuracy, and researching returned mail for the most current addresses available.

Corporate/Individual Use Tax

This section continues to focus on informing professional and service-oriented businesses, as well as individual taxpayers, that they may have a use tax liability. The educational effort was successful and generated collections of \$187,876.00.

Approximately \$220,000.00 was collected from a variety of sources. Assessments were generated from information received from the Bureau of Motor Vehicles and from other states. Payments were received from out-of-state companies who either owed Indiana use tax or had collected Indiana sales tax from an Indiana customer.

Account Examination

Taxpayer accounts (income, sales, withholding, food and beverage, county innkeepers, etc.) are researched to determine delinquent tax. This research produced \$179,392.00.

Withholding

Through the Federal/State Exchange Agreement, the Internal Revenue Service provides the Indiana Department of Revenue with information on employers who have filed paper W-2 returns with the IRS and have a link with Indiana. This resulted in assessments totaling \$591,355.00 in FY99.

This Section also reviews information on potential non-filers for individual income tax, sales tax, withholding tax, and corporate income tax. Miscellaneous projects from various sources collected an additional \$4,385,013.00.

UTILITY/REFUND SECTION

This section reviewed and processed 7,204 Applications for Utility Sales Tax Exemption (Form ST-200) and 2,912 claims for refund of sales tax, totaling \$14,395,910.00. Refunds claimed were reduced by \$4,601,120.00 as a result of taxpayer failure to meet exemption requirements, taxpayer failure to sufficiently document claims, and the expiration of the Statute of Limitations.

Voluntary Compliance

Compliance agreements occur when taxpayers initiate contact with the Department about their delinquent tax status. The taxpayers may either be unaware of State filing requirements or, for some other reason, have not filed tax returns. Collections from this project totaled \$868,375.00 for FY99.

INDIANA TAX DESCRIPTIONS AND REVENUES

All amounts are in thousands. Percent (%) change reflects increase from FY98 to FY99, unless otherwise indicated.

Aircraft License Excise Tax

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

FY90	—	FY94	\$413.2	FY98	\$381.8
FY91	—	FY95	\$395.6	FY99	\$392.9
FY92	—	FY96	\$404.4	CHANGE	2.9 %
FY93	—	FY97	\$377.6		

Alcoholic Beverage Tax

Per gallon rates are based on the wholesale purchase of the following: beer, \$.115; Liquor-wine (21% alcohol or more), \$2.68; wine (less than 21% alcohol), \$0.47; mixed beverages (14% or less), \$0.47

FY90	\$35,247.4	FY94	\$33,974.9	FY98	\$33,087.8
FY91	\$33,593.8	FY95	\$33,590.2	FY99	\$35,148.9
FY92	\$33,831.5	FY96	\$33,847.8	CHANGE	6.2 %
FY93	\$33,224.5	FY97	\$33,942.4		

Auto Rental Excise Tax

Based on the gross retail income from the rental of a vehicle weighing less than 11,000 pounds, for less than a 30-day period at a rate of 4%.

FY90	\$3,614.7	FY94	\$5403.0	FY98	\$8,047.7
FY91	\$4,528.0	FY95	\$6,282.9	FY99	\$8,914.0
FY92	\$4,464.8	FY96	\$6,981.3	CHANGE	10.8 %
FY93	\$5,008.4	FY97	\$7,836.8		

Charity Gaming Excise Tax

Tax based on the sale of pull tabs, punchboards and tip boards to qualified organizations licensed for charity gaming at a rate of 10% of the wholesale price. Remitted by the licensed distributor or for charity gaming at a rate of 10% of the wholesale price. Remitted by the licensed distributor or manufacturer (not the organization).

FY90	—	FY94	\$ 780.5	FY98	\$1,222.7
FY91	—	FY95	\$ 967.7	FY99	\$1,313.1
FY92	—	FY96	\$1,008.1	CHANGE	7.4 %
FY93	\$ 581.0	FY97	\$1,194.3		

Cigarette/Other Tobacco Tax

Levied against cartons or packs of cigarettes and cigarette papers, wrappers and tubes at the following rates: pack of 20 cigarettes, \$0.155; pack of 25 cigarettes, \$0.19375; other tobacco products, 15% of wholesale price.

FY90	\$112,739.4	FY94	\$113,380.3	FY98	\$127,969.1
FY91	\$110,113.7	FY95	\$123,025.6	FY99	\$127,634.1
FY92	\$111,363.1	FY96	\$123,720.2	CHANGE	-0.3 %
FY93	\$110,278.4	FY97	\$128,420.3		

Controlled Substance Excise Tax

Imposes a tax on illegally delivered, manufactured or possessed controlled substances. (Prescription pharmaceuticals are exempt.) Tax based on the weight and schedule of substance. Rates vary from \$3.50 to \$40.00 per gram. Once paid, a taxpayer who can remain anonymous is given a receipt for the tax which is valid for a specific time period. The payment of this tax does not legalize the controlled substance or the activity associated with it.

FY90	—	FY94	\$260.4	FY98	\$101.2
FY91	—	FY95	\$291.4	FY99	\$55.5
FY92	—	FY96	\$110.4	CHANGE	-45.2%
FY93	326.0	FY 97	\$192.9		

Corporate Adjusted Gross Income Tax

Based on all federal taxable business income with specific modifications at a rate of 3.4%.

FY90	\$ 90,957.8	FY94	\$ 62,056.0	FY98	\$106,562.9
FY91	\$ 44,681.7	FY95	\$ 81,360.5	FY99	\$ 93,225.4
FY92	\$ 73,209.2	FY96	\$125,470.0	CHANGE	-12.5 %
FY93	\$111,895.8	FY97	\$149,772.8		

Corporate Gross Income Tax

Based on all corporation business transactions within the State, whether resident or nonresident corporations. Rate varies according to business type.

FY90	\$390,238.8	FY94	\$606,139.0	FY98	\$547,865.4
FY91	\$336,837.2	FY95	\$532,210.9	FY99	\$755,772.5
FY92	\$344,743.2	FY96	\$477,982.9	CHANGE	37.9 %
FY93	\$162,933.0	FY97	\$436,129.2		

Corporate Supplemental Net Income Tax

Based on the adjusted gross income, less the greater of the amounts paid in Adjusted Gross Income Tax, Gross Income Tax or Premium Tax at a rate of 4.5%.

FY90	\$272,147.7	FY94	\$198,645.5	FY98	\$296,060.3
FY91	\$260,714.7	FY95	\$283,274.8	FY99	\$157,574.5
FY92	\$231,779.4	FY96	\$308,272.8	CHANGE	-46.8 %
FY93	\$394,575.0	FY97	\$338,146.3		

County Adjusted Gross Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt either the County Adjusted Gross Income Tax or the County Option Income Tax, but not both.)

FY90	\$180,589.5	FY94	\$236,400.0	FY98	\$254,264.0
FY91	\$178,896.0	FY95	\$228,824.4	FY99	\$265,759.0
FY92	\$184,570.8	FY96	\$236,047.2	CHANGE	4.5 %
FY93	\$194,984.4	FY97	\$243,561.6		

County Economic Development Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary.

FY90	\$13,260.0	FY94	\$58,321.0	FY98	\$ 97,879.2
FY91	\$21,960.0	FY95	\$64,222.8	FY99	\$112,551.9
FY92	\$31,492.8	FY96	\$74,388.0	CHANGE	15.0 %
FY93	\$38,241.6	FY97	\$80,456.4		

County Innkeepers Tax

Tax determined locally at a rate not to exceed 5% of the gross income derived from lodging income. Tax may be collected either by the Department or locally through the county treasurer's office.

FY90	\$14,309.6	FY94	\$12,671.5	FY98	\$18,962.8
FY91	\$13,288.6	FY95	\$14,248.6	FY99	\$20,251.1
FY92	\$12,908.8	FY96	\$14,973.1	CHANGE	6.8 %
FY93	\$13,121.4	FY97	\$15,600.7		

County Option Income Tax

Tax determined locally for county residents or nonresidents whose principal place of employment is within a county which imposes the tax. Rates vary. (A county may adopt the County Option Income Tax or the County Adjusted Gross Income Tax, but not both.)

FY90	\$162,828.0	FY94	\$245,808.1	FY98	\$344,646.5
FY91	\$190,116.0	FY95	\$275,462.7	FY99	\$368,343.2
FY92	\$203,113.2	FY96	\$285,327.6	CHANGE	6.9 %
FY93	\$223,934.4	FY97	\$314,942.0		

Estate Tax

Based on the difference between the State Death Tax Credit allowed at the federal level and the amount paid in state Inheritance Tax.

FY90	\$ 4,972.6	FY94	\$ 9,709.1	FY98	\$11,241.3
FY91	\$13,168.5	FY95	\$ 7,168.7	FY99	\$24,700.4
FY92	\$ 2,500.0	FY96	\$ 4,383.9	CHANGE	119.7 %
FY93	\$11,054.0	FY97	\$ 8,886.0		

Financial Institutions Tax

Based on the federal adjusted gross income at a rate of 8.5% for businesses which are engaged in extending credit, leasing (when it is the economic equivalent of extending credit) or credit card operations.

FY90	\$ 16,292.5	FY94	\$108,077.2	FY98	\$ 95,967.3
FY91	\$ 62,731.4	FY95	\$100,742.9	FY99	\$ 81,883.8
FY92	\$ 74,372.1	FY96	\$122,142.0	CHANGE	-14.7 %
FY93	\$100,425.6	FY97	\$100,682.9		

Food and Beverage Tax

Tax determined locally for purchases of food and beverages at a rate of 1% of retail sales price.

FY90	\$15,644.0	FY94	\$20,670.1	FY98	\$23,683.5
FY91	\$16,362.7	FY95	\$20,452.6	FY99	\$23,574.1
FY92	\$16,447.5	FY96	\$21,341.0	CHANGE	-0.5%
FY93	\$18,947.8	FY97	\$22,239.9		

Gasoline Tax

Per gallon rate of \$0.15 for all invoiced gallons of gasoline collected by the licensed distributor and added to the selling price.

FY90	\$395,730.7	FY94	\$420,237.5	FY98	\$455,569.6
FY91	\$397,283.9	FY95	\$430,807.7	FY99	\$466,427.9
FY92	\$399,849.1	FY96	\$437,096.3	CHANGE	2.4 %
FY93	\$406,508.5	FY97	\$443,869.2		

Hazardous Waste Disposal Tax

Based on the amount of hazardous waste (as defined by statute) placed in a disposal facility or by means of underground injection at a rate of \$11.50 per ton.

FY90	\$5,836.0	FY94	\$2,733.3	FY98	\$2,603.0
FY91	\$2,335.1	FY95	\$2,634.8	FY99	\$1,744.7
FY92	\$2,638.2	FY96	\$2,575.5	CHANGE	-33.0 %
FY93	\$2,512.0	FY97	\$2,390.1		

Individual Adjusted Gross Income Tax

Based on the federal adjusted gross income with numerous "add-backs" for individual residents, partners, stockholders in Subchapter S Corporations, trusts, estates and nonresidents with Indiana income sources at a rate of 3.4%.

FY90	\$2,089,540.4	FY94	\$2,541,895.1	FY98	\$3,433,445.9
FY91	\$2,183,972.1	FY95	\$2,767,743.1	FY99	\$3,699,316.6
FY92	\$2,246,760.5	FY96	\$2,966,265.7	CHANGE	7.7 %
FY93	\$2,412,471.9	FY97	\$3,197,117.8		

Inheritance Tax

Based on the taxpayer class (transferee's relationship to deceased); property's taxable value; residency status; and situs of real and tangible property and intangible property.

FY90	\$62,313.0	FY94	\$88,604.6	FY98	\$113,141.7
FY91	\$68,364.1	FY95	\$ 98,886.3	FY99	\$124,011.8
FY92	\$84,469.5	FY96	\$ 93,767.2	CHANGE	9.6 %
FY93	\$91,146.7	FY97	\$106,470.1		

Marion County Admissions Tax

Specific to the RCA Dome in Indianapolis for any sporting event at a rate of 5% of the admission.

FY90	\$699.9	FY94	\$607.1	FY98	\$ 931.4
FY91	\$672.4	FY95	\$713.0	FY99	\$1,209.9
FY92	\$643.2	FY96	\$860.3	CHANGE	29.9 %
FY93	\$635.0	FY97	\$966.3		

Marion County Supplemental Auto Rental Excise Tax

Based on the gross retail income from the rental of passenger motor vehicles and trucks in Marion County for less than a 30-day period at a rate of 2%. Revenue from the tax is paid to the Capital Improvement Board of Managers effective 1997.

FY90	N/A	FY94	N/A	FY98	\$1,330.1
FY91	N/A	FY95	\$11,597.2	FY99	\$1,667.8
FY92	N/A	FY96	\$ 9,605.5	CHANGE	25.4 %
FY93	N/A	FY97	\$ 7,431.2		

Motor Carrier Fuel Tax

Per gallon rate of \$0.16 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY90	\$16,083.4	FY94	\$13,721.2	FY98	\$ 9,869.4
FY91	\$17,009.2	FY95	\$11,597.2	FY99	\$ 7,039.4
FY92	\$15,031.0	FY96	\$ 9,605.5	CHANGE	-28.7 %
FY93	\$15,138.0	FY97	\$ 7,431.2		

Motor Carrier Surcharge Tax

Per gallon rate of \$0.11 for all motor fuel used by commercial motor carriers operating on Indiana highways.

FY90	\$54,159.1	FY94	\$60,561.8	FY98	\$93,552.6
FY91	\$71,996.4	FY95	\$78,437.4	FY99	\$90,232.4
FY92	\$64,114.0	FY96	\$67,380.2	CHANGE	-3.5 %
FY93	\$64,483.5	FY97	\$61,220.0		

Motor Vehicle Excise Tax

Specific compliance program authorized by statute aimed at locating vehicles owned by Indiana residents and registered illegally out of state, thus avoiding State Vehicle Excise Tax. Based on the age and class of vehicle, plus penalty and interest for the time period vehicle is illegally registered. (Except for this program, Motor Vehicle Excise Tax is otherwise collected by the Bureau of Motor Vehicles.)

