

**AUDITOR OF STATE
LOCAL GOVERNMENT
DIVISION**


AUDITORS FALL
CONFERENCE
WEDNESDAY,
OCTOBER 24TH

Auditor of State
Bob Reynolds, CPA
Local Government
Division - Director

SUMMARY

- Types of Excise Taxes
 - Assessment and Collection
 - Treasurer/Auditor Responsibilities
- Settlement
 - Excise Reconciliation Form
 - Settlement Cutoff Balances

TYPES OF EXCISE TAXES



There's something wrong with this banana

TYPES OF EXCISE TAXES

- During settlement time, when you hear "excise taxes" this is referring to:
 - Motor Vehicle Excise Tax (IC 6-6-5)
 - Excise Tax Replacement/Lottery Credit
 - Aircraft Excise Tax (IC 6-6-6.5)
 - Auto Rental Excise Tax (IC 6-6-9)
 - Boat excise tax (IC 6-6-11)
 - Excise Tax on Recreation Vehicles and Truck Campers (IC 6-6-5.1)
 - Heavy Equipment Rental Excise Tax (IC 6-6-15)
(Effective 1-1-2019)

TYPES OF EXCISE TAXES

- **Motor Vehicle Excise Tax (IC 6-6-5)**
 - Imposed:
 - (i) instead of ad valorem property tax levied for state or local purposes and
 - (ii) in addition to any registration fees imposed under IC 9-18.1 on the vehicle
 - The vehicle excise tax is imposed on the following:
 - Passenger motor vehicles
 - Motor cycles
 - Motor drive cycles
 - Trailer vehicles with a declared gross weight of 9,000 pounds or less
 - Trucks with declared gross weigh of eleven thousand pounds or less
 - Mini-trucks
 - Military Trucks

TYPES OF EXCISE TAXES

- **Motor Vehicle Excise Tax (Continued)**
 - Statute determines tax assessed on vehicles, based on age and class of vehicle (Class is determined by cost of vehicle)
 - Certain credits are allowed for
 - US Veterans under IC 6-6-5-5
 - Rental Vehicles under IC 6-6-5-6.7
 - Excise taxes may be collected by the BMV at (i) license branches, (ii) full services providers, and (iii) partial service providers
 - Collections must be reported to the county auditor on at least a weekly basis

TYPES OF EXCISE TAXES

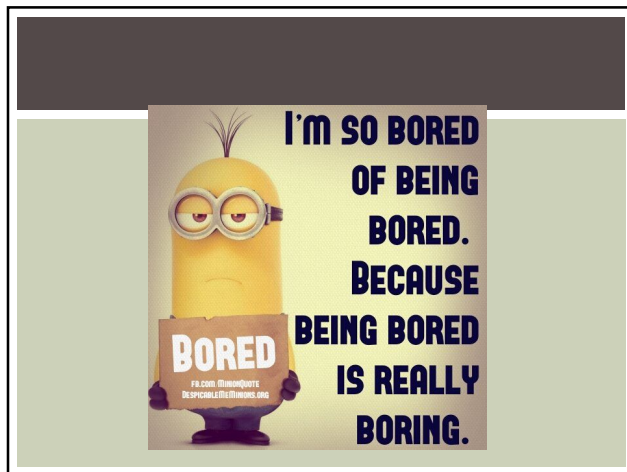
- **Motor Vehicle Excise Tax (Continued)**
 - **County Treasurer Obligations – IC 6-6-5-10**
 - The county treasurer, upon receiving the excise tax collections, shall receipt such collections into a separate account for settlement at the same time as property taxes are accounted for and settled in June and December of each year.
 - The treasurer and auditor have the right and duty to make advances prior to the time of final settlement in the same manner as property taxes, as provided by IC 5-13-6-3.
 - **County Auditor Obligations**
 - Determine the total amount of excises taxes for each taxing district and distribute funds in the same manner as property taxes
 - Determine and remit the state welfare and tuition support allocation to the treasurer of state at settlement

TYPES OF EXCISE TAXES

- **Motor Vehicle Excise Tax Replacement IC 6-6-5-9.5**
 - **Commonly known as Excise Lottery Credit**
 - The credit reduces the total tax liability for certain vehicles
 - Source for funding the credit is from the lottery tax
 - The total amount of the monthly credit is the lesser of (i) \$19,701,344 or (ii) the actual credit received
 - Distribution of the credit must occur prior to twenty fifth day of each month
 - In December of each year, a true up occurs to ensure that each county received the correct proportional share of the credit, based on the total annual amount of the credit.

