
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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Frequently Asked Questions

Assessment of Personal Property

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The answers provided will be general in nature as many issues will be fact sensitive which could have an impact on the final answer.

- 1. How can I find contact information for the various county offices (assessor, auditor, or treasurer) throughout the State of Indiana, locate forms, or learn more about Indiana's personal property tax system?**

Go to the Indiana Department of Local Government Finance's website at www.in.gov/dlgef.

- 2. Is there a manual or set of rules available for the assessment of personal property?**

Yes, 50 IAC 4.2 is the administrative code that covers the assessment of personal property.

The Department's "personal property manual" can be found on the Department's website by going to: www.in.gov/dlgef

- Click on Legislation & Policy Information
 - Click on Indiana Code & Administrative Code
 - Click on Indiana Administrative Code
 - Click on Title 50
 - Click on Article 4.2 (PDF)

or by going to the following link - http://www.in.gov/legislative/iac/iac_title?iact=50 and selecting Article 4.2.

- 3. My township assessor used to assist me with the filing of the personal property return but those positions were eliminated. Can the county assessor help me now?**

Indiana's personal property tax system is a self-assessment system so it is the taxpayer's responsibility to file the return. While it is the county assessor's duty to review those returns once they are filed, general assistance might be offered; however, each county will set its own policy on this issue based on the complexity of the issue or limited resources available to provide such services that are not required by law.

4. Is there a minimum assessment where no tax return is required?

Beginning in 2016, IC 6-1.1-3-7.2 provides an automatic exemption for a taxpayer's business personal property in a county if the acquisition cost of that taxpayer's total business personal property in the county is less than \$20,000 for the assessment date. More information is available here: <http://www.in.gov/dlgf/7576.htm>. Generally, however, the State of Indiana does not have a minimum assessment where no return would be required if the assessed value was under a certain amount but the law does provide for a minimum tax bill. IC 6-1.1-22-9 (g) provides that if the tax liability on an assessment is less than five dollars (\$5.00), a processing fee will be added to bring the liability up to the five dollar minimum.

5. If my business moved or went out of business, and I no longer have personal property located within the county, am I required to file a "final" return and notify the assessor of this change?

While Indiana law does not require it, many taxpayers believe that it is a good idea to communicate this information since the assessor has the authority to place an estimated assessment on someone who he/she believes has failed to file a return. If the assessor sends a Form 113/PP (Notice of Assessment/Change), and places an estimated assessment on someone, that person would have the right to challenge that assessment within forty-five (45) days of the date of the notice.

6. I purchased a business last July and want a copy of the personal property return that the prior owner filed last year. Can I obtain a copy of it?

The Form 104 is available for public inspection because it only contains the assessed value. The Form 103, however, contains cost and sales data which is confidential under IC 6-1.1-35-9. Since the previous owner and the current owner most likely have different federal i.d. numbers, one entity would not have the right to view the confidential records of the other by requesting those records from a government official. Of course, the previous owner can provide copies of those records to anyone he chooses. Since this question could be fact sensitive if a person believes that he should be entitled to this information and has been refused, he could request an opinion from the Indiana Public Access Counselor. (Visit their website at www.in.gov/pac for more information on accessing public records.)

7. What normally happens if I fail to file my business personal property return?

Once discovered, the county or township assessor will estimate an assessment based upon the best information available and will send the taxpayer a Form 113/PP showing the estimated assessed value. A person receiving a notice of assessment would have thirty (30) days to file a return which would replace the estimated assessment or forty-five (45) days to challenge the estimated assessment through the appeals process (see IC 6-1.1-15). This assessment will be subject to penalties.

8. I failed to file a personal property tax return but the assessor never mailed me blank forms, so would the late assessment be subject to penalties?

Yes, penalties would apply to a return filed late. The Department's rule states that the obligation to file a return is not diminished because forms were not mailed to the taxpayer. The forms are readily available, and it is the taxpayer's responsibility to obtain the appropriate forms and file them in a timely manner.

9. I was attempting to calculate my estimated tax liability by multiplying my assessed value times last year's tax rate and the amount due seems unreasonable. Could I have made a mistake in the calculation?

The tax rate is for every one hundred dollars (\$100) of assessed valuation, so that adjustment should be added to your calculation.