FY90	\$ 236.6	FY94	\$ 923.8	FY98	\$ 468.6
FY91	\$1,049.4	FY95	\$ 631.4	FY99	\$ 281.4
FY92	\$1,450.1	FY96	\$ 832.1	CHANGE	-39.9 %
FY93	\$ 722.3	FY97	\$ 732.1		

Pari-mutuel Admission Tax

Imposed at \$0.20 for each person who pays an admission charge to a racetrack grounds or satellite facility. (The following amounts have been verified by the Indiana Horse Racing Commission.)

FY90	—	FY94	—	FY98	\$29.6
FY91	—	FY95	\$74.9	FY99	\$26.0
FY92	—	FY96	\$62.7	CHANGE	-12.2%
FY93	—	FY97	\$34.8		

Pari-mutuel Wagering Tax

A 2% levy imposed on the total amount of money wagered on line races and simulcasts conducted **at a permit holder's racetrack**. The tax is 2.5% of the total amount of money wagered on simulcasts from **satellite facilities**. (The following amounts have been verified by the Indiana Horse Racing Commission.)

FY90	—	FY94	—	FY98	\$3,499.1
FY91	—	FY95	\$1,397.7	FY99	\$3,648.5
FY92	—	FY96	\$3,211.9	CHANGE	4.3%
FY93	—	FY97	\$3,450.2		

Petroleum Severance Tax

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

FY90	\$795.7	FY94	\$696.4	FY98	\$642.5
FY91	\$802.5	FY95	\$653.2	FY99	\$506.3
FY92	\$762.5	FY96	\$574.0	CHANGE	-21.2 %
FY93	\$694.7	FY97	\$614.9		

Public Utility Tax (Railroad Car Companies/Railroads)

Based each year on assessments by the State Board of Tax Commissioners on the indefinite-situs distributable property of a railroad company that provides service within a commuter transportation district.

FY90	\$3,342.3	FY94	\$4,267.1	FY98	\$5,080.2
FY91	\$3,541.4	FY95	\$4,440.6	FY99	\$5,786.7
FY92	\$3,546.6	FY96	\$4,894.7	CHANGE	13.9%
FY93	\$3,944.7	FY97	\$5,077.9		

Riverboat Admissions Tax

Specific to any licensed riverboat on Indiana waterways at a rate of \$3.00 per person admitted. Collection of this tax began in December, 1995.

FY90	—	FY94	—	FY98	\$ 90,921.4
FY91	—	FY95	—	FY99	\$110,745.4
FY92	—	FY96	\$4,597.7	CHANGE	21.8 %
FY93	—	FY97	\$56,262.5		

Riverboat Waging Tax

A tax of 20% of a licensed riverboat's adjusted gross receipts: total wagers, less payouts, less uncollected gaming receivables. Collection of this tax began in December, 1995.

FY90	—	FY94	—	FY98	\$231,890.1
FY91	—	FY95	—	FY99	\$295,181.4
FY92	—	FY96	\$13,354.7	CHANGE	27.3%
FY93	—	FY97	\$146,084.1		

Sales and Use Tax

A 5% tax on purchases of tangible personal property, public utility service and some renter transactions, which is collected at the retail level (except for gasoline).

FY90	\$2,089,401.8	FY94	\$2,600,667.8	FY98	\$3,278,755.6
FY91	\$2,154,512.7	FY95	\$2,810,403.8	FY99	\$3,414,847.5
FY92	\$2,216,489.3	FY96	\$2,965,275.9	CHANGE	4.2 %
FY93	\$2,340,876.4	FY97	\$3,145,959.5		

Special Fuel Tax

A license tax of \$0.16 per gallon imposed on all special fuel sold or used in producing or generating power for propelling motor vehicles.

FY90	\$ 95,712.3	FY94	\$125,911.3	FY98	\$180,708.3
FY91	\$ 95,633.3	FY95	\$124,399.8	FY99	\$191,234.9
FY92	\$ 94,888.3	FY96	\$143,727.0	CHANGE	5.8%
FY93	\$108,162.2	FY97	\$169,594.0		

MISCELLANEOUS FEES:

Aircraft Registration Fee

All Indiana aircraft are required to be registered with the Aeronautics Section of the Compliance Division where an annual \$10 registration/transfer fee is collected. An additional fee of \$20 or 20% (whichever is greater) of the unpaid excise tax is charged on all late registrations. There is also an annual aircraft dealers fee of \$25.

FY90	—	FY94	\$71.7	FY98	\$70.2
FY91	—	FY95	\$70.1	FY99	\$65.1
FY92	—	FY96	\$68.0	CHANGE	-7.3%
FY93	—	FY97	\$68.4		

Charity Gaming Licensing Fee

Licensing fee for qualified organizations is \$25 for the first license. Second license for the same charity gaming activity is based on gross receipts of previous event. Annual license for distributors is \$2,000. Annual license for manufacturers is \$3,000.

FY90	—	FY94	\$2,557.5	FY98	\$3,950.1
FY91	—	FY95	\$3,264.7	FY99	\$4,264.6
FY92	\$ 184.5	FY96	\$3,635.1	CHANGE	8.0%
FY93	\$1,582.1	FY97	\$3,997.2		

Employment Agency Licensing Fee

A person, firm or corporation opening, operating or maintaining an employment agency must pay an annual \$150 fee for each license.

FY90	\$41.7	FY94	\$35.2	FY98	\$53.1
FY91	\$39.5	FY95	\$40.2	FY99	\$51.3
FY92	\$36.3	FY96	\$42.2	CHANGE	-3.4 %
FY93	\$33.8	FY97	\$37.7		

Hazardous Chemical Fee

An annual fee is imposed on a facility which must submit to the state an emergency and hazardous chemical inventory form. Fees are \$50, \$100 or \$200, depending on the volume of hazardous chemicals present at the facility during the year.

FY90	\$337.9	FY94	\$655.8	FY98	\$623.1
FY91	\$542.4	FY95	\$653.8	FY99	\$576.4
FY92	\$679.9	FY96	\$652.2	CHANGE	-7.5 %
FY93	\$644.8	FY97	\$650.5		

International Registration Plan (IRP) Licensing Fee

Licensing fee for motor carriers based on miles driven in specific jurisdictions. (Formerly administered by the Bureau of Motor Vehicles.)

FY90	—	FY94	—	FY98	\$71,577.9
FY91	—	FY95	—	FY99	\$75,941.9
FY92	—	FY96	\$67,140.5	CHANGE	6.1 %
FY93	—	FY97	\$74,300.4		

Intrastate Title and Registration Fee

Motor carriers who have vehicles registered and plated under the International Registration Plan may also register and plate any intrastate vehicles they own in weight classes of 26,000 to 80,000 pounds. Fee is based on vehicle weight class, and can also be paid through the Bureau of Motor Vehicles. (Department assumed collection duties as of June 7, 1999.)

FY90	—	FY94	—	FY98	—
FY91	—	FY95	—	FY99	\$.9
FY92	—	FY96	—	CHANGE	N/A
FY93	—	FY97	—		

Motor Carrier, Safety and Insurance Fees

Proof of insurance and documentation of safety compliance is required from all intrastate carriers who haul for hire, as well as any carrier of hazardous materials. Interstate carriers provide the same information via the Single State Registration System. An annual registration fee of \$10.00 is imposed per vehicle registered. Additionally, all intrastate carriers which haul household goods or passengers for hire must have Indiana operating authority, with fees ranging from \$15.00 to \$100.00, depending upon the transaction.

FY90	—	FY94	\$1,960.9	FY98	\$1,958.7
FY91	\$1,943.1	FY95	\$2,148.2	FY99	\$2,169.2
FY92	\$1,847.5	FY96	\$2,043.1	CHANGE	10.7 %
FY93	\$1,919.5	FY97	\$2,160.2		

Oversize /Overweight Permit Fee

Various categories of permits for motor carriers that are issued for different periods of time, based upon a vehicle's specific dimension and /or size and the travel activity. Fees can range from \$10.00 to over \$400.00. (Formerly administered by the Indiana Department of Transportation.)

FY90	—	FY94	—	FY98	\$11,252.7
FY91	—	FY95	—	FY99	\$11,528.3
FY92	—	FY96	\$ 3,701.8	CHANGE	2.4 %
FY93	—	FY97	\$ 9,844.3		

Restricted Agricultural Driver's License Fee

A restricted Agricultural Driver's License is issued for specific farming activity during the planting and harvesting seasons of April 2 – June 30 and September 2 – November 30 for a \$25 fee. The fee is collected for each restricted agricultural license issued. (Formerly administered by the Bureau of Motor Vehicles. Department assumed duties as of May 17, 1999.)

FY90	—	FY94	—	FY98	—
FY91	—	FY95	—	FY99	\$.1
FY92	—	FY96	—	CHANGE	N/A
FY93	—	FY97	—		

Solid Waste Management Fee

Imposed on the disposal or incineration of solid waste in a final disposal facility within the state at a rate of \$.50 per ton of waste generated in the state. For solid waste generated outside the state, the rate is the greater of \$.50 per ton or the cost per ton of disposing the solid waste, including the tipping fees and state and local government fees, in the final disposal facility that is closest to the area in which the sold waste was generated, minus the fee actually charged for the disposal or incineration of the solid waste by the owner or operator of the final disposal facility.

FY90	—	FY94	\$3,421.0	FY98	\$4,623.0
FY91	\$1,232.3	FY95	\$3,789.6	FY99	\$4,612.7
FY92	\$2,539.1	FY96	\$3,850.6	CHANGE	-0.2 %
FY93	\$3,896.1	FY97	\$4,494.4		

Underground Storage Tank Fee

An annual fee of \$200 per tank is imposed on owners of underground storage tanks. In addition, there is an annual registration fee of \$90 for each underground petroleum storage tank; and \$45 for each underground storage tank containing regulated substances other than petroleum.

FY90	—	FY94	\$7,564.4	FY98	\$28,758.5*
FY91	\$8,908.3	FY95	\$ 8,344.3	FY99	\$26,409.5
FY92	\$8,039.3	FY96	\$ 6,580.6	CHANGE	-8.2 %
FY93	\$7,000.5	FY97	\$ 8,481.2		

**Beginning in July 1, 1997, the oil inspection fees increased from \$.0008 cents per gallon to \$.008 cents per gallon.*

Waste Tire Management Fee

A \$.25 tire fee is assessed on each new tire sold at retail and each new tire mounted on a vehicle at the time a vehicle is sold. Imposed on tires for self-propelled motor vehicles only.

FY90	—	FY94	\$ 869.2	FY98	\$1,253.6
FY91	—	FY95	\$1,304.1	FY99	\$1,963.8
FY92	—	FY96	\$1,266.7	CHANGE	56.7 %
FY93	—	FY97	\$1,333.2		

AUDIT DIVISION STATISTICAL SUMMARY

(See also Exhibits in back of Report.)

The following information is based on 100% of the audits completed, taxpayers assisted and special projects conducted during Fiscal Year 1999, and addresses the requirements set forth by IC 6-8.1-14-4(2). Standard Industrial Codes are used to report statistics for the various industries. See Page 40 for an Index of exhibits and charts listed.

- Taxpayers Served In District Offices, Pg. 32
- Special Projects, Pg. 33
- Gross Income Tax Violations, Pg. 33
- Sales/Use Tax Violations, Pg. 33
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- Industry/Business Most Frequently in Violation, Pg. 34
- Special Tax Violations, Pg. 35
- Miscellaneous Taxes and Penalties Pg. 35
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- The Use Of Professional Tax Preparation Assistance By Taxpayers, Pg. 35
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Taxpayers Served In District Offices

Taxpayer assistance is available in all district offices. Each office has a Taxpayer Assistance Supervisor and Assistant Taxpayer Assistance Supervisor who perform taxpayer service functions, as well as other office support responsibilities. Some offices have a field investigator who supports taxpayer assistance. Field investigators also perform collection functions in their districts. Contract employees are available throughout the year to support taxpayer assistance.

The "Taxpayer Assistance Report" (Exhibit A) includes the number of taxpayers assisted (in person and by telephone) and the amount of money collected and assessed by each office. Exhibit A reveals that during

Fiscal Year 99, District Offices assisted 219,484 taxpayers in person and 360,084 taxpayers through telephone contact. Total taxpayers served by the District Offices was 579,568.

The district office in Merrillville served 31,185 taxpayers in person, the highest number of any district office. The Kokomo District Office served 30,761 taxpayers in person, the second highest total.

The Merrillville District Office served 62,490 taxpayers by telephone, while the Bloomington District Office served 49,964 taxpayers by telephone. These were the highest number of telephone contacts among the district offices, representing 17% and 14%, respectively. The Merrillville District Office served a total of 93,675

taxpayers by telephone and walk-in assistance while Kokomo served 61,946 taxpayers by telephone and walk-in assistance.

“Taxpayer Assistance/Special Project Statistics” (Exhibit B) provides the number of hours devoted by field auditors in the District Offices to assist taxpayers and conduct special projects. This exhibit reveals that 15,879 auditor hours were channeled in this direction.

Special Projects

One special project pursued by the Audit Division during the 1999 Fiscal Year deserves mention: Project Comply 99. The Comply 99 project is summarized below.