TYPES OF EXCISE TAXES

- **Motor Vehicle Excise Tax Replacement IC 6-6-5-9.5**
 - Steps for distributing credit:
 - 1 – BMV – Determines the amount of excise credit that would have been collected for each county, based on the 1/1/1995 rate schedule
 - 2 – BMV – Reports the difference of the actual collections vs what they would have been at the 1/1/1995 rate
 - 3 – AOS – Determines a monthly uniform disbursement percentage to be applied in determining the amount of motor vehicle excise tax replacement money to be disbursed to each county.
 - 4 – AOS - distributes to the county the amount of the difference determined in step two in the month of the bureau's report for that county, multiplied by the monthly uniform disbursement percentage for that month.



TYPES OF EXCISE TAXES

- **Aircraft Excise Tax (IC 6-6.5)**
 - Imposed on taxable aircrafts:
 - (i) instead of ad valorem property tax levied for state or local purposes and
 - (ii) in addition to any registration fees imposed
 - Statute determines tax imposed vehicles, based on age and class of aircraft.
 - Class of aircraft is determined by type of aircraft

TYPES OF EXCISE TAXES

- **Aircraft Excise Tax (IC 6-6-6.5)**
 - **Payment of Tax**
 - Collected and administered by DOR
 - Tax is paid annually
 - Penalties are imposed for failure to register aircraft or pay taxes will (greater of \$20 or 20% of outstanding tax)
 - **Allocation and Distribution of Tax**
 - Tax is allocated to the county in which the aircraft is usually located when not in operation
 - The department of revenue distributes to each county treasurer on a quarterly basis (by the 15th of the distribution month)
 - County auditor and treasurer receives a quarterly aircraft excise report with each distribution

TYPES OF EXCISE TAXES

- **Aircraft Excise Tax (IC 6-6.5)**
 - **County Treasurer Obligations – IC 6-6-6.5-21**
 - Deposit money received in a separate fund known as the "aircraft excise tax fund"
 - Within 30 days of receiving taxes from DOR, file a report with the county auditor concerning aircraft taxes collected
 - Make settlement with county auditor concerning taxes to be distributed
 - **County Auditor Obligations**
 - Allocate money in the aircraft excise tax fund to the taxing units in the county
 - Funds are allocated to the taxing district where the excise were collected (based on where the aircraft remains when nonoperational)
 - Determine and remit the state welfare and tuition support allocation to the treasurer of state at semi-annual settlement

TYPES OF EXCISE TAXES

- **Auto Rental Excise Tax (IC 6-6-9)**
 - Tax imposed on rental passenger motor vehicles and trucks
 - Rented for periods less than 30 days
 - 4% of gross retail income received by retail merchant
 - Exemptions:
 - Trucks that weigh over 11,000 pounds
 - Funeral home directors who is using rental as part of funeral
 - **Person renting vehicle is liable to pay tax**
 - Merchant collects tax and reports collections to state

TYPES OF EXCISE TAXES

- **Auto Rental Excise Tax (IC 6-6-9)**
 - **Collection of Revenues:**
 - Revenues are deposited into a special account of state general fund
 - Distributed to county treasurers on or before May 20 and November 20
 - Distributed by department of revenue
 - Amount distributed to county treasurer equals the amount of tax collected their county
 - DOR must notify the auditor the amount that was distributed to the county treasurer
 - At the time each distribution is made to a county treasurer, the department also must certify to the county auditor each taxing district in the county where auto rental excise taxes were collected

TYPES OF EXCISE TAXES

- **Auto Rental Excise Tax (IC 6-6-9)**
 - **County Treasurer Obligations – IC 6-6-9-11**
 - Deposit such collections into a separate account for settlement at the same time as property taxes are accounted for and settled in June and December of each year.
 - The treasurer and auditor have the right and duty to make advances prior to the time of final settlement in the same manner as property taxes, as provided by IC 5-13-6-3.
 - **County Auditor Obligations**
 - Determine the total amount of excises taxes for each taxing district and distribute funds in the same manner as property taxes at settlement

