

# HOUSE BILL No. 1349

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-2.5; IC 6-3; IC 6-3.1; IC 6-3.5; IC 6-5.5-1-2; IC 6-6; IC 6-8-11; IC 6-8.1; IC 8-24-17-14; IC 21-12-7-4.

**Synopsis:** Various tax matters. Eliminates the double direct test for the gross retail tax exemption for various transactions involving various types of tangible personal property. Specifies that the exemption applies if the tangible personal property is acquired for direct use or consumption in the production of tangible personal property when the person acquiring the property is occupationally engaged in the business of producing tangible personal property. Eliminates various adjustments to income for purposes of determining Indiana adjusted gross income. Eliminates various income tax exemptions, deductions, and credits. Provides that business income is all income apportionable to the state under the Constitution of the United States. Eliminates the taxation of income that is attributed to a state that does not have an income tax (the "throwback rule"). Adopts the sourcing of income using market based sourcing. Broadens the addback to Indiana adjusted gross income related to intercompany interest expenses. Uses the most recent Internal Revenue Code for determining the earned income tax credit. Provides for a tax amnesty program. Makes technical corrections and conforming amendments.

**Effective:** July 1, 2015; January 1, 2016.

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January 13, 2015, read first time and referred to Committee on Ways and Means.

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First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

# HOUSE BILL No. 1349



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-2.5-4-2 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) A person is  
 3 a retail merchant making a retail transaction when ~~he~~ **the person** is  
 4 making wholesale sales.  
 5 (b) For purposes of this section, a person is making wholesale sales  
 6 when ~~he~~ **the person**:  
 7 (1) sells tangible personal property, other than capital assets or  
 8 depreciable property, to a person who purchases the property for  
 9 the purpose of reselling it without changing its form;  
 10 (2) sells tangible personal property to a person who purchases the  
 11 property for direct **use or** consumption ~~as a material~~ in the ~~direct~~  
 12 production of other tangible personal property produced by the  
 13 person in ~~his~~ **the person's** business of ~~manufacturing, processing,~~  
 14 ~~refining, repairing, mining, agriculture, or horticulture;~~  
 15 **producing other tangible personal property that is for sale;**



1 (3) sells tangible personal property to a person who purchases the  
 2 property for incorporation as a material or integral part of tangible  
 3 personal property produced by the person in ~~his~~ **the person's**  
 4 business of ~~manufacturing, assembling, constructing, refining, or~~  
 5 ~~processing; producing other tangible personal property that is~~  
 6 **for sale;**

7 (4) sells drugs, medical or dental preparations, or other similar  
 8 materials to a person who purchases the materials for direct **use**  
 9 **or** consumption in professional use by a physician, hospital,  
 10 embalmer, funeral director, or tonsorial parlor;

11 (5) sells tangible personal property to a person who purchases the  
 12 property for direct **use or** consumption in ~~his~~ **the person's**  
 13 business of industrial cleaning; or

14 (6) sells tangible personal property to a person who purchases the  
 15 property for direct **use or** consumption in the person's business in  
 16 the direct rendering of public utility service.

17 (c) Notwithstanding any provision of this article, a person is not  
 18 making a retail transaction when ~~he:~~ **the person:**

19 (1) acquires tangible personal property owned by another person;

20 (2) provides industrial processing or servicing, including  
 21 enameling or plating, on the property; and

22 (3) transfers the property back to the owner to be sold by that  
 23 owner either in the same form or as a part of other tangible  
 24 personal property produced by that owner in ~~his~~ **the owner's**  
 25 business of manufacturing, assembling, constructing, refining, or  
 26 processing.

27 SECTION 2. IC 6-2.5-4-5, AS AMENDED BY P.L.288-2013,  
 28 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 29 JANUARY 1, 2016]: Sec. 5. (a) As used in this section, a "power  
 30 subsidiary" means a corporation which is owned or controlled by one  
 31 (1) or more public utilities that furnish or sell electrical energy, natural  
 32 or artificial gas, water, steam, or steam heat and which produces power  
 33 exclusively for the use of those public utilities.

34 (b) A power subsidiary or a person engaged as a public utility is a  
 35 retail merchant making a retail transaction when the subsidiary or  
 36 person furnishes or sells electrical energy, natural or artificial gas,  
 37 water, steam, or steam heating service to a person for commercial or  
 38 domestic consumption.

39 (c) Notwithstanding subsection (b), a power subsidiary or a person  
 40 engaged as a public utility is not a retail merchant making a retail  
 41 transaction in any of the following transactions:

42 (1) The power subsidiary or person provides, installs, constructs,



1 services, or removes tangible personal property which is used in  
 2 connection with the furnishing of the services or commodities  
 3 listed in subsection (b).

4 (2) The power subsidiary or person sells the services or  
 5 commodities listed in subsection (b) to another public utility or  
 6 power subsidiary described in this section or a person described  
 7 in section 6 of this chapter.

8 (3) The power subsidiary or person sells the services or  
 9 commodities listed in subsection (b) to a person for ~~use in~~  
 10 ~~manufacturing; mining; production; processing (after December~~  
 11 ~~31, 2012); repairing (after December 31, 2012); refining; the~~  
 12 **person's direct use or consumption in the production of the**  
 13 **tangible personal property that is for sale or for use or**  
 14 **consumption in the production of other tangible personal**  
 15 **property or** recycling (as defined in IC 6-2.5-5-45.8). ~~oil~~  
 16 ~~extraction; mineral extraction; irrigation; agriculture; floriculture~~  
 17 ~~(after December 31, 2012); arboriculture (after December 31,~~  
 18 ~~2012); or horticulture.~~ However, this exclusion for sales of the  
 19 services and commodities only applies if the services are  
 20 consumed as an essential and integral part of ~~an integrated a~~  
 21 process that produces tangible personal property and those sales  
 22 are separately metered for the excepted uses listed in ~~this~~  
 23 ~~subdivision; IC 6-2.5-5-6.1 or IC 6-2.5-5-45.8,~~ or if those sales  
 24 are not separately metered but are predominately used by the  
 25 purchaser for the excepted uses listed in ~~this subdivision;~~  
 26 **IC 6-2.5-5-6.1 or IC 6-2.5-5-45.8.**

27 (4) The power subsidiary or person sells the services or  
 28 commodities listed in subsection (b) and all the following  
 29 conditions are satisfied:

30 (A) The services or commodities are sold to a business that:

- 31 (i) relocates all or part of its operations to a facility; or  
 32 (ii) expands all or part of its operations in a facility;

33 located in a military base (as defined in IC 36-7-30-1(c)), a  
 34 military base reuse area established under IC 36-7-30, the part  
 35 of an economic development area established under  
 36 IC 36-7-14.5-12.5 that is or formerly was a military base (as  
 37 defined in IC 36-7-30-1(c)), or a qualified military base  
 38 enhancement area established under IC 36-7-34.

39 (B) The business uses the services or commodities in the  
 40 facility described in clause (A) not later than five (5) years  
 41 after the operations that are relocated to the facility or  
 42 expanded in the facility commence.



1 (C) The sales of the services or commodities are separately  
2 metered for use by the relocated or expanded operations.

3 (D) In the case of a business that uses the services or  
4 commodities in a qualified military base enhancement area  
5 established under IC 36-7-34-4(1), the business must satisfy at  
6 least one (1) of the following criteria:

7 (i) The business is a participant in the technology transfer  
8 program conducted by the qualified military base (as defined  
9 in IC 36-7-34-3).

10 (ii) The business is a United States Department of Defense  
11 contractor.

12 (iii) The business and the qualified military base have a  
13 mutually beneficial relationship evidenced by a  
14 memorandum of understanding between the business and  
15 the United States Department of Defense.

16 (E) In the case of a business that uses the services or  
17 commodities in a qualified military base enhancement area  
18 established under IC 36-7-34-4(2), the business must satisfy at  
19 least one (1) of the following criteria:

20 (i) The business is a participant in the technology transfer  
21 program conducted by the qualified military base (as defined  
22 in IC 36-7-34-3).

23 (ii) The business and the qualified military base have a  
24 mutually beneficial relationship evidenced by a  
25 memorandum of understanding between the business and  
26 the qualified military base (as defined in IC 36-7-34-3).

27 However, this subdivision does not apply to a business that  
28 substantially reduces or ceases its operations at another location  
29 in Indiana in order to relocate its operations in an area described  
30 in this subdivision, unless the department determines that the  
31 business had existing operations in the area described in this  
32 subdivision and that the operations relocated to the area are an  
33 expansion of the business's operations in the area.

34 SECTION 3. IC 6-2.5-5-1 IS REPEALED [EFFECTIVE JANUARY  
35 1, 2016]. Sec. 1. Transactions involving animals; feed; seed; plants;  
36 fertilizer; insecticides; fungicides; and other tangible personal property  
37 are exempt from the state gross retail tax if:

38 (1) the person acquiring the property acquires it for his direct use  
39 in the direct production of food and food ingredients or  
40 commodities for sale or for further use in the production of food  
41 and food ingredients or commodities for sale; and

42 (2) the person acquiring the property is occupationally engaged in



1 the production of food and food ingredients or commodities which  
 2 he sells for human or animal consumption or uses for further food  
 3 and food ingredient or commodity production.

4 SECTION 4. IC 6-2.5-5-2 IS REPEALED [EFFECTIVE JANUARY  
 5 1, 2016]. Sec. 2: (a) Transactions involving agricultural machinery;  
 6 tools; and equipment are exempt from the state gross retail tax if the  
 7 person acquiring that property acquires it for his direct use in the direct  
 8 production; extraction; harvesting; or processing of agricultural  
 9 commodities:

10 (b) Transactions involving agricultural machinery or equipment are  
 11 exempt from the state gross retail tax if:

12 (1) the person acquiring the property acquires it for use in  
 13 conjunction with the production of food and food ingredients or  
 14 commodities for sale;

15 (2) the person acquiring the property is occupationally engaged in  
 16 the production of food or commodities which he sells for human  
 17 or animal consumption or uses for further food and food  
 18 ingredients or commodity production; and

19 (3) the machinery or equipment is designed for use in gathering;  
 20 moving; or spreading animal waste.

21 SECTION 5. IC 6-2.5-5-3 IS REPEALED [EFFECTIVE JANUARY  
 22 1, 2016]. Sec. 3: (a) For purposes of this section:

23 (1) the retreading of tires shall be treated as the processing of  
 24 tangible personal property; and

25 (2) commercial printing shall be treated as the production and  
 26 manufacture of tangible personal property.

27 (b) Except as provided in subsection (c); transactions involving  
 28 manufacturing machinery; tools; and equipment are exempt from the  
 29 state gross retail tax if the person acquiring that property acquires it for  
 30 direct use in the direct production; manufacture; fabrication; assembly;  
 31 extraction; mining; processing; refining; or finishing of other tangible  
 32 personal property.

33 (c) The exemption provided in subsection (b) does not apply to  
 34 transactions involving distribution equipment or transmission  
 35 equipment acquired by a public utility engaged in generating  
 36 electricity.

37 SECTION 6. IC 6-2.5-5-4 IS REPEALED [EFFECTIVE JANUARY  
 38 1, 2016]. Sec. 4: Transactions involving tangible personal property are  
 39 exempt from the state gross retail tax if the person acquiring the  
 40 property acquires it for his direct use in the direct production of the  
 41 machinery; tools; or equipment described in section 2 or 3 of this  
 42 chapter.



1 SECTION 7. IC 6-2.5-5-5.1 IS REPEALED [EFFECTIVE  
2 JANUARY 1, 2016]. Sec. 5.1. (a) As used in this section, "tangible  
3 personal property" includes electrical energy, natural or artificial gas,  
4 water, steam, and steam heat.

5 (b) Transactions involving tangible personal property are exempt  
6 from the state gross retail tax if the person acquiring the property  
7 acquires it for direct consumption as a material to be consumed in the  
8 direct production of other tangible personal property in the person's  
9 business of manufacturing, processing, refining, repairing, mining,  
10 agriculture, horticulture, floriculture, or arboriculture. This exemption  
11 includes transactions involving acquisitions of tangible personal  
12 property used in commercial printing.