Project Comply 99

This project commenced at the conclusion of Project Comply IV and was conducted statewide. These audits identified candidates who were usually small and would normally not meet the criteria for a regular audit examination. The results of Project Comply 99 are:

Audits Completed	1,279
Average Hours Per Audit	17.93
Assessments	\$1,067,047
Refunds	\$ 169,214

Gross Income Tax Violations

The most frequently violated gross income tax rule was 45 IAC 1-1-96. This rule defines gross receipts from services. Such receipts include all amounts charged for labor and expenses that form an integral part of the completion of the contract. Statistics show 85 violations of this rule, or 17.42% of all violations of the gross income tax rules. This was also the most frequently violated rule in the previous three studies, accounting for 12.03% of violations in FY98, 12.26% in FY97 and 12.07% in FY96, respectively.

The second most frequently violated gross income tax rule was 45 IAC 1-1-8. This rule defines receipts as the entire gross income or gross receipts derived from all sources and which are actually or constructively received by a taxpayer, credited to the taxpayer or paid to a creditor by another party. There were 35 violations of 45 IAC 1-1-8, or 7.17% of gross income tax rule violations. This rule ranked third in the FY98 study (6.39%) and second in the FY97 study (6.69%).

Ranking third, and accounting for 29 or 5.94% of the gross income tax rule violations, was Rule 45 IAC 1-1-213. This rule requires withholding from any and all

payments made to a nonresident contractor for performance of any work or services taxable to the State of Indiana. This rule also ranked as the third most violated rule in the 1992 study with a 6.55% rate of error. The 1998 study revealed the third ranked rule to be 45 IAC 1-1-8 with an error rate of 6.39%. In the 1997 study, Rule 45 IAC 1-1-120 ranked third with a 5.65% error rate.

Sales/Use Tax Violations

The current fiscal year and previous statistical studies reveal the three most violated sales and use tax rules are the same for fiscal years 1999, 1998 and 1997. The rules are shown below with their percentage of total violations for the three years.

Most frequently violated:	45 IAC 2.2-3-4 ¹		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
	15.64%	16.52%	18.87%
Second most frequently violated:	45 IAC 2.2-3-20 ²		
	14.62%	12.55%	11.61%
Third most frequently violated:	45 IAC 2.2-5-8 ³		
	9.48%	10.20%	10.71%

¹Rule 45 IAC 2.2-3-4 imposes use tax on “tangible personal property, purchased in Indiana, or elsewhere in a retail transaction, and stored, used, or otherwise consumed in Indiana . . . unless the Indiana state gross retail tax (sales tax) has been collected at the point of purchase.” This rule was violated 658 times in FY99, 687 times during FY98, as opposed to 775 times for FY97.

²Rule 45 IAC 2.2-3-20 states that if the seller of tangible personal property for storage, use, or consumption in Indiana fails to collect the appropriate tax, the purchaser of such property must remit use tax directly to the Department. This rule accounted for 615 violations in FY99, 522 violations in FY98, while 477 violations occurred in FY97.

³The third most violated Sales and Use Tax rule was 45 IAC 2.2-5-8. This rule clarifies the sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools, and equipment used in direct production and other activities. The failure of taxpayers to comply with this rule accounted for 399 of FY99 violations and 424 of FY98 violations. This rule accounted for 440 violations during FY97.

Corporate Adjusted Gross Income Tax Violations

Corporate taxpayers violated adjusted gross income Rule 45 IAC 3.1-1-97 more than any other rule. This rule addresses the returns and reports that must be filed by adjusted gross income tax withholding agents. Violations (282) of this rule accounted for 21.78% of the total violations. This was also the most violated rule in the FY98 study, accounting for 20.92% of the total violations while FY97 study revealed 22.14% of the violations.

Rule 45 IAC 3.1-1-8 was the second most frequently violated rule under this study. This rule states that “taxable income” as defined in the Internal Revenue Code is modified in several ways to arrive at Indiana adjusted gross income. These violations (199) account for 15.37% of the total violations in FY99. The FY98 review showed a 16.58% violation rate while FY97 violations represented a 17.35% rate.

The third most frequently violated rule is 45 IAC 3.1-1-9. This rule deals with the adoption of modifications as defined in the Internal Revenue Code. More specifically, it allows a net operating loss as a deduction in computing Indiana Adjusted Gross Income (IRS Code Section 172). This rule accounts for 106, or 8.19% of the violations of adjusted gross income tax rules. In FY98 and FY97 violations for this rule also ranked third with 7.07% and 7.96%, respectively.

Amounts of Tax Assessed

Exhibits C, D and E display the amount of assessments (refunds) and violations of the gross income tax, sales tax and adjusted gross income tax administrative rules, respectively. “Total assessments” for any tax type represent gross assessments, less amounts refunded.

The amount assessed for each of the most frequent violations and the percentage of the amount to total assessments are presented below:

Gross Income Tax—Exhibit C:

Violation	Amount Assessed	% of All Assessments
45 IAC 1-1-96	\$1,628,420	25.00%
45 IAC 1-1-8	\$ 701,191	10.77%
45 IAC 1-1-213	\$ 397,017	6.10%

Sales/Use Tax—Exhibit D:

Violation	Amount Assessed	% of All Assessments
45 IAC 2.2-3-4	\$5,172,698	18.89%
45 IAC 2.2-3-20	\$2,775,981	10.14%
45 IAC 2.2-5-8	\$6,358,699	23.23%

Corporate Adjusted Gross Income Tax—Exhibit E:

Violation	Amount Assessed	% of All Assessments
45 IAC 3.1-1-97	\$ 865,133	3.54%
45 IAC 3.1-1-8	\$4,811,734	19.70%
45 IAC 3.1-1-9	\$5,860,248	23.99%

Industry/Business Most Frequently in Violation

For the seventh consecutive fiscal year, the most violations of the gross income tax rules were made by taxpayers engaged in manufacturing. This group committed 182 violations or 37.30% of the total violations. The gross income tax rule most frequently violated by this group of taxpayers was 45 IAC 1-1-96. This rule defines gross receipts from services.

The second largest number of gross income tax violations was committed by taxpayers in the service industry. This group committed 117 infractions, or 23.98% of the total violations. The service industry ranked second in the FY95 study. Wholesalers and retailers were the second most frequent violators of these rules in the FY94, FY96, FY97 and FY98 studies. Rule 45 IAC 1-1-120 was most frequently violated by this group of taxpayers during Fiscal Years 1998 and 1997. The most frequently violated rule in the FY95 study was 45 IAC 1-1-96.

As in the previous eight years, wholesalers and retailers were the most frequent violators of the sales and use tax rules. The statistics indicate 1,297 violations, or 30.83% of the total sales and use tax violations. The rule most frequently violated by these taxpayers was 45 IAC 2.2-3-20. As previously noted, this was the second most violated sales and use tax rule in the study by all taxpayers.

Continuing the correlation to the previous eight years, manufacturers were the second most frequent violators of the sales and use tax rules. There were 1,213 violations committed by this group, representing 28.83% of the total violations. The rule most frequently violated by manufacturers was 45 IAC 2.2-5-8, which clarifies

the sales and use tax by providing examples of taxable and nontaxable sales of manufacturing machinery, tools, and equipment used in direct production and other activities.

With 589 infractions, manufacturers were the most frequent violators of adjusted gross income tax rules. This figure represents 45.48% of the total adjusted gross income tax violations for FY99.

Wholesalers and retailers were the second most frequent violators of the adjusted gross income tax rules. These two groups committed 255 infractions, or 19.69% of the adjusted gross income tax violations.

The most violated rule by manufacturers was 45 IAC 3.1-1-8, which deals with IRS Code modifications to arrive at Indiana adjusted gross income. The rule most violated by the wholesalers and retailers was 45 IAC 3.1-1-97, which addresses returns and reports filed by adjusted gross income tax withholding agents.

Special Tax Violations

Exhibit F provides the number of special tax rule violations and the amount of special tax assessments and refunds.

Article VII of the International Fuel Tax Agreement (IFTA) was the most frequently violated special tax item in the study. It specifies that jurisdictions may require payment of motor fuels taxes on retail sales of motor fuels delivered into fuel tanks that propel motor vehicles. Article VII was violated 209 times and yielded \$51,038 in refunds for the State of Indiana. This represents 28.75% of total violations.

The exhibit also reveals that Article III of the International Fuel Tax Agreement (IFTA) was the second most frequently violated section of the special tax statutes. This section specifies that the taxable event is the consumption of motor fuel in the propulsion of qualified motor vehicles, except fuel consumed that is exempt from taxation by a jurisdiction. All acquired motor fuel that is normally subject to consumption tax is taxable unless proof to the contrary is provided by the licensee. This section was violated 199 times, accounting for 27.37% of the total violations. These violations resulted in assessments of \$470,878.

Miscellaneous Taxes and Penalties

Exhibit G provides the number of violations and assessment amounts of the following:

Financial Institutions Tax
Penalty and Interest Assessments
Food and Beverage Tax
Innkeeper's Tax

A review of this exhibit reveals that IC 6-8.1-4-2 was violated 31 times. This code section addresses access to accounting records of a business and the use of sampling techniques for auditing purposes. These violations yielded \$156,362 in net assessments.

The 18 violations of 45 IAC 15-9-2 yielded a total of \$502,745 in assessments. This section defines the statute of limitations as it applies to refunds.

Number of Years in the Audit Period

The audit period was three years.

Use of Professional Tax Preparation Assistance

The services of professional preparers were used in the preparation of 75.50% of the corporate income tax returns and 11% of the sales tax returns. These findings remain consistent with the previous years' reports.

Filing of Appropriate Tax Returns

A review of Audit Division statistics for various filing statutes of Gross Income Tax, Adjusted Gross Income Tax, Sales and Use Tax, Special Tax and miscellaneous taxes shows 329 violations, resulting in \$768,310 in refunds and \$1,647,559 in assessments. Taxpayers in violation of these rules failed to file the correct tax returns.

RECOMMENDATIONS FOR IMPROVING TAXPAYER COMPLIANCE AND DEPARTMENT ADMINISTRATION

- Taxpayer's Concerns and Suggestions To Department, Pg. 36
- Improvements in the Training Of Department Employees, Pg. 37
- Improvements in Taxpayer Communication and Education, Pg. 38
- Increases in the Enforcement Capability of the Department, Pg. 39

■ TAXPAYERS' CONCERNS AND SUGGESTIONS TO DEPARTMENT

On June 21, 1999, the Indiana Department of Revenue conducted its Annual Public Hearing in accordance with the Taxpayer's Bill of Rights, the tenth time since the Taxpayer's Bill of Rights was adopted in 1989. State Revenue Commissioner Kenneth L. Miller presided at the Indianapolis meeting. The hearing's announcement was contained in the IT-40 Individual Income Tax Booklet, distributed through news releases and posted on the Department's Internet website. As in previous years, taxpayers were provided the option of attending the hearing in person or submitting written comments.

The Department has reviewed the proposals provided by the taxpayers, which are as follows:

Exemptions, Age 65/Blind

A taxpayer attending the hearing voiced his concern about the inability to take the Age 65 or Older or Blind exemptions found on the IT-40 Individual Income Tax Form when an individual's income is derived from a trust. In his opinion, this is "blatantly discriminatory" and "discourages people from putting their assets into a trust." He was informed by the Department that any change in the current law would require the approval of the General Assembly to allow both the tax advantages of a trust and individual exemptions, since income from a trust is taxable to the trust and not to the individual.

Exemptions, Prorating/Out of State Taxpayers

One taxpayer, who lives in Tennessee, wrote that it was "grossly unfair on Indiana's part" to prorate the exemptions for nonresidents with Indiana income. By doing so, he believes, Indiana taxes income, such as social security and interest, that it is not entitled. In reviewing his concerns, the Department cites IC 6-3-1-3.5(a)(13), which requires that the total amount of exemptions for

a nonresident taxpayer be reduced to an amount that bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income. Therefore, if an individual is taxable to Indiana on his total income (100%) then 100% of the Indiana exemptions would be allowed to offset the income. In most instances, it is believed that the nonresident's state of residence would allow similar exemptions compensating for any difference; however, in this particular case, Tennessee does not have an individual income tax.

Foreign Earned Income

An individual wrote questioning the instructions for "Credit for Taxes Paid to Other States," and, in particular, the reference to foreign earned income and the use of federal Form 1116 as the only method of verification. The taxpayer believed that by referencing "earned" income, the Department would incorrectly exclude passive income, such as dividends, interest and capital gains. The Department notes that the instructions will be updated to refer to "foreign tax credit," and to allow the taxpayer to submit additional federal forms as verification.

Designation of Spouse

An e-mail message was received from a taxpayer expressing her "dissatisfaction with the terms 'taxpayer' and 'spouse'" on the IT-40. She proposed "Taxpayer A and Taxpayer B." The Department will take the suggestion under advisement, but at the present time has no plans to make the proposed change since the current reference follows the federal form. Furthermore, "taxpayer and spouse" is intended to clarify married versus single filing status and is not gender specific.

Increase Exemptions

A taxpayer wrote to encourage an increase in the amount of exemptions for senior citizens. He noted that a couple 82 years of age only receives a \$4,000

tax exemption, which "is hardly enough to ease the burden of making all our living expenses make due." The Department notes that the Indiana General Assembly increased the amount of exemptions in 1999. Next year if the couple's federal AGI (adjusted gross income) is less than \$40,000, they will receive a \$5,000 exemption.

Collection Process

A married couple wrote about their concerns relating to the Department's collection process. According to the couple, they wrote the Department to establish a payment plan but received no response until the local Sheriffs Department contacted them. They believe the Department could have avoided this situation had there been better communication. The Department apologizes for any lack of communication. It encourages the use of District Offices located throughout the state to avoid the dependence on a response from the Main Office in Indianapolis. One of the full-service District Offices is located in the community in which the couple lives.

