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# County Motor Vehicle Excise Surtax

**Agency** Bureau of Motor Vehicles

**Address** 100 N. Senate Avenue  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 233-6000      **Fax** (317) 233-4234      **TDD**

**Website** <http://www.in.gov/bmv>

**Contact** , Contact the agency above for more information.

*Telephone:*

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**Procedure:** Imposed at the county level by an ordinance of the county council. Must be enacted in conjunction with county wheel tax. If imposed between January 1 and June 30, then motor vehicles registered after December 31 of that year are subject to the tax. If imposed between July 1 and December 31, then motor vehicles registered after December 31 of the year following the year of the adoption are subject to the tax.

Applicability - County Motor Vehicle Excise Surtax applies to the following motor vehicles: passenger vehicles; motorcycles; and trucks with a declared gross weight of 11,000 pounds or less.

**Rate:** The surtax may be imposed either: (1) at a rate that is at least 2%, but not more than 10% of the state motor vehicle excise tax; or (2) at a specific amount that is at least \$7.50 but not more than \$25.00. However, the minimum under either method may not be less than \$7.50. The county council shall specify the surtax rate or amount in the ordinance. If the surtax is imposed by a rate, it is based on a classification schedule set forth in the statute. Motor vehicle excise surtax may be rescinded by an ordinance adopted between January 1 and before July 1 of a year. If rescission ordinance is adopted, county wheel tax must also be rescinded.

Amendments - county council may adopt an ordinance to change the rate of the county motor vehicle excise surtax. If amended between January 1 and June 30, new rate is effective in the year following adoption. If amended between July 1 and December 31, new rate is effective in the second year following adoption. County council must send the commissioner of the bureau of motor vehicles a copy of an ordinance to impose, rescind, or change the rate of the surtax. If surtax is pledged to outstanding bonds or to a loan from the state distressed roads fund, it may not be rescinded or decreased.

**Revenues:** Motor vehicle excise surtax is collected through the bureau of motor vehicles at the bureau or at branch offices. Surtax revenue is remitted to the county treasurer on the 10th day of the month following the month in which it is collected at the branch office.

**Distributions:** County treasurer deposits the revenues in a special county surtax fund. In counties other than Marion, before the 20th day of each month, the county auditor must allocate the money deposited in the surtax fund among the county and the cities and towns in the county as follows:

For counties with a population greater than 50,000: 60% on the basis of population; and 40% on the basis of the ratio of city and town street mileage to county road mileage.

For counties with a population of 50,000 or less: 20% on the basis of population; and 80% on the ratio of city and town street mileage to county road mileage.

**Purposes:** A county, city, or town may use its surtax revenues only to construct, repair, or maintain street and roads under its jurisdiction; or pay debt service on county road and bridge bonds issued under IC 8-18-22. For Marion County, the city-county council may appropriate the funds only for its department of transportation.

## County Wheel Tax (IC 6-3.5-5)

**Agency** Bureau of Motor Vehicles  
**Address** 100 N. Senate Avenue  
Indianapolis, IN 46204  
**Telephone** (317) 233-6000 **Fax** (317) 233-4234  
**Website** <http://www.in.gov/bmv>

**P.O. Box**

**TDD**

**Contact** , Contact the agency above for more information.

**Telephone:**

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**Procedure:** The county wheel tax is imposed by the county council. County wheel tax must be enacted in conjunction with the county motor vehicle excise surtax. If imposed between January 1 and June 30, then eligible motor vehicles registered after December 31 of that year are subject to the tax. If imposed between July 1 and December 31, then eligible motor vehicles registered after December 31 of the year following the adoption are subject to the tax.

Applicability - County Wheel Tax applies to: buses, recreational vehicles, semitrailers, tractors, trailers, and trucks.

Exceptions - the following vehicles are exempt from the wheel tax: vehicles owned by the state or a state agency, vehicles owned by a political subdivision, vehicles subject to the motor vehicle excise surtax (passenger vehicles, motorcycles, light trucks), and buses owned and operated by a religious or nonprofit youth organization and used to transport persons to religious services or for the benefit of their members.

**Rate:** County council may impose different rates for different classes of vehicles. County council may establish different rates within the classes of vehicles, based on the weight classifications established by the bureau of motor vehicles for each type of vehicle. Minimum rate is \$5.00; maximum rate may not exceed \$40.00. Wheel tax may be rescinded by an ordinance adopted after January 1 and before July 1 of a year. If the wheel is rescinded, county council must also adopt an ordinance to rescind the motor vehicle excise surtax.

Amendments - county council may adopt an ordinance to change the wheel tax rates. If amended after January 1 and before July 1, the new rate is effective in the year following the amendment. If amended between July 1 and December 31, the new rate is effective in the second year following the amendment.

**Revenues:** If wheel tax is pledged to outstanding bonds or to a loan from the state's distressed roads fund, it may not be rescinded or decreased. Wheel tax is collected through the bureau of motor vehicles at the bureau or at branch offices. Wheel tax revenue is remitted to the county treasurer on the 10th day of the month following the month in which it is collected at the branch office.

**Distributions:** County treasurer must deposit the revenues in the county wheel tax fund. In counties other than Marion, before the 20th day of each month, the county auditor must allocate the money deposited in the wheel tax fund among the county and the cities and towns in the county as follows:

For counties with a population greater than 50,000: 60% on the basis of population; and 40% on the basis of the ratio of city and town street mileage or county road mileage.

For counties with a population of 50,000 or less: 20% on the basis of population; and 80% on the ratio of city and town street mileage to county road mileage.

A county, city or town may use its wheel tax revenues only: to construct, repair or maintain street and roads under its jurisdiction; as a contribution to a multiple jurisdiction infrastructure authority; or to pay debt service on county road and bridge bonds issued on an IC 8-18-22.

For Marion County, the city-county council may appropriate the funds only for its department of transportation or a multiple jurisdiction infrastructure authority.

## Food and Beverage Taxes

**Agency** Indiana Department of Revenue

**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204

**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952

**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.

*Telephone:*

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<b>Available to:</b>	See CIT/FAB tax rates and effective dates at: <a href="http://www.in.gov/dor/3929.htm">http://www.in.gov/dor/3929.htm</a> for county specific information.
<b>Revenue/Rates:</b>	Individual enabling statutes specify purposes for which revenues may be used. Fiscal body imposes food and beverage tax. Rate is 1% on certain retail transactions involving sales of food and beverages. 5% of revenue derived from the Food and Beverage taxes in Hamilton, Hancock, Hendricks, Boone, Shelby, and Johnson counties is used for funding the new stadium in Indianapolis. The remainder is for the counties to use in any legal manner. Under current case law, bonds payable from food and beverage tax revenues count toward the unit's 2% constitutional debt limit. For that reason lease financings are frequently used if the statute is appropriately drafted.
<b>Practical Tip 1:</b>	Communities seeking legislation to impose or extend a food and beverage tax need to work closely with their legislators in order to obtain the necessary legislation. For example, Henry County was able to obtain legislation allowing it to use tax revenues for certain specific projects throughout the county when the tax was no longer needed for its original purpose. To accomplish this goal, representatives of the county and the cities and towns in the county worked out a plan for the use of revenues and began laying the necessary groundwork with the General Assembly several months before the session began. Vanderburgh County was also able to obtain an amendment allowing it to use revenues for a new project after the revenues were no longer needed for their original purpose.
<b>Practical Tip 2:</b>	Be forewarned that the likelihood of a constitutional challenge to a population based statute on the grounds that is "special legislation" has increased despite favorable precedent and the recent Supreme Court riverboat decision.

## Innkeeper's Taxes

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
*Telephone:*

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- Types:** There are two types: Uniform Innkeeper's Tax (IC 6-9-18); and specific enabling legislation for 20 counties: Allen County, Brown County, Clark County, Elkhart County, Floyd County, Howard County, Jackson County, Jefferson County, Knox County, Lake County, LaPorte County, Madison County, Marion County, Monroe County, St. Joseph County, Tippecanoe County, Vanderburgh County, Vigo County, Wayne County, and White County.
- Revenues from the uniform statute may be used only to promote convention and visitor activities or industrial development within the county. Specific enabling legislation authorizes specific capital projects in certain counties, and convention and visitor activities in certain other counties. County council imposes innkeeper's tax on the rental of rooms or lodging at hotels, motels, tourist camps or cabins.
- Rate:** Uniform tax rate may not exceed 5%. Specific enabling statutes - each statute establishes either a specific rate or maximum rate of 2%, 3%, 4%, 5% or 6% or a range of permissible rates (from a minimum of 3% to a maximum of 5%). Under current case law, bonds payable from innkeeper's tax revenues count toward the county's 2% constitutional debt limit. For that reason lease financings are frequently used in the statute is appropriately drafted. Please go to the following link for the most recent rates per county: <http://www.in.gov/dor/reference/misc/cit-fab.html>.
- Practical Tip 1:** Food and beverage and innkeeper's taxes have been pledged to finance arenas, convention centers, conference centers, airports, park and recreation facilities, visitors centers, public parking, and redevelopment. The statute authorizing the tax must be tailored to accomplish the particular purpose.
- Practical Tip 2:** Be forewarned that the likelihood of a constitutional challenge to a population based statute on the grounds that it is "special legislation" has increased despite favorable precedent and the Supreme Court riverboat decision.

## Automatic Property Tax Investment Deduction

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600 *P.O. Box*  
Indianapolis, IN 46204  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
*Telephone:* (317) 232-8800

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**Program Objective:** This program extends benefits of property tax relief to companies, especially small businesses that may not have the resources to pursue abatement at the local level.

**Type of assistance:** Property tax relief.

**Eligible activities and applicants:** Property that is added due to development, redevelopment, rehabilitation, or property purchased but never perviously used by the owner and has not previously assessed may be eligible for the deduction. This deduction includes certain real and personal property additions which have not been assessed before March 1, 2006. The increase in assessed value from certain real and personal property additions which creates or retains jobs as a result of the project would qualify for property tax.

**Application steps and deadlines:** Contact the organization above for application instructions.

**Reporting procedures:** None listed.

**Calculation of Deduction Amount:** The deduction applies to property for three years and is calculated from the assessed value increase. The first year deduction would equal 75% of the assessed value increase; the second year would equal 50% of the assessed value increase; and the third year would equal 25% of the assessed value increase.  
The deduction is limited to \$2 million in real property and personal property deductions within a county.

**Cash and in-kind match required:** Not applicable.

**Limitations on use of funds:** Eligible recipients may not receive another deduction for the development, redevelopment, rehabilitation, or installation during the same year as this deduction.