TYPES OF EXCISE TAXES

- **Boat Excise Tax (IC 6-6-11)**
 - Boats that are subject to the boat excise tax for a boating year are not subject to taxation under IC 6-1.1 for ad valorem property taxes
 - Statute determines tax imposed vehicles, based on age and class of boat (class is determined by cost of boat)
 - Excise tax is paid to the bureau of motor vehicles at the same time as registration fees
 - The BMV must report collections the county auditor on at least a weekly basis

TYPES OF EXCISE TAXES

- **Boat Excise Tax**
 - A boat is exempt from the boat excise tax if it is:
 - Owned by the United States
 - Owned by the state or a political subdivision
 - Owned by an organization exempt from federal income taxes
 - A human powered vessel
 - Held by a boat manufacturer, distributor, or deal for sale
 - Stored in Indiana for less than 22 consecutive days
 - Registered outside Indiana and operated, used, or docked in Indiana for combined total of less than 22 days
 - A motorboat and is registered outside Indiana and docked on the Indiana part of Lake Michigan for not more than 180 conservative days
 - Subject to the commercial vessel tonnage tax

TYPES OF EXCISE TAXES

- **Boat Excise Tax**
 - **County Treasurer Obligations – IC 6-6-11-33**
 - Deposits such collections into the "boat excise fund"
 - At settlement time, file a report with the county auditor concerning the prior six months of boat excise taxes were received
 - Make a settlement with the county auditor for boat excise taxes received
 - Maintain records concerning the boat excise taxes received
 - **County Auditor Obligations**
 - Determine the total amount of in the boat excise fund for each taxing district and distribute funds in the same manner as property taxes
 - Determine and remit the state welfare and tuition support allocation to the treasurer of state semi-annual.

TYPES OF EXCISE TAXES

- **Excise Tax on Recreation Vehicles and Truck Campers (IC 6-6-5.1)**
 - **Imposed:**
 - (i) instead of ad valorem property tax levied for state or local purposes and
 - (ii) in addition to any registration fees imposed on recreational vehicles
 - **The excise tax is imposed on the following:**
 - Recreational vehicles
 - Truck campers

TYPES OF EXCISE TAXES

- Excise Tax on Recreation Vehicles and Truck Campers (IC 6-6-5.1)
 - Statute determines tax assessed on vehicles, based on age and class of vehicle (class is determined by cost of vehicle)
 - Excise taxes may be collected by the BMV at (i) license branches, (ii) full services providers, and (iii) partial service providers
 - The BMV must report collections the county auditor on at least a weekly basis
 - Excise taxes collected by DOR are deposited in the state general fund
 - Taxes are credited to the appropriate county and reported to the BMV on the first working day of the following week collection

TYPES OF EXCISE TAXES

- Excise Tax on Recreation Vehicles and Truck Campers (IC 6-6-5.1)
 - County Treasurer Obligations – IC 6-6-5-10
 - The county treasurer, upon receiving the excise tax collections, shall receipt such collections into a separate account for settlement at the same time as property taxes are accounted for and settled in June and December of each year.
 - The treasurer and auditor have the right and duty to make advances prior to the time of final settlement in the same manner as property taxes, as provided by IC 5-13-6-3.
 - County Auditor Obligations
 - Determine the total amount of excises taxes for each taxing district and distribute funds in the same manner as property taxes
 - Completed from copies of vehicle registration forms and truck camper receipts furnished by the BMV.
 - Prior to August 1 of each year, furnish the proper officer of each political subdivision an estimate of the money to be distributed in the next calendar year

TYPES OF EXCISE TAXES

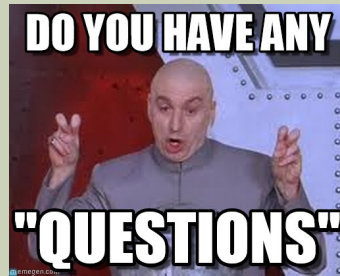
- Heavy Equipment Rental Excise Tax (IC 6-6-15) (Effective 1-1-2019)
 - Tax imposed on rental of heavy equipment from a retail merchant
 - Rented for periods less than 365 days
 - 2.25% of gross retail income received by retail merchant
 - Exemptions:
 - Federal, State and Local governments
 - Person renting equipment is liable to pay tax
 - Merchant collects tax and reports collections to state

TYPES OF EXCISE TAXES

- Heavy Equipment Rental Excise Tax (IC 6-6-15) (Effective 1-1-2019)
 - Collection of Revenues:
 - Remitted to state by merchant in the same manner as sales tax
 - Due on or before April 30 and October 30 of each year
 - Amount distributed to county treasurer equals the amount of tax collected by their county
 - At the time each distribution is made to a county treasurer, the department of revenue must certify to the county auditor each taxing district in the county where taxes were collected