County Boxes

A retired citizen wrote, suggesting that the Department add a box to its tax form to allow a designation as a retiree. He pointed out that there are boxes for a taxpayer to designate a county code for where he lived and/or worked. The taxpayer wrote: "I feel odd having to enter the two digit number in the box for where a person worked when I'm on retirement and don't work." At the present time, the Department plans no change to its form. It is always attempting to streamline the forms and not to add to them. The county boxes in question are designed to assist in the calculation of county taxes at the appropriate resident or nonresident rate. If a retiree, who is not employed, uses the same county code for both residence and employment, it is correct as the instructions specify.

Security of Social Security Numbers

An e-mail message received from a taxpayer expressed concern that the Department was mailing its IT-40 Individual Income Tax Booklets unsealed. Since the Department preprints the taxpayers' names, Social Security Numbers and addresses on the tax form inside the booklet, the taxpayer believed "this is one way that identities could be stolen." Of particular concern was the easy access of the Social Security Numbers. The Department is sensitive to the issue of security and confidentiality of vital information. In 1996, the Department changed its address labels to remove the Social Secu-

urity Numbers from the outside of the tax booklet. The Department will explore the use of wafer closures as a possibility of sealing the booklet.

Rounding of Numbers on the Tax Form

An individual asked why the Department provided a cent column on the tax form when it requested that amounts be rounded to the nearest dollar. The taxpayer preferred to enter the actual cents. The Department does encourage rounding to the nearest dollar but cannot mandate it; therefore, the option to use actual cents is still provided.

Use of Social Security Numbers on Schedule 1

A taxpayer inquired why the Department removed the spouse's Social Security Number from the top of Schedule 1. The Department responded that only one Social Security Number is necessary as an identifier for the schedule, and many users, especially tax practitioners, feel it adds extra time in completing the form. The style is also consistent with the federal tax schedules that require only one Social Security Number, which is the already-designated primary taxpayer.

Overpayment of Estimated Taxes

One letter inquired about several items, including the overpayment of estimated taxes. The taxpayer understood that if there were an overpayment of estimated taxes, the present system requires the overpayment to be applied to the next first quarter payment. The Department noted that a taxpayer has several options and does not have to apply all of an overpayment towards the next year's estimated account. It will attempt to clarify the instructions regarding this issue.

■ *Improvements in the Training Of Department Employees*

Audit Division

Regional seminars were presented to the in-state auditors and the out-of-state auditors as part of the Audit Division's education program during Fiscal Year 1999. Topics presented included use of projections; taxpayer credits; unitary filing of combined returns; nexus and throwback sales; legislative update, application of court determinations and departmental rulings; auditing for bankruptcies; safety and insurance audits; IRP (International Registration Plan) audit problems; and, advanced computer training and auditing programs.

Personnel Division

During the past year, the Personnel Division Training Section taught 42 classes involving 610 Department of Revenue employees. These classes included the following core curriculum classes required for all of the more than 61 new employees hired this year: *ABCs of Discrimination*, *Basic Ethics*, *Customer Service*, *New Employee Orientation 101*, and *New Employee Orientation 102*. Other classes offered to employees in the last year include: *Union Settlement Updates and Violence in the Workplace*.

Supervisory training was another focus of the Training Section during the past year. *The Myers-Briggs Type Inventory* was administered to approximately 450 employees. In addition, approximately 40 supervisors finished a yearlong seminar on supervision and leadership. The Employee Handbook was revised and distributed to all employees.

The Training Section also continued an active Training Advisory Council to address the Department training needs; coordinated efforts with other state agencies to develop curricula and to jointly purchase materials; maintained an active membership in the State Training and Development Alliance; and administered the enrollment of Department employees in courses offered by State Personnel and other agencies or vendors. Plans for 1999-2000 including Computer Software Training, Cultural Diversity, Supervisory Training, a refresher on the ABC's of Discrimination, and continue to expand and further develop the Departments curriculum.

The task of converting our computer system to be Year 2000 compliant. In the process of converting the various systems additional training is ongoing. During the last year 436 employees were trained on the following systems: Business Tax, 87; Corporate Tax, 40; and Trust Tax, 309. This training is expected to be ongoing as new functions are added to the various systems.

Employee Reclassifications

The Department of Revenue continues to undertake the task of having employees complete job analysis questionnaires. Seven divisions were reclassified in the last year with 317 approvals. Upon evaluation, an employees position classification may be upgraded, revised, or unchanged. In the last year, State Personnel and the Governor's Office approved a new professional position classification: Tax Analyst. This new classification was proposed by the Department of Revenue and since approval, this new classification has been utilized in various divisions.

In an effort to better serve our taxpayers 14 positions were transferred from two other agencies to the Motor Carrier Services Division for inclusion in the one-stop-shop. Twelve positions were transferred from the Bureau of Motor Vehicles to work with CDL permits, and two position were transferred from the Indiana Department of Transportation to work on Superloads.

Department's Annual Tax Conference

The 1998 Annual Tax Conference was held October 21 and 22. The annual conference is designed to provide Indiana Department of Revenue personnel with information relevant to the agency's latest developments and services, ongoing projects, as well as reviews current procedures for processing tax returns.

This main focus of this year's conference dealt with the individual income tax form/booklet revisions (including new legislation), the updated Returns Processing System and the anticipated changes to the business tax return processing for the upcoming year. Close to 400 employees, representing all 16 departmental divisions, attended this year's conference.

■ *Improvements in Taxpayer Communication and Education*

VITA/TCE Outreach Program Outdistancing State Increases

Electronic Filing

Electronic Filing (E-File) within the Volunteer Income Tax Assistance/Tax Counseling for the Elderly Program (VITA/TCE) not only kept up with an increase in total State figures for E-File, but surpassed state increases. For tax years 1997 and 1998, the number of state returns filed via E-File were 340,904 and 442,811, respectively, indicating a 23% increase. Statistics indicate that ever-increasing numbers of these returns are being filed by VITA/TCE volunteers.

The VITA/TCE program is currently in an expansion stage. As the number of volunteer manned sites with access to computers grows, it is expected the program's number of E-Filings will, as well.

Low-income Dads Outreach Program

One outreach effort of note begun by the Department in FY99 targeted primarily young, under-educated, unemployed or underemployed single fathers with little income tax knowledge. Mostly in their upper teens to early twenties and with one or more children, they were participants in a Father Resource Center program at Wishard Memorial Hospital in Indianapolis. Funded by grants from Lilly Endowment, the Indianapolis Foundation, Wishard Memorial Foundation and St. Margaret's Guild, the Center is designed to help the men obtain financial resources for either college or technical training, with a prerequisite of having their taxes calculated/ filed. With the help of the Indiana Department of Revenue and VITA/TCE volunteers, the young men not only filed their income taxes, but were given hope for a brighter future through education. Next year's program is scheduled for February 5, 2000.

Motor Carrier One Stop Shop Grows

Since the Indiana Department of Revenue opened the doors to its new One Stop Shop in July 1998, it has incorporated several additional services for the motor carrier community.

On **February 15, 1999**, the Superload Vehicle Permit section and staff joined the Department of Revenue from the Indiana Department of Transportation (INDOT). In addition to the routine issuing of oversized and/or overweight vehicle permits, it issues approximately 12,500 specialized Superload permits a year, often coordinating with INDOT district personnel and engineers. With the help of its sister agency, the Department integrated 96% of the Superload permitting process into its One Stop Shop, and now provides a "seamless" ensemble of customer services.

On **May 17, 1999**, the Commercial Driver's License (CDL) endorsement section and staff joined the Department from the Bureau of Motor Vehicles (BMV). While CDL applicants still visit their local BMV branch to take the written test and turn in all their paperwork, the Department administers and approves the physical fitness and road skills test at its One Stop Shop in accordance with Federal Motor Carrier Safety Regulations. Indiana's unique medical review process uses a medical advisory board of qualified physicians to review questionable drivers' physical examination results.

The Department utilizes third parties to facilitate and administer the road skills tests, while it focuses on the auditing of the physical examinations and on resolution of driver problems as they are identified on the national

database and/or presented at a formal hearing. These services compliment our "single point of contact" objective.

On **June 7, 1999**, the Department integrated the vehicle titling and registration of intrastate vehicles that had been part of an interstate fleet registered under the International Registration Plan (IRP). Initially, this service was available only for Marion county registrations; but, as of August 26, 1999, it became available to all Indiana counties. This allows total titling and registration service for every IRP fleet at one place.

Indiana registered 236,000 CDL drivers during FY99. The BMV collected all CDL fees. The Department of Revenue collected \$1,200.00 for restricted agricultural licenses. (Agricultural licenses allow certain farm drivers to operate during specified planting and harvesting seasons.) The IRP intrastate titles and registration fees totaled \$9,230.50.

■ ***Increases in the Enforcement Capability of the Department***

The Department's Criminal Investigation Division conducts investigations of alleged violations of Indiana tax laws and secures necessary evidence to determine civil liabilities or to recommend criminal prosecution. In addition, this division works to enhance the overall agency efforts to collect and enforce those taxes falling under the administration of the Indiana Department of Revenue.

This Division continues to enforce the program for fuel dyeing in the State of Indiana. In conjunction with the Indiana State Police, there have been several arrests made involving trucks using dyed fuel on the highways.

This Division also monitors charity gaming operations throughout the state. During fiscal year 1999, the charity gaming activities of several not-for-profit organizations were investigated.

Other areas of monitoring and enforcement for this division include the Motor Vehicle Excise Tax, which collects the tax from Hoosiers who plated their vehicles outside of Indiana. This money is eventually returned to the county where the taxpayer legally resided.

EXHIBITS

AUDIT DIVISION -- FY99

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OTHER

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EXHIBIT A

Taxpayer Assistance Report - Fiscal Year 98-99												
Audit Division District Offices												
	South Bend	Fort Wayne	Lafayette	Kokomo	Muncie	Terre Haute	Bloomington	Columbus	Clarksville	Evansville	Merrillville	Totals
Walk In Assistance	24,198	16,567	20,288	30,761	6,672	12,369	21,492	17,835	19,223	18,894	31,185	219,484
Telephone Assistance	24,417	31,209	21,804	31,185	27,296	34,083	49,964	16,780	29,477	31,379	62,490	360,084
Totals	48,615	47,776	42,092	61,946	33,968	46,452	71,456	34,615	48,700	50,273	93,675	579,568
Collected/Assessed	2,664,519	996,282	1,272,272	3,384,562	1,681,038	943,708	2,260,941	915,446	3,426,575	1,905,719	2,960,335	22,411,397

TAXPAYERS SERVED IN DISTRICT OFFICES

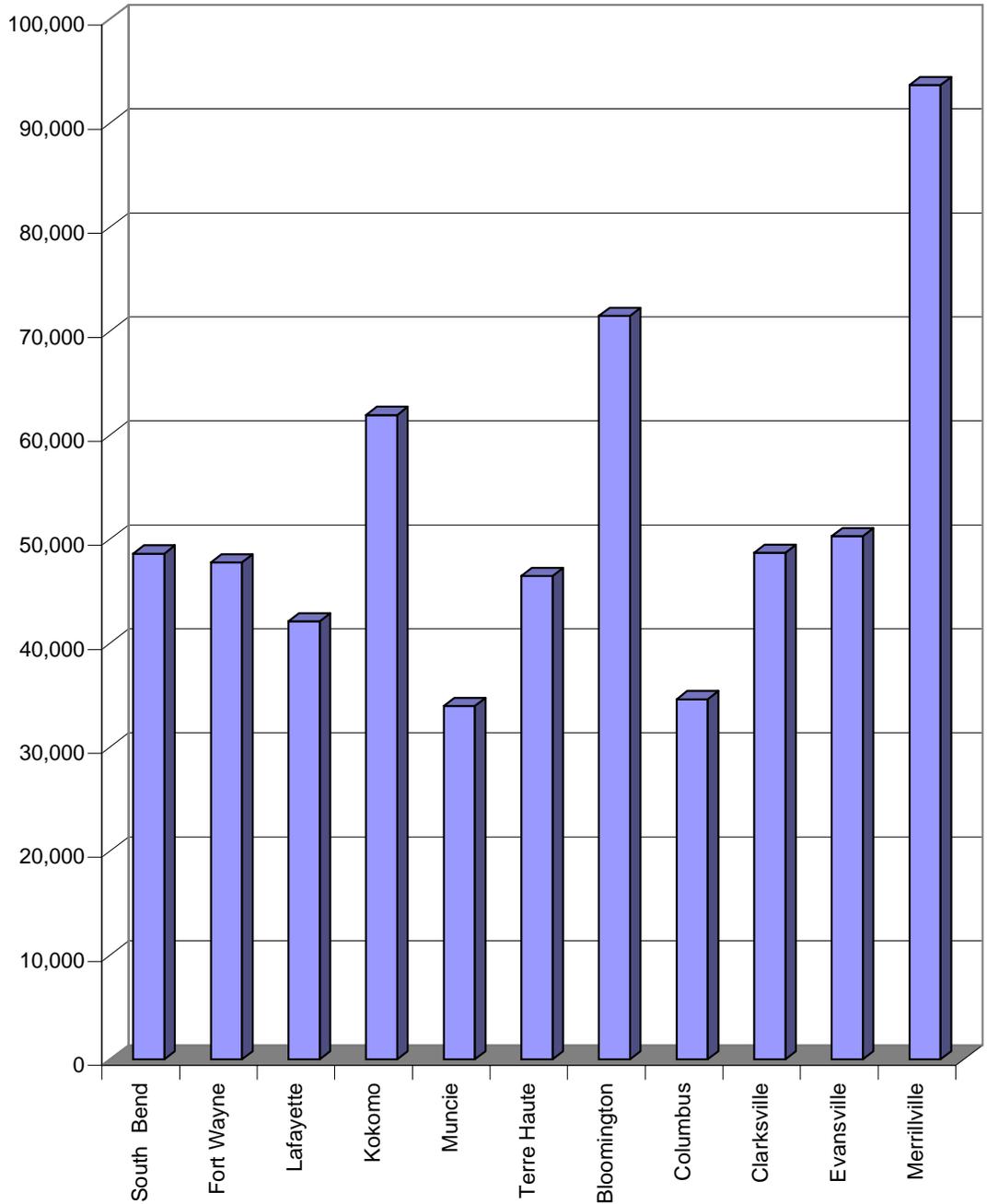


EXHIBIT B

Taxpayer Assistance/Special Project Statistics Field Auditors

Regions	Total Hours
Region I (South Bend, Fort Wayne, Merrillville)	4,273
Region II (Lafayette, Kokomo, Muncie)	1,783
Region III* (Indianapolis)	4,050
Region IV (Terre Haute, Bloomington, Columbus, Clarksville, Evansville)	2,961
Region V (Out Of State Auditors)	0
Region VI (Special Tax Auditors)	2,812
Totals	15,879

*Represents special projects only. Taxpayer assistance provided by Taxpayer Services Division.