**Which finance programs/tools are particularly well suited to be used in conjunction with this program?** None listed.

**How have local organizations used this program?** Not applicable.

**Technical term or acronyms unique to this program:** None listed.

# Brownfields Voluntary Remediation Tax Credit (VRTC)

**Agency** Indiana Finance Authority

**Address** 100 N. Senate Ave. Rm. 1275  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 234-1279      **Fax** (317) 234-1338      **TDD**

**Website** <http://www.in.gov/ifa>

**Contact** Sara Westrick Corbin, Financial Resources Coordinator, Indiana Brownfields Program

**Telephone:** (317) 234-1688

**Program Objective:** The Indiana Brownfields Program, administered by the Indiana Finance Authority, offers financial assistance to political subdivisions for identification, assessment, remediation, demolition, and other related costs in the redevelopment of brownfields. The Indiana Brownfields Program also provides technical oversight and liability evaluations to private parties, in addition to political subdivisions. A brownfield is an abandoned, underutilized, or inactive parcel of real estate on which development is difficult due to the existence or potential existence of environmental contamination.

**Type of assistance:** State Tax Credit to offset a portion of the environmental remediation costs incurred during the cleanup of an Indiana brownfield.

**Eligible activities and applicants:** The VRTC is available to any Indiana taxpayer who pays Indiana state taxes. A VRTC is not available to entities that are potentially responsible for contamination at the property.

Eligible activities under the VRTC include soil and groundwater remediation, underground storage tank removal, and asbestos and lead paint abatements. Costs incurred before the Indiana Brownfields Program pre-certification are ineligible.

**Application steps and deadlines:**

- 1) Taxpayer develops remediation plan.
- 2) Taxpayer submits an application to the Indiana Brownfields Program
- 3) Indiana Brownfields Program pre-certifies the remediation plan (makes "qualified investment" determination)
- 4) Taxpayer completes the remediation
- 5) Indiana Brownfields Program issues a cost certification or the Indiana Department of Environmental Management (IDEM) issues a Certificate of Completion under its Voluntary Remediation Program, IC 13-25-5
- 6) Taxpayer submits specified materials to the Indiana Brownfields Program and the Indiana Department of Revenue (IDOR)

Applications are accepted anytime, and credits are awarded in the order in which they are received.

**Reporting procedures:**

None listed.

**Total amount of funds available:**

\$2,000,000 is available through December 31, 2006, for VRTC assistance. The IFA can increase or decrease the annual amount depending on demand.

**Maximum award amount:**

An entity is eligible for the lesser of \$200,000 or the sum of 100% of the first \$100,000 "qualified investment" made plus 50% of the amount of "qualified investment" made that exceeds \$100,000.

**Cash and in-kind match required:**

Not required.

**Limitations on use of funds:**

The VRTC can be used for remediation activities that are pre-certified by the Indiana Brownfields Program. Any costs incurred before the pre-certification is made by the Indiana Brownfields Program are ineligible. Activities paid for with state grant or loan assistance are not eligible for the VRTC.

The VRTC is not available to parties that caused or contributed to, or that had a business or personal interest in a party that caused or contributed to, the contamination that is being remediated.

**Which finance programs/tools are particularly well suited to be used in conjunction with this program?**

The Indiana Brownfields Program offers several financial incentives for brownfields redevelopment. This VRTC is to be utilized by private persons or entities as another incentive to spur redevelopment. It can also be advertised as a way for local governments to attract developers to their brownfield projects.

**Technical term or acronyms unique to this program:**

A "qualified investment" means costs that:  
- result in the remediation of an Indiana brownfield;  
- are not recovered from responsible parties after the taxpayer makes a good faith effort to recover

## **Brownfields Voluntary Remediation Tax Credit (VRTC)**

those costs;

- are not paid from state financial assistance;
- result in taxable income to any other Indiana taxpayer; and
- are approved by Indiana Brownfields Program

VRP: Voluntary Remediation Program - A program administered by IDEM under IC 13-25-5 that allows site owners or operators to voluntarily enter an agreement with IDEM to clean up contaminated property.

## Certified Technology Parks

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600 *P.O. Box*  
 Indianapolis, IN 46204  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
*Telephone:* (317) 232-8800

<b>General description:</b>	To support attraction and growth of high-technology businesses in Indiana.
<b>Type of assistance:</b>	Financial benefits associated with Certified Technology Parks include the creation of a property tax credit for businesses located within the Certified Technology Parks and the creation of a certified technology park fund which may receive designated incremental income and retail use taxes received from the Indiana Treasurer's incremental tax financing fund for the certified technology park.
<b>Eligible activities and applicants:</b>	<p>The Indiana Economic Development Corporation (IEDC) has established the following requirements for approval of current and future applications for Certified Tech Park (CTP) status and grants from the Technology Development Grant Fund:</p> <ul style="list-style-type: none"> <li>• <input type="checkbox"/> Submission of a viable business plan that establishes a clear strategy for long-term growth.</li> <li>• <input type="checkbox"/> Demonstration that the designation of the CTP creates an opportunity to attract a specific high-tech business.</li> <li>• <input type="checkbox"/> Agreement on behalf of the applicant that funds from the CTP's tax increment account and grants awarded from the Technology Development Grant Fund will be expended according to CTP Guidelines and agreements.</li> <li>• <input type="checkbox"/> Agreement on behalf of the applicant that IEDC may revoke the tax increment and recapture rights of the technology park in the event of noncompliance with any part of the agreements of the community, redevelopment commission, or any tenant of the park.</li> <li>• <input type="checkbox"/> Evidence of local government financial participation in the establishment of the CTP.</li> <li>• <input type="checkbox"/> An agreement with an Indiana institution of higher education requiring whereby the institution makes a meaningful monetary or in-kind contribution to the park</li> <li>• <input type="checkbox"/> Agreement between IEDC and the applicant regarding the types of businesses eligible to locate in the park; and the types of businesses located within the park from which revenue may be recaptured for use within the park.</li> </ul>
<b>Application steps and deadlines:</b>	Contact the Indiana Economic Development Corporation for the application process.
<b>Reporting procedures:</b>	None listed.
<b>Calculation of Fund:</b>	Certified technology parks are allowed to capture a maximum of five million dollars (\$5,000,000) over the life of the park in incremental sales and income taxes.
<b>Limitations on use of funds:</b>	<p>Grant awards for leasing a capital asset may be applied only to lease payments made during the fiscal year in which the award is made, or may be applied during each of the three fiscal years following the fiscal year in which the grant award was made.</p> <p>Grant awards for operational expenses may not exceed 80% of the total operating expenditures in the year in which the grant is provided, and may not exceed 60%, 40% and 20%, respectively, of the total operating expenses in the three successive fiscal years following the fiscal year in which the grant is awarded.</p>
<b>Which finance programs/tools are particularly well suited to be used in conjunction with this program?</b>	N/A
<b>How have local organizations used this program?</b>	N/A
<b>Technical term or acronyms unique to this program:</b>	CTP: Certified Technology Parks IEDC: Indiana Economic Development Corporation

## Clean Energy Tax Credits

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600 *P.O. Box*  
Indianapolis, IN 46204  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
*Telephone:* (317) 232-8800

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**Program Objective:** The Clean Energy Tax Credit Program supports Indiana's advanced agricultural independence and provides an incentive for the development of renewable energy.

**Type of assistance:** Tax credit.

**Eligible activities and applicants:** Biodiesel, blended biodiesel, ethanol producers, blended biodiesel distributors.

**Application steps and deadlines:** The taxpayer must complete an application to the Indiana Economic Development Corporation (IEDC) and submit an economically viable business plan in order to receive credits.

**Reporting procedures:** None listed.

**Calculation of the Tax Credit:**  
Biodiesel producers are eligible for \$1 multiplied by the number of gallons of biodiesel; produced at the Indiana facility during the taxable year; and used to produce blended biodiesel.  
Blended biodiesel producers are eligible for two cents multiplied by the number of gallons of blended biodiesel; produced at the Indiana facility; and blended with biodiesel produced at a facility located in Indiana.  
Blended biodiesel distributors are eligible for a credit of one cent multiplied by the total number of gallons of blended biodiesel distributed at retail by the taxpayer in a taxable year.  
Ethanol producers are eligible for up to \$2 million for annual production of at least 40 million gallons, but less than 60 million gallons; and up to \$3 million for annual production of at least 60 million gallons. The maximum credits are based on annual production levels.

**Cash and in-kind match required:** Not applicable.

**Limitations on use of funds:** None listed.

**Which finance programs/tools are particularly well suited to be used in conjunction with this program?** None listed.

**How have local organizations used this program?** Not applicable.

**Technical term or acronyms unique to this program:** IEDC: Indiana Economic Development Corporation

## Corporate Income Tax Incentives

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
**Telephone:**

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**Pre-note:** Some credits may be applied against future tax liabilities if the amount of current credits exceeds taxes due.

**Corporate Tax Credits:**

1. College and University Contribution Credit: A credit for contributions to Indiana colleges and universities. Limited to the lesser of: (a) \$1,000; (b) 50% of the contribution; or (c) 10% of the adjusted gross income.
2. Neighborhood Assistance Credit: Credit to corporate or individual taxpayers contributing to neighborhood organizations or who engage in activities to upgrade disadvantaged areas in specific ways. Up to 50% of the amount invested, not to exceed \$25,000 in any taxable year.
3. Research Expense Credit: Credit of 10%, effective January 1, 2003, to any taxpayer entitled to the federal research credit who incurs qualified Indiana research expenses.
4. Teacher Summer Employment Credit: Credit to persons who hire a public school teacher during the summer in a position that is relevant to a teaching-shortage area in which the teacher is certified. Limited to the lesser of: (a) \$2,500; or (b) 50% of the compensation paid.
5. Enterprise Zone Employment Expense Credit: A taxpayer which conducts business in an enterprise zone is entitled to a credit of the lesser of \$1,500 for each employee who is an enterprise zone resident, or 10% of the increase in wages over a base year figure.
6. Enterprise Zone Loan Interest Credit: Credit equal to 5% of the lender's interest income from qualified loans made to borrowers in an enterprise zone.
7. Enterprise Zone Investment Cost Credit: Credit to individual taxpayers against state liability equal to a percentage times the price of qualified investment in an enterprise zone business.
8. Industrial Recovery Tax Credit: Credit for qualifying investments to rehabilitate vacant industrial or warehousing facilities that are at least 20 years old and at least 300,000 square feet in size.
9. Twenty-first Century Scholars Program Support Fund Credit: Credit for contributions made to the fund. A maximum credit of the lesser of (a) \$1,000, (b) 50% of the contribution made, or (c) 10% of the adjusted gross income tax, is available.
10. Maternity Home Credit: Credit for maternity homeowners who provide a temporary residence for pregnant women.
11. Prison Investment Credit: Credit for investments to install a business facility in Indiana prisons to create jobs for prisoners. The amount is limited to 50% of the investment in a qualified project plus 25% of the wages paid to the inmates. The maximum credit a taxpayer may claim is \$100,000 per year.
12. Historic Rehabilitation Credit: Credit of 20% of qualified expenditures for the preservation or rehabilitation of certified historic property at least 50 years old. The expenditures must be approved by the Division of Historic Preservation and Archaeology of the Department of Natural Resources.
13. Voluntary Remediation Credit: Credit equal to lesser of \$100,000 or 10% of the qualified investments to conduct voluntary remediation activities that involve remediation of a Brownfield. Expenditures may not be recovered from another taxpayers, and must be approved by the Indiana Department of Environmental Management and the legislative body of the political subdivision in which the property is located.