10. Should I attach a check to the property tax return for the taxes due?

No, the tax rates will be calculated later in the year and tax bills will be mailed in time to be paid by May 10 and November 10 of the following year. In other words, the taxes for the assessment date of January 1, 2016 will be payable in 2017.

11. If I owned the business on the assessment date and sold it six months later, would the taxes be pro-rated between me and the new owner?

No, the owner of the personal property on the assessment date is liable for the taxes on that assessment. If the sales contract contains terms which pro-rates the taxes, that is a legal agreement between two parties but is not required by Indiana law.

12. I am the owner of a small business and this is my first year to file a personal property tax return. What do I need to know?

A small business could file either the Form 103-Short or the Form 103-Long. Typically, the taxpayer will review his depreciation schedule and determine which assets are assessed as real property, which assets are subject to excise tax, and which assets are subject to personal property tax. While taxpayers should refer to 50 IAC 4.2 for detailed information, examples of personal property would include office equipment, other equipment, and signs. Only personal property is reported on this form for taxation. While the Form 103-Short only has one pool used for reporting purposes, the Form 103-Long has four pools. Determination of which pool should be used is based on the federal life assigned to the asset. Once the proper pool is determined, the cost of the assets is reported on the appropriate line within that pool based on the Date of Acquisition. There is a 30% floor so the actual assessment is generally the greater of the actual True Tax Value calculated from the pooling schedule or the 30% of cost calculation. However, there were several legislative changes in 2014, including the creation of a "enhanced abatement" (whereby a taxpayer could get up to a 20-year property tax abatement) and an optional exemption for qualifying new business personal property (IC 6-1.1-10.3). Beginning in 2016, IC 6-1.1-3-7.2 provides an automatic exemption for a taxpayer's business personal property in a county if the acquisition cost of that taxpayer's total business personal property in the county

is **less than** \$20,000 for the assessment date. More information is available here:
<http://www.in.gov/dlgf/7576.htm>.

13. Where do I mail my return?

The return must be filed with the township assessor, if any, or the county assessor of the county in which the property is located. To find the address of the assessor, visit:
www.in.gov/dlgf/2440.htm.

14. If I send my completed personal property return to the county assessor by mail, does the return have to be received by the assessing official by May 15 or postmarked by May 15?

If you mail a personal property return, it would have to be postmarked by the post office on or before May 15 to be considered a timely filed return. "Postmarked" does not mean the date printed by a postage meter that affixes postage to the envelope or package, but must be postmarked by the United States Postal Service as mailed on or before the due date.

15. I mailed my personal property return timely last year to the county assessor instead of the township assessor. I just received my tax bill, and it has a \$25 penalty plus the 20% of the tax due penalty. Why would I get a penalty?

The Department's manual states that the return must be filed with the proper assessing official ("Original personal property return' means a personal property tax return filed with the proper assessing official by May 15 or, if an extension is granted, the extended filing date... Failure to file a return or be granted an extension of time to file a return by May 15 as required by law will result in the imposition of a twenty-five dollar (\$25) penalty."). Thus, the taxpayer may have timely filed, but he filed with the wrong entity, so he did not file "as required by law."

Additionally, IC 6-1.1-3-7 states that a taxpayer shall, on or before the filing date of each year, file a personal property return with the assessor of each township in which the taxpayer's personal property is subject to assessment; or the county assessor if there is no township assessor for a township in which the taxpayer's personal property is subject to assessment.

Please refer to the following map
http://www.in.gov/dlgf/files/Township_Assessor_Referendum_Results.pdf for remaining township assessors.

16. What happens if the May 15 due date for filing a personal property return falls on a Saturday or Sunday? When would the personal property return be due?

The return would be due (or postmarked) on the next succeeding business day that is not a Saturday, Sunday, or federal or state recognized holiday. Please see http://in.gov/dlgf/files/160105_-_Wood_Memo_-_2016_Assessment_Calendar.pdf for a current list of assessment dates/calendar.

17. Are there penalties if I fail to file my personal property return by the due date of May 15?

Yes. If you fail to file a return by the due date of May 15, a penalty of twenty-five dollars (\$25) will be applied. In addition, if you fail to file a return within thirty (30) days after such return is due, a penalty equal to twenty percent (20%) of the tax determined to be due will be imposed.

