

*Helping Business Do Business  
in Scott County, Indiana*



Scott County Economic Development Corporation



## Scott County Indiana Data Center : State Tax

Indiana has a very favorable tax program. Ranked as one of the best states for its unemployment tax structure and workers' compensation rates,

In 2002, the Indiana General Assembly passed a revision of Indiana's tax code, which simplifies and modernizes the state's tax structure. House Enrolled Act 1001ss was passed during the 2002 Special Session of the Indiana General Assembly, and was signed into law by Governor Frank O'Bannon on June 28, 2002. This historic bill restructured Indiana's tax system in such a manner that the business taxes were simplified, real estate reassessment impacts were lessened, and additional taxes were eliminated.

### State Sales Tax

The Indiana sales tax (the gross retail tax) is imposed at the rate of 6%, is added to the selling price paid by a purchaser and is collected by the retail merchant as agent for the state.

### Corporate Income Tax

All corporations doing business in Indiana, except for S-corporations and not-for-profit organizations, pay corporate adjusted gross income tax at a rate of 8.5%.

### Individual Adjusted Gross Income Tax

Individuals pay at a rate of 3.4%

### Unemployment Insurance

New employer rate: 2.7%  
Experienced employer average rate: 1.3%  
Taxable wage base: \$7,000.

### Workers Compensation

Workers' Compensation (per \$100 of payroll)  
Average Rate for Manufacturing -- \$2.46  
Average Rate for Distribution -- \$3.71  
Average Rate for Office -- \$0.27

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Source: Worker's Compensation Board of Indiana, Indiana Compensation Ratings Bureau, Department of Workforce Development-  
Unemployment Insurance Division/US Dept. of Labor

## Workers' Compensation Advantages

**Low cost for employers** - From highest to lowest, Indiana ranked 50 out of 51 jurisdictions with a rate of \$1.24. Source: State of Oregon report 2004 Oregon Workers' Compensation Premium Ranking. Rate indices range from low of \$1.06 in North Dakota to high of \$6.08 in California.

**Healthy market attracts competition** – Indiana posts best in country accident year combined ratio of 0.90. Results range from a low of 0.90 in Indiana to a high of 142 in Kentucky. Source: NCCI Financial Call data used in Calendar-Accident Year Underwriting Results, evaluated as of 12/31/02; 37 states; NCCI website as of 9/2004.

## Sales and Use Tax

**Taxpayer:** Purchasers of tangible personal property and public utility service, renters of rooms or other accommodations for less than 30 days, and renters of other property.

Tax Base: Sales price of the taxable transaction.

Tax Rate: 6%

**Major Exemptions:** Wholesale sales. Purchases of items used directly in the production process, including raw materials, machinery, tools and equipment directly used in direct production. Any sale of goods for resale. Sales made in interstate commerce. Power, electricity, and gas if 51% of the load is used for manufacturing. Pollution-abatement equipment if required by federal, state, or local law. Sales to governmental entities.

## State Unemployment Insurance Rates and Regulations

In the State of Indiana, every business that employs at least one person for 20 weeks or more, or if in any calendar quarter pays wages of at least \$1, 500, is required to pay unemployment compensation taxes. All of the unemployment compensation taxes that an employer pays is placed into that employers account. This account serves as the pool from which benefits are paid to eligible persons. The accounts for all of the states employers make up the Indiana Unemployment Trust Fund. The Indiana Department of Employment and Training Service administers the program.

All employers are taxed on the first \$7,000 of an employees wages for each calendar year. New businesses must contribute at the rate of 2.7%, until they have three years of experience. At that time, the new rate is determined by the employers credit reserve ratio or debt reserve ratio held in the employers account within the Unemployment Insurance trust fund.

New employer rate -- 2.7%

Average experienced employer rate -- 1.21%

Taxable wage base -- \$7,000

Minimum rate -- 0.2%

Maximum rate -- 5.5%

## Workers Compensation

Workers Compensation is a system of no-fault insurance that pays benefits to employees for accidental injuries or diseases arising out of and in the course of employment. Benefits are provided by private insurers (in some cases, self-insurers) and the maximum number of weeks for which a worker can receive benefits in Indiana is 125 weeks.

Insurance rates for employers are determined by the Workers Compensation Rating Board, a non-profit agency, based on past experience with the same or similar jobs in Indiana's workforce, and the total size of payroll. Firms having exceptional records can apply for a credit against their previous contributions. Separate job classifications are used for premium purposes. The average rate for manufacturing is \$1.99 per \$100 of Indiana payroll.

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For detailed information about Indiana's tax structure, please visit the [Indiana Department of Commerce](#) website.

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For more information on the comprehensive services Scott County Economic Development Corporation might provide to your business or industry --

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