13 (c) A refund claim based on the exemption provided by this section  
14 for electrical energy, natural or artificial gas, water, steam, and steam  
15 heat may not cover transactions that occur more than thirty-six (36)  
16 months before the date of the refund claim.

17 SECTION 8. IC 6-2.5-5-6 IS REPEALED [EFFECTIVE JANUARY  
18 1, 2016]. Sec. 6. Transactions involving tangible personal property are  
19 exempt from the state gross retail tax if the person acquiring the  
20 property acquires it for incorporation as a material part of other  
21 tangible personal property which the purchaser manufactures,  
22 assembles, refines, or processes for sale in his business. This  
23 exemption includes transactions involving acquisitions of tangible  
24 personal property used in commercial printing.

25 SECTION 9. IC 6-2.5-5-6.1 IS ADDED TO THE INDIANA CODE  
26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
27 JANUARY 1, 2016]: Sec. 6.1. (a) The following definitions apply  
28 throughout this section:

29 (1) "Direct use or consumption in the production of tangible  
30 personal property" means used or consumed in those  
31 activities and operations that constitute an integral and  
32 essential part of the production process, as contrasted with  
33 and distinguished from those activities or operations that are  
34 incidental or remote to production. Property that is not  
35 considered to be in the direct use or consumption in the  
36 production of tangible personal property is set forth in  
37 subsection (d).

38 (2) "Occupationally engaged" means intending to engage in  
39 the industrial or commercial production of tangible personal  
40 property for a profit. The term does not include intending to  
41 engage in production for pleasure or as a hobby.

42 (3) "Tangible personal property" has the meaning set forth in



- 1           **IC 6-2.5-1-27** and includes electrical energy, natural or  
 2           artificial gas, water, steam, and steam heat.
- 3           **(4) "Production"** means the creation of marketable goods  
 4           through a process in which a substantial change or  
 5           transformation places tangible personal property in a form,  
 6           composition, or character different from that in which it was  
 7           acquired.
- 8           **(5) "Raw materials"** means tangible personal property found  
 9           in its natural, modified, or semiprocessed state that will be  
 10          directly used or consumed as an input in the production of  
 11          other tangible personal property.
- 12          **(6) "Finished goods"** means tangible personal property that  
 13          will be for sale and that is created as a result of production.
- 14          **(b) Except as provided in subsection (c), transactions involving**  
 15          **tangible personal property are exempt from the state gross retail**  
 16          **tax if:**
- 17               **(1) the person acquiring the property acquires it for the**  
 18               **person's direct use or consumption in the production of**  
 19               **tangible personal property that is for sale or for use or**  
 20               **consumption in the production of other tangible personal**  
 21               **property; and**
- 22               **(2) the person acquiring the property is occupationally**  
 23               **engaged in the business of producing tangible personal**  
 24               **property that is for sale.**
- 25          **(c) The exemption provided in subsection (b) does not apply to**  
 26          **a transaction involving distribution equipment or transmission**  
 27          **equipment acquired by a public utility engaged in generating**  
 28          **electricity.**
- 29          **(d) Property that is not considered to be in the direct use or**  
 30          **consumption in the production of tangible personal property**  
 31          **includes, but is not limited to, property used or consumed for any**  
 32          **of the following:**
- 33               **(1) To heat, cool, or illuminate office buildings.**  
 34               **(2) For janitorial or general cleaning supplies.**  
 35               **(3) For the personal comfort of personnel.**  
 36               **(4) To plan or schedule work.**  
 37               **(5) For inventory control.**  
 38               **(6) In marketing, general management, supervision, training,**  
 39               **accounting, and administration.**  
 40               **(7) To distribute, acquire, deliver, or transport raw materials**  
 41               **or finished goods.**  
 42               **(8) For any other activities or operations incidental or remote**





1           **to production.**

2           **(e) The following shall be treated as the production of tangible**  
3 **personal property:**

4           **(1) Retreading tires.**

5           **(2) Commercial printing.**

6           SECTION 10. IC 6-2.5-5-31 IS AMENDED TO READ AS  
7 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 31. (a) As used  
8 in this section, "free distribution newspaper" means any community  
9 newspaper, shopping paper, shoppers' consumer paper, pennysaver,  
10 shopping guide, town crier, dollar stretcher, or other similar publication  
11 which:

12           (1) is distributed to the public on a community-wide basis, free of  
13 charge;

14           (2) is published at stated intervals of at least once a month;

15           (3) has continuity as to title and general nature of content from  
16 issue to issue;

17           (4) does not constitute a book, either singly or when successive  
18 issues are put together;

19           (5) contains advertisements from numerous unrelated advertisers  
20 in each issue;

21           (6) contains news of general or community interest, community  
22 notices, or editorial commentary by different authors, in each  
23 issue; and

24           (7) is not owned by, or under the control of, the owners or lessees  
25 of a shopping center, a merchant's association, or a business that  
26 sells property or services (other than advertising) whose  
27 advertisements for their sales of property or services constitute the  
28 predominant advertising in the publication.

29           (b) The term "free distribution newspaper" does not include mail  
30 order catalogs or other catalogs, advertising fliers, travel brochures,  
31 house organs, theater programs, telephone directories, restaurant  
32 guides, shopping center advertising sheets, and similar publications.

33           (c) Transactions involving manufacturing machinery, tools and  
34 equipment, and other tangible personal property are exempt from the  
35 state gross retail tax if the person acquiring that property acquires it for  
36 his direct use or for his direct consumption as a material to be  
37 consumed, in the direct production or publication of a free distribution  
38 newspaper, or for incorporation as a material part of a free distribution  
39 newspaper published by that person.

40           (d) (c) Transactions involving a sale of a free distribution  
41 newspaper, or of printing services performed in publishing a free  
42 distribution newspaper, are exempt from the state gross retail tax if the



1 purchaser is the publisher of the free distribution newspaper.

2 SECTION 11. IC 6-2.5-5-45.8, AS ADDED BY P.L.137-2012,  
3 SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 JANUARY 1, 2016]: Sec. 45.8. (a) For purposes of this section,  
5 IC 6-2.5-4-5, and section 30 of this chapter, the following definitions  
6 apply:

7 (1) "Recycling" means the processing of recycling materials and  
8 other tangible personal property into a product for sale if the  
9 product is predominantly composed of recycling materials. The  
10 term does not include **any of** the following:

11 (A) The demolition of improvements to real estate.

12 (B) The processing of tangible personal property primarily for  
13 disposal in a licensed solid waste disposal facility rather than  
14 for sale.

15 (C) The collection of recycling materials. ~~by licensed motor~~  
16 ~~vehicles.~~

17 (2) "Recycling materials" means tangible personal property,  
18 including metal, paper, glass, plastic, textile, or rubber, that:

19 (A) is considered "scrap" by industry standards or has no more  
20 than scrap value;

21 (B) is a byproduct of another person's manufacturing or  
22 production process;

23 (C) was previously manufactured or incorporated into a  
24 product;

25 (D) would otherwise reasonably be expected to be destined for  
26 disposal in a licensed solid waste disposal facility; or

27 (E) has been removed or diverted from the solid waste stream  
28 for sale, use, or reuse as raw materials, regardless of whether  
29 or not the materials require subsequent processing or  
30 separation from each other.

31 (3) "Processing of recycling materials" means

32 ~~(A) the activities involved in collecting or otherwise receiving~~  
33 ~~recycling materials and other tangible personal property; and~~  
34 ~~(B) creating a product for sale by changing the original form,~~  
35 use, or composition of the property (whether manually,  
36 mechanically, chemically, or otherwise) through weighing,  
37 sorting, grading, separating, shredding, crushing, compacting,  
38 breaking, cutting, baling, shearing, torching, wire-stripping, or  
39 other means.

40 (b) Transactions involving machinery, tools, and equipment are  
41 exempt from the state gross retail tax if:

42 (1) the person acquiring that property acquires it for direct use **or**



1           **consumption** in the ~~direct~~ processing of recycling materials; and  
 2           (2) the person acquiring that property is occupationally engaged  
 3           in recycling.

4           (c) Transactions involving recycling materials and other tangible  
 5           personal property to be **used or** consumed in the processing of  
 6           recycling materials or to become a part of the product produced by the  
 7           processing of recycling materials are exempt from the state gross retail  
 8           tax if:

- 9           (1) the person acquiring that property acquires it for direct use **or**  
 10           **consumption** in the ~~direct~~ processing of recycling materials; and  
 11           (2) the person acquiring that property is occupationally engaged  
 12           in recycling.

13           SECTION 12. IC 6-3-1-3.5, AS AMENDED BY P.L.205-2013,  
 14           SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 15           JANUARY 1, 2016]: Sec. 3.5. When used in this article, the term  
 16           "adjusted gross income" shall mean the following:

17           (a) In the case of all individuals, "adjusted gross income" (as  
 18           defined in Section 62 of the Internal Revenue Code), modified as  
 19           follows:

20           (1) Subtract income that is exempt from taxation under this article  
 21           by the Constitution and statutes of the United States.

22           (2) Add an amount equal to any deduction or deductions allowed  
 23           or allowable pursuant to Section 62 of the Internal Revenue Code  
 24           for taxes based on or measured by income and levied at the state  
 25           level by any state of the United States.

26           (3) Subtract one thousand dollars (\$1,000), or in the case of a  
 27           joint return filed by a husband and wife, subtract for each spouse  
 28           one thousand dollars (\$1,000).

29           (4) Subtract one thousand dollars (\$1,000) for:

30           (A) each of the exemptions provided by Section 151(c) of the  
 31           Internal Revenue Code;

32           (B) each additional amount allowable under Section 63(f) of  
 33           the Internal Revenue Code; and

34           (C) the spouse of the taxpayer if a separate return is made by  
 35           the taxpayer and if the spouse, for the calendar year in which  
 36           the taxable year of the taxpayer begins, has no gross income  
 37           and is not the dependent of another taxpayer.

38           (5) Subtract:

39           (A) one thousand five hundred dollars (\$1,500) for each of the  
 40           exemptions allowed under Section 151(c)(1)(B) of the Internal  
 41           Revenue Code (as effective January 1, 2004); and

42           (B) five hundred dollars (\$500) for each additional amount



- 1 allowable under Section 63(f)(1) of the Internal Revenue Code  
 2 if the adjusted gross income of the taxpayer, or the taxpayer  
 3 and the taxpayer's spouse in the case of a joint return, is less  
 4 than forty thousand dollars (\$40,000).  
 5 This amount is in addition to the amount subtracted under  
 6 subdivision (4).  
 7 ~~(6)~~ **(6)** Subtract an amount equal to the lesser of:  
 8 (A) that part of the individual's adjusted gross income (as  
 9 defined in Section 62 of the Internal Revenue Code) for that  
 10 taxable year that is subject to a tax that is imposed by a  
 11 political subdivision of another state and that is imposed on or  
 12 measured by income; or  
 13 (B) two thousand dollars (\$2,000).  
 14 ~~(7)~~ **(7)** Add an amount equal to the total capital gain portion of a  
 15 lump sum distribution (as defined in Section 402(c)(4)(D) of the  
 16 Internal Revenue Code) if the lump sum distribution is received  
 17 by the individual during the taxable year and if the capital gain  
 18 portion of the distribution is taxed in the manner provided in  
 19 Section 402 of the Internal Revenue Code.  
 20 ~~(8)~~ **(6)** Subtract any amounts included in federal adjusted gross  
 21 income under Section 111 of the Internal Revenue Code as a  
 22 recovery of items previously deducted as an itemized deduction  
 23 from adjusted gross income.  
 24 ~~(9)~~ **(7)** Subtract any amounts included in federal adjusted gross  
 25 income under the Internal Revenue Code which amounts were  
 26 received by the individual as supplemental railroad retirement  
 27 annuities under 45 U.S.C. 231 and which are not deductible under  
 28 subdivision (1).  
 29 ~~(10)~~ **(8)** Subtract an amount equal to the amount of federal Social  
 30 Security and Railroad Retirement benefits included in a taxpayer's  
 31 federal gross income by Section 86 of the Internal Revenue Code.  
 32 ~~(11)~~ **(9)** In the case of a nonresident taxpayer or a resident  
 33 taxpayer residing in Indiana for a period of less than the taxpayer's  
 34 entire taxable year, the total amount of the deductions allowed  
 35 pursuant to subdivisions (3), (4), **and** (5) ~~and~~ (6) shall be reduced  
 36 to an amount which bears the same ratio to the total as the  
 37 taxpayer's income taxable in Indiana bears to the taxpayer's total  
 38 income.  
 39 ~~(12)~~ **(10)** In the case of an individual who is a recipient of  
 40 assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or  
 41 IC 12-15-7, subtract an amount equal to that portion of the  
 42 individual's adjusted gross income with respect to which the