18. I have been real busy and will not be able to file my personal property return by May 15; can I request a filing extension?

Yes. A written request for up to a thirty (30) day extension (to June 14) can be made to the county or township assessor. The request must clearly state the reason for the request. This request must be made prior to May 15. The assessing official will review the request and either approve or disapprove the request in writing. The decision on whether or not to grant an extension is made by the local assessing official, and he/she is not required to grant an extension.

19. I have retired from farming and now cash rent all my farm land. I elected not to sell my farm equipment which is stored in two large pole barns. Since I have retired from farming, do I have to report and pay property taxes on this equipment?

Yes. The Indiana Code states that personal property that is held, used, or consumed in the production of income or held as an investment is assessable. 50 IAC 4.2-1-1.1(n) also states that the asset is assessed until it is retired from service. Examples of an asset being retired from service include the sale of the property or the conversion to personal use. While it may be possible to convert a small tractor with a mower to personal use, a combine or other farming equipment could not be considered a household item. The answer to some questions are fact sensitive because it is possible that the retired farmer rented his farm land to his sons and while the retired farmer is not using this equipment, his sons are using the equipment in the production of income. It is also possible that the farmer continues to claim a depreciation expense on the equipment or intends to only cash rent the farm land for one year. Until the equipment is retired from service, it is assessable.

20. I retired from farming and sold my farm and all the farm equipment except a small tractor and bush hog mower which I use a few times a year to mow my yard. Do I still have to report this equipment on the Form 102?

It is possible that this equipment would not be assessable if it is not used in a trade or business; not held, used, or consumed in the production of income; or not held as an investment. 50 IAC 4.2-1-1.1(n) states that the asset is assessed until it is retired from service and the conversion to personal use is one of the examples given to retire an asset. While property used solely for the purpose of mowing a person's yard would not be assessable, the Department gives great deference to local control since the determination of whether an asset meets the qualifications as personal property would be case specific.

21. The Internal Revenue Service changed the method that trade-ins are handled for federal income tax purposes. Could you tell me what the basis of this asset would be in

the following example? A taxpayer purchased a piece of equipment for \$70,000. Three years later, the taxpayer traded in the equipment for a more expensive piece of equipment that serves the same purpose. The net book value of the trade-in was \$40,000 and the taxpayer paid an additional \$50,000 in cash. The bill of sale shows that the dealer gave the taxpayer a significant discount off of the list price of the new equipment. The manufacturer's suggested retail price for the new piece of the equipment was \$120,000. The dealer gave a \$15,000 discount and allowed a trade-in value of \$55,000 which left a balance due of \$50,000.

For personal property tax purposes in the State of Indiana, the new piece of equipment has a tax basis of \$90,000 (net book value plus cash boot). On the personal property return, the taxpayer should report the basis of the new equipment at the \$90,000 amount and not the list price of \$120,000.

22. As a follow-up question, what if the taxpayer expensed the asset in the first year?

This is a depreciation expense for federal income tax purposes, so the tax basis would be the value for that asset for Indiana property tax purposes until it is retired through sale, exchange, scrapped, etc. For example, a \$25,000 asset that was fully depreciated in the first year would have a tax basis of \$25,000 for Indiana property tax purposes until it was retired.

23. Has business personal property tax been eliminated?

No, it has not been eliminated. However, there were several legislative changes in 2014, including the creation of a "enhanced abatement" (whereby a taxpayer could get up to a 20-year property tax abatement) and an optional exemption for qualifying new business personal property (IC 6-1.1-10.3). Beginning in 2016, IC 6-1.1-3-7.2 provides an automatic exemption for a taxpayer's business personal property in a county if the **acquisition cost** of that taxpayer's **total business personal property** in the county is **less than** \$20,000 for the assessment date. More information is available here: <http://www.in.gov/dlgf/7576.htm>.

24. Why is the grain leg assessed as personal property and the grain bin that it is attached to assessed as real property?

The use of the asset is the key. The grain bin, used for storage, is classified in 50 IAC 4.2-4-10 as real property while the legs and other loading/unloading systems are classified as part of the machinery and equipment which is assessed as personal property. The same theory applies to automatic feeding and watering systems in livestock or poultry buildings since their use pertains to the operation and not the structure of the building.