This field auditor information was gathered using information from regional reports indicating hours charged to GA-30 number for ADM-Special Projects and ADM-TSD

EXHIBIT C

Dollars Assessed in 45 IAC Citations by Industrial Code
Gross Income Tax Audits

	Const.	Mfg.	Mfg.	Trans.	Whsl.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 1-1-10			2,200	40,055	400	21,712		12,658	77,025
45 IAC 1-1-100	3,641		47,000					17,203	67,844
45 IAC 1-1-101	15,718			6,506					22,224
45 IAC 1-1-102			4,417						4,417
45 IAC 1-1-103		1,100	30,000						31,100
45 IAC 1-1-105								3,496	3,496
45 IAC 1-1-106							38,183		38,183
45 IAC 1-1-107	6,290		257,037		2,882			2,369	268,578
45 IAC 1-1-110					863			5,304	6,167
45 IAC 1-1-112			45,100		425	42,356	22,469	776	111,126
45 IAC 1-1-113					(6,865)	36,000			29,135
45 IAC 1-1-116		-	(9)		6				(3)
45 IAC 1-1-118		(339,189)			(12,830)				(352,019)
45 IAC 1-1-119	950,718	3,880	82,294	31,897	1,785	4,717			1,075,291
45 IAC 1-1-120		39,792	278,920		(316,607)		(27,796)	(29,036)	(54,727)
45 IAC 1-1-121	813		329,183	41,414			7,774	78,892	458,076
45 IAC 1-1-123					662				662
45 IAC 1-1-129			2,406						2,406
45 IAC 1-1-13			(11,721)	5,600	23,896		(1,216)		16,559
45 IAC 1-1-14	805	3,944	131,900				238	82	136,969
45 IAC 1-1-141			(936,518)						(936,518)
45 IAC 1-1-145							(2,600)		(2,600)
45 IAC 1-1-15			24,591		8,450	(3,070)			29,971
45 IAC 1-1-150							335		335
45 IAC 1-1-153	35,766					1,761			37,527
45 IAC 1-1-155	22,839								22,839
45 IAC 1-1-159	22,839	825,779	15,685	314		(10,128)		(5,451)	849,038
45 IAC 1-1-163		444,348		3,350	130,000			63,003	640,701
45 IAC 1-1-166		(52,605)	58,607			(893)			5,109
45 IAC 1-1-168			(400)						(400)
45 IAC 1-1-17	100	(2,039)	24,085		32,198		1,043	10,659	66,046
45 IAC 1-1-171		(157,163)							(157,163)
45 IAC 1-1-172			(32,000)	39,896				600	8,496
45 IAC 1-1-1-8			291						291
45 IAC 1-1-19		4,878	14,340	614,791					634,009
45 IAC 1-1-196			603						603
45 IAC 1-1-20				11,318					11,318
45 IAC 1-1-21			23,826		154,546	25,586	481	162	204,601
45 IAC 1-1-212								22,275	22,275
45 IAC 1-1-213	23,830	77,161	148,416	5,505	136,131	192	175	5,607	397,017
45 IAC 1-1-214			3,442						3,442
45 IAC 1-1-215		22,660	7,200						29,860
45 IAC 1-1-217	200				200				400

EXHIBIT C (cont.)

Dollars Assessed for Misc. Code Violations by Industrial Code

	Const.	Mfg.	Mfg.	Trans.	Whsl.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 15-11-2			1,000						1,000
45 IAC 15-11-3					5,389			8,602	13,991
45 IAC 15-4-1							5,132	7,300	12,432
45 IAC 15-5-1		18,100	10,373	12,940	4,800		1,800		48,013
45 IAC 15-5-7			9,800						9,800
45 IAC 15-5-8								43,970	43,970
45 IAC 15-6-1	2,019								2,019
45 IAC 15-7-4								32,386	32,386
45 IAC 15-9-1		49						2,260	2,309
45 IAC 15-9-2	126	11,624	485,124	632	3,580			1,659	502,745
45 IAC 17-2-4						(294,112)			(294,112)
45 IAC 17-3 -1						8,735			8,735
45 IAC 17-3-1						763,691			763,691
45 IAC 17-3-10					(1,600)	327,800		364,597	690,797
45 IAC 17-3-2						513,264		7,631	520,895
45 IAC 17-3-4							2,968		2,968
45 IAC 17-3-5						300,803			300,803
45 IAC 17-3-6						3,903,243			3,903,243
45 IAC 17-3-7						2,000			2,000
45 IAC 17-3-9						211,700			211,700
45 IAC 18-2-3								12,000	12,000
IC 13-20-13-7					5,120				5,120
IC 6-2.1-3-32			(7,800)					26,909	19,109
IC 6-2.1-3-34			5,800						5,800
IC 6-2.1-4-3			169,998						169,998
IC 6-2.5-5-19.5		(132,174)							(132,174)
IC 6-2.5-5-35					280		(1,406)		(1,126)
IC 6-2.5-5-37							836		836
IC 6-3.1-4-1			(17,352)						(17,352)
IC 6-3.1-4-2			3,665						3,665
IC 6-3.5-6-1					457				457
IC 6-3-2-12		9,276	206,091	198,935	113,346		3,456	55	531,159
IC 6-3-3-5.1			15						15
IC 6-3-4-6			23,408					11,245	34,653
IC 6-5.5-1-18						(322,200)		61,785	(260,415)
IC 6-5.5-2-1						1,088,168			1,088,168
IC 6-5.5-2-7						(12,000)			(12,000)
IC 6-5.5-4-13						109,000			109,000
IC 6-5.5-6-6						1,313			1,313
IC 6-6-9-7					3,651		6,336		9,987
IC 6-8.1-3-3					(75,136)				(75,136)
IC 6-8.1-4-2	2,042	(8,836)	133,351	7,559	11,537			10,709	156,362
IC 6-9-12-5					800				800
IC 6-9-12-6					11,819				11,819
IC 6-9-12-7					(262,000)				(262,000)
IC 6-9-18-3			9,619						9,619
IC 6-9-20-3			305						305
IC 6-9-21-5							300		300
IC 6-9-23-5					1,300				1,300
IC 6-9-23-6					825				825
IC 6-9-26-6		7,400			1,258				8,658
IC 6-9-3-4							210		210
Grand Total	4,187	(94,561)	1,033,397	220,066	(174,574)	6,601,405	19,632	591,108	8,200,659

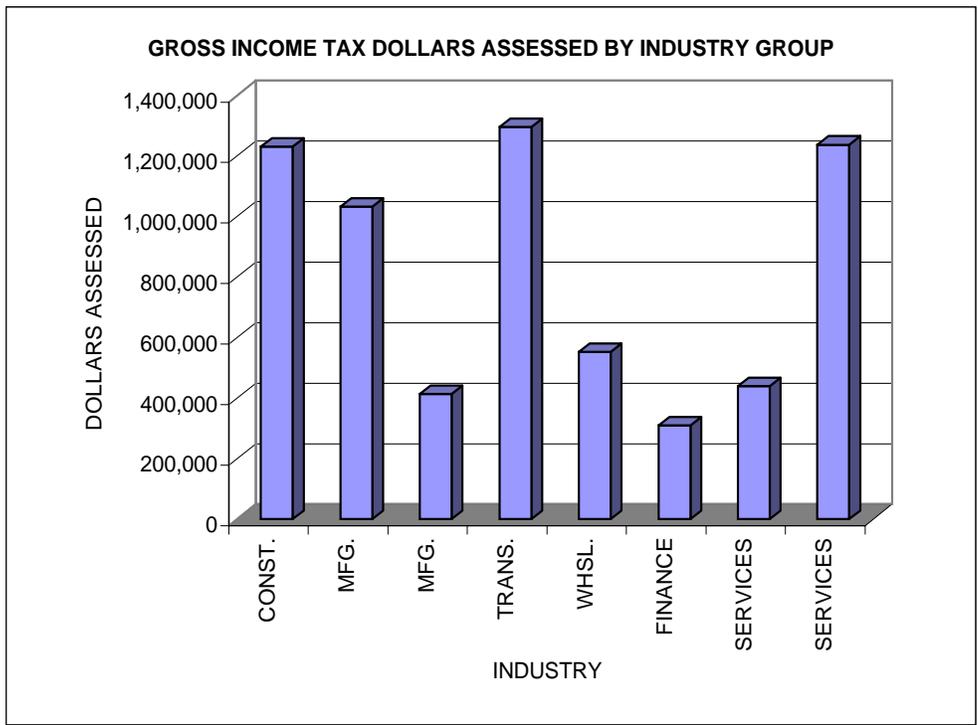
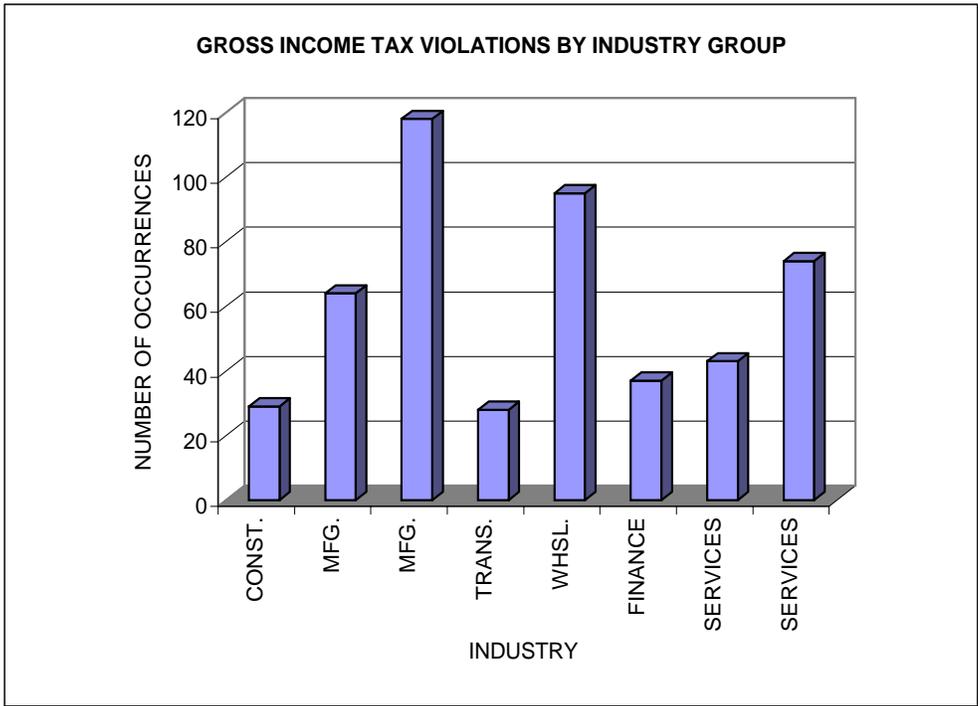