- 1 individual is not allowed under federal law to retain an amount to  
 2 pay state and local income taxes.
- 3 ~~(13)~~ **(11)** In the case of an eligible individual, subtract the amount  
 4 of a Holocaust victim's settlement payment included in the  
 5 individual's federal adjusted gross income.
- 6 ~~(14)~~ **(12)** Subtract an amount equal to the portion of any  
 7 premiums paid during the taxable year by the taxpayer for a  
 8 qualified long term care policy (as defined in IC 12-15-39.6-5) for  
 9 the taxpayer or the taxpayer's spouse, or both.
- 10 ~~(15)~~ **(13)** Subtract an amount equal to the lesser of:  
 11 (A) two thousand five hundred dollars (\$2,500); or  
 12 (B) the amount of property taxes that are paid during the  
 13 taxable year in Indiana by the individual on the individual's  
 14 principal place of residence.
- 15 ~~(16)~~ **(14)** Subtract an amount equal to the amount of a September  
 16 11 terrorist attack settlement payment included in the individual's  
 17 federal adjusted gross income.
- 18 ~~(17)~~ **(15)** Add or subtract the amount necessary to make the  
 19 adjusted gross income of any taxpayer that owns property for  
 20 which bonus depreciation was allowed in the current taxable year  
 21 or in an earlier taxable year equal to the amount of adjusted gross  
 22 income that would have been computed had an election not been  
 23 made under Section 168(k) of the Internal Revenue Code to apply  
 24 bonus depreciation to the property in the year that it was placed  
 25 in service.
- 26 ~~(18)~~ **(16)** Add an amount equal to any deduction allowed under  
 27 Section 172 of the Internal Revenue Code.
- 28 ~~(19)~~ **(17)** Add or subtract the amount necessary to make the  
 29 adjusted gross income of any taxpayer that placed Section 179  
 30 property (as defined in Section 179 of the Internal Revenue Code)  
 31 in service in the current taxable year or in an earlier taxable year  
 32 equal to the amount of adjusted gross income that would have  
 33 been computed had an election for federal income tax purposes  
 34 not been made for the year in which the property was placed in  
 35 service to take deductions under Section 179 of the Internal  
 36 Revenue Code in a total amount exceeding twenty-five thousand  
 37 dollars (\$25,000).
- 38 ~~(20)~~ **(18)** Add an amount equal to the amount that a taxpayer  
 39 claimed as a deduction for domestic production activities for the  
 40 taxable year under Section 199 of the Internal Revenue Code for  
 41 federal income tax purposes.
- 42 ~~(21)~~ **(19)** Subtract an amount equal to the amount of the taxpayer's



1 qualified military income that was not excluded from the  
 2 taxpayer's gross income for federal income tax purposes under  
 3 Section 112 of the Internal Revenue Code.

4 (22) Subtract income that is:

5 (A) exempt from taxation under IC 6-3-2-21.7; and

6 (B) included in the individual's federal adjusted gross income  
 7 under the Internal Revenue Code.

8 (23) Subtract any amount of a credit (including an advance refund  
 9 of the credit) that is provided to an individual under 26 U.S.C.  
 10 6428 (federal Economic Stimulus Act of 2008) and included in  
 11 the individual's federal adjusted gross income.

12 (24) Add any amount of unemployment compensation excluded  
 13 from federal gross income, as defined in Section 61 of the Internal  
 14 Revenue Code, under Section 85(c) of the Internal Revenue Code.

15 (25) Add the amount excluded from gross income under Section  
 16 108(a)(1)(e) of the Internal Revenue Code for the discharge of  
 17 debt on a qualified principal residence.

18 (26) **(20)** Add an amount equal to any income not included in  
 19 gross income as a result of the deferral of income arising from  
 20 business indebtedness discharged in connection with the  
 21 reacquisition after December 31, 2008, and before January 1,  
 22 2011, of an applicable debt instrument, as provided in Section  
 23 108(i) of the Internal Revenue Code. Subtract the amount  
 24 necessary from the adjusted gross income of any taxpayer that  
 25 added an amount to adjusted gross income in a previous year to  
 26 offset the amount included in federal gross income as a result of  
 27 the deferral of income arising from business indebtedness  
 28 discharged in connection with the reacquisition after December  
 29 31, 2008, and before January 1, 2011, of an applicable debt  
 30 instrument, as provided in Section 108(i) of the Internal Revenue  
 31 Code.

32 (27) Add or subtract the amount necessary to make the adjusted  
 33 gross income of any taxpayer that claimed the special allowance  
 34 for qualified disaster assistance property under Section 168(n) of  
 35 the Internal Revenue Code equal to the amount of adjusted gross  
 36 income that would have been computed had the special allowance  
 37 not been claimed for the property.

38 (28) Add or subtract the amount necessary to make the adjusted  
 39 gross income of any taxpayer that made an election under Section  
 40 179C of the Internal Revenue Code to expense costs for qualified  
 41 refinery property equal to the amount of adjusted gross income  
 42 that would have been computed had an election for federal



1 income tax purposes not been made for the year.

2 (29) Add or subtract the amount necessary to make the adjusted  
3 gross income of any taxpayer that made an election under Section  
4 181 of the Internal Revenue Code to expense costs for a qualified  
5 film or television production equal to the amount of adjusted  
6 gross income that would have been computed had an election for  
7 federal income tax purposes not been made for the year.

8 (30) Add or subtract the amount necessary to make the adjusted  
9 gross income of any taxpayer that treated a loss from the sale or  
10 exchange of preferred stock in:

11 (A) the Federal National Mortgage Association, established  
12 under the Federal National Mortgage Association Charter Act  
13 (12 U.S.C. 1716 et seq.); or

14 (B) the Federal Home Loan Mortgage Corporation, established  
15 under the Federal Home Loan Mortgage Corporation Act (12  
16 U.S.C. 1451 et seq.);

17 as an ordinary loss under Section 301 of the Emergency  
18 Economic Stabilization Act of 2008 in the current taxable year or  
19 in an earlier taxable year equal to the amount of adjusted gross  
20 income that would have been computed had the loss not been  
21 treated as an ordinary loss.

22 (31) (21) Add the amount excluded from federal gross income  
23 under Section 103 of the Internal Revenue Code for interest  
24 received on an obligation of a state other than Indiana, or a  
25 political subdivision of such a state, that is acquired by the  
26 taxpayer after December 31, 2011.

27 (32) This subdivision does not apply to payments made for  
28 services provided to a business that was enrolled and participated  
29 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
30 time the taxpayer conducted business in Indiana in the taxable  
31 year. For a taxable year beginning after June 30, 2011, add the  
32 amount of any trade or business deduction allowed under the  
33 Internal Revenue Code for wages, reimbursements, or other  
34 payments made for services provided in Indiana by an individual  
35 for services as an employee, if the individual was, during the  
36 period of service, prohibited from being hired as an employee  
37 under 8 U.S.C. 1324a.

38 (b) In the case of corporations, the same as "taxable income" (as  
39 defined in Section 63 of the Internal Revenue Code) adjusted as  
40 follows:

41 (1) Subtract income that is exempt from taxation under this article  
42 by the Constitution and statutes of the United States.



- 1 (2) Add an amount equal to any deduction or deductions allowed  
2 or allowable pursuant to Section 170 of the Internal Revenue  
3 Code.
- 4 (3) Add an amount equal to any deduction or deductions allowed  
5 or allowable pursuant to Section 63 of the Internal Revenue Code  
6 for taxes based on or measured by income and levied at the state  
7 level by any state of the United States.
- 8 (4) Subtract an amount equal to the amount included in the  
9 corporation's taxable income under Section 78 of the Internal  
10 Revenue Code.
- 11 (5) Add or subtract the amount necessary to make the adjusted  
12 gross income of any taxpayer that owns property for which bonus  
13 depreciation was allowed in the current taxable year or in an  
14 earlier taxable year equal to the amount of adjusted gross income  
15 that would have been computed had an election not been made  
16 under Section 168(k) of the Internal Revenue Code to apply bonus  
17 depreciation to the property in the year that it was placed in  
18 service.
- 19 (6) Add an amount equal to any deduction allowed under Section  
20 172 of the Internal Revenue Code.
- 21 (7) Add or subtract the amount necessary to make the adjusted  
22 gross income of any taxpayer that placed Section 179 property (as  
23 defined in Section 179 of the Internal Revenue Code) in service  
24 in the current taxable year or in an earlier taxable year equal to  
25 the amount of adjusted gross income that would have been  
26 computed had an election for federal income tax purposes not  
27 been made for the year in which the property was placed in  
28 service to take deductions under Section 179 of the Internal  
29 Revenue Code in a total amount exceeding twenty-five thousand  
30 dollars (\$25,000).
- 31 (8) Add an amount equal to the amount that a taxpayer claimed as  
32 a deduction for domestic production activities for the taxable year  
33 under Section 199 of the Internal Revenue Code for federal  
34 income tax purposes.
- 35 (9) Add to the extent required by IC 6-3-2-20 the amount of  
36 intangible expenses (as defined in IC 6-3-2-20) and any directly  
37 related intangible interest expenses (as defined in IC 6-3-2-20) for  
38 the taxable year that reduced the corporation's taxable income (as  
39 defined in Section 63 of the Internal Revenue Code) for federal  
40 income tax purposes.
- 41 (10) Add an amount equal to any deduction for dividends paid (as  
42 defined in Section 561 of the Internal Revenue Code) to





1 shareholders of a captive real estate investment trust (as defined  
2 in section 34.5 of this chapter).

3 ~~(11)~~ Subtract income that is:

4 (A) ~~exempt from taxation under IC 6-3-2-21.7;~~ and

5 (B) included in the corporation's taxable income under the  
6 Internal Revenue Code.

7 ~~(12)~~ **(11)** Add an amount equal to any income not included in  
8 gross income as a result of the deferral of income arising from  
9 business indebtedness discharged in connection with the  
10 reacquisition after December 31, 2008, and before January 1,  
11 2011, of an applicable debt instrument, as provided in Section  
12 108(i) of the Internal Revenue Code. Subtract from the adjusted  
13 gross income of any taxpayer that added an amount to adjusted  
14 gross income in a previous year the amount necessary to offset the  
15 amount included in federal gross income as a result of the deferral  
16 of income arising from business indebtedness discharged in  
17 connection with the reacquisition after December 31, 2008, and  
18 before January 1, 2011, of an applicable debt instrument, as  
19 provided in Section 108(i) of the Internal Revenue Code.

20 ~~(13)~~ Add or subtract the amount necessary to make the adjusted  
21 gross income of any taxpayer that claimed the special allowance  
22 for qualified disaster assistance property under Section 168(n) of  
23 the Internal Revenue Code equal to the amount of adjusted gross  
24 income that would have been computed had the special allowance  
25 not been claimed for the property.

26 ~~(14)~~ Add or subtract the amount necessary to make the adjusted  
27 gross income of any taxpayer that made an election under Section  
28 179C of the Internal Revenue Code to expense costs for qualified  
29 refinery property equal to the amount of adjusted gross income  
30 that would have been computed had an election for federal  
31 income tax purposes not been made for the year.

32 ~~(15)~~ Add or subtract the amount necessary to make the adjusted  
33 gross income of any taxpayer that made an election under Section  
34 181 of the Internal Revenue Code to expense costs for a qualified  
35 film or television production equal to the amount of adjusted  
36 gross income that would have been computed had an election for  
37 federal income tax purposes not been made for the year.