25. My dad sold me his business for one dollar (\$1.00). Am I still required to report this equipment since none of the equipment has been capitalized and depreciated?

Yes. The equipment is used in the production of income and needs to be reported. 50 IAC 4.2-4-3(e) states that equipment recorded on the books at a nominal or no value must be reported at its actual acquisition cost determined by reference to the insurable value of the equipment.

26. I have an irrigation system on my farm. Is this system assessable as real or personal property?

This system is a piece of equipment and would be assessable as personal property. This would include the pivot, the well, the power wiring, and the pumps and motors associated with the irrigation system.

27. Why is the well for my house assessed as real property and the well for my irrigation system assessed as personal property?

A well for the home is assessed as a part of the one-acre homesite price which includes a well and septic (or water supply and sewage service if in a city or town). The well is not assessed separately but as a part of that piece of land.

All other wells are treated as personal property. The well to irrigate the field is simply a piece of equipment that supplies water for the irrigation system. The well that provides water for poultry and livestock is also personal property.

Occasionally, a well serves both functions – providing water for the home, as well as for livestock or irrigation. In that case, the well would be assessed as real property in the one-acre homesite price, and the cost of piping the water to the barn or irrigation system would be personal property.

Deciding that one well is real property and another well is personal property because of its use is not uncommon. The same distinction is made for electric power since some electric power has a building-related use and is assessed as real property, while other electrical power has a use related to the operation of equipment and is assessed as personal property.

28. I have several assets on my depreciation schedule which I'm not sure should be reported as personal property or assessed as real property. Are there any guidelines to help distinguish this?

Yes. Included in the personal property rule (50 IAC 4.2) is a guide intended to assist in the identification of property as to being either real or personal property. (See 50 IAC 4.2-4-10)

29. In filing my personal property return, I'm not sure which of the four (4) pools I should report my equipment in. Is there any guidance on this?

Yes. All equipment costs should be reported in the pools based upon the depreciable life assigned for federal tax purposes. Most equipment generally will fall into Pool #2. This is also discussed in the personal property rule at 50 IAC 4.2-4-5.

30. I timely filed my business personal property return but later determined it was filed incorrectly. Are there any provisions for "amending" a filed return?

Yes. If you timely filed your original return, you may amend this return one time. This would be done by filing another return and showing “Amended” at the top of the return. The amended return must be filed within twelve months of the due date of original return. In other words, the amended return would be due by May 15 of the following year or within twelve months of the extended due date, if an extension was granted. A taxpayer may claim on an amended personal property tax return any adjustment or exemption that would have been allowable under any statute or rule adopted by the Department, if the adjustment or exemption had been claimed on the original personal property tax return. A return that is filed late cannot be amended.

31. If I file a Form 103-Short for an assessment date, do I have to continue using the short form or can I switch and use the Form 103-Long?

Each assessment year stands alone, so any business could file the Form 103-Long; however, smaller businesses may elect to file the Form 103-Short if they meet the requirements listed on the form. This means it is possible for certain businesses to elect to file the long form after filing the short form the prior year. Beginning in 2016, IC 6-1.1-3-7.2 provides an automatic exemption for a taxpayer’s business personal property in a county if the acquisition cost of that taxpayer’s total business personal property in the county is less than \$20,000 for the assessment date. More information is available here: <http://www.in.gov/dlgf/7576.htm>.

32. I file personal property tax returns in multiple counties and one county is requesting that every taxpayer reconcile last year’s return to this year’s return by providing information on acquisitions and disposals. Can this county do that?

No, this information is not required by statute or by the Department’s administrative code, so a county cannot set a county-wide policy to request it. While an assessor cannot request this information on a county-wide basis at the time of filing, an assessor does have the responsibility of reviewing returns once they are filed. If questions arise during that review, the assessor has the authority to request a taxpayer’s books and records or explanations on the information and amounts reflected on that return.

33. I have business personal property located in several counties. Am I permitted to report all the equipment spread out through each of these counties in one taxing district for each county?

No. An assessment must be made for each taxing district within each county where property has a tax situs (but see the following question).

34. I have business personal property located in several townships within a county. If I send the county assessor a spreadsheet along with a cover letter requesting him/her to calculate the assessments and place them in the proper taxing district, would that be acceptable?