Please visit the Indiana Department of Revenue website at [www.in.gov/dor/](http://www.in.gov/dor/) for current information and a complete list of credits.

# Economic Development for a Growing Economy (EDGE)

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600 *P.O. Box*  
Indianapolis, IN 46204  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
*Telephone:* (317) 232-8800

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<b>Program Objective:</b>	To reward companies creating new jobs and contributing to the growth of Hoosier income.
<b>Type of assistance:</b>	Tax credit.
<b>Eligible activities and applicants:</b>	<p>Applicants interest in the EDGE credits in regards to new job creation must demonstrate the following conditions exist:</p> <ul style="list-style-type: none"><li>- The applicant's project will create new jobs that were not jobs previously performed by employees of the applicant of Indiana.</li><li>- The applicant's project is economically sound and will benefit the people of Indiana by increasing the opportunities for employment in Indiana and strengthening the economy of Indiana.</li><li>- Receiving the tax credit is a major factor in the applicant's decision to go forward with the project and not receiving the tax credit will result in the applicant not creating new jobs in Indiana.</li><li>- Awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data.</li><li>- A person may not receive credit for any jobs a person relocates from one site in Indiana to another site in Indiana.</li></ul> <p>Applicants interested in EDGE credits in regards to job retention must demonstrate the following conditions exist:</p> <ul style="list-style-type: none"><li>- The applicant's project will retain existing jobs performed by the employees of the applicant in Indiana.</li><li>- The applicant is engaged in research and development, manufacturing, or business services.</li><li>- The average compensation (including benefits) provided to the applicant's employees during the applicant's previous fiscal year is greater than the following: (1) If there is more than one business in the same NAICS industry sector as the applicant's business in the county in which the applicant's business is located, the average compensation paid during the same period to all employees working in that NAICS industry sector in that county multiplied by one hundred five percent (105%). (2) If there is more than one business in the same NAICS industry sector as the applicant's business in Indiana, the average compensation paid during that same period to all employees working in that NAICS industry sector throughout Indiana multiplied by one hundred five percent (105%). (3) The compensation for that same period corresponding to the federal minimum wage multiplied by two hundred percent (200%).</li><li>- The applicant employs at least 35 employees in Indiana.</li><li>- The applicant has prepared a plan for the use of credits for: Investment in facility improvements or equipment and machinery upgrades, repairs, or retrofits; or other direct business related investments, including but not limited to training.</li><li>- Receiving the tax credit is a major factor in the applicant's decision to go forward with the project, and not receiving the tax credit will increase the likelihood of the applicant reducing jobs in Indiana.</li><li>- Awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data.</li><li>- The applicant's business and project are economically sound and will benefit the people of Indiana by increasing or maintaining opportunities for employment and strengthening the economy of Indiana.</li><li>- The communities affected by the potential reduction in jobs or relocation of jobs to another site outside Indiana have committed significant local incentives with respect to the retention of jobs, as determined by the Indiana Economic Development Corporation (IEDC). Local incentives include, but are not limited to, cash grants, tax abatements, infrastructure improvements, investment in facility rehabilitation, construction, and training investments.</li></ul>
<b>Application steps and deadlines:</b>	A business that is interested must submit an application to the Indiana Economic Development Corporation. Applications are accepted on a continuous basis.
<b>Reporting procedures:</b>	None listed.

## **Economic Development for a Growing Economy (EDGE)**

<b>Calculation of the Tax Credit:</b>	EDGE may be awarded for up to 100% of the projected withholdings attributable to the company's Indiana project and may be awarded for up to 10 years. The company must commit to maintaining operations in Indiana for at least two years beyond the term of the company's EDGE award.
<b>Limitations on use of funds:</b>	N/A
<b>Which finance programs/tools are particularly well suited to be used in conjunction with this program?</b>	N/A
<b>How have local organizations used this program?</b>	N/A
<b>Technical term or acronyms unique to this program:</b>	EDGE: Economic Development in a Growing Economy IEDC: Indiana Economic Development Corporation

# Foreign Trade Zone

**Agency** Ports of Indiana  
**Address** 150 West Market St., Ste. 100 **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 232-9200 **Fax** (317) 232-0137 **TDD**  
**Website** <http://www.portsofindiana.com>

**Contact** Jody Peacock, Director of Corporate Affairs  
**Telephone:** 317-233-6225

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## Purposes and Benefits:

A Foreign Trade Zone is like an "island outside the United States." A federal law passed in 1934 states that FTZs are outside U.S. Custom's territory. Therefore, all items located within an FTZ are not subject to immediate duties being paid on the products. Stored merchandise may be duty deferred indefinitely until the products are released into the United States commerce stream. Products shipped back outside of the United States are not subject to any Federal tax. Quota goods and raw materials may be stored, duty free, until the next cycle of authorized importation. To sum up, FTZs allow companies to reduce, postpone, or eliminate duties paid on certain products to improve cash-flow and reduce manufacturing costs.

The intent of the law is to keep manufacturing and distribution companies operating in the United States, at a competitive level with other nations, while utilizing American labor. Foreign trade zones are an important way to encourage participation by Indiana firms in the increasingly global economy and provide an incentive for keeping jobs from leaving the state. They help to open new markets for firms that are ready to compete globally.

Foreign Trade Zones are near a U.S. Customs port of entry and are divided into two types: General Purpose Zones and Subzones. Public General Purpose Zones (GPZs) are open to all companies and offer a wide range of services, which can be utilized almost immediately. Subzones are companies that have chosen to utilize the benefits of the FTZ Program at their own location. Generally, importation distribution operations and manufactures have pursued the necessary steps to leverage this economic advantage at their own facilities. Each port in Indiana has a general-purpose foreign trade zone, as does the Indianapolis International Airport. In addition, there are several sub-zones throughout the state.

Foreign and domestic merchandise may enter an appropriately designated FTZ to be: stored, processed, distributed, manufactured, assembled, relabeled, exhibited, and tested...just to list a few opportunities.

Companies that import goods would be interested in using an FTZ because they can:

- conduct processing and assembly operations while deferring the payment of import duties until the product formally enters U.S. Customs Territory
- combine foreign and domestic components in order to qualify for lower duties
- avoid payment of duties on materials lost in manufacturing
- inspect goods for quality, breakage, and loss before import duties are paid
- exhibit or market goods prior to making duty payments
- schedule customs entries around inventory turnover or sales cycles
- store goods while awaiting a favorable exchange rate
- customs duties are not paid on merchandise exported from a zone.

## Foreign Trade Zone Locations:

General Purpose Zone:  
FTZ No. 72 Indianapolis  
Grantee: Indianapolis Airport Authority  
Operator: Greater Indianapolis FTZ, Inc.  
P.O. Box 51681, Indianapolis, IN 46251  
Kent Ebbing (317) 487-7203  
Fax (317) 487-7203

Subzones:  
72A GM  
72B Eli Lilly  
72C Eli Lilly  
72D Eli Lilly  
72F DaimlerChrysler  
72G DaimlerChrysler  
72H Subaru of Indiana Automotive  
72I Alpine  
72J Endress & Hauser Flowtec AG  
72K Onkyo  
72L Thomson Multimedia, Inc.  
72M Fujitsu Ten  
72N Alfa Laval Distribution, Inc.  
72O Tetra Pak Parts

## Foreign Trade Zone

72P SMC Pneumatics  
72Q Rolls-Royce Corporation  
72R Decatur Mold Tool & Engineering

Port of Entry: Indianapolis

General Purpose Zone:  
FTZ No. 125 South Bend  
Grantee: St. Joseph County Airport Authority  
Operator: K.A.K. LLC  
1507 South Olive, PO Box 3559, South Bend, IN 46619  
Mike Guljas (574) 233-2185, ext 223  
Fax (219) 232-8283

Subzone:  
125D Audiovox Specialized Applications

Port of Entry: Chicago

General Purpose Zone:  
FTZ N. 152 Burns Harbor  
Grantee: The Indiana Port Commission  
150 West Market Street, Suite 100, Indianapolis, IN 46204  
David Haniford (317) 232-9204  
Fax (317) 232-0137

Subzone:  
152B BP Products North America

Port of Entry: Chicago

General Purpose Zone:  
FTZ No. 170 Clark County  
Grantee: The Indiana Port Commission  
150 West Market Street, Suite 100, Indianapolis, IN 46204  
David Haniford (317) 232-9204  
Fax (317) 232-0137

Subzone:  
170A Lexmark

Port of Entry: Louisville

General Purpose Zone:  
FTZ No. 177 Evansville  
Grantee: The Indiana Port Commission  
150 West Market Street, Suite 100, Indianapolis, IN 46204  
David Haniford (317) 232-9204  
Fax (317) 232-0137

Subzones:  
177A Mead Johnson & Company  
177B Toyota Motor Manufacturing  
177C Pfizer Inc.

Port of Entry: Evansville

General Purpose Zone:  
FTZ No. 182 Fort Wayne  
Grantee: City of Fort Wayne  
Department of Economic Development  
Office of International Trade  
1 Main St., Room 840, Fort Wayne, IN 46802  
Ola Schechter (260) 427-1127  
Fax (260) 426-1375

Subzone:  
None

Port of Entry: Fort Wayne

General Purpose Zone:  
FTZ No. 239 Terre Haute  
Grantee: Terra Haute International Airport Authority  
581 South Airport St., Terre Haute, IN 47803

## Foreign Trade Zone

Dennis Dunbar (812) 877-2524  
Fax (812) 877-3853

Subzone:  
None

Port of Entry: Terre Haute

### **Application steps and deadlines:**

1. Contact the Ports of Indiana to fill out a foreign trade zone application, which includes intended use of zone, financial details, and a start-up timeline.
2. Submit application to Port Commission for approval.
3. If approved, the company can then submit a detailed application for review by the Foreign Trade Zones Board of the U.S. Department of Commerce.