38 ~~(16)~~ Add or subtract the amount necessary to make the adjusted  
39 gross income of any taxpayer that treated a loss from the sale or  
40 exchange of preferred stock in:

41 (A) the Federal National Mortgage Association, established  
42 under the Federal National Mortgage Association Charter Act



- 1           (~~12 U.S.C. 1716 et seq.~~); or  
 2           (~~B~~) the Federal Home Loan Mortgage Corporation, established  
 3           under the Federal Home Loan Mortgage Corporation Act (~~12~~  
 4           U.S.C. 1451 et seq.);  
 5           as an ordinary loss under Section 301 of the Emergency  
 6           Economic Stabilization Act of 2008 in the current taxable year or  
 7           in an earlier taxable year equal to the amount of adjusted gross  
 8           income that would have been computed had the loss not been  
 9           treated as an ordinary loss.  
 10          (~~17~~) This subdivision does not apply to payments made for  
 11          services provided to a business that was enrolled and participated  
 12          in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 13          time the taxpayer conducted business in Indiana in the taxable  
 14          year. For a taxable year beginning after June 30, 2011, add the  
 15          amount of any trade or business deduction allowed under the  
 16          Internal Revenue Code for wages, reimbursements, or other  
 17          payments made for services provided in Indiana by an individual  
 18          for services as an employee, if the individual was, during the  
 19          period of service, prohibited from being hired as an employee  
 20          under 8 U.S.C. 1324a.  
 21          (~~18~~) **(12)** Add the amount excluded from federal gross income  
 22          under Section 103 of the Internal Revenue Code for interest  
 23          received on an obligation of a state other than Indiana, or a  
 24          political subdivision of such a state, that is acquired by the  
 25          taxpayer after December 31, 2011.  
 26          (c) In the case of life insurance companies (as defined in Section  
 27          816(a) of the Internal Revenue Code) that are organized under Indiana  
 28          law, the same as "life insurance company taxable income" (as defined  
 29          in Section 801 of the Internal Revenue Code), adjusted as follows:  
 30              (1) Subtract income that is exempt from taxation under this article  
 31              by the Constitution and statutes of the United States.  
 32              (2) Add an amount equal to any deduction allowed or allowable  
 33              under Section 170 of the Internal Revenue Code.  
 34              (3) Add an amount equal to a deduction allowed or allowable  
 35              under Section 805 or Section 831(c) of the Internal Revenue Code  
 36              for taxes based on or measured by income and levied at the state  
 37              level by any state.  
 38              (4) Subtract an amount equal to the amount included in the  
 39              company's taxable income under Section 78 of the Internal  
 40              Revenue Code.  
 41              (5) Add or subtract the amount necessary to make the adjusted  
 42              gross income of any taxpayer that owns property for which bonus



- 1 depreciation was allowed in the current taxable year or in an  
 2 earlier taxable year equal to the amount of adjusted gross income  
 3 that would have been computed had an election not been made  
 4 under Section 168(k) of the Internal Revenue Code to apply bonus  
 5 depreciation to the property in the year that it was placed in  
 6 service.
- 7 (6) Add an amount equal to any deduction allowed under Section  
 8 172 or Section 810 of the Internal Revenue Code.
- 9 (7) Add or subtract the amount necessary to make the adjusted  
 10 gross income of any taxpayer that placed Section 179 property (as  
 11 defined in Section 179 of the Internal Revenue Code) in service  
 12 in the current taxable year or in an earlier taxable year equal to  
 13 the amount of adjusted gross income that would have been  
 14 computed had an election for federal income tax purposes not  
 15 been made for the year in which the property was placed in  
 16 service to take deductions under Section 179 of the Internal  
 17 Revenue Code in a total amount exceeding twenty-five thousand  
 18 dollars (\$25,000).
- 19 (8) Add an amount equal to the amount that a taxpayer claimed as  
 20 a deduction for domestic production activities for the taxable year  
 21 under Section 199 of the Internal Revenue Code for federal  
 22 income tax purposes.
- 23 ~~(9) Subtract income that is:~~
- 24 ~~(A) exempt from taxation under IC 6-3-2-21.7; and~~
- 25 ~~(B) included in the insurance company's taxable income under~~  
 26 ~~the Internal Revenue Code.~~
- 27 ~~(10) (9) Add an amount equal to any income not included in gross~~  
 28 ~~income as a result of the deferral of income arising from business~~  
 29 ~~indebtedness discharged in connection with the reacquisition after~~  
 30 ~~December 31, 2008, and before January 1, 2011, of an applicable~~  
 31 ~~debt instrument, as provided in Section 108(i) of the Internal~~  
 32 ~~Revenue Code. Subtract from the adjusted gross income of any~~  
 33 ~~taxpayer that added an amount to adjusted gross income in a~~  
 34 ~~previous year the amount necessary to offset the amount included~~  
 35 ~~in federal gross income as a result of the deferral of income~~  
 36 ~~arising from business indebtedness discharged in connection with~~  
 37 ~~the reacquisition after December 31, 2008, and before January 1,~~  
 38 ~~2011, of an applicable debt instrument, as provided in Section~~  
 39 ~~108(i) of the Internal Revenue Code.~~
- 40 ~~(11) Add or subtract the amount necessary to make the adjusted~~  
 41 ~~gross income of any taxpayer that claimed the special allowance~~  
 42 ~~for qualified disaster assistance property under Section 168(n) of~~



1 the Internal Revenue Code equal to the amount of adjusted gross  
 2 income that would have been computed had the special allowance  
 3 not been claimed for the property:

4 (12) Add or subtract the amount necessary to make the adjusted  
 5 gross income of any taxpayer that made an election under Section  
 6 179C of the Internal Revenue Code to expense costs for qualified  
 7 refinery property equal to the amount of adjusted gross income  
 8 that would have been computed had an election for federal  
 9 income tax purposes not been made for the year:

10 (13) Add or subtract the amount necessary to make the adjusted  
 11 gross income of any taxpayer that made an election under Section  
 12 181 of the Internal Revenue Code to expense costs for a qualified  
 13 film or television production equal to the amount of adjusted  
 14 gross income that would have been computed had an election for  
 15 federal income tax purposes not been made for the year:

16 (14) Add or subtract the amount necessary to make the adjusted  
 17 gross income of any taxpayer that treated a loss from the sale or  
 18 exchange of preferred stock in:

19 (A) the Federal National Mortgage Association, established  
 20 under the Federal National Mortgage Association Charter Act  
 21 (12 U.S.C. 1716 et seq.); or

22 (B) the Federal Home Loan Mortgage Corporation, established  
 23 under the Federal Home Loan Mortgage Corporation Act (12  
 24 U.S.C. 1451 et seq.);

25 as an ordinary loss under Section 301 of the Emergency  
 26 Economic Stabilization Act of 2008 in the current taxable year or  
 27 in an earlier taxable year equal to the amount of adjusted gross  
 28 income that would have been computed had the loss not been  
 29 treated as an ordinary loss:

30 (15) (10) Add an amount equal to any exempt insurance income  
 31 under Section 953(e) of the Internal Revenue Code that is active  
 32 financing income under Subpart F of Subtitle A, Chapter 1,  
 33 Subchapter N of the Internal Revenue Code.

34 (16) This subdivision does not apply to payments made for  
 35 services provided to a business that was enrolled and participated  
 36 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 37 time the taxpayer conducted business in Indiana in the taxable  
 38 year. For a taxable year beginning after June 30, 2011, add the  
 39 amount of any trade or business deduction allowed under the  
 40 Internal Revenue Code for wages, reimbursements, or other  
 41 payments made for services provided in Indiana by an individual  
 42 for services as an employee, if the individual was, during the



1           period of service, prohibited from being hired as an employee  
2           under 8 U.S.C. 1324a.

3           (17) (11) Add the amount excluded from federal gross income  
4           under Section 103 of the Internal Revenue Code for interest  
5           received on an obligation of a state other than Indiana, or a  
6           political subdivision of such a state, that is acquired by the  
7           taxpayer after December 31, 2011.

8           (d) In the case of insurance companies subject to tax under Section  
9           831 of the Internal Revenue Code and organized under Indiana law, the  
10          same as "taxable income" (as defined in Section 832 of the Internal  
11          Revenue Code), adjusted as follows:

12          (1) Subtract income that is exempt from taxation under this article  
13          by the Constitution and statutes of the United States.

14          (2) Add an amount equal to any deduction allowed or allowable  
15          under Section 170 of the Internal Revenue Code.

16          (3) Add an amount equal to a deduction allowed or allowable  
17          under Section 805 or Section 831(c) of the Internal Revenue Code  
18          for taxes based on or measured by income and levied at the state  
19          level by any state.

20          (4) Subtract an amount equal to the amount included in the  
21          company's taxable income under Section 78 of the Internal  
22          Revenue Code.

23          (5) Add or subtract the amount necessary to make the adjusted  
24          gross income of any taxpayer that owns property for which bonus  
25          depreciation was allowed in the current taxable year or in an  
26          earlier taxable year equal to the amount of adjusted gross income  
27          that would have been computed had an election not been made  
28          under Section 168(k) of the Internal Revenue Code to apply bonus  
29          depreciation to the property in the year that it was placed in  
30          service.

31          (6) Add an amount equal to any deduction allowed under Section  
32          172 of the Internal Revenue Code.

33          (7) Add or subtract the amount necessary to make the adjusted  
34          gross income of any taxpayer that placed Section 179 property (as  
35          defined in Section 179 of the Internal Revenue Code) in service  
36          in the current taxable year or in an earlier taxable year equal to  
37          the amount of adjusted gross income that would have been  
38          computed had an election for federal income tax purposes not  
39          been made for the year in which the property was placed in  
40          service to take deductions under Section 179 of the Internal  
41          Revenue Code in a total amount exceeding twenty-five thousand  
42          dollars (\$25,000).



- 1 (8) Add an amount equal to the amount that a taxpayer claimed as  
 2 a deduction for domestic production activities for the taxable year  
 3 under Section 199 of the Internal Revenue Code for federal  
 4 income tax purposes.
- 5 (9) Subtract income that is:
- 6 (A) exempt from taxation under IC 6-3-2-21.7; and  
 7 (B) included in the insurance company's taxable income under  
 8 the Internal Revenue Code.
- 9 (10) (9) Add an amount equal to any income not included in gross  
 10 income as a result of the deferral of income arising from business  
 11 indebtedness discharged in connection with the reacquisition after  
 12 December 31, 2008, and before January 1, 2011, of an applicable  
 13 debt instrument, as provided in Section 108(i) of the Internal  
 14 Revenue Code. Subtract from the adjusted gross income of any  
 15 taxpayer that added an amount to adjusted gross income in a  
 16 previous year the amount necessary to offset the amount included  
 17 in federal gross income as a result of the deferral of income  
 18 arising from business indebtedness discharged in connection with  
 19 the reacquisition after December 31, 2008, and before January 1,  
 20 2011, of an applicable debt instrument, as provided in Section  
 21 108(i) of the Internal Revenue Code.
- 22 (11) Add or subtract the amount necessary to make the adjusted  
 23 gross income of any taxpayer that claimed the special allowance  
 24 for qualified disaster assistance property under Section 168(n) of  
 25 the Internal Revenue Code equal to the amount of adjusted gross  
 26 income that would have been computed had the special allowance  
 27 not been claimed for the property.
- 28 (12) Add or subtract the amount necessary to make the adjusted  
 29 gross income of any taxpayer that made an election under Section  
 30 179C of the Internal Revenue Code to expense costs for qualified  
 31 refinery property equal to the amount of adjusted gross income  
 32 that would have been computed had an election for federal  
 33 income tax purposes not been made for the year.
- 34 (13) Add or subtract the amount necessary to make the adjusted  
 35 gross income of any taxpayer that made an election under Section  
 36 181 of the Internal Revenue Code to expense costs for a qualified  
 37 film or television production equal to the amount of adjusted  
 38 gross income that would have been computed had an election for  
 39 federal income tax purposes not been made for the year.
- 40 (14) Add or subtract the amount necessary to make the adjusted  
 41 gross income of any taxpayer that treated a loss from the sale or  
 42 exchange of preferred stock in:



1 (A) the Federal National Mortgage Association, established  
 2 under the Federal National Mortgage Association Charter Act  
 3 (12 U.S.C. 1716 et seq.); or

4 (B) the Federal Home Loan Mortgage Corporation, established  
 5 under the Federal Home Loan Mortgage Corporation Act (12  
 6 U.S.C. 1451 et seq.);

7 as an ordinary loss under Section 301 of the Emergency  
 8 Economic Stabilization Act of 2008 in the current taxable year or  
 9 in an earlier taxable year equal to the amount of adjusted gross  
 10 income that would have been computed had the loss not been  
 11 treated as an ordinary loss.