TYPES OF EXCISE TAXES

- Heavy Equipment Rental Excise Tax (IC 6-6-15) (Effective 1-1-2019)
 - County Treasurer Obligations – IC 6-6-9-11
 - Deposit such collections into a separate account for settlement at the same time as property taxes are accounted for and settled in June and December of each year.
 - County Auditor Obligations
 - Determine the total amount of excises taxes for each taxing district and distribute funds in the same manner as property taxes



EXCISE RECONCILIATION FORM

- County Treasurer and County Auditor Excise Reconciliation
- Created to assist county treasurers and county auditors in reconciling their cashbooks at settlement time
- Not an official state form, however a tool to be used to help complete settlement
 - Although it is not an state form, AOS expects all counties to complete reconciliation at settlement time to help accuracy of settlement.
 - Any unreconciled balances will not prevent pre-approval/final approval, however they may be shared with the SBOA.

EXCISE RECONCILIATION

- Oh no! I don't reconcile what does this mean?!?!
 - Most likely:
 - Due to an accounting error
 - Auditor/treasurer missing a deposit
 - Auditor/treasurer recorded incorrect amount
 - Auditor/treasurer recorded a deposit to wrong fund/account
 - Also possible:
 - Incorrect amount distributed
 - Incorrect amount was distributed at settlement, created a surplus/deficit of excise funds recorded

EXCISE RECONCILIATION

- I know I don't reconcile, but how do I fix it?
 - Not an exact science, but here are some basic tips
 - Find the last known time when you reconciled
 - Check the next months' entries and see if you can find the error
 - Usually time consuming, but tick and tie all entries to find potential problems
 - Review reconciling difference
 - See if it carries from month to month
 - Can it be attributed to a recurring event
 - Does the number make sense
 - Make sure there are no timing issues
 - Did the treasurer record a deposit that Auditor has not yet received/recorded

EXCISE RECONCILIATION

- How do I make sure to reconcile any differences?
 - **Effective Internal controls are key**
 - Perform reconciliation on a monthly basis (not just at settlement)
 - Strong communication between treasurer and auditors office is very important
 - Have multiple employees review
 - Identify all reconciling items on the monthly basis
 - Keep a log for each time the reconciliation is completed and reviewed
 - Make sure your fund balance makes sense

EXCISE CUT-OFF BALANCE

- Excise Tax Received After the Auditor Cut-Off Date
 - Beginning at December Settlement AOS will start looking at balance
 - AOS will not reject settlement if balance appears high or low, but you may receive questions
 - Balance reported should make sense and cut off date should be consistent
 - Important because if balance is incorrect, the balance may include funds that should be distributed
 - AOS will perform analytical procedures of balance
 - How does pro-rata balance compare to county treasurer certified excise tax at prior settlement date?
 - How does cut off balance compare to cut off balance at prior year?

EXCISE CUT-OFF BALANCE

- Analytical Procedures
 - Test of Pro-Rata Balance
 - A county has an excise cut-off date of March 31 and submits their settlement for review on June 1, which is 61 days.
 - The county treasurer certified excise tax is \$750,000 and the amount received after the cut off date was \$300,000.
 - The total collection period of April 1 to September 30 is 183 Days and October 1 to March 30 was 182 days (assuming non leap year)

EXCISE CUT-OFF BALANCE

- Analytical Procedures
- Test of Pro-Rata Balance

	Current Year	Prior Year
Days between Cut off and Submission	62	73
Total Number of Days in Collection	183	183
Percentage Collected	34%	40%
Collections after Cut-Off	300,000	315,000
Certified Excise Tax at Settlement Date	750,000	875,000
Cut-Off to Settlement Date	40%	36%
Variance	-6%	4%

EXCISE CUT-OFF BALANCE

- Analytical Procedures
- Test of Cut off balance - Current Settlement vs Prior Year

	Current Settlement	Prior Year
Cut-Off Balance Current Settlement	300,000	315,000
Cut-Off Balance Prior Year Settlement	315,000	340,000
Increase/Decrease	(15,000)	(25,000)
Percentage Increase/(Decrease)	-5.00%	-7.94%

QUESTIONS?

Additional Questions? Contact us!

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