## Hoosier Business Investment Tax Credit

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600  
Indianapolis, IN 46204 **P.O. Box**  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
**Telephone:** (317) 232-8800

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**General description:** The Hoosier Business Investment Tax Credit (HBITC) program was established to encourage capital investment in Indiana by providing a credit against a company's Indiana tax liability. The credit amount is based on a company's qualified capital investment with the final credit amount determined by the IEDC based on an analysis of the economic benefits of the proposed investment.

**Type of assistance:** Tax credit.

**Eligible activities and applicants:** IEDC may enter into an agreement with an applicant if the following conditions are met:

- The applicant's project will raise the total earnings of employees of the applicant in Indiana.
- The applicant's project is economically sound and will benefit the people of Indiana by increasing opportunities for employment and strengthening the economy of Indiana.
- Receiving the tax credit is a major factor in the applicant's decision to go forward with the project and now receiving the tax credit will result in the applicant not raising the total earnings of employees in Indiana.
- Awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget accuracy using the best available data.
- The average wage that will be paid by the taxpayer to its employees (excluding highly compensated employees) at the location after the credit is given will be at least equal to one hundred fifty percent (150%) of the hourly minimum wage or its equivalent.

A taxpayer receiving the tax credit shall maintain operations at the project location for at least ten (10) years during the term that the tax credit is available.

**Calculation of the Tax Credit:** A company's credit award may be up to 10% of their qualified capital investment and may be carried forward for up to nine years. The IEDC determines the applicable credit percentage and carry forward term on a case by case basis.

# Indiana Enterprise Zone Program

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600  
Indianapolis, IN 46204 **P.O. Box**  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
**Telephone:** (317) 232-8800

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<b>Program Objective:</b>	The purpose of the Indiana Enterprise Zone Program is to improve the quality of life in designated enterprise zones through community and business redevelopment initiatives.
<b>Type of assistance:</b>	Qualified businesses located in enterprise zones are eligible for tax abatements, credits and exemptions.
<b>Eligible activities and applicants:</b>	<p>The State Enterprise Zone Board may designate an enterprise zone if it finds that the following criteria exist in a proposed zone:</p> <ol style="list-style-type: none"><li>1. 25 percent of zone resident households are below the poverty level established by the U.S. Census or the average rate of unemployment for the most recent 18 month period is at least one and one-half (1 1/2) times the statewide rate for the same period.</li><li>2. Resident population is greater than 2,000 but less than 10,500.</li><li>3. The area is greater than 3/4 square mile but less than 4 square miles with a continuous boundary.</li><li>4. Property suitable for the development of a mix of commercial, industrial and residential uses.</li><li>5. The appointment of an urban enterprise association that meets the requirements of IC 4-4-6.1-4.</li><li>6. A statement by the applicant including a willingness to provide specified economic development incentives.</li></ol> <p>There are Twenty-Nine (29) Enterprise Zones in Indiana. Twenty-six (26) of the zones are located in the following cities: Anderson, Bedford, Bloomington, Connersville, East Chicago, Elkhart, Evansville, Fort Wayne, Frankfort, Gary, Hammond, Indianapolis, Jeffersonville, Kokomo, Lafayette, LaPorte, Marion, Michigan City, Mitchell, New Albany, Portage, Richmond, Salem, South Bend, Terre Haute and Vincennes. Grissom Aeroplex (formerly Grissom Air Force Base) located in Miami County, Fort Harrison (formerly Fort Benjamin Harrison) located in Marion County and the Indiana Army Ammunition Plant located in Clark County are also enterprise zones.</p>
<b>Application steps and deadlines:</b>	<p>The Indiana Enterprise Zone Program is governed by the 20-member Indiana State Enterprise Zone Board and staffed by the Indiana Economic Development Corporation (IEDC). The Board has broad powers to designate, review, approve and disqualify enterprise zones. At the beginning of each year, the Board determines if it will designate new zones for the following year. If the Board plans for additional zones, a letter of invitation to apply is sent to each community with a population over 2,000.</p> <p>Each local enterprise zone is administered by a local Urban Enterprise Association (UEA).</p>
<b>Reporting procedures:</b>	<p>A business that accesses at least one enterprise zone benefit must file an Enterprise Zone Business Registration form (EZB –R) on an annual basis.</p> <p>UEAs file an annual report (starting CY 1998) with the State Board and also appear before the Board for renewal requests (a zone receives an initial designation of ten years with two possible five year renewals).</p>
<b>Total amount of funds available:</b>	UEAs can apply to the IEDC for brownfield remediation grants from the Enterprise Zone Fund.
<b>Maximum award amount:</b>	<p>Enterprise Zone Tax Incentives:</p> <ol style="list-style-type: none"><li>1. Inventory Tax Abatement for businesses; no property tax on business inventory.</li><li>2. Investment Cost Credit for individuals; State income tax credit for individuals purchasing an ownership interest in an enterprise zone business.</li><li>3. Loan Interest Credit for lenders; State income tax credit on lender interest income.</li><li>4. Employment Expense Credit for businesses; State income tax credit based on wages paid to qualified employees.</li><li>5. Employee Tax Deduction for employees; Qualified employees' wages exempt from state income tax.</li></ol>
<b>Cash and in-kind match required:</b>	If a business's tax savings amount to more than \$1,000, it must submit a one percent registration fee to the Indiana State Enterprise Zone Board for administrative purposes (Enterprise Zone Fund). The Fund is also used to award brownfield remediation grants to UEAs.

## Indiana Enterprise Zone Program

An enterprise zone business must also comply with a financial obligation to UEAs. UEAs are eligible to receive a certain percentage of an enterprise zone business' tax savings. The percent is set by the local city council and the funds are used for the local redevelopment efforts of the UEA.

**Limitations on use of funds:**

An enterprise zone business' tax savings\* must be reinvested in the business or a business' employees who reside in the enterprise zone. (\*Tax savings after payment to State Enterprise Zone Board and UEA).

**Which finance programs/tools are particularly well suited to be used in conjunction with this program?**

Attraction: EDGE, Training 2016, IDGF

Retention: T2016

Brownfields Development: SEA 360

**How have local organizations used this program?**

Determined by each UEZ.

**Technical term or acronyms unique to this program:**

UEA: Urban Enterprise Association

EZB-R: Enterprise Zone Business Registration Form

EZB-E: Enterprise Zone Business Extension (for filing the EZB-R)

UEZ: Urban Enterprise Zone

EDGE: Economic Development for a Growing Economy

EDGF: Industrial Development Grant Fund

SEA 360: See the Brownfields Cleanup Revolving Loan Fund

## Interstate Inventory Tax Exemption

**Agency** Indiana Department of Local Government Finance

**Address** 100 N. Senate Ave., N-1058  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 232-3777

**Fax** (317) 232-8779

**TDD** (317) 232-4952

**Website** <http://www.in.gov/dlgf>

**Contact** , Contact the agency above for more information.

*Telephone:*

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### Taxes:

Indiana imposes property tax on inventory, but allows an exemption for certain goods held for shipment in interstate commerce. For example, finished goods awaiting shipment to out-of-state destinations may be exempt from tax. In most instances, a taxpayer may determine the exemption by an allocation method which applies the percentage of the locations total shipments which were made out of state during the previous year.

There are several separate statutory provisions for the interstate commerce exemption for inventory, including:

1. The property is owned by a manufacturer or processor. The origin of the goods is either in state or out of state. The property has been placed in a public or private warehouse and remains in the original package, without further processing, to be shipped to out-of-state destinations. The original package requirement is waived if its original package will cause damage to the property or if final packaging is impractical without a customer order. Otherwise exempt property of others may also qualify if properly reported. The allocation method may be based on the previous year's shipments.
2. The property is owned by a manufacturer or processor. The origin of the goods is in-state or out-of-state. The property is used in an operation to alter the personal property into a new or changed state that will be shipped out-of-state, or will be incorporated into personal property that will be shipped out-of-state. (Effective 1/1/03)
3. The property has been shipped into this state and placed in a public or private warehouse. The property is ready for transshipment to an out-of-state destination without additional manufacturing or processing, except repackaging. The allocation method may be based on the previous year's shipments.
4. The property is owned by a resident or nonresident. The origin of the goods is either in state or out of state. The property has been placed in a public or private warehouse and remains in its original package. The property has been ordered prior to the assessment date and is ready for shipment to a specific known out-of-state destination to which the property is subsequently shipped. If the property is not shipped to that destination, an amended property tax return is required. Otherwise exempt property of others may also qualify if properly reported. The allocation method is not permitted. Instead, the inventory qualifying for exemption must be specifically identified.
5. The property is owned by a resident or nonresident. The origin of the goods is either in state or out of state. The property has been placed in a public warehouse in its original package. The property was transported to the warehouse by a common, contract, or private carrier. The property is held for transshipment to an out-of-state destination and is labeled to show that purpose. The allocation method may be based on the previous year's shipments.

In all instances, the inventory must be properly reported and the exemption claimed on a timely filed business personal property tax return and on Form 103-4.2-12-1.

# New Markets Tax Credit (NMTC) Program

**Agency** CDFI Fund of the US Treasury  
**Address** 601 13th Street, NW Suite 200, South Washington, DC 20005 **P.O. Box**  
**Telephone** (202) 622-7373 **Fax** (202) 622-6355 **TDD**  
**Website** [http://www.cdfifund.gov/what\\_we\\_do/](http://www.cdfifund.gov/what_we_do/)  
**Contact** Matt Josephs,  
**Telephone:**

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**Program Objective:** The objective of the New Markets Tax Credit (NMTC) program is to induce private capital investment into census tracts with low-income and high poverty rate statistics based on the 2000 US Census using a Federal Income Tax Credit. The targeted areas are designated as Low Income Communities (LICs) by statute and Qualified Active Low-Income Community Businesses (QALICBs) in these areas are the ultimate recipient of this capital.