12 ~~(15)~~ (10) Add an amount equal to any exempt insurance income  
 13 under Section 953(e) of the Internal Revenue Code that is active  
 14 financing income under Subpart F of Subtitle A, Chapter 1,  
 15 Subchapter N of the Internal Revenue Code.

16 ~~(16)~~ This subdivision does not apply to payments made for  
 17 services provided to a business that was enrolled and participated  
 18 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 19 time the taxpayer conducted business in Indiana in the taxable  
 20 year. For a taxable year beginning after June 30, 2011, add the  
 21 amount of any trade or business deduction allowed under the  
 22 Internal Revenue Code for wages, reimbursements, or other  
 23 payments made for services provided in Indiana by an individual  
 24 for services as an employee, if the individual was, during the  
 25 period of service, prohibited from being hired as an employee  
 26 under 8 U.S.C. 1324a.

27 ~~(17)~~ (11) Add the amount excluded from federal gross income  
 28 under Section 103 of the Internal Revenue Code for interest  
 29 received on an obligation of a state other than Indiana, or a  
 30 political subdivision of such a state, that is acquired by the  
 31 taxpayer after December 31, 2011.

32 (e) In the case of trusts and estates, "taxable income" (as defined for  
 33 trusts and estates in Section 641(b) of the Internal Revenue Code)  
 34 adjusted as follows:

35 (1) Subtract income that is exempt from taxation under this article  
 36 by the Constitution and statutes of the United States.

37 (2) Subtract an amount equal to the amount of a September 11  
 38 terrorist attack settlement payment included in the federal  
 39 adjusted gross income of the estate of a victim of the September  
 40 11 terrorist attack or a trust to the extent the trust benefits a victim  
 41 of the September 11 terrorist attack.

42 (3) Add or subtract the amount necessary to make the adjusted



- 1 gross income of any taxpayer that owns property for which bonus  
 2 depreciation was allowed in the current taxable year or in an  
 3 earlier taxable year equal to the amount of adjusted gross income  
 4 that would have been computed had an election not been made  
 5 under Section 168(k) of the Internal Revenue Code to apply bonus  
 6 depreciation to the property in the year that it was placed in  
 7 service.
- 8 (4) Add an amount equal to any deduction allowed under Section  
 9 172 of the Internal Revenue Code.
- 10 (5) Add or subtract the amount necessary to make the adjusted  
 11 gross income of any taxpayer that placed Section 179 property (as  
 12 defined in Section 179 of the Internal Revenue Code) in service  
 13 in the current taxable year or in an earlier taxable year equal to  
 14 the amount of adjusted gross income that would have been  
 15 computed had an election for federal income tax purposes not  
 16 been made for the year in which the property was placed in  
 17 service to take deductions under Section 179 of the Internal  
 18 Revenue Code in a total amount exceeding twenty-five thousand  
 19 dollars (\$25,000).
- 20 (6) Add an amount equal to the amount that a taxpayer claimed as  
 21 a deduction for domestic production activities for the taxable year  
 22 under Section 199 of the Internal Revenue Code for federal  
 23 income tax purposes.
- 24 (7) Subtract income that is:
- 25 (A) exempt from taxation under IC 6-3-2-21.7; and  
 26 (B) included in the taxpayer's taxable income under the  
 27 Internal Revenue Code.
- 28 (8) (7) Add an amount equal to any income not included in gross  
 29 income as a result of the deferral of income arising from business  
 30 indebtedness discharged in connection with the reacquisition after  
 31 December 31, 2008, and before January 1, 2011, of an applicable  
 32 debt instrument, as provided in Section 108(i) of the Internal  
 33 Revenue Code. Subtract from the adjusted gross income of any  
 34 taxpayer that added an amount to adjusted gross income in a  
 35 previous year the amount necessary to offset the amount included  
 36 in federal gross income as a result of the deferral of income  
 37 arising from business indebtedness discharged in connection with  
 38 the reacquisition after December 31, 2008, and before January 1,  
 39 2011, of an applicable debt instrument, as provided in Section  
 40 108(i) of the Internal Revenue Code.
- 41 (9) Add or subtract the amount necessary to make the adjusted  
 42 gross income of any taxpayer that claimed the special allowance





1 for qualified disaster assistance property under Section 168(n) of  
 2 the Internal Revenue Code equal to the amount of adjusted gross  
 3 income that would have been computed had the special allowance  
 4 not been claimed for the property.

5 (10) Add or subtract the amount necessary to make the adjusted  
 6 gross income of any taxpayer that made an election under Section  
 7 179C of the Internal Revenue Code to expense costs for qualified  
 8 refinery property equal to the amount of adjusted gross income  
 9 that would have been computed had an election for federal  
 10 income tax purposes not been made for the year.

11 (11) Add or subtract the amount necessary to make the adjusted  
 12 gross income of any taxpayer that made an election under Section  
 13 181 of the Internal Revenue Code to expense costs for a qualified  
 14 film or television production equal to the amount of adjusted  
 15 gross income that would have been computed had an election for  
 16 federal income tax purposes not been made for the year.

17 (12) Add or subtract the amount necessary to make the adjusted  
 18 gross income of any taxpayer that treated a loss from the sale or  
 19 exchange of preferred stock in:

20 (A) the Federal National Mortgage Association, established  
 21 under the Federal National Mortgage Association Charter Act  
 22 (12 U.S.C. 1716 et seq.); or

23 (B) the Federal Home Loan Mortgage Corporation, established  
 24 under the Federal Home Loan Mortgage Corporation Act (12  
 25 U.S.C. 1451 et seq.);

26 as an ordinary loss under Section 301 of the Emergency  
 27 Economic Stabilization Act of 2008 in the current taxable year or  
 28 in an earlier taxable year equal to the amount of adjusted gross  
 29 income that would have been computed had the loss not been  
 30 treated as an ordinary loss.

31 (13) Add the amount excluded from gross income under Section  
 32 108(a)(1)(e) of the Internal Revenue Code for the discharge of  
 33 debt on a qualified principal residence:

34 (14) This subdivision does not apply to payments made for  
 35 services provided to a business that was enrolled and participated  
 36 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 37 time the taxpayer conducted business in Indiana in the taxable  
 38 year. For a taxable year beginning after June 30, 2011, add the  
 39 amount of any trade or business deduction allowed under the  
 40 Internal Revenue Code for wages, reimbursements, or other  
 41 payments made for services provided in Indiana by an individual  
 42 for services as an employee, if the individual was, during the



1 period of service; prohibited from being hired as an employee  
 2 under 8 U.S.C. 1324a.

3 ~~(15)~~ **(8)** Add the amount excluded from federal gross income  
 4 under Section 103 of the Internal Revenue Code for interest  
 5 received on an obligation of a state other than Indiana, or a  
 6 political subdivision of such a state, that is acquired by the  
 7 taxpayer after December 31, 2011.

8 **(f) For purposes of this section, if a taxpayer:**

9 **(1) claimed the special allowance for qualified disaster**  
 10 **assistance property under Section 168(n) of the Internal**  
 11 **Revenue Code;**

12 **(2) made an election under Section 179C of the Internal**  
 13 **Revenue Code to expense costs for qualified refinery property**  
 14 **equal to the amount of adjusted gross income that would have**  
 15 **been computed had an election for federal income tax**  
 16 **purposes not been made for the year;**

17 **(3) made an election under Section 181 of the Internal**  
 18 **Revenue Code to expense costs for a qualified film or**  
 19 **television production equal to the amount of adjusted gross**  
 20 **income that would have been computed had an election for**  
 21 **federal income tax purposes not been made for the year; or**

22 **(4) treated a loss from the sale or exchange of preferred stock**  
 23 **in:**

24 **(A) the Federal National Mortgage Association, established**  
 25 **under the Federal National Mortgage Association Charter**  
 26 **Act (12 U.S.C. 1716 et seq.); or**

27 **(B) the Federal Home Loan Mortgage Corporation,**  
 28 **established under the Federal Home Loan Mortgage**  
 29 **Corporation Act (12 U.S.C. 1451 et seq.);**

30 **as an ordinary loss under Section 301 of the Emergency**  
 31 **Economic Stabilization Act of 2008 for any taxable year**  
 32 **beginning before January 1, 2015;**

33 **the taxpayer shall continue to add or subtract the amounts**  
 34 **required under this section for the taxable years beginning after**  
 35 **December 31, 2014, as provided in this section as in effect on**  
 36 **December 31, 2014. However, any amount otherwise allowable as**  
 37 **a deduction but not deducted in a taxable year beginning before**  
 38 **January 1, 2020, shall be deducted in the taxpayer's first taxable**  
 39 **year beginning after December 31, 2019.**

40 SECTION 13. IC 6-3-1-20 IS AMENDED TO READ AS  
 41 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 20. The term  
 42 "business income" means **all** income arising from transactions and



1 activity in the regular course of the taxpayer's trade or business and  
 2 includes income from tangible and intangible property if the  
 3 acquisition, management, and disposition of the property constitutes  
 4 integral parts of the taxpayer's regular trade or business operations:  
 5 **that is apportionable under the Constitution of the United States.**

6 SECTION 14. IC 6-3-2-2, AS AMENDED BY P.L.233-2013,  
 7 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8 JANUARY 1, 2016]: Sec. 2. (a) With regard to corporations and  
 9 nonresident persons, "adjusted gross income derived from sources  
 10 within Indiana", for the purposes of this article, shall mean and include:

- 11 (1) income from real or tangible personal property located in this  
 12 state;
- 13 (2) income from doing business in this state;
- 14 (3) income from a trade or profession conducted in this state;
- 15 (4) compensation for labor or services rendered within this state;  
 16 and
- 17 (5) income from stocks, bonds, notes, bank deposits, patents,  
 18 copyrights, secret processes and formulas, good will, trademarks,  
 19 trade brands, franchises, and other intangible personal property to  
 20 the extent that the income is apportioned to Indiana under this  
 21 section or if the income is allocated to Indiana or considered to be  
 22 derived from sources within Indiana under this section.

23 Income from a pass through entity shall be characterized in a manner  
 24 consistent with the income's characterization for federal income tax  
 25 purposes and shall be considered Indiana source income as if the  
 26 person, corporation, or pass through entity that received the income had  
 27 directly engaged in the income producing activity. Income that is  
 28 derived from one (1) pass through entity and is considered to pass  
 29 through to another pass through entity does not change these  
 30 characteristics or attribution provisions. In the case of nonbusiness  
 31 income described in subsection (g), only so much of such income as is  
 32 allocated to this state under the provisions of subsections (h) through  
 33 (k) shall be deemed to be derived from sources within Indiana. In the  
 34 case of business income, only so much of such income as is  
 35 apportioned to this state under the provision of subsection (b) shall be  
 36 deemed to be derived from sources within the state of Indiana. In the  
 37 case of compensation of a team member (as defined in section 2.7 of  
 38 this chapter), only the portion of income determined to be Indiana  
 39 income under section 2.7 of this chapter is considered derived from  
 40 sources within Indiana. In the case of a corporation that is a life  
 41 insurance company (as defined in Section 816(a) of the Internal  
 42 Revenue Code) or an insurance company that is subject to tax under



1 Section 831 of the Internal Revenue Code, only so much of the income  
 2 as is apportioned to Indiana under subsection (r) is considered derived  
 3 from sources within Indiana.