No, the personal property tax system in Indiana is a self-assessment system where the taxpayer determines what his assessment should be, and the assessor reviews that assessment. The mailing of a cover letter with an attached spreadsheet would not constitute the filing of a personal

property return, so late filing penalties would apply if a return is not timely filed. However, a taxpayer with: (1) personal property located in more than one township in a county; or (2) personal property located in two or more taxing districts within the same township; must file a single return with the county assessor and attach a schedule listing, by township, all the taxpayer's personal property and the property's assessed value. The county assessor must allocate the assessed value by township and by taxing district.

35. How are computer software costs handled? Do I need to report the software costs on my personal property return?

Computers, including the hardware and "operational" software, must be reported on the personal property return. Operational software consists of the software that makes the computer hardware function. Application software consists of the program that details the operations the computer equipment is to perform to achieve the specific objective of the user. If the value recorded on the books and records reflects charges for customer support services such as educational services, maintenance, or application software that relate to future periods and not to the value of the tangible personal property, the charges may be deducted as nonassessable intangible personal property (to the extent that a separate charge or value can be identified). This is further discussed in 50 IAC 4.2-4-3(f) and (g).

36. What are Special Tools? (tooling)

Special tooling includes, but is not limited to, tools, dies, jigs, fixtures, gauges, molds, and patterns acquired or made for the production of products or product models which are of such specialized nature that their utility generally ceases with the modification or discontinuance of such products or product models. It is not the machine used to manufacture the product.

37. How are Special Tools reported for Personal Property Tax Purposes?

They are reported on Form 103-T. (State Form #22667) The total cost of acquisitions since the last assessment date is valued at 30% of cost. The total cost of acquisitions prior to the last assessment date is valued at 3% of cost. The total value is carried to Line 56 of Form 103-Long. They are not subject to the 30% floor computation.

38. What qualifies for the abnormal obsolescence deduction and how do I claim it on the property tax return?

50 IAC 4.2-9-3(a) defines "abnormal obsolescence" as meaning that obsolescence which occurs as a result of factors over which the taxpayer has no control and is unanticipated, unexpected, and cannot reasonably be foreseen by a prudent businessperson prior to the occurrence. It is of a nonrecurring nature and includes unforeseen changes in market values, exceptional technological obsolescence, or destruction by catastrophe that has a direct effect upon the value of the personal property of the taxpayer at the tax situs in question on a going concern basis. It is important to understand that functional obsolescence and external/economic obsolescence are market value concepts while normal obsolescence and abnormal obsolescence are concepts used in Indiana's true tax value system. These two concepts of obsolescence have entirely different functions and

should not be intermingled. Please refer to the following memos for further detail:

[http://www.in.gov/dlgf/files/090821 - Wood Memo -](http://www.in.gov/dlgf/files/090821 - Wood Memo - Abnormal Obsolescence and Personal Property Assessments.pdf)

[Abnormal Obsolescence and Personal Property Assessments.pdf](#) and

<http://www.in.gov/dlgf/files/110418 - Wood Memo - Abnormal Obsolescence FAQs.pdf>

39. In my tool and die business, I have two (2) CNC milling machines that I am leasing.

These machines are on a five (5) year lease with an option to purchase each of these machines at the end of the lease for one dollar (\$1). I thought since these machines are being leased that the leasing company would be responsible for the property taxes. Please clarify who is responsible for reporting this equipment.

The personal property rule has a section (50 IAC 4.2-8) on leased equipment. Leased equipment is defined as being either a capital or operating lease. A “capital lease” is defined as lease in which title (ownership) to the asset will transfer at or before the end of the lease to the lessee. These types of leases contain a purchase option and title can transfer at the end of the lease. These can include a sales type lease, direct financing lease, and leveraged leases. An “operating lease” is typically a short-term lease in which the leased equipment will remain the property of the leasing company at the end of the lease. Based upon the information included in the question, this would be a “capital” lease. In the case of a capital lease, the lessee/possessor of the leased equipment is the party responsible for reporting and paying the property taxes. These leased CNC machines should be reported in the pools on your Form 103. In addition, you will need to complete Form 103-N, Schedule II. The leasing company will complete Form 103-O, Schedule II, which will disclose that the owned leased equipment is a capital lease to be assessed to the person in possession of the property (in this case, the tool and die business). Proper disclosure of the lease agreement on the Form 103-N and Form 103-O will lessen the possibility of a double assessment occurring.