**Type of assistance:** There is no limitation to the form that the Qualified Low-Income Community Investment (QLICI) may take. It can be debt or equity and can have any type of feature. What most NMTCs will mean to the business is a lower interest rate for a loan, or a larger equity contribution for an equity investment (especially if twinned with the Historic Tax Credit). These terms are negotiated between the business and the Community Development Entity (CDE) that received the allocation of tax credits.

**Eligible activities and applicants:** Potential applicants should visit the CDFI website to understand if they are in a qualified census tract/LIC.

- Census tracts with at least 20% poverty, or
- Census tracts where the median family income is below 80% of the benchmark area family median income

Exceptions created by the American Jobs Creation Act of 2004:

1. High out-migration rural counties (10% net out-migration over the past 20 years) may use a MFI threshold of 85% instead of 80% to determine eligibility.
2. Low population census tracts (population less than 2,000) within an empowerment zone and contiguous to one or more low-income communities are eligible low-income communities.
3. The previous methodology of identifying "targeted areas" was replaced with a provision for identifying "targeted populations." This exception will not be available until the IRS prescribes regulations under which targeted populations will be treated as Low-Income Communities and procedures for determining associated issues such as how a QALICB relates to a targeted population.

Next a business must pass a several part test and not be a prohibited activity.

- 50% or more of the total gross income is from active conduct of a qualified business in Low-Income Communities; and
- 40% or more of the use of the tangible property is located in Low-Income Communities; and Less than 5% of the average aggregate, unadjusted bases of the property is attributed to;
- Collectibles (e.g., art and antiques, other than for sale in the ordinary course of business), and
- Non-qualified financial property (e.g., debt instruments with a term in excess of 18 months).

Exceptions:

1. The gross income test is met if either the tangible property or the services test is met at 50% or higher.
2. A business venture with no employees (e.g., real estate partnership) meets the services and gross income tests if it meets the tangible property test at 85% or higher.
3. "Active conduct" includes start-ups (for profit and not-for-profits) if the entity is reasonably expected to generate revenue (engage in activities furthering its purpose) within three years of the date of the QLICI.

Not an eligible business activity;

- Rental of residential real property which derive 80% or more gross rental income from dwelling units, or
- Rental of real property where no substantial improvements are made, or
- Trade or business consisting predominately of the development or holding of intangibles for sale or license, or
- Operation of or rental of real property to golf courses, race tracks, gambling facilities, massage parlors, hot tub or sun tan facility, liquor stores, or
- Farming businesses with more than \$500,000 in assets owned or leased

## New Markets Tax Credit (NMTC) Program

### Application steps and deadlines:

The NMTC Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated CDEs. Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in Low-Income Communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. These CDEs will then sell the credits to taxable investors in exchange for stock or a capital interest in the CDEs. To qualify as a CDE, an entity must be a domestic corporation or partnership that: 1) has a mission of serving, or providing investment capital for, Low-Income Communities or low-income persons; 2) maintains accountability to residents of Low-Income Communities through their representation on a governing board of, or advisory board to the entity; and 3) has been certified as a CDE by the CDFI Fund.

So there are two possible applications. Entities may apply to the CDFI Fund to become a CDE and then make application for New Markets Tax Credit. Or a business may look for CDEs, that have a New Markets Tax Credit allocation and a service area which includes the business.

Community Development Entities (CDE) receive allocations of New Markets Tax Credit (NMTC) through a competitive process run by the CDFI Fund. The CDFI Fund website lists all CDEs and all allocates, and provides points of contact, program description, and service area information.

### Reporting procedures:

The CDE must report to the CDFI Fund and can expect to have extensive reporting requirements by investors in the CDE (the group that brings the cash to the table for the credits).

The QALICB will be asked for tracking information at underwriting and will be asked periodically to fulfill CDFI Fund and investor requirements. These have not been determined.

### Total amount of funds available:

Through September 2007 the CDFI made 294 awards for approximately \$16 billion in allocation. The \$16 billion in investments generated by NMTCs from these allocations should create almost \$6 billion in credits. The first round of allocations was announced Spring 2003. Another round of allocation is expected in October 2008.

### Calculation of the Tax Credit:

The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually.

### Limitations on use of funds:

Must be used in qualified census tracts, for a qualified business.

### Which finance programs/tools are particularly well suited to be used in conjunction with this program?

In a leveraged transaction governmental and non-profits can become the lender side and benefit the entity by running HUD 108 loans and Program Related Investments through. This twins very well with the historic tax credit.

### How have local organizations used this program?

Look to see who your local CDEs are. Even if they do not have an allocation today they may be making loans and investments for other CDEs and they may get their own allocation in the next round.

### Technical term or acronyms unique to this program:

CDFI Fund: Community Development Finance Institutions  
CDE: Community Development Entity  
NMTC: New Markets Tax Credit  
LIC: Low-Income Community  
QALICB: Qualified Active Low-Income Business  
QLICI: Qualified Low-Income Investment

# Tax Abatement

**Agency** Indiana Department of Local Government Finance

**Address** 100 N. Senate Ave., N-1058  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 232-3777      **Fax** (317) 232-8779      **TDD** (317) 232-4952

**Website** <http://www.in.gov/dlgf>

**Contact** , Contact the agency above for more information.

*Telephone:*

**General description:** To encourage development in areas that would not otherwise receive the economic benefits associated with development by offering short-term property tax deductions for new investment in real estate improvements and manufacturing equipment.

**Eligible activities and applicants:** Real property taxes are abated only with regard to the increase in assessed value resulting from the investment in new improvements (not land) or the rehabilitation of existing improvements. Personal property taxes are abated only with regard to new manufacturing equipment. "New manufacturing equipment" generally means any tangible personal property which (1) is used in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining or finishing of other tangible personal property, including but not limited to use to dispose of solid waste or hazardous waste by converting the hazardous waste into energy or other useful products and (2) was acquired by its owner for use as described above and was never before used by its owner for any purpose in Indiana and (3) equipment used for research and development. "New Research and development equipment" means tangible personal property that: a) is installed after June 30, 2000, and before January 1, 2006, in an economic revitalization area in which a deduction for tangible personal property is allowed; b) consists of: laboratory equipment, research and development equipment, computers and computer software, telecommunications equipment, or testing equipment; c) is used in research and development activities devoted directly and exclusively to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products; and d) is acquired by the property owner for purposes described in this subdivision and was never before used by the owner for any purpose in Indiana. The term does not include equipment installed in facilities used for or in connection with efficiency surveys, management studies, consumer surveys, economic surveys, advertising or promotion, or research in connection with literacy, history, or similar projects. Tax abatements may not generally be granted for (1) private or commercial golf courses, (2) country clubs, (3) massage parlors, (4) tennis clubs and other racquet sport facilities, (5) skating facilities, (6) hot tub facilities, (7) suntan facilities, (8) racetracks, (9) any retail food and beverage services, (10) single-family residential projects and multifamily residential projects with less than 20% of the units available for low and moderate income individuals and (11) package liquor stores and other businesses required to have an alcoholic beverage license. However, in certain instances, abatement for residential and retail projects is permitted. Generally, first year abatement on new manufacturing equipment or new research and development equipment is not allowed to the extent that it could cause the owner's personal property assessment to be less than the prior year's assessment.

**Type of assistance:** The taxpayer receives a deduction from the assessed value that is otherwise subject to tax. As determined by the designating body, such deductions may be for a period of one to ten years with respect to either manufacturing equipment or real property. The percentage of assessed value for which taxes are abated declines based on the following schedules:

**Real Property:**

Percent of Assessed Value Not Taxed: Length of Abatement (in Years)

	Years of Deduction									
	1	2	3	4	5	6	7	8	9	10
1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2		50%	66%	75%	80%	85%	85%	88%	88%	95%
3			33%	50%	60%	66%	71%	75%	77%	80%
4				25%	40%	50%	57%	63%	66%	65%
5					20%	34%	43%	50%	55%	50%
6						17%	29%	38%	44%	40%
7							14%	25%	33%	30%
8								13%	22%	20%
9									11%	10%
10										5%

# Tax Abatement

Personal Property:

Percent of Assessed Value Not Taxed: Length of Abatement (in Years)

	Years									
	1	2	3	4	5	6	7	8	9	10
1	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2		50%	66%	75%	80%	85%	85%	88%	88%	90%
3			30%	50%	60%	66%	71%	75%	77%	80%
4				25%	40%	50%	57%	63%	66%	70%
5					20%	34%	43%	50%	55%	60%
6						25%	29%	38%	44%	50%
7							14%	25%	33%	40%
8								13%	22%	30%
9									11%	20%
10										10%

**Procedures for initial approval of abatement:**

The council of a county, city or town (the "Designated Body") designates an area, known as an economic revitalization area, in which investment is eligible for tax abatement and approves the tax abatement for specific investments by the individual taxpayers.

Prior to the installation of new manufacturing equipment or new research and development equipment and the commencement of real property improvements, the taxpayer is required to file a Statement of Benefits describing the proposed abatement project, to estimate the value or cost of the proposed project and to estimate the number and salaries of those persons newly employed or retained as a result of the project. With respect to abatement on new manufacturing equipment and new research and development equipment the taxpayer may estimate on the Statement of Benefits the amount of solid waste or hazardous waste that will be converted into energy or other useful products by equipment. The taxpayer also may be asked to submit an application in the form required by the Designating Body and to pay an application fee.

The Designating Body determines whether the estimated benefits listed in the Statement of Benefits are reasonably attainable from the proposed abatement project and determines whether the expected benefits are significant enough to justify the tax abatement. If the benefits are found to justify an abatement, the Designating Body prepares a declaratory resolution that includes a description of the boundaries of the newly declared economic revitalization area and approves the abatement deductions. Subsequently, the Designating Body adopts a confirmatory resolution after public notice and a hearing to receive public comments on the issue of designation.

**Annual requirements to claim abatement:**

In order to obtain the tax abatement deductions, the taxpayer must file a deduction application after the abatement is approved. With respect to real property tax abatement, the application is required to be filed only one time, generally before May 10 in the year in which the assessed value is added. To claim personal property tax abatement, the taxpayer must file annually a deduction application, generally between March 1 and May 15. In addition, the taxpayer must file with the Designating Body a form demonstrating the taxpayer's compliance with the original statement of benefits. The Designating Body may terminate the taxpayer's abatement deductions if it determines that the taxpayer failed to substantially comply with the Statement of Benefits for reasons that were not beyond the control of the taxpayer.