4 (b) Except as provided in subsection (l), if business income of a  
 5 corporation or a nonresident person is derived from sources within the  
 6 state of Indiana and from sources without the state of Indiana, the  
 7 business income derived from sources within this state shall be  
 8 determined by multiplying the business income derived from sources  
 9 both within and without the state of Indiana by the following:

10 (1) For all taxable years that begin after December 31, 2006, and  
 11 before January 1, 2008, a fraction. The:

12 (A) numerator of the fraction is the sum of the property factor  
 13 plus the payroll factor plus the product of the sales factor  
 14 multiplied by three (3); and

15 (B) denominator of the fraction is five (5).

16 (2) For all taxable years that begin after December 31, 2007, and  
 17 before January 1, 2009, a fraction. The:

18 (A) numerator of the fraction is the property factor plus the  
 19 payroll factor plus the product of the sales factor multiplied by  
 20 four and sixty-seven hundredths (4.67); and

21 (B) denominator of the fraction is six and sixty-seven  
 22 hundredths (6.67).

23 (3) For all taxable years beginning after December 31, 2008, and  
 24 before January 1, 2010, a fraction. The:

25 (A) numerator of the fraction is the property factor plus the  
 26 payroll factor plus the product of the sales factor multiplied by  
 27 eight (8); and

28 (B) denominator of the fraction is ten (10).

29 (4) For all taxable years beginning after December 31, 2009, and  
 30 before January 1, 2011, a fraction. The:

31 (A) numerator of the fraction is the property factor plus the  
 32 payroll factor plus the product of the sales factor multiplied by  
 33 eighteen (18); and

34 (B) denominator of the fraction is twenty (20).

35 (5) For all taxable years beginning after December 31, 2010, the  
 36 sales factor.

37 (c) The property factor is a fraction, the numerator of which is the  
 38 average value of the taxpayer's real and tangible personal property  
 39 owned or rented and used in this state during the taxable year and the  
 40 denominator of which is the average value of all the taxpayer's real and  
 41 tangible personal property owned or rented and used during the taxable  
 42 year. However, with respect to a foreign corporation, the denominator



1 does not include the average value of real or tangible personal property  
 2 owned or rented and used in a place that is outside the United States.  
 3 Property owned by the taxpayer is valued at its original cost. Property  
 4 rented by the taxpayer is valued at eight (8) times the net annual rental  
 5 rate. Net annual rental rate is the annual rental rate paid by the taxpayer  
 6 less any annual rental rate received by the taxpayer from subrentals.  
 7 The average of property shall be determined by averaging the values at  
 8 the beginning and ending of the taxable year, but the department may  
 9 require the averaging of monthly values during the taxable year if  
 10 reasonably required to reflect properly the average value of the  
 11 taxpayer's property.

12 (d) The payroll factor is a fraction, the numerator of which is the  
 13 total amount paid in this state during the taxable year by the taxpayer  
 14 for compensation, and the denominator of which is the total  
 15 compensation paid everywhere during the taxable year. However, with  
 16 respect to a foreign corporation, the denominator does not include  
 17 compensation paid in a place that is outside the United States.  
 18 Compensation is paid in this state if:

- 19 (1) the individual's service is performed entirely within the state;  
 20 (2) the individual's service is performed both within and without  
 21 this state, but the service performed without this state is incidental  
 22 to the individual's service within this state; or  
 23 (3) some of the service is performed in this state and:  
 24 (A) the base of operations or, if there is no base of operations,  
 25 the place from which the service is directed or controlled is in  
 26 this state; or  
 27 (B) the base of operations or the place from which the service  
 28 is directed or controlled is not in any state in which some part  
 29 of the service is performed, but the individual is a resident of  
 30 this state.

31 (e) The sales factor is a fraction, the numerator of which is the total  
 32 sales of the taxpayer in this state during the taxable year, and the  
 33 denominator of which is the total sales of the taxpayer everywhere  
 34 during the taxable year. Sales include receipts from intangible property  
 35 and receipts from the sale or exchange of intangible property. However,  
 36 with respect to a foreign corporation, the denominator does not include  
 37 sales made in a place that is outside the United States. Receipts from  
 38 intangible personal property are derived from sources within Indiana  
 39 if the receipts from the intangible personal property are attributable to  
 40 Indiana under section 2-2 of this chapter. Regardless of the f.o.b. point  
 41 or other conditions of the sale, sales of tangible personal property are  
 42 in this state if:



1 (1) the property is delivered or shipped to a purchaser that is  
2 within Indiana, other than the United States government; or

3 (2) the property is shipped from an office, a store, a warehouse, a  
4 factory, or other place of storage in this state and

5 ~~(A) the purchaser is the United States government. or~~

6 ~~(B) the taxpayer is not taxable in the state of the purchaser.~~

7 Gross receipts derived from commercial printing as described in  
8 IC 6-2.5-1-10 **and from the sale of computer software** shall be  
9 treated as sales of tangible personal property for purposes of this  
10 chapter.

11 ~~(f) Sales, other than receipts from intangible property covered by~~  
12 ~~subsection (e) and sales of tangible personal property, are in this state~~  
13 ~~if:~~

14 ~~(1) the income-producing activity is performed in this state; or~~

15 ~~(2) the income-producing activity is performed both within and~~  
16 ~~without this state and a greater proportion of the~~  
17 ~~income-producing activity is performed in this state than in any~~  
18 ~~other state, based on costs of performance.~~

19 **(f) As used in this subsection, "customer" includes an individual**  
20 **or any business entity, and for a business entity includes a business**  
21 **entity that is engaged in a trade or business within Indiana or has**  
22 **a billing address in Indiana. Receipts from sales transactions to**  
23 **customers of intangible property and services are attributable to**  
24 **this state if any of the following apply:**

25 **(1) The receipt is attributable to Indiana under section 2.2 of**  
26 **this chapter.**

27 **(2) The intangible property or service is received by the**  
28 **customer in Indiana or the benefit of the intangible property**  
29 **or service is realized by the customer in Indiana. If the**  
30 **recipient of the intangible property or services receives some**  
31 **of the benefit of the intangible property or service in Indiana,**  
32 **those receipts shall be included in the numerator of the**  
33 **apportionment factor in proportion to the benefit received in**  
34 **Indiana.**

35 **(3) The sale is a receipt from intangible property to the extent**  
36 **the intangible property is used in Indiana. In the case of:**

37 **(A) marketable securities, if the customer is in Indiana; or**

38 **(B) securities, commodity contracts, options, or other**  
39 **instruments sold on public exchanges, only the net gain**  
40 **from the sale or exchange of these securities, commodity**  
41 **contracts, options, or other instruments are considered to**  
42 **be gross receipts subject to apportionment.**



1           **(4) The sale is a receipt that is associated with real property,**  
 2           **including, but not limited to, receipts from the sale, lease,**  
 3           **rental, or licensing of the real property, if the real property is**  
 4           **located in Indiana.**

5           **(5) The sale is a receipt that is associated with the lease,**  
 6           **rental, or licensing of tangible personal property, if the**  
 7           **tangible personal property is located in Indiana.**

8           **If the sale is a receipt not specifically covered by subdivisions (1)**  
 9           **through (5) and is not a receipt from the sale of tangible personal**  
 10           **property, the sale is to be included in the numerator of the sales**  
 11           **factor in proportion to the taxpayer's actual business activity in**  
 12           **Indiana.**

13           (g) Rents and royalties from real or tangible personal property,  
 14           capital gains, interest, dividends, or patent or copyright royalties, to the  
 15           extent that they constitute nonbusiness income, shall be allocated as  
 16           provided in subsections (h) through (k).

17           (h)(1) Net rents and royalties from real property located in this state  
 18           are allocable to this state.

19           (2) Net rents and royalties from tangible personal property are  
 20           allocated to this state:

- 21           (i) if and to the extent that the property is utilized in this state; or  
 22           (ii) in their entirety if the taxpayer's commercial domicile is in this  
 23           state and the taxpayer is not organized under the laws of or  
 24           taxable in the state in which the property is utilized.

25           (3) The extent of utilization of tangible personal property in a state  
 26           is determined by multiplying the rents and royalties by a fraction, the  
 27           numerator of which is the number of days of physical location of the  
 28           property in the state during the rental or royalty period in the taxable  
 29           year, and the denominator of which is the number of days of physical  
 30           location of the property everywhere during all rental or royalty periods  
 31           in the taxable year. If the physical location of the property during the  
 32           rental or royalty period is unknown or unascertainable by the taxpayer,  
 33           tangible personal property is utilized in the state in which the property  
 34           was located at the time the rental or royalty payer obtained possession.

35           (i)(1) Capital gains and losses from sales of real property located in  
 36           this state are allocable to this state.

37           (2) Capital gains and losses from sales of tangible personal property  
 38           are allocable to this state if:

- 39           (i) the property had a situs in this state at the time of the sale; or  
 40           (ii) the taxpayer's commercial domicile is in this state and the  
 41           taxpayer is not taxable in the state in which the property had a  
 42           situs.



1 (3) Capital gains and losses from sales of intangible personal  
 2 property are allocable to this state if the taxpayer's commercial  
 3 domicile is in this state.

4 (j) Interest and dividends are allocable to this state if the taxpayer's  
 5 commercial domicile is in this state.

6 (k)(1) Patent and copyright royalties are allocable to this state:

7 (i) if and to the extent that the patent or copyright is utilized by  
 8 the taxpayer in this state; or

9 (ii) if and to the extent that the patent or copyright is utilized by  
 10 the taxpayer in a state in which the taxpayer is not taxable and the  
 11 taxpayer's commercial domicile is in this state.

12 (2) A patent is utilized in a state to the extent that it is employed  
 13 in production, fabrication, manufacturing, or other processing in  
 14 the state or to the extent that a patented product is produced in the  
 15 state. If the basis of receipts from patent royalties does not permit  
 16 allocation to states or if the accounting procedures do not reflect  
 17 states of utilization, the patent is utilized in the state in which the  
 18 taxpayer's commercial domicile is located.

19 (3) A copyright is utilized in a state to the extent that printing or  
 20 other publication originates in the state. If the basis of receipts  
 21 from copyright royalties does not permit allocation to states or if  
 22 the accounting procedures do not reflect states of utilization, the  
 23 copyright is utilized in the state in which the taxpayer's  
 24 commercial domicile is located.

25 (l) If the allocation and apportionment provisions of this article do  
 26 not fairly represent the taxpayer's income derived from sources within  
 27 the state of Indiana, the taxpayer may petition for or the department  
 28 may require, in respect to all or any part of the taxpayer's business  
 29 activity, if reasonable:

30 (1) separate accounting;

31 (2) for a taxable year beginning before January 1, 2011, the  
 32 exclusion of any one (1) or more of the factors, except the sales  
 33 factor;

34 (3) the inclusion of one (1) or more additional factors which will  
 35 fairly represent the taxpayer's income derived from sources within  
 36 the state of Indiana; or

37 (4) the employment of any other method to effectuate an equitable  
 38 allocation and apportionment of the taxpayer's income.

39 (m) In the case of two (2) or more organizations, trades, or  
 40 businesses owned or controlled directly or indirectly by the same  
 41 interests, the department shall distribute, apportion, or allocate the  
 42 income derived from sources within the state of Indiana between and





1 among those organizations, trades, or businesses in order to fairly  
2 reflect and report the income derived from sources within the state of  
3 Indiana by various taxpayers.

4 (n) For purposes of allocation and apportionment of income under  
5 this article, a taxpayer is taxable in another state if:

6 (1) in that state the taxpayer is subject to a net income tax, a  
7 franchise tax measured by net income, a franchise tax for the  
8 privilege of doing business, or a corporate stock tax; or

9 (2) that state has jurisdiction to subject the taxpayer to a net  
10 income tax regardless of whether, in fact, the state does or does  
11 not.

12 (o) Notwithstanding subsections (l) and (m), the department may  
13 not, under any circumstances, require that income, deductions, and  
14 credits attributable to a taxpayer and another entity be reported in a  
15 combined income tax return for any taxable year, if the other entity is:

16 (1) a foreign corporation; or

17 (2) a corporation that is classified as a foreign operating  
18 corporation for the taxable year by section 2.4 of this chapter.