EXHIBIT D

Dollars Assessed in 45 IAC Citations by Industrial Code
Sales and Use Tax Audits

	Const.	Mfg.	Mfg.	Trans.	Whls.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 2.2-1-1	11,467	91,732	27,523	3,979	7,386		19,963	16,442	178,492
45 IAC 2.2-1-2					11,412				11,412
45 IAC 2.2-2-1	12,387	(598)	768	6,665	125,473	1,376	7,488	52,374	205,933
45 IAC 2.2-2-12			11,370						11,370
45 IAC 2.2-2-2	20,567	22,266	323,523	590	313,834	(671)	11,007	7,815	698,931
45 IAC 2.2-2-3					11,223	(793)	938	241	11,609
45 IAC 2.2-2-4		21,431	5,954		225		200		27,810
45 IAC 2.2-2-8			(6,200)						(6,200)
45 IAC 2.2-3-1		1,300			300				1,600
45 IAC 2.2-3-10	7,072	4,256	(4,100)		(700)			700	7,228
45 IAC 2.2-3-12	160,943	6,406	1,709		5,230			26,096	200,384
45 IAC 2.2-3-13	5,356	(1,287)	5,977	2,259	32,606	1,028	18,847	84,021	148,807
45 IAC 2.2-3-14	(3,500)		179		1,815	36,956		(1,200)	34,250
45 IAC 2.2-3-15	9,546	2,600	14,437	2,852	128,593		26,760	3,826	188,614
45 IAC 2.2-3-16					12,565				12,565
45 IAC 2.2-3-18	200	1,747	900		8,720		200	2,200	13,967
45 IAC 2.2-3-19		77			1,606			5,874	7,557
45 IAC 2.2-3-20	69,009	772,014	291,812	23,737	921,670	81,632	245,967	370,140	2,775,981
45 IAC 2.2-3-21		26	651		2,953		702		4,332
45 IAC 2.2-3-22			5,262		31,365				36,627
45 IAC 2.2-3-24	3,544			8,709	3,024				15,277
45 IAC 2.2-3-25			25,020	3,450	47,826		4,482	314	81,092
45 IAC 2.2-3-26			4,832		35,714	6,067			46,613
45 IAC 2.2-3-27	145				5,529	206	620	100	6,600
45 IAC 2.2-3-3			1,400		5,530			47,369	54,299
45 IAC 2.2-3-4	344,637	1,196,390	1,015,547	106,277	1,539,753	162,841	260,599	878,936	5,504,980
45 IAC 2.2-3-5		40,274	5,588	1,500	72,157	172	2,540	1,900	124,131
45 IAC 2.2-3-6		300	2,042			3,075		11,775	17,192
45 IAC 2.2-3-8	25,453	4,508	6,938		6,711	34,215	2,375	5,046	85,246
45 IAC 2.2-3-9	190,807	100	(8,064)		8,117	4,626	4,003	5,935	205,523
45 IAC 2.2-4-1	44,447	60,021	3,285	8,778	325,940	17,832	1,387,731	407,924	2,255,958
45 IAC 2.2-4-11		2,228	200		8,150				10,578
45 IAC 2.2-4-12			(4,085)						(4,085)
45 IAC 2.2-4-13	(9,600)	(204,710)	1,185,159		(78,217)		(1,036)	(198,318)	693,279
45 IAC 2.2-4-14			400					200	600
45 IAC 2.2-4-2	645	13,946	2,419	7,560	93,147	4,837	43,324	36,460	202,338
45 IAC 2.2-4-20			1,435		67				1,502
45 IAC 2.2-4-21	2,923	(1,300)	6,177		6,234	1,698	3,143	10,016	28,891
45 IAC 2.2-4-22	240,522	972	523		10,738		1,100	62,818	316,673
45 IAC 2.2-4-23	1,871	2,500			650			21	5,042
45 IAC 2.2-4-25	500								500
45 IAC 2.2-4-26	167,678	500	142,040	56,036	9,194	27	14,408	37,764	427,647
45 IAC 2.2-4-27	145,740	37,431	32,620	71,245	345,658	199,148	199,213	36,829	1,067,884
45 IAC 2.2-4-28						2,414	99,156	1,907	103,477
45 IAC 2.2-4-29					46,438				46,438
45 IAC 2.2-4-3	2,900		192	193	12,517	193	488	72	16,555
45 IAC 2.2-4-34		2,812							2,812
45 IAC 2.2-4-35					6,370	1,563			7,933
45 IAC 2.2-4-4		206					(22,700)		(22,494)
45 IAC 2.2-4-5			(7)						(7)
45 IAC 2.2-4-6	52								52
45 IAC 2.2-4-7							15,924		15,924
45 IAC 2.2-4-8		70,315	54,727		29,111	16,787	55,901	748	227,589
45 IAC 2.2-4-9		25	25		3,391	3,200			6,641
45 IAC 2.2-5-1			1,539						1,539
45 IAC 2.2-5-10		13,583	74,620		1,480	8,611		(4,577)	93,717
45 IAC 2.2-5-11		877	3,168				(2,795)		1,250
45 IAC 2.2-5-12	1,067	35,462	56,019		9,467	1,727	3,795	89,530	197,067
45 IAC 2.2-5-13					5,548				5,548
45 IAC 2.2-5-14	1,348	1,568	(4,936)		131	1,831	(100)	332,801	332,643
45 IAC 2.2-5-15	175	3,302	(2,295)	1,553	306,297	(35,403)	11,431	4,071	289,131

EXHIBIT D (cont.)

Dollars Assessed in 45 IAC Citations by Industrial Code
Sales and Use Tax Audits

	Const.	Mfg.	Mfg.	Trans.	Whls.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 2.2-5-16		28,810	76,677		(658)	1,611	78	4,559	111,077
45 IAC 2.2-5-17				41,180					41,180
45 IAC 2.2-5-20						14			14
45 IAC 2.2-5-24	21,136	461							21,597
45 IAC 2.2-5-25								212	212
45 IAC 2.2-5-26	2,684	61,233	432,885	2,780	10,164	7,728	3,112	14,631	535,217
45 IAC 2.2-5-27		187							187
45 IAC 2.2-5-28					1,382			19,419	20,801
45 IAC 2.2-5-29			86,237						86,237
45 IAC 2.2-5-3			(100)						(100)
45 IAC 2.2-5-33		3,747						767	4,514
45 IAC 2.2-5-35								(3,873)	(3,873)
45 IAC 2.2-5-36		697	19,975			10,934	2,309	104,183	138,098
45 IAC 2.2-5-39	(132)				(4,768)				(4,900)
45 IAC 2.2-5-4		1,400	1,400		(1,400)			14,390	15,790
45 IAC 2.2-5-40	14,425		1,016			272			15,713
45 IAC 2.2-5-42			481		595		200	1,188	2,464
45 IAC 2.2-5-43		23,966	7,282	974	14,183		1,000	8,231	55,636
45 IAC 2.2-5-45		8,962	1,144		54,615	162		1,314	66,197
45 IAC 2.2-5-5							654		654
45 IAC 2.2-5-52								12,115	12,115
45 IAC 2.2-5-54			(4,433)	(9,670)	38,527				24,424
45 IAC 2.2-5-55	1,660						2,200		3,860
45 IAC 2.2-5-56			534						534
45 IAC 2.2-5-6					1,200				1,200
45 IAC 2.2-5-61	260	380,094	35,674	(32,813)	(33,072)		1,483	(6,057)	345,569
45 IAC 2.2-5-62				(76)	1,690				1,614
45 IAC 2.2-5-65					1,975				1,975
45 IAC 2.2-5-7			200						200
45 IAC 2.2-5-70			(16,144)		(4,569)				(20,713)
45 IAC 2.2-5-8	28,298	1,408,507	4,575,229		71,015	1,914	40,551	233,185	6,358,699
45 IAC 2.2-5-9	(14,088)			(1,700)					(15,788)
45 IAC 2.2-6-1	7,200	35,275	97,045		325,682	36,004	89,870	11,771	602,847
45 IAC 2.2-6-12		275,936	(400)		(4,325)			6,567	277,778
45 IAC 2.2-6-14	373	213	672	21	1,062	418	(17)	26,845	29,587
45 IAC 2.2-6-15	(13)				100				87
45 IAC 2.2-6-2	448					5,861			6,309
45 IAC 2.2-6-20							68		68
45 IAC 2.2-6-4					410				410
45 IAC 2.2-6-6					72,722				72,722
45 IAC 2.2-6-7					1,292				1,292
45 IAC 2.2-6-8	45,722	25,928	67,061	29,915	740,646	18,953	211,098	71,447	1,210,770
45 IAC 2.2-7-2					6,679				6,679
45 IAC 2.2-7-3					909				909
45 IAC 2.2-7-4			(33,920)		(2,300)				(36,220)
45 IAC 2.2-7-6					(2,167)				(2,167)
45 IAC 2.2-7-7					(22,100)				(22,100)
45 IAC 2.2-8-1	554								554
45 IAC 2.2-8-12	21,353	13,915	112,991	200	120,843		64,463	10,065	343,830
45 IAC 2.2-8-16				8,489					8,489
45 IAC 2.2-8-17	(9,291)								(9,291)
45 IAC 2.2-8-6					1,011				1,011
45 IAC 2.2-9-4			2,795		1,242		10,611		14,648
45 IAC 2.2-9-5		200			851			148	1,199
45 IAC 2.2-9-7					3,576				3,576
Grand Total	1,578,490	4,472,809	8,750,597	344,683	5,879,961	639,066	2,843,355	2,869,277	27,378,237

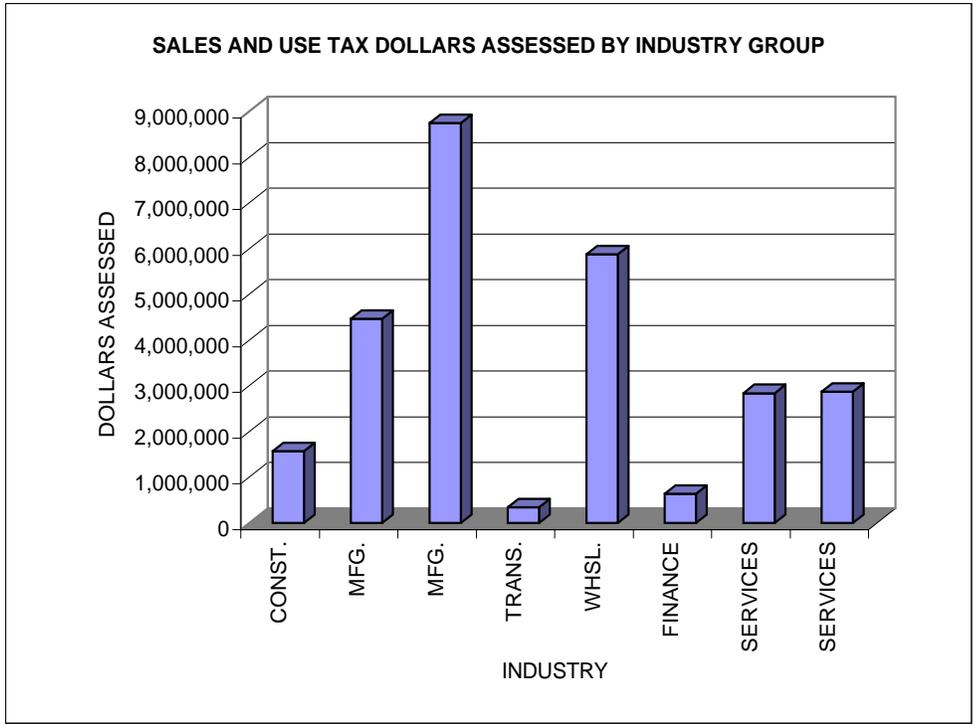
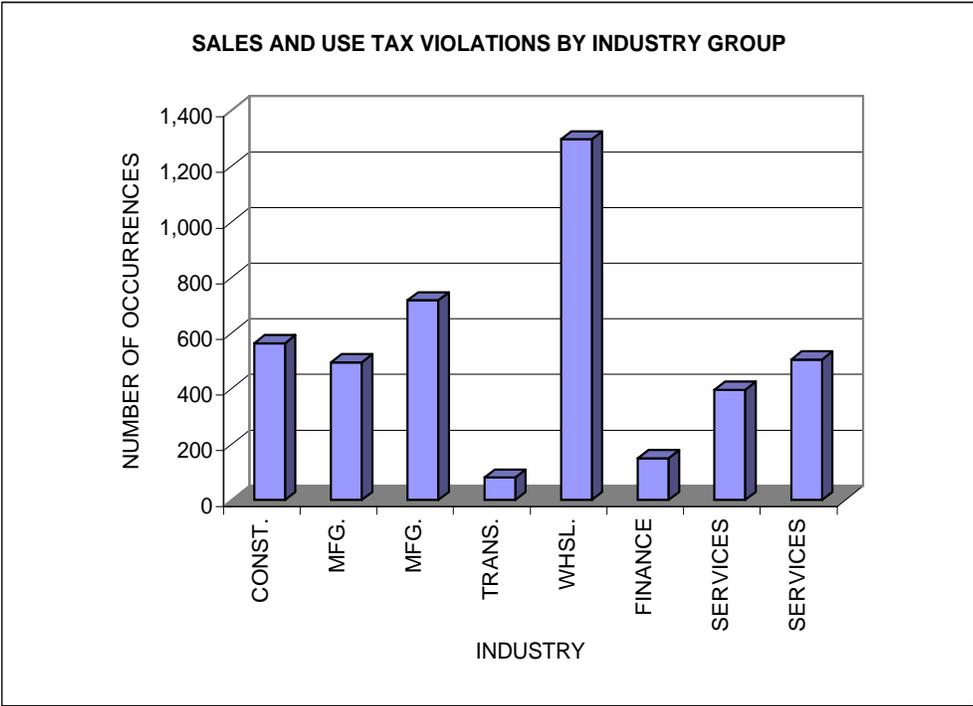


EXHIBIT E

Dollars Assessed in 45 IAC Citations by Industrial Code
Adjusted Gross Income Tax Audits