Examples:

Tax abatement is one of the incentives most commonly used by local governments to attract new or encourage new investment by existing businesses, and has been granted in a variety of circumstances. For example, Howard County approved tax abatement on nearly \$1 billion in improvements and manufacturing equipment in connection with the construction of a new facility by Chrysler Corporation, which attracted and retained manufacturing employees. The City of Indianapolis approved tax abatement for real estate improvements related to Software Artistry's headquarters facility, which employed programmers and others in highly paid technological positions. The City of Indianapolis also approved tax abatement for an expansion of an existing facility by Thomas Euclid Industries, which involved a much smaller investment, but retained and created new employment in an area of the City in need of economic development.

Several communities, which receive numerous abatement requests, have developed procedures for applying for abatement, policies on the amount and length of the abatement that will be approved, and procedures for monitoring the taxpayer's compliance with the original statement of benefits.

## Tax Increment Finance in Indiana (TIF)

**Agency** Indiana Department of Local Government Finance

**Address** 100 N. Senate Ave., N-1058  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 232-3777      **Fax** (317) 232-8779      **TDD** (317) 232-4952

**Website** <http://www.in.gov/dlgf>

**Contact** , Contact the agency above for more information.

*Telephone:*

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<b>General description:</b>	The tax increment finance ("TIF") mechanism in Indiana permits a town, city or county, through a local redevelopment commission, to designate targeted areas for redevelopment or economic development. Those areas can then be designated as "allocation areas" which triggers the TIF process. After such a designation is made, property taxes generated from new construction in the area, rather than going to the normal taxing units (e.g., schools, cities, counties), can be set aside and invested back in the area to promote development. These property tax revenues can be leveraged by the issuance of TIF bonds, the proceeds of which also can be used to promote development in the area.
<b>Permitted Uses of TIF:</b>	TIF revenues may be used directly to finance public infrastructure, land acquisition, site improvements, and other public improvements. Alternatively, TIF revenues may be pledged to the payment of bonds or lease rental obligations issued or incurred to finance such projects.
<b>Property Subject to TIF:</b>	Only taxes on real property, and taxes on depreciable personal property used in industrial, manufacturing, warehousing, research and development, processing, distribution, or transportation related projects, qualify for the use of the TIF mechanism.  NOTE: TIF revenues and TIF bond proceeds are public funds. Therefore, under Indiana law, the expenditure of such monies is subject to certain laws, most notably the public bidding law and the prevailing wage law. Also, the transfer of TIF-financed property to a private company is subject to certain public property disposition laws.
<b>Establishment of TIF Area:</b>	To create a TIF area, a town, city or county must first create a local redevelopment commission (if it has not already done so). The commission must then prepare a formal plan for the development of the targeted area. Once the plan is ready, a four step public process is required, as follows: <ol style="list-style-type: none"><li>1. The redevelopment commission must adopt a declaratory resolution designating the area and approving the development plan.</li><li>2. The declaratory resolution and plan must be approved by the local planning commission.</li><li>3. The declaratory resolution and plan must be approved by the city or town council or the county commissioners, as the case may be.</li><li>4. The redevelopment commission must conduct a public hearing on the plan and adopt a confirmatory resolution finally approving the designation of the area.</li></ol> This process typically takes from four to eight weeks to complete, depending upon the complexity of the development plan, the willingness of the public bodies to hold special meetings and similar contingencies.
<b>TIF and Tax Abatement:</b>	To the extent that tax abatement is granted to a company located in a TIF area, the amount of TIF revenues that will be generated is reduced. This in turn reduces the amount of TIF bond proceeds that can be generated for a project. Thus, a company often must make a decision as to whether it would rather obtain property tax relief through tax abatement, or leverage the payment of more property taxes into increased TIF bond proceeds for a project.
<b>TIF Bonding Procedures:</b>	The issuance of "pure" TIF bonds, that is, bonds payable solely from TIF revenues, is a relatively simple process. The major steps are the preparation by a financial consultant of a projected TIF revenue study, the preparation of a disclosure document for the sale of the bonds, and adoption by the redevelopment commission of a bond resolution. The issuance of pure TIF bonds can be accomplished in as little as two or three months.  Often, however, TIF bonds are enhanced by the pledge of another backup revenue source, such as EDIT revenues or a general obligation property tax. Such an enhancement is often necessary to sell bonds when the TIF area consists of a limited number of taxpayers. The pledge of other revenue sources may necessitate additional procedures that can add several months to the bonding process, including petition and remonstrance procedures in certain cases.
<b>Leasing Structure:</b>	When other tax revenues are pledged to enhance a TIF financing, Indiana constitutional debt limit restrictions often dictate that the financing be structured as a lease. Under this structure, a separate entity known as a redevelopment authority is created by ordinance of the unit's legislative body. The redevelopment authority then issues bonds, constructs the project, and leases it back to the redevelopment commission. The commission then pays lease rentals to the authority from TIF and the other pledged revenues in an amount sufficient to pay the authority bonds. If the project

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## **Tax Increment Finance in Indiana (TIF)**

financed is an on-site improvement such as a building or equipment, the commission then must sublease the property to the company (typically for a nominal amount). The practical implication for the company is that it will not take outright ownership to the TIF bond-financed property until the bonds are retired.

# Venture Capital Investment Tax Credit

**Agency** Indiana Economic Development Corporation  
**Address** One North Capitol, Suite 600 *P.O. Box*  
 Indianapolis, IN 46204  
**Telephone** (317) 232-8800 **Fax** (317) 233-5123 **TDD**  
**Website** <http://www.iedc.in.gov>  
**Contact** , Program Manager  
*Telephone: (317) 232-8800*

<b>General description:</b>	Investments received by qualified Indiana Businesses may be eligible for Indiana's Venture Capital Investment Tax Credit ("VCI Tax Credit"). This credit is designed to allow a non-refundable Indiana tax credit to taxpayers based upon venture capital amounts provided to the Indiana qualified companies.
<b>Type of assistance:</b>	A taxpayer that provides qualified investment capital to a qualified Indiana business may claim the VCI Tax Credit against the taxpayer's Indiana tax liabilities. "Qualified investment capital" is debt or equity capital that is provided to a qualified Indiana Business before December 31, 2008. The taxpayer's VCI Tax Credit is equal to twenty percent of the amount of the taxpayer's qualified investment capital, or five hundred thousand dollars, whichever is less.
<b>Eligible activities and applicants:</b>	The Indiana Economic Development Corporation may certify a business as a qualified Indiana business if the business meets the following criteria: 1. Has its headquarters in Indiana. 2. Is primarily focused on research and development, technology transfers, or the application of new technology, or which promotes the purposes of the VCI Statute. 3. Has had average annual revenue of less than ten million dollars (\$10,000,000) in the two years preceding the year in which the qualified investment is made. 4. Has at least 50% of its employees residing in Indiana, and at least 75% of its assets located in Indiana; and, 5. Is not engaged in a real estate related business, insurance, accountant, physician or lawyer-related business, or oil and gas exploration.
<b>Application steps and deadlines:</b>	A business that is interested in receiving certification as a qualified Indiana business for purposes of receiving venture capital investments must submit an application to the Indiana Economic Development Corporation. Applications are accepted on a continuous basis. Reviews of applications are performed on a monthly basis.
<b>Calculation of the Tax Credit:</b>	The maximum amount of tax credits available for the qualified investment of capital to a particular qualified Indiana Business equals the lesser of: - The total amount of qualified Indiana Business in the calendar year, multiplied by Twenty percent (20%); or - Five hundred thousand dollars (\$500,000)
<b>Limitations on use of funds:</b>	N/A
<b>Which finance programs/tools are particularly well suited to be used in conjunction with this program?</b>	N/A
<b>How have local organizations used this program?</b>	N/A
<b>Technical term or acronyms unique to this program:</b>	IEDC: Indiana Economic Development Corporation

# Calculation of True Tax Value

**Agency** Indiana Department of Local Government Finance  
**Address** 100 N. Senate Ave., N-1058 Indianapolis, IN 46204 **P.O. Box**  
**Telephone** (317) 232-3777 **Fax** (317) 232-8779 **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dlgf>

**Contact** , Contact the agency above for more information.  
**Telephone:**

**Real Property:** **Land:**  
 The true tax value of land is determined by local officials based on comparable sales. TTV is defined in the rules of the Indiana Department of Local Government Finance (DLGF) as, "The market value-in-use of a property for its current use, as reflected by the utility received by the owner or a similar user, from the property." Further, the DLGF defines value in use as, "The value of property for a specified use. The concept that holds value to be inherent in property itself; that is, the value is based on the ability of the asset to produce revenue or utility through ownership. The value a specific property has for a specific use."

**Buildings:**  
 The true tax value of improvements is determined by using the rules of the Indiana Department of Local Government Finance (DLGF). The TTV represents the market value in use of the improvements (see definitions above).

**Personal Property:** **Depreciable Personal Property:**  
 Depreciable Personal Property (e.g., machinery, equipment, and office furniture) is valued using the cost basis utilized for federal income tax purposes times a percentage based on the life of the asset and its age. The applicable percentages for determining true tax value are generally based four (4) depreciation tables found in the rules of the DLGF (see below).

**Inventory:**  
 Inventory includes supplies, stock in trade, raw materials, work in progress, and finished goods. Inventory is assessed as of March 1 of each year. A 35% valuation adjustment is allowed to book costs to arrive at true tax value. A taxpayer can also elect a twelve-month calendar-year average method. Finished goods inventory destined for out-of-state shipment may be exempt from tax. The qualifications and filing requirements for this exemption are discussed in the "Interstate Inventory Tax Exemption" section.

Beginning with the March 1, 2006 assessment date, inventory will be subject to a 100% deduction and will not be taxed.

**Special Tools:**  
 Special tools include tools, dies, molds, jigs, and patterns used for the production of specific products or product models. The usefulness of special tools ceases with the modification or discontinuation of the product or product model. The true tax value of special tools purchased in the previous twelve months is 30% of cost, while all other special tools on hand are valued at 3% of original cost.

**Personal Property Not Placed in Service:**  
 Personal property not placed in service as of the assessment date (such as construction in progress) qualifies for a special valuation treatment. The true tax value of personal property not placed in service is 10% of original cost.

Table to Determine True Tax Value for Depreciable Personal Property by Percentage of Original Cost  
 Indiana Pools of Assets by Lives Used on Federal Tax Return

Year of Acquisition	Pool#1 (1-4yrs)	Pool#2 (5-8yrs)	Pool#3 (9-12yrs)	Pool#4 (13+yrs)
1	65%	40%	40%	40%
2	50%	56%	60%	60%
3	35%	42%	55%	63%
4	20%	32%	45%	54%
5		24%	37%	46%
6		18%	30%	40%
7		15%	25%	34%
8			20%	29%
9			16%	25%
10			12%	21%
11			10%	15%
12				10%
13				5%

# Calculation of True Tax Value

Note: The total true tax value of a taxpayer's assessable depreciable personal property in a single taxing district cannot be less than 30% of the adjusted cost of all such property of the taxpayer.