19 (p) Notwithstanding subsections (l) and (m), the department may not  
20 require that income, deductions, and credits attributable to a taxpayer  
21 and another entity not described in subsection (o)(1) or (o)(2) be  
22 reported in a combined income tax return for any taxable year, unless  
23 the department is unable to fairly reflect the taxpayer's adjusted gross  
24 income for the taxable year through use of other powers granted to the  
25 department by subsections (l) and (m).

26 (q) Notwithstanding subsections (o) and (p), one (1) or more  
27 taxpayers may petition the department under subsection (l) for  
28 permission to file a combined income tax return for a taxable year. The  
29 petition to file a combined income tax return must be completed and  
30 filed with the department not more than thirty (30) days after the end  
31 of the taxpayer's taxable year. A taxpayer filing a combined income tax  
32 return must petition the department within thirty (30) days after the end  
33 of the taxpayer's taxable year to discontinue filing a combined income  
34 tax return.

35 (r) This subsection applies to a corporation that is a life insurance  
36 company (as defined in Section 816(a) of the Internal Revenue Code)  
37 or an insurance company that is subject to tax under Section 831 of the  
38 Internal Revenue Code. The corporation's adjusted gross income that  
39 is derived from sources within Indiana is determined by multiplying the  
40 corporation's adjusted gross income by a fraction:

41 (1) the numerator of which is the direct premiums and annuity  
42 considerations received during the taxable year for insurance



1 upon property or risks in the state; and

2 (2) the denominator of which is the direct premiums and annuity  
3 considerations received during the taxable year for insurance  
4 upon property or risks everywhere.

5 The term "direct premiums and annuity considerations" means the  
6 gross premiums received from direct business as reported in the  
7 corporation's annual statement filed with the department of insurance.

8 (s) This subsection applies to receipts derived from motorsports  
9 racing.

10 (1) Any purse, prize money, or other amounts earned for  
11 placement or participation in a race or portion thereof, including  
12 qualification, shall be attributed to Indiana if the race is conducted  
13 in Indiana.

14 (2) Any amounts received from an individual or entity as a result  
15 of sponsorship or similar promotional consideration for one (1) or  
16 more races shall be in this state in the amount received, multiplied  
17 by the following fraction:

18 (A) The numerator of the fraction is the number of racing  
19 events for which sponsorship or similar promotional  
20 consideration has been paid in a taxable year and that occur in  
21 Indiana.

22 (B) The denominator of the fraction is the total number of  
23 racing events for which sponsorship or similar promotional  
24 consideration has been paid in a taxable year.

25 (3) Any amounts earned as an incentive for placement or  
26 participation in one (1) or more races and that are not covered  
27 under subdivisions (1) or (2) or under IC 6-3-2-3.2 shall be  
28 attributed to Indiana in the proportion of the races that occurred  
29 in Indiana.

30 This subsection, as enacted in 2013, is intended to be a clarification of  
31 the law and not a substantive change in the law.

32 SECTION 15. IC 6-3-2-4, AS AMENDED BY P.L.6-2012,  
33 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
34 JANUARY 1, 2016]: Sec. 4. (a) Each taxable year, an individual, or the  
35 individual's surviving spouse, is entitled to an adjusted gross income  
36 tax deduction for the first five thousand dollars (\$5,000) of income,  
37 including retirement or survivor's benefits, received during the taxable  
38 year by the individual, or the individual's surviving spouse, for the  
39 individual's service in an active or reserve component of the armed  
40 forces of the United States, including the army, navy, air force, coast  
41 guard, marine corps, merchant marine, Indiana army national guard, or  
42 Indiana air national guard. However, a person who is less than sixty



1 (60) years of age on the last day of the person's taxable year, is not, for  
 2 that taxable year, entitled to a deduction under this section for  
 3 retirement or survivor's benefits.

4 (b) An individual whose qualified military income is subtracted  
 5 from the individual's federal adjusted gross income under  
 6 ~~IC 6-3-1-3.5(a)(2)~~ **IC 6-3-1-3.5(a)(19)** for Indiana individual income  
 7 tax purposes is not, for that taxable year, entitled to a deduction under  
 8 this section for the individual's qualified military income.

9 SECTION 16. IC 6-3-2-5 IS REPEALED [EFFECTIVE JANUARY  
 10 1, 2016]. Sec. 5: (a) For purposes of this section, "insulation" means  
 11 any material, commonly used in the building industry, which is  
 12 installed for the sole purpose of retarding the passage of heat energy  
 13 into or out of a building.

14 (b) A resident individual taxpayer is entitled to a deduction from his  
 15 adjusted gross income for a particular taxable year if, during that  
 16 taxable year, he installs in his residence new, but not replacement,  
 17 insulation, weather stripping, double pane windows, storm doors, or  
 18 storm windows. However, a taxpayer does not qualify for this  
 19 deduction unless the part of his residence in which he makes the  
 20 installation was constructed at least three (3) years before the taxable  
 21 year for which the deduction is claimed.

22 (c) The amount of the deduction to which a taxpayer is entitled in  
 23 a particular taxable year is the lesser of:

24 (1) the amount the taxpayer pays for labor and materials for the  
 25 installation that is made during the taxable year; or

26 (2) one thousand dollars (\$1,000).

27 (d) ~~To obtain the deduction provided by this section, the taxpayer~~  
 28 ~~must file with the department proof of his costs for the installation and~~  
 29 ~~a list of the persons or corporations who supplied labor or materials for~~  
 30 ~~the installation.~~

31 SECTION 17. IC 6-3-2-5.3 IS REPEALED [EFFECTIVE  
 32 JANUARY 1, 2016]. Sec. 5.3: (a) This section applies to taxable years  
 33 beginning after December 31, 2008.

34 (b) As used in this section, "solar powered roof vent or fan" means  
 35 a roof vent or fan that is powered by solar energy and used to release  
 36 heat from a building.

37 (c) A resident individual taxpayer is entitled to a deduction from the  
 38 taxpayer's adjusted gross income for a particular taxable year if, during  
 39 that taxable year, the taxpayer installs a solar powered roof vent or fan  
 40 on a building owned or leased by the taxpayer.

41 (d) The amount of the deduction to which a taxpayer is entitled in  
 42 a particular taxable year is the lesser of:



- 1 (1) one-half (1/2) of the amount the taxpayer pays for labor and  
 2 materials for the installation of a solar powered roof vent or fan  
 3 that is installed during the taxable year; or  
 4 (2) one thousand dollars (\$1,000).

5 (e) To obtain the deduction provided by this section, a taxpayer  
 6 must file with the department proof of the taxpayer's costs for the  
 7 installation of a solar powered roof vent or fan and a list of the persons  
 8 or corporation that supplied labor or materials for the installation of the  
 9 solar powered roof vent or fan.

10 SECTION 18. IC 6-3-2-8 IS REPEALED [EFFECTIVE JANUARY  
 11 1, 2016]. Sec. 8. (a) For purposes of this section, "qualified employee"  
 12 means an individual who is employed by a taxpayer, a pass through  
 13 entity, an employer exempt from adjusted gross income tax (IC 6-3-1  
 14 through IC 6-3-7) under IC 6-3-2-2.8(3), IC 6-3-2-2.8(4), or  
 15 IC 6-3-2-2.8(5); a nonprofit entity; the state; a political subdivision of  
 16 the state; or the United States government and who:

- 17 (1) has the employee's principal place of residence in the  
 18 enterprise zone in which the employee is employed;  
 19 (2) performs services for the taxpayer, the employer, the nonprofit  
 20 entity, the state, the political subdivision, or the United States  
 21 government, ninety percent (90%) of which are directly related to:  
 22 (A) the conduct of the taxpayer's or employer's trade or  
 23 business; or  
 24 (B) the activities of the nonprofit entity, the state, the political  
 25 subdivision, or the United States government;  
 26 that is located in an enterprise zone; and  
 27 (3) performs at least fifty percent (50%) of the employee's service  
 28 for the taxpayer or employer during the taxable year in the  
 29 enterprise zone.

30 (b) Except as provided in subsection (c), a qualified employee is  
 31 entitled to a deduction from the employee's adjusted gross income in  
 32 each taxable year in the amount of the lesser of:

- 33 (1) one-half (1/2) of the employee's adjusted gross income for the  
 34 taxable year that the employee earns as a qualified employee; or  
 35 (2) seven thousand five hundred dollars (\$7,500).

36 (c) No qualified employee is entitled to a deduction under this  
 37 section for a taxable year that begins after the termination of the  
 38 enterprise zone in which the employee resides.

39 SECTION 19. IC 6-3-2-13, AS AMENDED BY P.L.98-2008,  
 40 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 41 JANUARY 1, 2016]: Sec. 13. (a) As used in this section, "export  
 42 income" means the gross receipts from the sale, transfer, or exchange





1 SECTION 20. IC 6-3-2-14.1 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 14.1.  
 3 Notwithstanding ~~section 14.5 of this chapter and~~ IC 6-3-4-8.2, a  
 4 payment made after June 30, 2002, on prize money received from a  
 5 winning lottery ticket purchased under IC 4-30 for a lottery held before  
 6 July 1, 2002, is exempt from the adjusted gross income tax and  
 7 supplemental net income tax (repealed) imposed by this article.

8 SECTION 21. IC 6-3-2-14.5 IS REPEALED [EFFECTIVE  
 9 JANUARY 1, 2016]. ~~Sec. 14.5. The first one thousand two hundred~~  
 10 ~~dollars (\$1,200) of prize money received from a winning lottery ticket~~  
 11 ~~purchased under IC 4-30 is exempt from the adjusted gross income tax~~  
 12 ~~imposed by this article. If the amount of prize money received from a~~  
 13 ~~winning lottery ticket exceeds one thousand two hundred dollars~~  
 14 ~~(\$1,200); the amount of the excess is subject to the adjusted gross~~  
 15 ~~income tax imposed by this article.~~

16 SECTION 22. IC 6-3-2-17 IS REPEALED [EFFECTIVE  
 17 JANUARY 1, 2016]. ~~Sec. 17. A reward received by an individual is~~  
 18 ~~exempt from taxation under IC 6-3-1 through IC 6-3-7, in an amount~~  
 19 ~~not to exceed one thousand dollars (\$1,000); if:~~

20 (1) the reward is for information provided to a law enforcement  
 21 official or agency, or to a not-for-profit corporation whose  
 22 exclusive purpose is to assist law enforcement officials or  
 23 agencies;

24 (2) the information that is provided assists in the arrest;  
 25 indictment; or the filing of charges against a person; and

26 (3) the individual is not:

27 (A) compensated for investigating crimes or accidents  
 28 (including an employee of, or an individual under contract  
 29 with, a law enforcement agency);

30 (B) the person convicted of the crime; or

31 (C) the victim of the crime.

32 SECTION 23. IC 6-3-2-18 IS AMENDED TO READ AS  
 33 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) As used  
 34 in this section, "eligible medical expense" has the meaning set forth in  
 35 IC 6-8-11-3.

36 (b) As used in this section, "medical care savings account" has the  
 37 meaning set forth in IC 6-8-11-6.

38 (c) **This subsection applies only to money deposited by an**  
 39 **employer in a medical care savings account before January 1, 2016.**  
 40 Except as provided in subsection (g), the amount of money deposited  
 41 by an employer in a medical care savings account established for an  
 42 employee under IC 6-8-11 is exempt from taxation under IC 6-3-1



1 through IC 6-3-7 as income of the employee in the taxable year in  
2 which the money is deposited in the account.

3 (d) Except as provided in subsection (g), the amount of money that  
4 is:

5 (1) withdrawn from a medical care savings account established  
6 for an employee under IC 6-8-11; and

7 (2) either:

8 (A) used by the administrator of the account for a purpose set  
9 forth in IC 6-8-11-13; or

10 (B) used under IC 6-8-11-13 to reimburse an employee for  
11 eligible medical expenses that the employee has incurred and  
12 paid for medical care for the employee or a dependent of the  
13 employee;

14 is exempt from taxation under IC 6-3-1 through IC 6-3-7 as income of  
15 the employee.

16 (e) Except as provided in IC 6-8-11-11 **and IC 6-8-11-11.5**, in each  
17 taxable year, the amount of money that is:

18 (1) withdrawn by an employee from a medical care savings  
19 account established under IC 6-8-11; and

20 (2) used for a purpose other than the purposes set forth in  
21 IC 6-8-11-13;

22 is income to the employee that is subject to taxation under IC 6-3-1  
23 through IC 6-3-7.