40. I own a small accounting business. In completing my personal property return, there are questions on page 1 of the return about leased equipment. On January 1, my business is in possession of a leased copy machine and a leased postage mailing machine. In reviewing the lease agreement, it states each machine is being leased for one year and at the end of the lease the machines will be returned to the leasing company. Who is responsible for reporting and paying the property taxes on these leased office machines?

The personal property rule has a section (50 IAC 4.2-8) on leased equipment. Leased equipment is defined as being either a capital or operating lease. A “capital lease” is defined as lease in which title (ownership) to the asset will transfer at or before the end of the lease to the lessee. These types of leases contain a purchase option and title can transfer at the end of the lease. These can include a sales type lease, direct financing lease, and leveraged leases. An “operating lease” is typically a short-term lease in which the leased equipment will remain the property of the leasing company at the end of the lease. Based upon the information included in the question, this would meet the definition of an “operating” lease since the lease term is one (1) year. In the case of an operating lease, the lessor/leasing company that leases the equipment is the party responsible for reporting and paying the property taxes. The leasing company will report this leased equipment in the pools using the Form 103. In addition, the leasing company will file

Form 103-O, Schedule 1. The accounting business (lessee) will need to complete Form 103-N, Schedule I. The purpose of filing the Form 103-N is to disclose that you are in possession of these two leased items and that the leasing company/lessor is the owner of this equipment.

41. I have personal property in my possession that does not belong to me, but I do not want to report this to the assessor because I don't want the owners to have to pay taxes on it either. Could I get in trouble for this?

The Department's rules state that the person in possession of the personal property is liable for the taxes on the property unless he establishes that the property is being assessed and taxed in the name of the owner, or the owner is liable for the taxes under a contract with that person and that person files a correct Form 103-N. If the person in possession refuses to establish this, the assessor could estimate the value of the personal property and place that assessment on the person in possession. (See 50 IAC 4.2-2-4 for more information on this topic.)

42. I timely filed my business personal property return on May 15. However, on June 25, I received a Form 113/PP from the county assessor advising me that my assessment was increased from \$128,200 to \$142,000. The county provided an explanation of this change, but I do not agree with it. What can I do? Can I appeal this change?

Yes, you can appeal this change in assessment to the county property tax assessment board of appeals (PTABOA). This notice of appeal must be filed not later than forty-five (45) days after the date of the Form 113/PP with the township assessor (if any) or the county assessor. Instructions for completing this notice of appeal can be found at the top of the Form 113/PP.

43. What is the timeframe for an assessor to change a personal property assessment?

If the taxpayer's personal property return for a particular year substantially complies with the applicable laws and regulations, an assessing official or a county property tax assessment board of appeals (PTABOA) may change the assessed value claimed by the taxpayer on the return only within the time period prescribed in IC 6-1.1-16-1, meaning a township assessor has until September 15 or four months after the return is filed (whichever is later) and the county assessor or the PTABOA has until October 30 or five months after the return is filed to make a change to an assessment without conducting a full audit. Otherwise, if a taxpayer files a personal property return for a particular year, personal property which is omitted from or undervalued on the return may be assessed, or its assessed value may be increased, only if proper notice is given within three years after the date the return is filed. If a taxpayer fails to file a personal property return for a particular year, the taxpayer's personal property may be assessed for that year only if proper notice is given within ten years after the date on which the return for that year should have been filed.

44. In filing my personal property return I have reported all the equipment that is shown on my depreciation schedule. My accountant removes from the depreciation schedule the equipment once it becomes fully depreciated. If I am still using these fully depreciated assets that have been written off, should I be reporting this equipment on my personal property return?

Yes. The fully depreciated assets that have been written off that you are still in possession of are required to be reported on the personal property return. It is important to understand that being fully depreciated relates to expenses for federal income tax purposes, while Indiana's personal property tax system is an ad valorem tax which remains in place while the asset is used in the production of income. This is further explained in 50 IAC 4.2-4-3.

45. I have two old injection mold machines that have been removed from service and replaced with new machines. These old machines have been moved to my warehouse and are going to be sold. Do I still have to report these two injection mold machines?