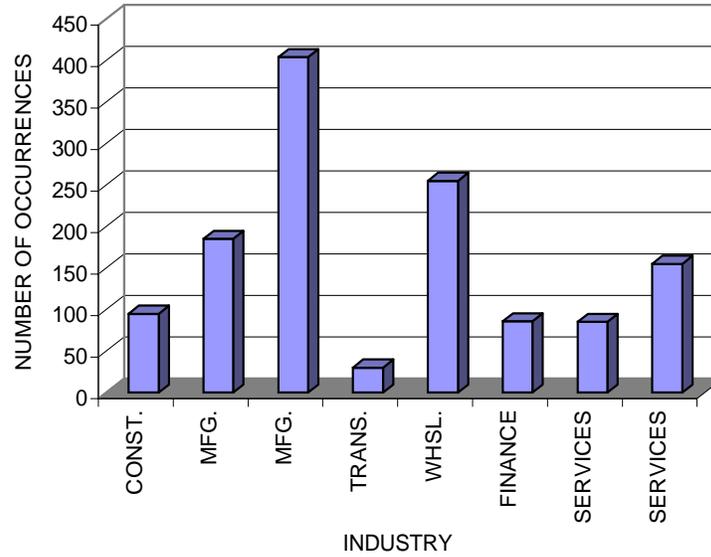
	Const.	Mfg.	Mfg.	Trans.	Whsl.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 3.1-1-1	2,186	99,247	95,789		14,485		1,039	(533)	212,213
45 IAC 3.1-1-100								650	650
45 IAC 3.1-1-101	(450)		3,963		(4,660)				(1,147)
45 IAC 3.1-1-103	(100)				(2,544)		(437)	(100)	(3,181)
45 IAC 3.1-1-106			2,122						2,122
45 IAC 3.1-1-107		4,200				22,118		948,745	975,063
45 IAC 3.1-1-108						(4,920)			(4,920)
45 IAC 3.1-1-109	1,305	32,305	86,305		1,821	7,404			129,140
45 IAC 3.1-1-110		2,963	(5,726)	177,141				477,982	652,360
45 IAC 3.1-1-111			10,920			(57,403)			(46,483)
45 IAC 3.1-1-115		(41,374)							(41,374)
45 IAC 3.1-1-140			(250)						(250)
45 IAC 3.1-1-150	686	(2,000)	(210,077)		(56,154)	934	1,300	(2,789)	(268,100)
45 IAC 3.1-1-152		786,820						(1,727)	785,093
45 IAC 3.1-1-153		52,370		32,970	(99,330)	1,700,657	21,924		1,708,591
45 IAC 3.1-1-2	2,414	29,935	56,003		5,194	1,892		1,700	97,138
45 IAC 3.1-1-25		188,399	259		1,041				189,699
45 IAC 3.1-1-29	300	447,470	516,995	257	2,555	(896)		340	967,021
45 IAC 3.1-1-3		3,600	1,190					300	5,090
45 IAC 3.1-1-34	595				(227)				368
45 IAC 3.1-1-36			175						175
45 IAC 3.1-1-37	494	43,149	588,905		3,540	(5,779)	400	297,742	928,451
45 IAC 3.1-1-38	276	1,222,098	46,676		20,464	423,028	(5,639)	25,175	1,732,078
45 IAC 3.1-1-39		81,384	(143,124)		(1,254)				(62,994)
45 IAC 3.1-1-4			2,259						2,259
45 IAC 3.1-1-40		3,252			(3,317)	5,320			5,255
45 IAC 3.1-1-41			146,602			(289,378)	422		(142,354)
45 IAC 3.1-1-43			10,020		(3,637)	1,000	2,900		10,283
45 IAC 3.1-1-44			382						382
45 IAC 3.1-1-45		606	972	(15)	4,457			(3,004)	3,016
45 IAC 3.1-1-46			327,662						327,662
45 IAC 3.1-1-47	1,708			112,190			176		114,074
45 IAC 3.1-1-48		10,013				6,200		(219)	15,994
45 IAC 3.1-1-49		30,363	20,225		811		61,837	3,191	116,427
45 IAC 3.1-1-5		12,505	36,363		2,736	1,000	2,165	664	55,433
45 IAC 3.1-1-50	(100)	6,803	(28,751)	13,765	48,549				40,266

EXHIBIT E (cont.)

Dollars Assessed in 45 IAC Citations by Industrial Code
Adjusted Gross Income Tax Audits

	Const.	Mfg.	Mfg.	Trans.	Whsl.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 3.1-1-51		15,804	(5,487)		201	43	(3,378)	17,803	24,986
45 IAC 3.1-1-52	54,863	1,014	102,868		91,475	(6,195)	(10,200)	(11,898)	221,927
45 IAC 3.1-1-53		78,139	82,270	63,840	461,777	(11,357)	41,785		716,454
45 IAC 3.1-1-54			(18,407)						(18,407)
45 IAC 3.1-1-55		2,448	188,200		79,414			139,070	409,132
45 IAC 3.1-1-56		1,981,900	50,965		3,887				2,036,752
45 IAC 3.1-1-57			2,163				(21,500)		(19,337)
45 IAC 3.1-1-58			435,788				45,700		481,488
45 IAC 3.1-1-59			6,602		3,264				9,866
45 IAC 3.1-1-6			566			(31)		224	759
45 IAC 3.1-1-60	100								100
45 IAC 3.1-1-61			23,631				2,840		26,471
45 IAC 3.1-1-62		190,100	217,124			115,700		81,765	604,689
45 IAC 3.1-1-66		5,965	29,724		1,976		855	5,213	43,733
45 IAC 3.1-1-67	1,100	2,184	76		2,617		200	(6,700)	(523)
45 IAC 3.1-1-68								5,391	5,391
45 IAC 3.1-1-7			12,457				7,400		19,857
45 IAC 3.1-1-71			(700)						(700)
45 IAC 3.1-1-72					(15,000)	(500,000)	10,355	4,400	(500,245)
45 IAC 3.1-1-79			100				(12,591)		(12,491)
45 IAC 3.1-1-8	85,922	(320,237)	3,706,750	254,002	(130,737)	803,606	62,557	349,871	4,811,734
45 IAC 3.1-1-87						1,300			1,300
45 IAC 3.1-1-9	429,007	(1,767,194)	(122,621)	8,057,315	95,919	(569,697)	99,930	(205,711)	6,016,948
45 IAC 3.1-1-91		(3,700)	(600)						(4,300)
45 IAC 3.1-1-92	2,133	(30,000)	(13,472)		(298,326)	(36,245)		(185,758)	(561,668)
45 IAC 3.1-1-94	700	83,685	98,165	149,018	19,321	60,034	7,536	(7,178)	411,281
45 IAC 3.1-1-96			1,140				225		1,365
45 IAC 3.1-1-97	176,526	16,457	30,593	114,057	288,506	114,208	83,386	43,036	866,769
45 IAC 3.1-2-1		213					(1,510)	13,543	12,246
45 IAC 3.1-2-2		190	113,314	568	34,399	34,420		104,028	286,919
45 IAC 3.1-2-4			23,423						23,423
45 IAC 3.1-3-1	78	800	54		561			712	2,205
45 IAC 3.1-3-2	2	152						605	759
45 IAC 3.1-3-3								468	468
Grand Total	759,745	3,272,028	6,530,544	8,975,108	573,784	1,816,963	399,677	2,097,001	24,424,852

ADJUSTED GROSS INCOME TAX VIOLATIONS BY INDUSTRY GROUP



ADJUSTED GROSS INCOME TAX DOLLARS ASSESSED BY INDUSTRY GROUP

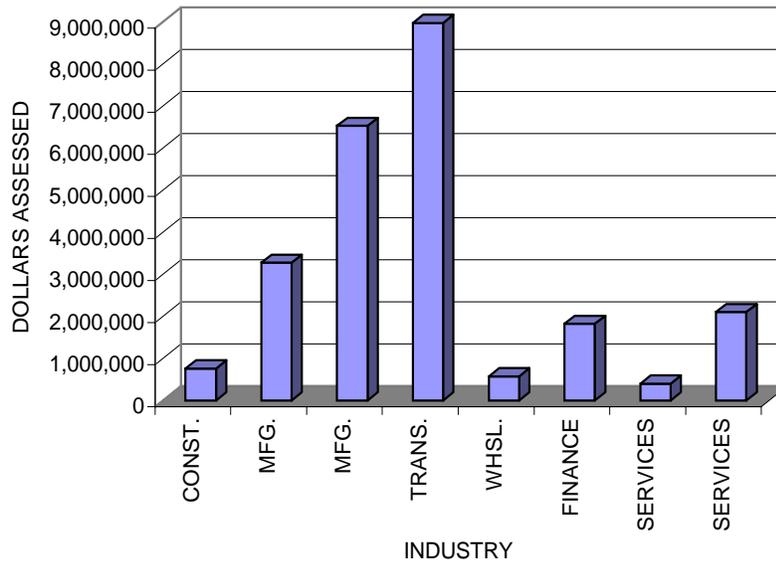


EXHIBIT F

Dollars Assessed in Code and Article Citations by Industrial Code
Special Tax Audits

	Const.	Mfg.	Mfg.	Trans.	Whls.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
Article III	7,401	643	5,173	343,547	50,545	59,467	1,307	2,795	470,878
Article IV	(47)	881		(434)	1,300		(26)		1,674
Article IX		8		36,696	786	2,380			39,871
Article V				(43)					(43)
Article VII	(4,296)	726	(4,691)	(8,072)	(22,966)	(10,558)	165	(1,346)	(51,038)
Article XI				1,366	8,266				9,631
IC 13-20-22-1				(1,232)					(1,232)
IC 16-44-2-18		805		251	40,069				41,125
IC 6-6-1.1-201				4,096	4,718				8,814
IC 6-6-1.1-301				(1,090)	164	(151)			(1,077)
IC 6-6-1.1-502				2,509	(6,231)				(3,722)
IC 6-6-1.2-201					4,578				4,578
IC 6-6-2.1-103				207					207
IC 6-6-2.1-301				497					497
IC 6-6-2.1-501					578				578
IC 6-6-2.5		2,010							2,010
IC 6-6-2.5-28		192		2,203		31,578			33,973
IC 6-6-2.5-30				976					976
IC 6-6-2.5-32						29,955			29,955
IC 6-6-2.5-35				1,200	23,478				24,678
IC 6-6-2.5-62				27,795					27,795
IC 6-6-4.1-2	6,344			(1,718)					4,626
IC 6-6-4.1-4	57,156		922	55,244	7,976	1,062			122,361
IC 6-6-4.1-4				5,168					5,168
IC 6-6-4.1-6	(26,756)		(678)	(4,691)	(6,149)	(10,234)		4	(48,503)
IC 6-6-4.1-6						1,212			1,212
IC 6-6-4.1-9				169	4,571	3,652			8,392
IC 6-6-4-1-4				255					255
IC 6-7-1-19				569,477	14,489	407			584,373
IC 6-7-2-6				8,693	2,864				11,558
IC 6-7-2-7				106,668	2,587				109,255
IC 6-8-1-5-1				36,172	11,251				47,423
IC 7.1-4-2-1				3,439					3,439
IC 8-2.1-20-7				90					90
IC 8-2.1-24-20				50					50
Grand Total	39,803	5,265	727	1,189,488	142,873	108,770	1,446	1,453	1,489,824

