

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All County Auditors and County and Township Assessors
FROM: Courtney L. Schaafsma, Commissioner *CLS*
RE: Legislative Changes Affecting Personal Property Assessments (AMENDED)
DATE: July 28, 2015

This memorandum was originally released May 18, 2015, but is being amended to include some additional information in Section IV. Please note that this memorandum is intended to be an informative bulletin; it is not a substitute for reading the law.

I. Year of Acquisition for Personal Property

On May 6, 2015, Governor Pence signed into law Senate Enrolled Act 374-2015 ("SEA 374"). Effective July 1, 2015, section 2 of SEA 374 introduces IC 6-1.1-3-22.5 concerning how to determine the year of acquisition for depreciable personal property for purposes of filing personal property returns under IC 6-1.1-3. The year of acquisition for depreciable personal property is the fiscal year determined according to the following guidelines:

- (1) For personal property acquired after January 1, 2016, the fiscal year beginning January 2 and ending January 1.
- (2) For personal property acquired after March 1, 2015 and before January 2, 2016, the fiscal year beginning March 2, 2015 and ending January 1, 2016.
- (3) For personal property acquired before March 2, 2015, the fiscal year beginning March 2 and ending March 1.

In addition, if a taxpayer has a financial year that ends on December 31 or January 31, the taxpayer may elect to use the same year as that used for federal income tax purposes to determine the year of acquisition for Indiana property tax reporting purposes ("federal tax year election"). If a taxpayer does not use a financial year that ends on either December 31 or January 31, that taxpayer cannot use the federal tax year election and must instead use the above guidelines for determining the year of acquisition.

If a taxpayer makes a federal tax year election, an acquisition of personal property after the close of the taxpayer's federal taxable year and on or before the immediately following assessment date must be included in a separate category on the taxpayer's return and clearly designated.

Finally, the Department of Local Government Finance ("Department") notes that prior to the enactment of SEA 374, determining the year of acquisition was governed by the Department's personal property assessment guidelines under 50 IAC 4.2-4-6(c). Section 1 of SEA 374,

effective July 1, 2015, voids this provision in the Department's guidelines. Hence, as of July 1, 2015, taxpayers must look to IC 6-1.1-3-22.5 for guidance in determining the year of acquisition.

II. Amended Personal Property Returns

On May 5, 2015, Governor Pence signed into law House Enrolled Act 1388-2015 ("HEA 1388"). Section 1 of HEA 1388 amends IC 6-1.1-3-7.5, effective upon passage, so that the last day to file an amended personal property return will remain July 15 for assessment dates starting with the 2015 assessment date (HEA 1388 corrects a technical error made to the statute in 2014 whereby the deadline for an amended personal property return preceded the deadline for the initial return).

A taxpayer who files an amended return after the statutory deadline, and who thus pays taxes based on the original return, is entitled to a credit in the amount of taxes paid by the taxpayer on the remainder of the assessed value reported on the taxpayer's original return, minus the finally-determined assessed value that results from the filing of the taxpayer's amended return.

For example, for the 2016-pay-2017 tax cycle, Taxpayer A & Taxpayer B both timely file original personal property returns for the 2016 assessment date. Both subsequently file an amended return, with Taxpayer A filing on July 15, 2016 and Taxpayer B filing on August 1, 2016. Taxpayer A will pay taxes attributable to the assessed value reported on the amended return, while Taxpayer B will pay taxes attributable to the assessed value reported on the original return. Taxpayer B, however, shall be entitled to a credit if the finally-determined assessed value is lower than what was first reported on the original return.

III. Simplification of Personal Property Returns

On May 6, 2015, Governor Pence signed Senate Enrolled Act 436-2015 ("SEA 436") into law. Sections 1, 2, and 4 of SEA 436 introduce changes concerning the filing of personal property returns pursuant to IC 6-1.1-3.

A. Filing by Nonresident Taxpayer

Section 1 amends IC 6-1.1-3-1 so that when personal property is assessed where it is situated because it is regularly used or permanently located there or because it is owned by a nonresident who does not have a principal office in Indiana, the owner of the property must provide, within 45 days after the personal property return filing deadline, a copy or other written evidence of the filing of the return to the assessor of the county (rather than township) in which the owner resides. If such evidence is not timely filed, the county assessor for the area where the owner resides must determine if the owner filed a personal property return in the township or county where the property is situated. If such a return was filed, the property is assessed where it is situated. If such a return was not filed, the county assessor for the area where the owner resides must notify the assessor of the township or county where the property is situated, and the property must be assessed where it is situated. This amendment is effective July 1, 2015.

B. Consolidated Returns

Section 2 amends IC 6-1.1-3-7 by eliminating the requirement that a taxpayer who owns personal property with assessed value over \$150,000 file the returns in duplicate. Sections 2 and 4 amend IC 6-1.1-3-7 and IC 6-1.1-3-10, respectively, so that a taxpayer with:

- (1) personal property located in more than one township in a county; or
 - (2) personal property located in two or more taxing districts within the same township;
- must file a single return with the county assessor and attach a schedule listing, by township, all the taxpayer's personal property and the property's assessed value. The county assessor must allocate the assessed value by township and by taxing district (currently, the allocation is only done by township). These amendments are effective July 1, 2015.

IV. Exemption for Personal Property with an Acquisition Cost under \$20,000

Section 3 of SEA 436 institutes changes to the exemption of business personal property with an acquisition cost of less than \$20,000 (this exemption was introduced by Senate Enrolled Act 1 in 2014 and was originally designed to be an option counties could implement). Section 3 amends IC 6-1.1-3-7.2 so that this exemption is no longer a county option; effective July 1, 2015, the exemption is automatic statewide.

A taxpayer that is eligible for the exemption is not required to file a personal property return, but the taxpayer must, before May 15 of the calendar year in which the assessment date occurs, file with the county assessor an annual certification stating that the taxpayer's business personal property in the county is exempt from taxation for that assessment date. Section 3 amends IC 6-1.1-3-7.2 so that the certification must be notarized and signed under penalties for perjury.

On May 6, 2015, Governor Pence signed into law **House Enrolled Act 1472, Section 2** of which introduces IC 6-1.1-3-7.3, effective July 1, 2015. This new statute allows a county fiscal body to adopt an ordinance to impose a local service fee on each person that files an annual certification with the county assessor as explained above. The county fiscal body must specify the amount of the local service fee in the ordinance, but the fee may not exceed \$50.

The fee imposed for an assessment date is due and payable at the same time that property taxes for that assessment date are due and payable. A county may collect a delinquent local service fee in the same manner as delinquent property taxes are collected.

The revenue from a local service fee must be allocated in the same manner and proportion and at the same time as property taxes are allocated to each taxing unit in the county and may be used by a taxing unit for any lawful purpose of the taxing unit.

V. Outdoor Sign Valuation

Finally, Section 5 of SEA 436 amends IC 6-1.1-3-24 to extend the assessed value schedule for outdoor signs as provided by this statute through the 2018 assessment date.

Contact Information

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