# County Adjusted Gross Income Tax (CAGIT)

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 232-2240 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
**Telephone:**

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<b>General description:</b>	As described more fully below, the County Adjusted Gross Income Tax ("CAGIT") may be imposed under I.C. 6-3.5-1.1 by Indiana counties, at a rate of up to 3.25% (6-3.5-1.1-2) on the adjusted gross income of county taxpayers. CAGIT revenues are distributed to: (1) civil taxing units within such counties (including the county itself) as property tax replacement credits and as certified shares and (2) to school corporations within such counties as property tax replacement credits.
<b>Permitted Uses of CAGIT:</b>	CAGIT is used by civil taxing units and school corporations as property tax replacement credits. Civil taxing units use remaining revenues as additional revenues for purposes of fixing their budgets. As such, CAGIT revenues may be used for any governmental purpose (there are no statutory limitations).
<b>Adoption of CAGIT:</b>	<p><b>Timing:</b> CAGIT may be initially imposed or subsequently increased or decreased by the county only between January 1 and April 1 of the given year unless special legislation allows otherwise. The tax (or the increase or decrease) then takes effect the following July 1. The first collection of the tax by the county is on May 1 of the following year. CAGIT may be rescinded between January 1 and June 1.</p> <p><b>Applicability:</b> CAGIT is applicable to "county taxpayers". That term is defined as either a resident of the county or one who maintains a principal place of business or employment in the county and does not reside in another county in which CAGIT or another local income tax (CEDIT or COIT) is in effect.</p> <p><b>Rate:</b> In general, CAGIT is imposed at a rate of .5%, .75% or 1% on the adjusted gross income of resident county taxpayers of the county. The county must impose the tax on the nonresident county taxpayers at a rate of .25% on their adjusted gross income. The county may reduce the CAGIT rate in increments of .1%. The county economic development income tax may not be imposed or increased in a year when the CAGIT rate is decreased. In general, CAGIT may not be rescinded and the CAGIT rate may not be decreased or rate reduction could affect obligations to which CAGIT has been pledged.</p> <p><b>Procedure:</b> CAGIT may be adopted by ordinance of the county council in any county in which the county option income tax ("COIT") is not in effect. The auditor of a county shall record all votes taken on a CAGIT ordinance and a certified copy of the votes must be sent to the Indiana Department of State Revenue by certified mail.</p>
<b>Procedures for Collection:</b>	CAGIT collections are made by the Indiana Department of Revenue. The department estimates by July 1 of each year the amount to be collected in the county between that July 1 and the following June 30. This amount is the "certified distribution". The certified distribution estimated as of July 1 of a year is distributed to the county in equal amounts on May 1 and November 1 of the following year.
<b>Procedures for Distribution:</b>	<p>The certified distribution received by a county is distributed to: (1) the civil taxing units as property tax replacement credits and as certified shares and (2) to school corporations as property tax replacement credits. The proportion of certified distribution allocated between certified shares and property tax replacement credits depends on which CAGIT tax rate is in effect in the county. The percentages are set forth in the following table:</p> <p>CAGIT - .5% Replacement Credits - 50% Certified Shares - 50%</p> <p>CAGIT - .75% Replacement Credits - 33 1/3% Certified Shares - 66 2/3%</p> <p>CAGIT - 1% Replacement Credits - 25% Certified Shares - 75%</p>

## **County Adjusted Gross Income Tax (CAGIT)**

In general terms, CAGIT distributions for property tax replacement credits are made by the county among civil taxing units and school corporations based upon the respective proportions of property tax collections. Such property tax collections include any amounts of federal revenue sharing funds and certified shares that have been used to reduce a unit's maximum levy.

In general terms, CAGIT distributions for certified shares are made by the county among the civil taxing units based upon the respective proportions of "attributed levies". Such attributed levies include not only property taxes of the unit but also any amount of federal revenue sharing funds and certified shares used to reduce the unit's maximum levy and the tax levy and certified shares used to reduce the tax levy of any special taxing district, authority, board or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the unit. A solid waste management district may receive a distribution only if a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving the distribution.

This summary provides general overview information and does not constitute legal advice and is not intended to substitute for a review of applicable law. Each project presents its own unique circumstances and the reader should consult qualified legal counsel to determine how to apply these general principles to specific projects.

# County Economic Development Income Tax (CEDIT)

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave *P.O. Box*  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
*Telephone:*

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**General description:** As described more fully below, the County Economic Development Income Tax ("CEDIT" or "EDIT") may be imposed by Indiana counties, at a rate of up to 0.5% on the adjusted gross income of county taxpayers. The amount of CEDIT revenues will vary by county based on the rate imposed and the level of the adjusted gross income within the county. CEDIT revenues are distributed to adopting counties and the cities and towns within such counties and may be used as a source of funding for economic development projects.

**Permitted Uses of CEDIT:** Among other things, CEDIT revenues may be used by the county, city or town for the following purposes:  
(a) To pay for an economic development project (as defined below);  
(b) To make bond or lease rental payments;  
(c) To pay all or part of the interest owed by a private developer or user on a loan extended by a financial institution or other lender to the developer or user, if the proceeds of the loan are to be used to finance an economic development project.  
(d) To make contract payments to a not-for-profit corporation whose primary corporate purpose is to assist government in planning and implementing economic development projects;  
(e) To pay operating expenses of a governmental entity that plans or implements economic development projects.  
(f) To fund substance removal or remedial action in a designated unit; and  
(g) To fund a revolving loan fund for economic development projects.

"Economic Development Project" is a project that the county determines will: (1) promote significant opportunities for the gainful employment of its citizens; (2) attract a major new business enterprise to the unit; or (3) retain or expand a significant business enterprise within the unit. An economic development project must involve an expenditure for: the acquisition of land; site improvements; infrastructure improvements; buildings; structures; rehabilitation, renovation, and enlargement of buildings and structures; machinery; equipment; furnishings; facilities; administrative expenses associated with such a project; operating expenses of a governmental entity that plans or implements economic development projects.

**Bonding Authority:** CEDIT revenues are collected over time. The issuance of bonds, however, can enable the county, or a city or town in the county, to use future CEDIT revenues today. The fiscal body may issue bonds payable from future CEDIT distributions to, among other things, finance economic development projects. The procedures for issuing CEDIT bonds are relatively simple. There is no provision to remonstrate or protest the bond issue, and there is no requirement that the State Board of Tax Commissioners approve the issuance of the bonds. A unit also may enter into a lease with a leasing body of any property that could be financed with the proceeds of CEDIT bonds. The lease may provide for payments from CEDIT revenues, and other revenues available, or a combination of these sources.

**Timing:**  
In very general terms, a CEDIT bond issued will require approximately 2 to 4 months from the time of adoption of the initial bond ordinance until the closing of the transaction and the receipt of bond proceeds.

**CEDIT and TIF:**  
CEDIT revenues may be used to retire bonds issued under any provision of Indiana law for a capital project. This means that CEDIT can be used as an additional source of security for bonds issued by another entity, such as tax increment revenue bonds issued by a redevelopment commission.

**Adoption of CEDIT:** **Timing:**  
CEDIT may be initially imposed or subsequently increased or decreased by the county only between January 1 and April 1 of the given year unless special legislation allows otherwise. The tax (or the increase or decrease) then takes effect the following July 1. The first receipt of the tax revenues by the county is on May 1 of the following year.

**Rate:**  
The tax may be imposed at the rate of 0.1%, 0.2% or at any multiple of .05% above 0.2% up to 0.5% on the adjusted gross income of county taxpayers. If the county adjusted gross income tax ("CAGIT") is in effect in the county, the combined rates of CAGIT and CEDIT may not exceed 1.25%. If the county option income tax ("COIT") is in effect in the county, the combined rates of COIT and CEDIT may not exceed 1.0%.

## County Economic Development Income Tax (CEDIT)

### Applicability:

CEDIT is applicable to "county taxpayers". That term is defined as either a resident of the county or one who maintains a principal place of business or employment in the county and does not reside in another county in which CEDIT or another local income tax is in effect.

### Procedure:

Generally, CEDIT must be adopted by ordinance of the county council or county income tax council. If the county has already adopted COIT (County Option Income Tax), then the county income tax council must adopt CEDIT. If the county has already adopted CAGIT (County Adjusted Gross Income Tax), then the county council must adopt CEDIT. If the county has neither COIT or CAGIT, then either body may adopt CEDIT.

### Procedures for Collection and Distribution:

CEDIT collections are made by the Indiana Department of Revenue. The Department estimates by July 1 of each year the amount to be collected in the county between that July 1 and the following June 30. This amount is the certified distribution. The certified distribution estimated as of July 1 of a year is distributed to the county in equal amounts on May 1 and November 1 of the following year. The county distributes the amounts received among the county and the cities and towns in the county based on the proportionate amounts of property tax collections in those units, unless the body which adopted CEDIT adopts an ordinance to make distributions based upon the proportionate populations of those units. In order to receive its share of the certified distribution, a unit must adopt a capital improvement plan that specifies the uses of the revenues to be received.

This summary provides general overview information and does not constitute legal advice and is not intended to substitute for a review of applicable law. Each project presents its own unique circumstances and the reader should consult qualified legal counsel to determine how to apply these general principles to specific projects.

