
HOUSE BILL No. 2127

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3.1-20.

Synopsis: Tax credit for raw materials and parts. Provides a credit beginning in 2002 against a taxpayer's state tax liability for property taxes paid on raw materials and parts that are to be incorporated into completed goods that will be shipped out of state. Provides that the credit is initially equal to 10% of the property taxes paid, and that the credit increases over ten years until the credit may be claimed for 100% of property taxes paid in 2011 and thereafter. Provides that if the credit exceeds a taxpayer's liability, the taxpayer may carry over the excess to subsequent taxable years. Provides that a taxpayer that receives an enterprise zone inventory credit may elect to apply the raw materials tax credit against either the taxpayer's state tax liability or the taxpayer's property tax liability.

Effective: January 1, 2002.

Klinker, Bauer, Espich

January 17, 2001, read first time and referred to Committee on Ways and Means.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

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HOUSE BILL No. 2127



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-10-29, AS AMENDED BY P.L.260-1999,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2002]: Sec. 29. (a) As used in this section,
4 "manufacturer" or "processor" means a person that performs an
5 operation or a continuous series of operations on raw materials, goods,
6 or other personal property to alter the raw materials, goods, or other
7 personal property into a new or changed state or form. The operation
8 may be performed by hand, machinery, or a chemical process directed
9 or controlled by an individual. The terms include a person that:
10 (1) dries or prepares grain for storage or delivery; or
11 (2) publishes books or other printed materials.
12 (b) Personal property owned by a manufacturer or processor is
13 exempt from property taxation if the owner is able to show by adequate
14 records that the property:
15 (1) is stored and remains in its original package in an in-state
16 warehouse for the purpose of shipment, without further
17 processing, will be used in an operation or a continuous series



1 **of operations to alter the personal property into a new or**
 2 **changed state or form and the resulting personal property will**
 3 **be shipped, or will be incorporated into personal property**
 4 **that will be shipped,** to an out-of-state destination; or

5 (2) consists of books or other printed materials that are stored at
 6 an in-state commercial printer's facility for the purpose of
 7 shipment, without further processing, to an out-of-state
 8 destination.

9 (c) Personal property that is manufactured in Indiana and that would
 10 be exempt under subsection (b), except that it is not stored in its
 11 original package, is exempt from property taxation if the owner can
 12 establish in accordance with exempt inventory procedures, regulations,
 13 and rules of the state board of tax commissioners that:

14 (1) the property is ready for shipment without additional
 15 manufacturing or processing, except for packaging; and

16 (2) either:

17 (A) the property will be damaged or have its value impaired if
 18 it is stored in its original package; or

19 (B) the final packaging of finished inventory items is not
 20 practical until receipt of a final customer order because
 21 fulfillment of the customer order requires the accumulation of
 22 a number of distinct finished inventory items into a single
 23 shipping package.

24 **A person may use an allocation percentage to claim an exemption**
 25 **under subdivision (1) for a part of the person's personal property**
 26 **if a person's business records substantiate that the allocation**
 27 **percentage accurately reflects the part of the personal property**
 28 **that will be altered into a new or changed state or form and then**
 29 **will be shipped, or will be incorporated into personal property that**
 30 **will be shipped, to an out-of-state destination. The percentage may**
 31 **include personal property that is sold to another processor or**
 32 **manufacturer if the personal property is incorporated into the**
 33 **personal property of the buyer and that personal property is**
 34 **shipped out of state.**

35 (d) (c) A manufacturer or processor that possesses personal property
 36 owned by another person may claim an exemption under subsection (b)
 37 or (c) if:

38 (1) the manufacturer or processor includes the property on the
 39 manufacturer's or processor's personal property tax return; and

40 (2) the manufacturer or processor is able to show that the owner
 41 of the personal property would otherwise have qualified for an
 42 exemption under subsection (b). or (c):

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1 SECTION 2. IC 6-1.1-20.8-4 IS ADDED TO THE INDIANA
 2 CODE AS A NEW SECTION TO READ AS FOLLOWS
 3 [EFFECTIVE JANUARY 1, 2002]: **Sec. 4. A person that claims the**
 4 **credit provided by section 1 of this chapter may claim the raw**
 5 **materials tax credit provided by IC 6-3.1-20-7.**

6 SECTION 3. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE
 7 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 8 JANUARY 1, 2002]:

9 **Chapter 20. Credit for Property Taxes Paid on Raw Materials**
 10 **and Parts**

11 **Sec. 1. As used in this chapter, "assessed value" means the**
 12 **assessed value of raw materials and parts under IC 6-1.1.**

13 **Sec. 2. As used in this chapter, "manufacturer" or "processor"**
 14 **means a person that performs an operation or a continuous series**
 15 **of operations on raw materials, goods, or other personal property**
 16 **to alter the raw materials, goods, or other personal property into**
 17 **a new or changed state or form. The operation may be performed**
 18 **by hand, machinery, or a chemical process directed or controlled**
 19 **by an individual.**

20 **Sec. 3. As used in this chapter, "pass through entity" means:**

- 21 (1) a corporation that is exempt from the adjusted gross
 22 income tax under IC 6-3-2-2.8(2); or
 23 (2) a partnership.