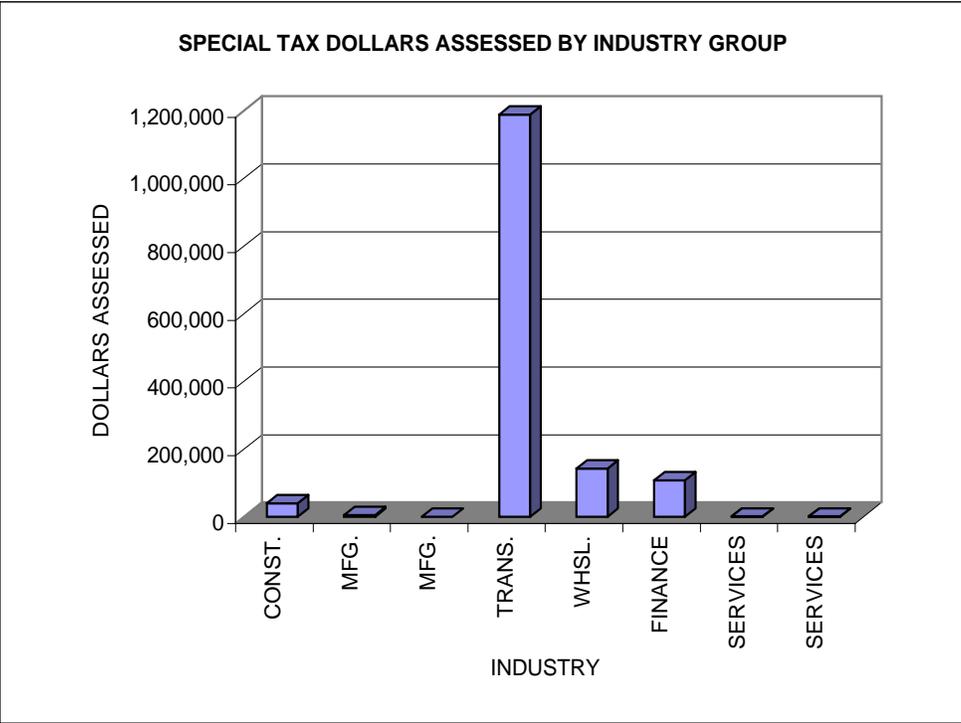
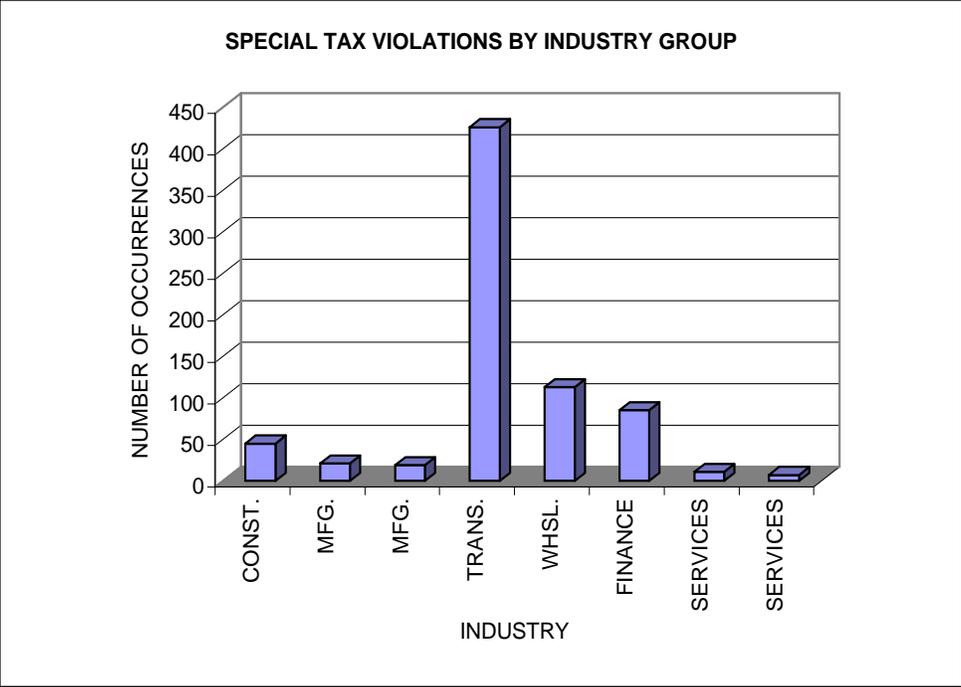
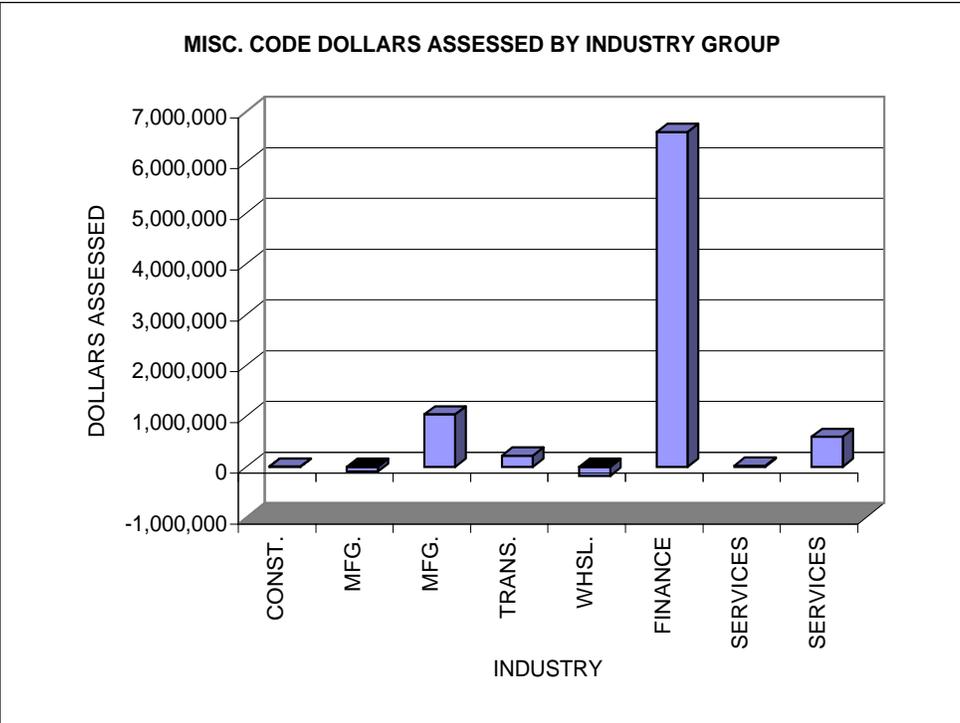
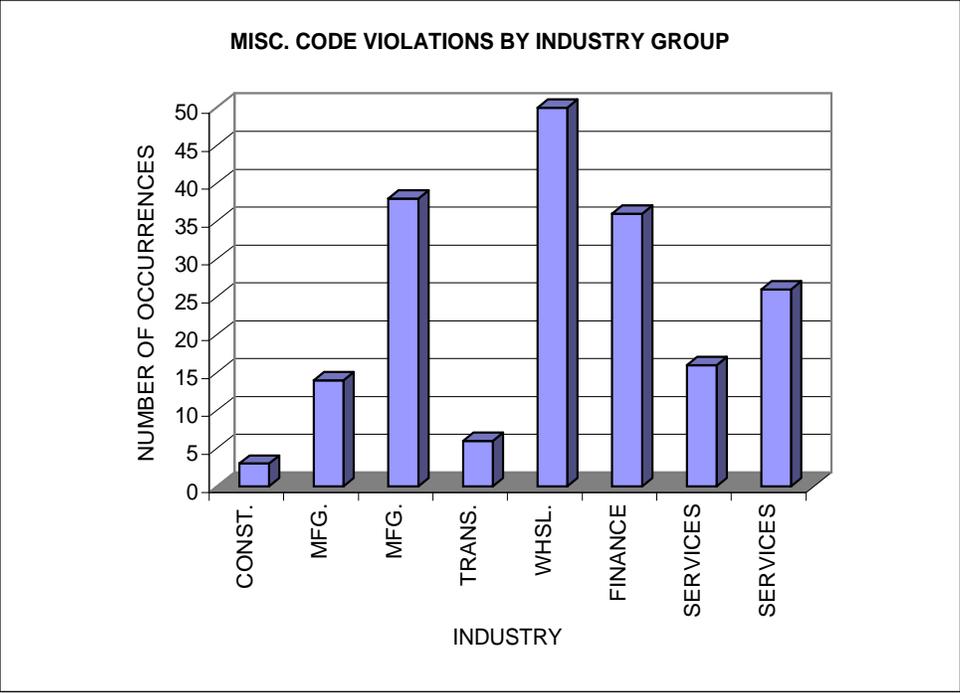


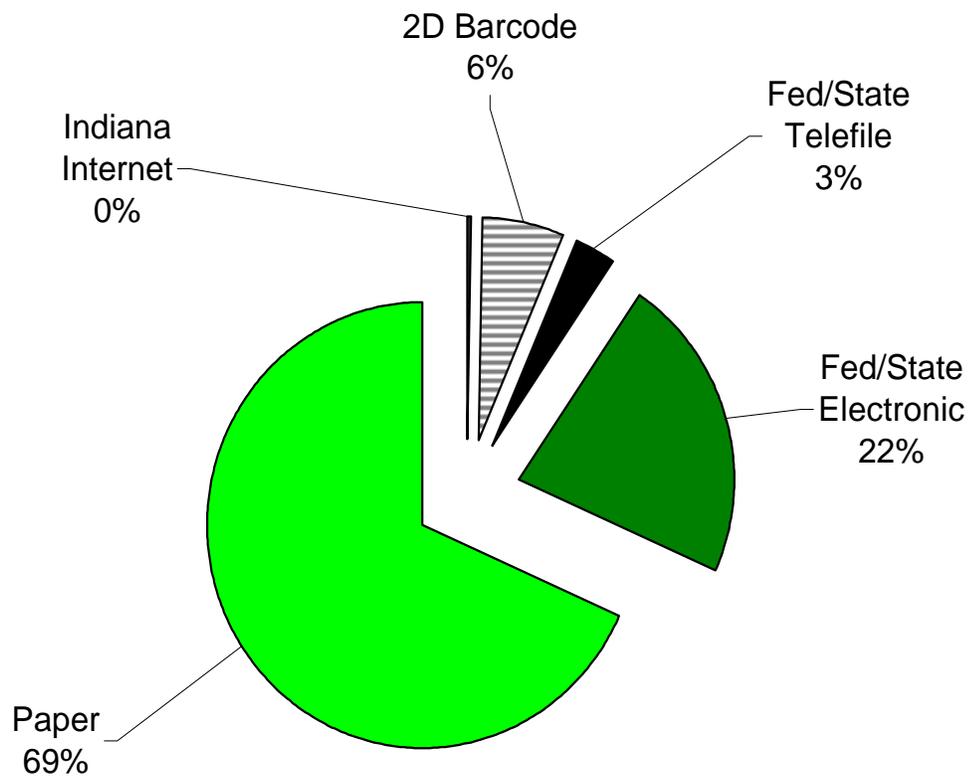
EXHIBIT G

Dollars Assessed for Misc. Code Violations by Industrial Code

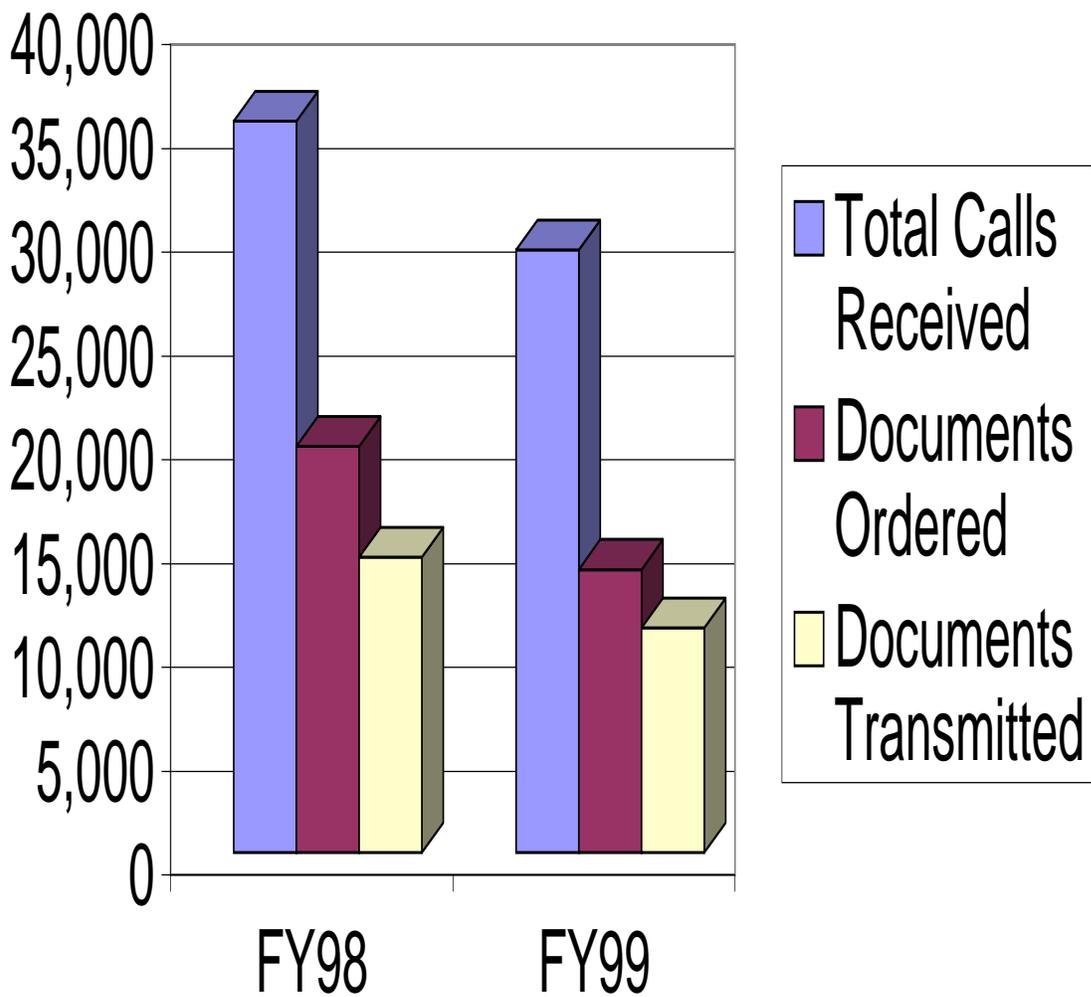
	Const.	Mfg.	Mfg.	Trans.	Whsl.	Finance	Services	Services	
Sum of Results	IC								
Citation	1	2	3	4	5	6	7	8	Grand Total
45 IAC 15-11-2			1,000						1,000
45 IAC 15-11-3					5,389			8,602	13,991
45 IAC 15-4-1							5,132	7,300	12,432
45 IAC 15-5-1		18,100	10,373	12,940	4,800		1,800		48,013
45 IAC 15-5-7			9,800						9,800
45 IAC 15-5-8								43,970	43,970
45 IAC 15-6-1	2,019								2,019
45 IAC 15-7-4								32,386	32,386
45 IAC 15-9-1		49						2,260	2,309
45 IAC 15-9-2	126	11,624	485,124	632	3,580			1,659	502,745
45 IAC 17-2-4						(294,112)			(294,112)
45 IAC 17-3 -1						8,735			8,735
45 IAC 17-3-1						763,691			763,691
45 IAC 17-3-10					(1,600)	327,800		364,597	690,797
45 IAC 17-3-2						513,264		7,631	520,895
45 IAC 17-3-4							2,968		2,968
45 IAC 17-3-5						300,803			300,803
45 IAC 17-3-6						3,903,243			3,903,243
45 IAC 17-3-7						2,000			2,000
45 IAC 17-3-9						211,700			211,700
45 IAC 18-2-3								12,000	12,000
IC 13-20-13-7					5,120				5,120
IC 6-2.1-3-32			(7,800)					26,909	19,109
IC 6-2.1-3-34			5,800						5,800
IC 6-2.1-4-3			169,998						169,998
IC 6-2.5-5-19.5		(132,174)							(132,174)
IC 6-2.5-5-35					280		(1,406)		(1,126)
IC 6-2.5-5-37							836		836
IC 6-3.1-4-1			(17,352)						(17,352)
IC 6-3.1-4-2			3,665						3,665
IC 6-3.5-6-1					457				457
IC 6-3-2-12		9,276	206,091	198,935	113,346		3,456	55	531,159
IC 6-3-3-5.1			15						15
IC 6-3-4-6			23,408					11,245	34,653
IC 6-5.5-1-18						(322,200)		61,785	(260,415)
IC 6-5.5-2-1						1,088,168			1,088,168
IC 6-5.5-2-7						(12,000)			(12,000)
IC 6-5.5-4-13						109,000			109,000
IC 6-5.5-6-6						1,313			1,313
IC 6-6-9-7					3,651		6,336		9,987
IC 6-8.1-3-3					(75,136)				(75,136)
IC 6-8.1-4-2	2,042	(8,836)	133,351	7,559	11,537			10,709	156,362
IC 6-9-12-5					800				800
IC 6-9-12-6					11,819				11,819
IC 6-9-12-7					(262,000)				(262,000)
IC 6-9-18-3			9,619						9,619
IC 6-9-20-3			305						305
IC 6-9-21-5							300		300
IC 6-9-23-5					1,300				1,300
IC 6-9-23-6					825				825
IC 6-9-26-6		7,400			1,258				8,658
IC 6-9-3-4							210		210
Grand Total	4,187	(94,561)	1,033,397	220,066	(174,574)	6,601,405	19,632	591,108	8,200,659



1998 Individual Returns Processed



TAX FAX STATISTICS



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