**Indiana Payroll Taxes**

**IN State Income Tax Withholding**

<https://www.in.gov/dor/business-tax/withholding-income-tax/>

**Who Must Withhold IN State Income Taxes**

An employer that pays wages or other compensation to employees for services performed within the state of Indiana is required to register for withholding tax. Register and remit withholding tax online through INBiz: <https://inbiz.in.gov/BOS/Home/Index>. There is no fee to register. Required information includes:

* Accounting period year ending date
* Date taxes were first withheld
* Dollar amount of anticipated monthly wages paid
* Address in which to send your withholding tax returns

Once registered, you will receive an Indiana Taxpayer Identification Number (TID) allowing your business to be identified in the Indiana Department of Revenue’s (DOR) system. TIDs are required for paying state taxes and withholding taxes.

Withholding of county income tax is required in all 92 Indiana counties. Departmental Notice #1 <https://www.in.gov/dor/files/dn01.pdf> details the income tax withholding rates for Indiana counties and explains how to withhold taxes. Indiana’s withholding tax rate is 3.23%. The county tax rate will depend on where the employee resided on Jan. 1. All county tax rates are listed in Departmental Notice #1.

All businesses in Indiana must file and pay their withholding taxes electronically, as required by Indiana law. File returns, make payments, and message securely with DOR Customer Service using the e-service portal, Indiana Taxpayer Information Management Engine (INTIME), at <https://intime.dor.in.gov/eServices/_/>.

Filing Frequencies



Forms

WH-1

The Indiana Withholding Tax Voucher, Form WH-1, must be filed electronically. You can register for and file the WH-1 via INTIME. The WH-1 should be completed and submitted on or before your due date. Submitting a WH-1 correctly ensures that your company’s withholding taxes are reported accurately and timely.

WH-3

At the end of each year, all Indiana employers are required to complete and file an Annual Withholding Reconciliation Form, Form WH-3, by Jan. 31 of the following year. The WH-3 is a reconciliation form for the amount of state and county income taxes withheld throughout the year. Any business that files more than 25 W-2, W-2G, or 1099-R statements must file them electronically. If you have multiple locations and file withholding for each separate location, then you must complete a WH-3 for each location. Additionally, a copy of each W-2 issued to employees must be submitted along with the annual WH-3 reconciliation, due by Jan. 31 each year.

**IN W-4 Requirements**

Indiana [**Form WH-4**](https://www.in.gov/dor/tax-forms/withholding-tax-forms/), *Employee's Withholding Exemption & County Status Certificate,* should be completed by all resident and nonresident employees having income subject to Indiana state and/or county income tax. Both the taxpayer's county of residence and county of principal work activity are determined January 1 of each year. If an individual should move to (or work in) another county after January 1, the county status will not change until the next calendar year.

**IN State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed. IN State unemployment taxes are overseen by the Department of Workforce Development (DWD). A State, municipality, division of a municipality, Indian Tribe, or similar entity that pays wages to a covered worker is a governmental employer. Governmental employers are required to pay UI premiums starting with the first dollar of payroll.

501(c)(3) not-for-profit entities and governmental employers can elect to be Reimbursing Employers. This means they reimburse the UI Trust Fund for benefit payments to their former employees instead of making regular quarterly contributions (referred to as payment in lieu of contribution). Reimbursing Employers file wage reports each quarter but pay monthly only if there is activity.

Become a Reimbursing Employer by:

* Providing DWD a copy of the Internal Revenue Service (IRS) 501(c)(3) exemption status letter, or a copy of the application for exemption status; and
* Submitting a completed “Election to Pay Tax” form, DWD 1065, which can be obtained at <https://www.in.gov/dwd/indiana-unemployment/>, by the required deadline.

When the organization first becomes liable for unemployment, it has an opportunity to elect to make payments in lieu of contributions instead of paying quarterly contributions. If an election is not received by the election deadline, the employer is automatically contributory. Election forms must be submitted within 31 days of the original qualification date. DWD counts the 31 days from the last day of the quarter that contains the qualifying event. Retroactive or late reimbursement elections are not allowed.

Quarterly UI Report Due Dates



For UI premium purposes, if the organization is liable for any part of a calendar year, it is liable for the entire year and must report all wages for the entire calendar year. Employers can file their quarterly unemployment wage reports electronically via DWD’s Employer Self Service UpLink: <https://uplink.in.gov/ESS/ESSLogon.htm>.

IN has adopted the Interstate Reciprocal Coverage Arrangement for unemployment insurance. Under this arrangement, if an employee works in more than one state, an employer may elect to cover all the services of such a worker in any state in which: (1) any part of the worker's service is performed, (2) the worker has his or her residence, or (3) the employer maintains a place of business. If coverage cannot be determined using the four-part test, Indiana may enter into reciprocal agreements under the Interstate Reciprocal Coverage Arrangement, but use of reciprocal agreements is rare and at the discretion of the state, not at the employer's election.

If the organization employs only teleworkers in Indiana, then the physical address where work is performed is the worker’s address. DWD does not use the physical address for mailing purposes. The address information is used to verify localization. The physical address where work is performed is a worksite address and can be administered by the employer using the Profile Maintenance menu and the Locations option. An employer may have multiple worksite addresses.

**IN State Workers’ Compensation**

Most employers in Indiana are required by law to carry workers' compensation insurance for their employees. Employers may offer workers’ compensation through private insurance or self-insurance. Employers may self-insure only upon approval of the Workers’ Compensation Board of Indiana. Contact the Indiana Workers’ Compensation Board Ombudsman Division by telephone at (800) 824-2667 for more information.

Washington State Department of Enterprise Services (DES) administers a Workers' Compensation Insurance program for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard kimberly.haggard@des.wa.gov at DES Risk Management.

**IN State Paid Family / Medical Leave**

Indiana does not have a paid family and medical leave program as of 11/07/2023.

**Helpful resources for Indiana**

Indiana Tax Handbook for New and Small Business Owners: <https://www.in.gov/dor/files/new-small-business-handbook.pdf>

Indiana DOR Business Tax FAQs: <https://www.in.gov/dor/business-tax/business-tax-faqs/>

Indiana Dept of Revenue Withholding Tax Forms: <https://www.in.gov/dor/tax-forms/withholding-tax-forms/>

List of Indiana County Withholding Tax Rates: <https://www.in.gov/dor/files/dn01.pdf>

Indiana Dept of Workforce Development: <https://www.in.gov/dwd/indiana-unemployment/>

Indiana DWD Employer Self Service Uplink FAQs: <https://www.in.gov/dwd/indiana-unemployment/employers/faqs/ess-enhancement-faq/>

Worker’s Compensation Board of Indiana: <https://www.in.gov/wcb/>