



M = Rank for mature firms  
N = Rank for new firms

Indiana ranks 43rd overall for mature operations but 15th overall for newly established operations. Specifically:

- Indiana ranks second for the new retail operation, which has a total effective tax rate (TETR) of 19.4 percent, 40 percent below the national average. Indiana is one of only seven states to offer retail operations a property tax abatement and one of only three states to offer retailers an investment tax credit.
- Indiana also ranks fifth for both new and mature R&D operations. The state's rank for both operations is mostly driven by research and development tax credits, which are among the most generous for both new and mature R&D firms.
- The state ranks 48th in three categories: mature capital-intensive manufacturing, mature labor-intensive manufacturing, and mature distribution center operations. Although Indiana uses a single-sales factor apportionment formula, these firms have one of the highest income tax burdens in the nation because of the state's 8.5 percent income tax and the throwback rule. Moreover, these firms face the third-highest property tax rate in the country because of the locality's high rate and the property tax on equipment.
- The state also ranks 44th for the mature call center. Like the firms mentioned above, this operation is hindered by a very high property tax burden – highest in the nation for this firm type – and a high income tax burden.
- Although Indiana has one of the most generous property tax abatements in the country for new manufacturers, the state still ranks 38th for new capital-intensive manufacturing operations.
- These results do not account for the corporate tax rate reduction or the property tax cap scheduled for 2012 and beyond.

## Indiana

### Corporate income tax

Main tax rate	8.500%	<b>Apportionment</b>	<b>Property</b>	<b>Payroll</b>	<b>Sales</b>
Applies to income over	–	Standard factors	–	–	100.0%
Specific adjustments:		Optional alternative	n/a	n/a	n/a
- s.199 deduction disallowed		Throwback applies to tangible property sales			Yes
		Interstate services income apportionment			IPA

### Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate <sup>a</sup>	Land	Buildings	Equipment	Inventory
Tier 1	Indianapolis	7.000%	1.315%	1.315%	1.315%	–
Tier 2	Elkhart	7.000%	3.594%	3.594%	3.594%	–
a. Manufacturing machinery is exempt from sales tax						

### Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
2.50%	\$9,500	n/a	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

### Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	10% of eligible capital investment	✓	✓	✓	✓	✓	✓	✓
Job creation	n/a							
Withholdings	3% of new payroll x 7 years	✓	✓	✓	✓	✓	✓	
R&D	10-15% of in-state R&D expenses, per federal concepts						✓	
Property tax	100% abatement x 1 year + 10-year phase-in	✓	✓	✓	✓	✓	✓	✓

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

### Results

	Newly established operations								Mature operations							
	Tier 2 operations				Tier 1 operations				Tier 2 operations				Tier 1 operations			
	MC	ML	CC	DC	CO	RD	RT	AVG	MC	ML	CC	DC	CO	RD	RT	AVG
TETR	13.8%	11.0%	21.7%	32.2%	11.9%	5.4%	19.4%		23.2%	17.4%	26.6%	46.6%	15.7%	7.3%	15.4%	
Index	121.0	93.6	87.3	89.0	73.5	36.8	59.6	<b>80.1</b>	182.5	149.1	126.9	152.0	100.4	57.1	91.2	<b>122.7</b>
Rank	38	20	16	23	12	5	2	<b>15</b>	48	48	44	48	28	5	19	<b>43</b>

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