24 **Sec. 4. As used in this chapter, "raw materials and parts" means**
 25 **personal property that:**

- 26 (1) is not exempt under IC 6-1.1-10; and
 27 (2) is owned by a manufacturer or processor if the owner is
 28 able to show by adequate records that the property will be
 29 used in an operation or a continuous series of operations to
 30 alter the personal property into a new or changed state or
 31 form and the resulting personal property will be shipped to an
 32 out-of-state destination.

33 **Sec. 5. As used in this chapter, "state tax liability" means a**
 34 **taxpayer's total tax liability that is incurred under:**

- 35 (1) IC 6-2.1 (gross income tax);
 36 (2) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
 37 (3) IC 6-3-8 (supplemental net income tax);
 38 (4) IC 6-5.5 (financial institutions tax); and
 39 (5) IC 27-1-18-2 (insurance premiums tax);

40 **as computed after the application of the credits that under**
 41 **IC 6-3.1-1-2 are to be applied before the credit provided by this**
 42 **chapter.**

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1 **Sec. 6.** As used in this chapter, "taxpayer" means a
2 manufacturer or processor that has state tax liability.

3 **Sec. 7. (a)** A taxpayer is entitled to a credit for a taxable year for
4 the ad valorem property taxes paid by the taxpayer in the taxable
5 year on raw materials and parts.

6 **(b)** The amount of the credit is equal to the product of:

7 **(1)** the appropriate percentage specified in subsection (c);
8 multiplied by

9 **(2)** the amount of property taxes paid on raw materials and
10 parts by the taxpayer during the taxable year.

11 **(c)** The percentage described in subsection (b)(1) is determined
12 by the calendar year in which the property taxes on raw materials
13 and parts are paid and is set forth in the following table:

14 CALENDAR YEAR	PERCENTAGE
15 2002	10%
16 2003	20%
17 2004	30%
18 2005	40%
19 2006	50%
20 2007	60%
21 2008	70%
22 2009	80%
23 2010	90%
24 2011 and thereafter	100%

25 **(d)** If a taxpayer pays property taxes in two (2) different
26 calendar years during the taxpayer's same taxable year, the
27 taxpayer shall apply the appropriate percentage specified for each
28 calendar year to the property taxes paid in each calendar year to
29 compute the credit for the taxable year.

30 **Sec. 8. (a)** A taxpayer that receives an enterprise zone inventory
31 credit under IC 6-1.1-20.8 may elect to apply the credit available
32 under section 7 of this chapter against the taxpayer's:

33 **(1)** state tax liability; or

34 **(2)** property tax liability;

35 for a taxable year.

36 **(b)** A taxpayer that does not receive an enterprise zone
37 inventory credit under IC 6-1.1-20.8 shall apply the credit under
38 section 7 of this chapter against the taxpayer's state tax liability.

39 **Sec. 9. (a)** If the amount determined under section 7 of this
40 chapter for a taxpayer in a taxable year exceeds the taxpayer's
41 state tax liability for that taxable year, the taxpayer may carry the
42 excess over to the following taxable years. The amount of the credit

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1 carryover from a taxable year shall be reduced to the extent that
 2 the carryover is used by the taxpayer to obtain a credit under this
 3 chapter for any subsequent taxable year. A taxpayer is not entitled
 4 to a carryback.

5 (b) A taxpayer is not entitled to a refund of any unused credit.

6 Sec. 10. If a pass through entity does not have state income tax
 7 liability against which the tax credit may be applied, a shareholder
 8 or partner of the pass through entity is entitled to a tax credit equal
 9 to:

10 (1) the tax credit determined for the pass through entity for
 11 the taxable year; multiplied by

12 (2) the percentage of the pass through entity's distributive
 13 income to which the shareholder or partner is entitled.

14 Sec. 11. A person may use an allocation percentage to claim a
 15 credit under section 10(1) of this chapter for a part of the person's
 16 personal property if a person's business records substantiate that
 17 the allocation percentage accurately reflects the portion of the
 18 personal property that will be altered into a new or changed state
 19 or form and then will be shipped to an out-of-state destination.

20 Sec. 12. A manufacturer or processor that possesses personal
 21 property owned by another person may claim the credit under this
 22 chapter if:

23 (1) the manufacturer or processor includes the property on
 24 the manufacturer's or processor's personal property tax
 25 return; and

26 (2) the manufacturer or processor is able to show that the
 27 owner of the personal property would otherwise have
 28 qualified for the credit under this chapter.

29 Sec. 13. To receive the credit provided by this chapter, a
 30 taxpayer must claim the credit on the taxpayer's state tax return
 31 or returns in the manner prescribed by the department. The
 32 taxpayer shall submit to the department proof of payment of an ad
 33 valorem property tax and all information that the department
 34 determines is necessary for the calculation of the credit provided
 35 by this chapter.

36 SECTION 4. [EFFECTIVE JANUARY 1, 2002] IC 6-3.1-20, as
 37 added by this act, applies only to taxable years that begin after
 38 December 31, 2001.

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