

## **CORPORATE INCOME TAX**

Indiana's Corporate Adjusted Gross Income Tax is calculated at a flat percentage of the company's adjusted gross income attributable to the company's Indiana sales. The applied Corporate Income Tax rate is being cut from the current 8 percent to 6.5 percent by 2015 through 0.5 percent per year reductions beginning July 2012. To determine Indiana's share of an interstate or international corporation's taxable income, a company's adjusted gross income is apportioned based upon a single-sales factor with Indiana's portion based solely on the portion of the company's sales in Indiana. Adjusted gross income is a company's federal adjusted gross income with certain adjustments. This method of determination simplifies tax calculations for corporations and does not apply to S corporations and not-for-profit organizations.

## **PROPERTY TAX**

Real and personal property tax is assessed at market value. Tax rates and exemptions vary among local jurisdictions, but are effectively capped at three percent for business property pursuant to state law.

## **SALES AND USE TAX**

Indiana's Sales and Use Tax is calculated at a rate of 7 percent. In manufacturing, the following are exempt from the sales tax: raw materials, equipment, power, electricity, and utilities. Wholesale sales, items used directly in production, and sales made in interstate commerce are exempt. In addition, the purchase of research and development equipment is exempt from the tax. Exemption procedures may apply.

## **INDIVIDUAL INCOME TAX**

Indiana's personal income tax is 3.4 percent of federal adjusted gross income.

## **GROSS RECEIPTS AND INVENTORY TAX**

Indiana has no gross receipts tax and no inventory tax.

# TAX CREDITS AND EXEMPTIONS

## State of Indiana Taxes, Tax Credits, and Exemptions

### **ECONOMIC DEVELOPMENT FOR A GROWING ECONOMY (EDGE) TAX CREDIT**

EDGE provides incentive to businesses to support jobs creation, capital investment and to improve the standard of living for Indiana residents. The refundable tax credit is calculated as a percentage (not to exceed 100%) of the expected increased tax withholdings generated from new jobs creation. The credit certification is phased in annually for up to 10 years based upon the employment ramp-up outlined by the business.

### **HOOSIER BUSINESS INVESTMENT (HBI) TAX CREDIT**

HBI provides incentive to businesses to support jobs creation, capital investment and to improve the standard of living for Indiana residents. The non-refundable tax credit is calculated as a percentage of the eligible capital investment to support the project. The credit certification will be phased in annually over a period of two full calendar years from the commencement of the project and may be carried forward for up to nine years.

### **INDUSTRIAL RECOVERY TAX CREDIT**

The Industrial Recovery Tax Credit provides an incentive for companies to invest in vacant or under utilized facilities requiring significant rehabilitation or remodeling. After a building has been designated as an industrial recovery site, companies may be eligible for a tax credit calculated as a percentage of qualified rehabilitation expenses.

### **HEADQUARTERS RELOCATION TAX CREDIT**

When a business relocates its corporate headquarters (defined as the location of the principal office of the principal executives) to Indiana, it is eligible for a credit against its state tax liability of up to 50 percent of the costs incurred in relocating the headquarters.

A company must have global annual revenue of at least \$100 million and employ at least 75 Indiana residents to qualify.

### **VENTURE CAPITAL INVESTMENT (VCI) TAX CREDIT**

The VCI tax credit is a non-refundable tax credit available to qualified applicants that invest in qualified Indiana businesses. The aggregate credit amount for a particular qualified business is equal to the lesser of 20 percent of the qualified investment or \$1 million.

### **RESEARCH AND DEVELOPMENT TAX CREDIT**

This credit (also known as the Research Expense Tax Credit) is based on the increase in Indiana R&D over the prior three-year base. In the base year, research expenses must have been at least half of the research expenses in the current year. The credit equals 15 percent of qualified research expenses on the first \$1 million of investment. It is applied against income tax liability and may be carried forward 10 years. There is no carry back, and the credit is non-refundable. This program operates under the Department of Revenue and uses the definition of "qualified research expense" from the Internal Revenue Code (which includes the costs of wages and supplies).

### **PATENT INCOME EXEMPTION**

Taxpayers are exempt from certain income derived from qualified utility and plant patents. Qualified taxpayers are eligible for an exemption of 50 percent of patent income for each of the first five years. The exemption percentage decreases over the next five years to 10 percent by years nine and 10. The total amount of exemptions claimed by a taxpayer may not exceed \$5 million per year. This benefit is available only to companies with 500 or fewer employees.