

TAXING TIMES

By Rebecca Patrick

Modernization on Horizon at Department of Revenue

“We’re looking for every opportunity to serve our customers better – to be more efficient and accommodating, to meet them where they are and how they want to interact with us,” declares Indiana Department of Revenue (DOR) Commissioner Andrew Kossack.



“We want to help taxpayers comply and partner with them to do that, and not be just the enforcement agency.”

– Andrew Kossack



“Certainly we want to be as user-friendly as possible, so things like portals that taxpayers could use to access their account more readily, perhaps conduct basic transactions via the web rather than having to come into one of our district offices or do something over the phone,” Kossack suggests.

“Those are the things we want to make sure are implemented securely and operate efficiently. We don’t just want to jump into a change like that. (But) those are things people expect in this modern age and we want to be able to accomplish that.”

DOR also is striving to be “more proactive when it comes to compliance matters to the extent taxpayers might like certain reminders of filing deadlines and those kinds of things,” he explains. “We want to help taxpayers comply and partner with them to do that, and not be just the enforcement agency.”

This effort is the last of the items to be carried out per a 2012 Deloitte analysis in the wake of DOR accounting issues. The research is expected to be done by Labor Day and will be presented to the Legislature at the end of the year. From there, DOR will work with the General Assembly to determine how to accomplish the roadmap provided by Deloitte and what funding may be necessary.

Kossack anticipates the full modernization will occur over several years, possibly up to five. But a number of changes “will become visible” to taxpayers in the meantime as the agency migrates to the new system.

RESOURCE: Andrew Kossack, Indiana Department of Revenue, at www.in.gov/dor

Upcoming Combined Reporting Study a Hot Topic

During the 2016 Legislature, Sen. Brandt Hershman (chair of the Tax and Fiscal Policy Committee) made a push to switch the state to a combined reporting tax method. This would impact companies here with operations outside of the state.

Combined reporting tasks these businesses with adding together all profits for one report. Indiana’s current system of separate accounting allows for each subsidiary to report independently where it’s located.

Hershman believed something needed to be done to address issues related to how national and multi-national companies report their income among and between affiliated companies. He saw the results of recent Tax Court cases as undermining the corporate income tax base and viewed the practice of some companies as nothing more than tax evasion and unfair to other taxpayers.

The Indiana Chamber, however, didn’t see the need for this switch, with the organization’s vice president of taxation, Bill Waltz, going as far as saying “it could be quite detrimental.” A number of Indiana Chamber members and like-minded groups were able to persuade Hershman to opt for a summer study later this year on the matter, but “clearly we haven’t seen the last of it,” Waltz notes.

Zimmer Biomet in Warsaw will be one company providing input



WEB EXCLUSIVE

Renewed Push for Online Sales Tax Collection?

Online purchases now make up close to 10% of all retail sales and that percentage is steadily climbing. This is a growing fiscal challenge across the country, but especially for states like Indiana that are heavily dependent on the sales tax – which accounts for 46% of Indiana’s total tax revenues.

States are losing an estimated \$11 billion in uncollected sales tax each year. Indiana’s losses are put at \$200 million annually, with these numbers increasing by nearly 10% each year.

Indiana Chamber Vice President of Taxation Bill Waltz revisits the history and explores a possible congressional revival of the Marketplace Fairness Act. Read the full story at www.bizvoicemagazine.com.

for that interim study. “It’s important for the Legislature to fully understand the impacts that their changes to the state’s tax code will have on Indiana businesses,” stresses Susan Sordelet, the group’s associate director of tax compliance and planning.

There were two aspects of the original legislation that concerned Zimmer Biomet. One was the “possibility of subjecting not only non-Indiana income but non-U.S. income to Indiana income tax under certain circumstances and/or exceptions.

“Under most circumstances, only income earned in Indiana should be subjected to Indiana income tax,” Sordelet offers.

Mark Bilodeau, associate director, tax audit, at Zimmer Biomet, explains the other pitfall.

“Apportioning income and utilizing losses and credits on effectively a separate company basis (per the Hershman legislation) creates the possibilities of ignoring proper elimination of intercompany transactions and mismatching combined group/return concepts with separate company reporting,” he begins.

“This could result in too much income being unfairly apportioned and subjected to Indiana income tax, and an arbitrary limitation on the utilization of losses and credits by only certain members of the ‘combined’ group.”

The good news is that “we have the interim study to fully air many of these concerns,” Waltz concludes.

“Making Indiana a mandatory combined reporting state is not the only way to deal with the issues raised by Sen. Hershman. Hopefully, we also get good, objective information brought forth that will help policymakers better understand the potential consequence of such a significant change in tax policy.”

RESOURCES: Susan Sordelet and Mark Bilodeau, Zimmer Biomet, at www.zimmerbiomet.com | Bill Waltz, Indiana Chamber, at www.indianachamber.com

Indiana Vision 2025: Attractive Business Climate



The 13 goals in this broad-based driver of the Indiana Chamber’s long-range economic development plan include areas related to taxes and pensions, government reform, regulatory and legal environment and more.

Among those goals (related stories beginning on Page 14):

- Preserve and enhance a Top 5 ranking among all states for Indiana’s legal environment
- Attain a Top 5 ranking among all states for Indiana’s business regulatory environment
- Contain health care costs through patient-directed access and outcomes-based incentives
- Streamline and make consistent the administration of the state’s tax code
- Promote the enactment of a federal solution to the Internet sales/use tax dilemma

Visit www.indianachamber.com/2025 to learn more.

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