Yes. When machinery and equipment has been removed from service and is awaiting disposal on the assessment date, it is valued as "permanently retired equipment" pursuant to 50 IAC 4.2-4-3(d). This property would be reported on the Form 103-Long, line 57, at its net scrap or net sale value. In reporting this equipment, you should also file a Form 106 explaining this adjustment.

46. As of January 1, I was in the process of installing a production line in my business. This production line was not capitalized on January 1, but was included on the balance sheet as construction in process. This production line was completed and capitalized, and depreciation began in November. Do I have to report this equipment on my personal property return and, if so, how should it be reported?

Yes, the cost of the production line needs to be reported on the Form 103-Long. A further explanation can be found in 50 IAC 4.2-6-1. Personal property not placed in service is defined as property which has not been depreciated and is not eligible for federal income tax depreciation. Construction in Process (CIP) is an example of equipment not placed in service. It is physically there on the assessment date, but is not completely assembled and functioning. The True Tax Value of this equipment would be ten percent (10%) of the cost of the qualified equipment not placed in service. This would be disclosed on line 55 of the Form 103-Long.

47. We are a not-for-profit entity (charitable, religious, educational, etc.) and have personal property, but since we receive an exemption, do we have to file a personal property tax return?

Yes, the annual filing of a personal property tax return is still required. Indiana law states that the property is subject to taxation until the entity follows the statutory procedures for obtaining the exemption. Basically this means that the entity files a personal property tax return to assess the property and then it files the exemption application as required to claim an exemption on the assessment. The county property tax assessment board of appeals (PTABOA) then reviews the exemption each year to determine if the property's use qualifies it for a full or partial exemption or no exemption at all. Although there is an exemption under IC 6-1.1-3-7.2 for a taxpayer's business personal property in a county if the acquisition cost of that taxpayer's total business personal property in the county is less than \$20,000 for the assessment date, this exemption applies to "business personal property" that "is otherwise subject to assessment and taxation under this article." If the property has already been exempted through a 136, then it is not otherwise subject to assessment and taxation, meaning the exemption for personal property with

an acquisition cost of less than \$20,000 does not apply to property already exempted through a 136.

48. Could you explain how the Constitutional tax cap works with a personal property assessment?

Basically, the gross assessed value less any deductions equals the net assessed value, which is multiplied by the tax rate for every one hundred dollars (\$100) of assessed valuation, which equals an amount due. Then the gross assessed value is multiplied by the cap rate of three percent (3%) to arrive at an amount due. The actual tax liability is the lesser of these two numbers.

49. Is it possible that the benefits of the Constitutional tax cap could over-ride the benefits of the tax abatement deduction?

Yes, it is possible. The question is very case specific and would be based on the assessed value, the size of the abatement deduction, and the tax rate for that taxing district.

50. What if a taxpayer uses accelerated depreciation methods such as 150% or 200% declining balance depreciation?

It is the Department's interpretation that when a taxpayer uses accelerated depreciation methods such as 150% or 200% declining balance depreciation, the Modified Accelerated Cost Recovery System (MACRS), which is the current tax depreciation system in the United States, be used. Under this system, the capitalized cost (basis) of tangible property is recovered over a specified life by annual deductions for depreciation. The lives are specified broadly in the Internal Revenue Code. When these assets have an accelerated reduction in net book value and are traded in on new assets, they create a nominal value as the tax basis on the new asset. In these instances, FAQ question #22 should apply.

51. If a taxpayer expenses a piece of personal property for purposes of federal income taxation (see IR-2015-133; Notice 2015-82), is that item still subject to personal property taxation in Indiana? Since the item has been expensed rather than depreciated, isn't it no longer subject to Indiana personal property taxation?

Personal property is depreciable personal property under 50 IAC 4.2-4-1(i) when a depreciation deduction is permitted under federal income tax laws and regulations, whether or not the personal property is actually depreciated under said laws and regulations. Hence, a taxpayer who elects a safe harbor election does not make the personal property to which the exception is applied not depreciable. Rather, the taxpayer has simply chosen not to depreciate the personal property even though the personal property was eligible for depreciation.

In sum, business personal property that has been expensed rather than depreciated as permitted by the IRS is still reportable for purposes of Indiana personal property taxation.