# County Option Income Tax (COIT)

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 232-2240 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
**Telephone:**

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<b>General description:</b>	As described more fully below, the County Option Income Tax ("COIT") may be imposed under I.C. 6-3.5-6 by Indiana counties, at a rate of up to 1% on the adjusted gross income of county taxpayers. COIT revenues are distributed to adopting counties and the other civil taxing units within such counties. In general, such distributions may be used for an increase in the homestead property tax credit and remaining funds are treated as additional revenues for fixing a civil taxing unit's budget.
<b>Permitted Uses of COIT:</b>	COIT may be used to fund locally provided homestead credits. In general, remaining COIT is treated as additional revenue to fix a civil taxing unit's budget. There is no statutory limitation on the purposes for which such revenues may be expended.
<b>Adoption of COIT:</b>	<p><b>Timing:</b> COIT may be initially imposed or subsequently increased, decreased, "frozen" or rescinded by the county only between January 1 and April 1 of the given year unless special legislation allows otherwise. Generally, such action by the county then takes effect the following July 1. The county must provide for an increase in the homestead credit between January 1 and June 1.</p> <p><b>Applicability:</b> COIT is applicable to "county taxpayers". That term is defined as either a resident of the county or one who maintains a principal place of business or employment in the county and does not reside in another county in which COIT or another local income tax (CEDIT or CAGIT) is in effect.</p> <p><b>Rate:</b> COIT is imposed on the adjusted gross income of county taxpayers. COIT is initially imposed at a rate of .2% on the resident county taxpayers of the county and a rate of .05% for all other county taxpayers. If the county income tax council takes no further action, the rate increases by .1% on each succeeding July 1 until the rate equals .6%. The rate in effect for non-resident county taxpayers is at all times one-fourth of the tax imposed upon resident county taxpayers. If the county income tax council acts in the year when the rate becomes .6% to increase the rate, the tax rate will automatically increase by .1% per year until it reaches a maximum of 1%. In general, COIT may not be reduced or rescinded nor may the tax council take any action which would reduce the distributive share of any unit, once COIT has been pledged by a unit for an obligation.</p> <p><b>Procedure:</b> COIT may be imposed by the county income tax council in any county in which the county adjusted gross income tax ("CAGIT") is not in effect. The membership of the county income tax council consists of the fiscal body of the county and the fiscal body of each city or town that lies partially or entirely within that county. Every county income tax council has a total of 100 votes COIT ordinance must be recorded by the county auditor. The county auditor must send a certified copy of the votes to impose or rescind COIT or to increase, decrease or freeze the tax rate to the Indiana Department of State Revenue by certified mail.</p>
<b>Revenue Derived from COIT:</b>	The county income tax council may determine to "fund" from COIT revenues an increase in the homestead credit against property taxes in the county in an amount up to an 8% increase. This is in addition to the state funded homestead credit. The revenue derived in Marion County may be used for specific purposes, such as the funding of a public communications system and computer facilities district. Any revenue derived from the tax that is not used to replace the amount of property tax revenue lost due to the allowance of an increased homestead credit or to fund the special Marion County purposes is distributed to the civil taxing units in the county. This revenue may also be considered as additional revenue for the purpose of fixing a unit's budget and as such may be used for any governmental purpose (no statutory limitations).
<b>Procedures for Collection:</b>	The department of state revenue makes the tax collection. The department estimates by June 15 the amount to be collected in the county between July 1 and June 30. This is the county's "certified distribution". The certified distribution estimated as of July 1 of a year is distributed in equal amounts on the first day of each month of the following year.
<b>Procedures for Distribution:</b>	The county auditor retains from the distribution amount an amount equal to the revenue lost, if any, due to the increase of the homestead credit. The amount retained is distributed to each civil taxing units and school corporations of the county, as though it were property tax collections. In general, the remaining money is distributed to civil taxing units in the county (including the county itself) in the proportion of those unit's property tax collections.

**County Option Income Tax (COIT)**

Solid waste districts are included only if a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving the distribution.

## Local Property Taxes

**Agency** Indiana Department of Local Government Finance

**Address** 100 N. Senate Ave., N-1058  
Indianapolis, IN 46204

**P.O. Box**

**Telephone** (317) 232-3777

**Fax** (317) 232-8779

**TDD** (317) 232-4952

**Website** <http://www.in.gov/dlgf>

**Contact** , Contact the agency above for more information.

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<b>Taxpayer:</b>	Owners of real property and tangible personal property located in Indiana on March 1 of each year.
<b>Tax base:</b>	Property taxes in Indiana are imposed at the local level on real property (land and buildings), business personal property, which typically consists of inventories (Note: Beginning with the March 1, 2006 assessment date, inventory will be 100% deductible and not subject to property taxes) and depreciable personal property and utility property (which includes land and buildings located at the production plant, as well as distribution or transmission systems). Real property values are determined in periodic general reassessments. Business personal property and utility values are self-reported on annual tax returns. Property is assessed at 100% of "true tax value". True tax value is determined by the application of rules of the State Board of Tax Commissioners.
<b>Tax rate:</b>	Property tax rates are determined based upon the levies filed by local government units and are multiplied times assessed value to determine the property tax liability.
<b>Tax freeze:</b>	In general, the annual property tax levy increases for all taxing units are limited to the prior years levy plus one-half of the difference between the maximum levy. Certain exceptions to the maximum are allowed for excess levy appeals (specially approved; annexations; other revenue sources such as COIT; State aid for schools; debt payments on bonds).
<b>Credits:</b>	The state provides a property tax replacement credit, which reduces the property owner's property tax liability.
<b>Major deductions &amp; exemptions:</b>	Property tax deductions reduce the assessed value of taxable property. Deductions include mortgage, homestead, economic revitalization area deductions for real and personal property (property tax abatement) and deductions for hydroelectric power devices, geothermal energy heating or cooling devices, and improvements made to comply with fertilizer and pesticide storage rules, coal-conversion systems and solar energy deductions. Exemptions include air and water pollution control equipment; property used for educational, scientific, literary or charitable purposes; inventory located within an enterprise zone; certain property stored in a warehouse pending shipment out-of-state; and imports and exports stored in a foreign trade zone.

## Corporate Adjusted Gross Income Tax

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 232-2240 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
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**Taxpayer:** Corporations deriving income from sources within Indiana, except S corporations.

**Tax base:** Federal taxable income with four modifications:  
1. Subtract any income that federal law or the Constitution prohibits Indiana from taxing.  
2. Add deductions allowed under federal law for charitable contributions.  
3. Add deductions allowed under federal law for state income taxes and local property taxes.  
4. Subtract deemed dividends under federal law for taxpayers claiming foreign tax credits.

Income is apportioned to Indiana based on the average percentage of property owned in Indiana, payroll paid in Indiana, and sales attributable to Indiana. The sales factor is double weighted.

**Tax rate:** 8.5%

**Major deductions & exemptions:** Foreign insurance companies and domestic insurance companies if they (domestic insurance companies) elect to pay insurance premium tax. Financial institutions (See Financial Institutions Tax), not-for-profit organizations (except for unrelated business income), and foreign source dividends based on percentage of ownership".

**Credits:** See "Corporate Tax Credits" for more information.

Please visit the Indiana Department of Revenue website at [www.in.gov/dor/](http://www.in.gov/dor/)

## Financial Institutions Tax

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
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**Taxpayer:** Corporations transacting the business of a financial institution in Indiana.

**Tax base:** Federal taxable income apportioned Indiana on the basis of a single factor receipts formula applicable to nonresident taxpayers and unitary groups with nonresident members. Taxpayers with an Indiana commercial domicile pay tax on 100% of their income with credits allowed for taxes paid to other states.

**Tax rate:** 8.5%

**Major deductions & exemptions:** Income derived from sources outside the U.S. Income of insurance companies, international banking facilities, S corporations, not-for-profit federally exempt organizations (except state-chartered credit unions).

**Credits:** See "Corporate Tax Credits" for more information.

## Individual Adjusted Gross Income Tax

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 232-2240 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
*Telephone:*

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<b>Taxpayer:</b>	Individuals, including partners, shareholders in S corporations, and nonresidents with income derived from sources in Indiana.
<b>Tax base:</b>	Federal adjusted gross income with specified modifications such as the addition back of state income taxes and local property taxes deducted for federal income tax purposes.
<b>Tax rate:</b>	3.4%
<b>Major deductions &amp; exemptions:</b>	A \$1,000 exemption for the taxpayer, spouse, and independent claimed on taxpayer's federal return. A \$1,500 deduction per child for each dependent. Renters deductions is up to \$3,000 or amount of rent paid, whichever is less. A \$500 exemption for each person who is age 65 and over and/or blind with federal AGI less than \$40,000. A qualified employee working and living in an enterprise zone is entitled to a tax deduction equal to the lesser of 50% of adjusted gross income or \$7,500. (Visit the DOR website for a complete list of deductions.)
<b>Credits:</b>	50% of contributions to Indiana colleges and universities up to \$100 (\$200 on a joint return). 50% of amounts used to assist impoverished areas or to employ or train poor persons (up to \$25,000). Credit for hiring teachers in the summer (lesser of \$2,500 or 50% on the compensation paid). Increased employment expenditures in an enterprise zone equal to the lesser of 10% of the increase in wages paid over the base year of \$1,500 per qualified employee. Elderly credit based on age, income levels, and filing status, ranging from \$40 to \$140.

## Sales and Use Tax

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>

**Contact** , Contact the agency above for more information.  
*Telephone:*

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**Taxpayer:** Purchasers of tangible personal property at retail and public utility services, renters of rooms or other accommodations for less than 30 days, and lessees of tangible personal property.

**Tax base:** Gross receipts derived from taxable transactions.

**Tax rate:** 7%

**Major deductions & exemptions:** Sales for resale. Purchases of items used directly in the direct production process, including property consumed in production or incorporated into the items being produced; and, machinery, tools, and equipment directly used in direct production. Sales of property shipped in interstate commerce for use outside Indiana. Utility services predominantly used for production. Pollution abatement equipment if required by federal, state, or local law. Sales to governmental entities.

## Utility Receipts Tax

**Agency** Indiana Department of Revenue  
**Address** Indiana Government Center North, 100 N. Senate Ave **P.O. Box**  
Indianapolis, IN 46204  
**Telephone** (317) 233-4015 **Fax** **TDD** (317) 232-4952  
**Website** <http://www.in.gov/dor/>  
**Contact** , Contact the agency above for more information.  
*Telephone:*

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**Taxpayer:** Any entity that receives anything of value in consideration for the retail sale of consumption.

**Tax base:** Gross receipts of a taxpayer that is a resident or domiciliary of Indiana; and gross receipts derived from activities or businesses or other sources within Indiana by a taxpayer that is not a resident or a domiciliary of Indiana.

**Tax rate:** 1.4%

**Major deductions & exemptions:** Amounts that represent a fee, tax or surcharge in particular circumstances; wholesale sale to another generator or reseller of utility services; refundable deposits; sales to the United States, to the extent Indiana is prohibited from taxing the gross receipts; occasional sales by a taxpayer that is not regularly engaged in the business or trade of selling utility services. A taxpayer is entitled to a deduction equal to one thousand dollars multiplied by a fraction representing the number of days in the year for which the taxpayer is subject to the utility receipts tax; divided by the number of days in the taxpayer's year.

**Credits:** See "Corporate Tax Credits" for more information.