24 (f) If an employee withdraws money from the employee's medical  
25 care savings account under the circumstances set forth in  
26 IC 6-8-11-17(c), the interest earned on the balance in the account  
27 during the full tax year in which the withdrawal is made is subject to  
28 taxation under IC 6-3-1 through IC 6-3-7 as income of the employee.

29 (g) A taxpayer that excluded or deducted an amount deposited into  
30 a medical care savings account from adjusted gross income under:

31 (1) section 106 of the Internal Revenue Code;

32 (2) section 220 of the Internal Revenue Code; or

33 (3) any other section of the Internal Revenue Code;

34 is not eligible for an additional exemption from adjusted gross income  
35 under this section.

36 SECTION 24. IC 6-3-2-20, AS AMENDED BY P.L.211-2007,  
37 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
38 JANUARY 1, 2016]: Sec. 20. (a) The following definitions apply  
39 throughout this section:

40 (1) "Affiliated group" has the meaning provided in Section 1504  
41 of the Internal Revenue Code, except that the ownership  
42 percentage in Section 1504(a)(2) of the Internal Revenue Code



- 1 shall be determined using fifty percent (50%) instead of eighty  
 2 percent (80%).
- 3 (2) "Directly related ~~intangible~~ interest expenses" means interest  
 4 expenses that are paid to, or accrued or incurred as a liability to,  
 5 a recipient if:
- 6 (A) the amounts represent, in the hands of the recipient,  
 7 income from making one (1) or more loans; and  
 8 (B) the funds loaned were originally received by the recipient  
 9 from the payment of ~~intangible~~ expenses by any of the  
 10 following:
- 11 (i) The taxpayer.  
 12 (ii) A member of the same affiliated group as the taxpayer.  
 13 (iii) A foreign corporation.
- 14 (3) "Foreign corporation" means a corporation that is organized  
 15 under the laws of a country other than the United States and  
 16 would be a member of the same affiliated group as the taxpayer  
 17 if the corporation were organized under the laws of the United  
 18 States.
- 19 (4) "Intangible expenses" means the following amounts to the  
 20 extent these amounts are allowed as deductions in determining  
 21 taxable income under Section 63 of the Internal Revenue Code  
 22 before the application of any net operating loss deduction and  
 23 special deductions for the taxable year:
- 24 (A) Expenses, losses, and costs directly for, related to, or in  
 25 connection with the acquisition, use, maintenance,  
 26 management, ownership, sale, exchange, or any other  
 27 disposition of intangible property.  
 28 (B) Royalty, patent, technical, and copyright fees.  
 29 (C) Licensing fees.  
 30 (D) Other substantially similar expenses and costs.
- 31 (5) "Intangible property" means patents, patent applications, trade  
 32 names, trademarks, service marks, copyrights, trade secrets, and  
 33 substantially similar types of intangible assets.
- 34 (6) "Interest expenses" means amounts that are allowed as  
 35 deductions under Section 163 of the Internal Revenue Code in  
 36 determining taxable income under Section 63 of the Internal  
 37 Revenue Code before the application of any net operating loss  
 38 deductions and special deductions for the taxable year.
- 39 (7) "Makes a disclosure" means a taxpayer provides the following  
 40 information regarding a transaction with a member of the same  
 41 affiliated group or a foreign corporation involving an intangible  
 42 expense ~~and any or a~~ directly related ~~intangible~~ interest expense





1 with the taxpayer's tax return on the forms prescribed by the  
2 department:

3 (A) The name of the recipient.

4 (B) The state or country of domicile of the recipient.

5 (C) The amount paid to the recipient.

6 (D) A copy of federal Form 851, Affiliation Schedule, as filed  
7 with the taxpayer's federal consolidated tax return.

8 (E) The information needed to determine the taxpayer's status  
9 under the exceptions listed in subsection (c).

10 (8) "Recipient" means:

11 (A) a member of the same affiliated group as the taxpayer; or

12 (B) a foreign corporation;

13 to which is paid an item of income that corresponds to an  
14 intangible expense or ~~any~~ directly related ~~intangible~~ interest  
15 expense.

16 (9) "Unrelated party" means a person that, with respect to the  
17 taxpayer, is not a member of the same affiliated group or a foreign  
18 corporation.

19 (b) Except as provided in subsection (c), in determining its adjusted  
20 gross income under IC 6-3-1-3.5(b), a corporation subject to the tax  
21 imposed by IC 6-3-2-1 shall add to its taxable income under Section 63  
22 of the Internal Revenue Code:

23 (1) **all** intangible expenses; and

24 (2) **any all** directly related ~~intangible~~ interest expenses;  
25 paid, accrued, or incurred with one (1) or more members of the same  
26 affiliated group or with one (1) or more foreign corporations.

27 (c) The addition of intangible expenses or ~~any~~ directly related  
28 ~~intangible~~ interest expenses otherwise required in a taxable year under  
29 subsection (b) is not required if one (1) or more of the following apply  
30 to the taxable year:

31 (1) The taxpayer and the recipient are both included in the same  
32 consolidated tax return filed under IC 6-3-4-14 or in the same  
33 combined return filed under IC 6-3-2-2(q) for the taxable year.

34 **(2) If the recipient receives an item of income that  
35 corresponds to the directly related interest expenses and the  
36 recipient:**

37 **(A) is subject to the financial institutions tax under  
38 IC 6-5.5;**

39 **(B) files a return under IC 6-5.5; and**

40 **(C) apportions the items of income that correspond to the  
41 intangible expenses and the directly related interest  
42 expenses in accordance with IC 6-5.5.**



1           (2) (3) The taxpayer makes a disclosure and, at the request of the  
2 department, can establish by a preponderance of the evidence  
3 that:

4           (A) the item of income corresponding to the intangible  
5 expenses ~~and any or the~~ directly related ~~intangible~~ interest  
6 expenses was included within the recipient's income that is  
7 subject to tax in:

8           (i) a state or possession of the United States; or

9           (ii) a country other than the United States;

10          that is the recipient's commercial domicile and that imposes a  
11 net income tax, a franchise tax measured, in whole or in part,  
12 by net income, or a value added tax;

13          (B) the transaction giving rise to the intangible expenses ~~and~~  
14 ~~any or the~~ directly related ~~intangible~~ interest expenses  
15 between the taxpayer and the recipient was made at a  
16 commercially reasonable rate and at terms comparable to an  
17 arm's length transaction; and

18          (C) the transactions giving rise to the intangible expenses ~~and~~  
19 ~~any or the~~ directly related ~~intangible~~ interest expenses  
20 between the taxpayer and the recipient did not have Indiana  
21 tax avoidance as a principal purpose.

22          (3) (4) The taxpayer makes a disclosure and, at the request of the  
23 department, can establish by a preponderance of the evidence  
24 that:

25          (A) the recipient regularly engages in transactions ~~involving~~  
26 ~~intangible property~~ with one (1) or more unrelated parties on  
27 terms substantially similar to those of the subject transaction;  
28 and

29          (B) the transaction giving rise to the intangible expenses ~~and~~  
30 ~~any or the~~ directly related ~~intangible~~ interest expenses  
31 between the taxpayer and the recipient did not have Indiana  
32 tax avoidance as a principal purpose.

33          (4) (5) The taxpayer makes a disclosure and, at the request of the  
34 department, can establish by a preponderance of the evidence  
35 that:

36          (A) the payment was received from a person or entity that is an  
37 unrelated party, and on behalf of that unrelated party, paid that  
38 amount to the recipient in an arm's length transaction; and

39          (B) the transaction giving rise to the intangible expenses ~~and~~  
40 ~~any or the~~ directly related ~~intangible~~ interest expenses  
41 between the taxpayer and the recipient did not have Indiana  
42 tax avoidance as a principal purpose.



1           ~~(5)~~ **(6)** The taxpayer makes a disclosure and, at the request of the  
 2 department, can establish by a preponderance of the evidence  
 3 that:

4           (A) the recipient paid, accrued, or incurred a liability to an  
 5 unrelated party during the taxable year for an equal or greater  
 6 amount that was directly for, related to, or in connection with  
 7 the same ~~intangible~~ property giving rise to the ~~intangible~~  
 8 expenses; and

9           (B) the transactions giving rise to the intangible expenses ~~and~~  
 10 ~~any or the~~ directly related ~~intangible~~ interest expenses  
 11 between the taxpayer and the recipient did not have Indiana  
 12 tax avoidance as a principal purpose.

13           ~~(6)~~ **(7)** The taxpayer makes a disclosure and, at the request of the  
 14 department, can establish by a preponderance of the evidence  
 15 that:

16           (A) the recipient is engaged in:

17           (i) substantial business activities from the acquisition, use,  
 18 licensing, maintenance, management, ownership, sale,  
 19 exchange, or any other disposition of intangible property; or

20           (ii) other substantial business activities separate and apart  
 21 from the business activities described in item (i);

22 as evidenced by the maintenance of a permanent office space  
 23 and an adequate number of full-time, experienced employees;

24           (B) the transactions giving rise to the intangible expenses ~~and~~  
 25 ~~any or the~~ directly related ~~intangible~~ interest expenses  
 26 between the taxpayer and the recipient did not have Indiana  
 27 tax avoidance as a principal purpose; and

28           (C) the ~~transactions were~~ **transaction was** made at a  
 29 commercially reasonable rate and at terms comparable to an  
 30 arm's length transaction.

31           ~~(7)~~ **(8)** The taxpayer and the department agree, in writing, to the  
 32 application or use of an alternative method of allocation or  
 33 apportionment under section 2(l) or 2(m) of this chapter.

34           ~~(8)~~ **(9)** Upon request by the taxpayer, the department determines  
 35 that the adjustment otherwise required by this section is  
 36 unreasonable.

37           (d) For purposes of this section, intangible expenses or directly  
 38 related ~~intangible~~ interest expenses shall be considered to be at a  
 39 commercially reasonable rate or at terms comparable to an arm's length  
 40 transaction if the intangible expenses or directly related ~~intangible~~  
 41 interest expenses meet the arm's length standards of United States  
 42 Treasury Regulation 1.482-1(b).



1 (e) If intangible expenses or directly related ~~intangible interest~~ interest  
 2 expenses are determined not to be at a commercially reasonable rate or  
 3 at terms comparable to an arm's length transaction for purposes of this  
 4 section, the adjustment required by subsection (b) shall be made only  
 5 to the extent necessary to cause the intangible expenses or directly  
 6 related ~~intangible interest~~ interest expenses to be at a commercially reasonable  
 7 rate and at terms comparable to an arm's length transaction.

8 (f) For purposes of this section, transactions giving rise to intangible  
 9 expenses ~~and any or the~~ directly related ~~intangible interest~~ interest expenses  
 10 between the taxpayer and the recipient shall be considered as having  
 11 Indiana tax avoidance as the principal purpose if:

12 (1) there is not one (1) or more valid business purposes that  
 13 independently sustain the transaction notwithstanding any tax  
 14 benefits associated with the transaction; and

15 (2) the principal purpose of tax avoidance exceeds any other valid  
 16 business purpose.

17 SECTION 25. IC 6-3-2-21.7, AS ADDED BY P.L.223-2007,  
 18 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 19 JANUARY 1, 2016]: Sec. 21.7. (a) This section applies to a qualified  
 20 patent issued to a taxpayer after December 31, 2007, **and before**  
 21 **January 1, 2016.**

22 (b) As used in this section, "invention" has the meaning set forth in  
 23 35 U.S.C. 100(a).

24 (c) As used in this section, "qualified patent" means:

25 (1) a utility patent issued under 35 U.S.C. 101; or

26 (2) a plant patent issued under 35 U.S.C. 161;

27 after December 31, 2007, **and before January 1, 2016**, for an  
 28 invention resulting from a development process conducted in Indiana.  
 29 The term does not include a design patent issued under 35 U.S.C. 171.

30 (d) As used in this section, "qualified taxpayer" means a taxpayer  
 31 that on the effective filing date of the claimed invention:

32 (1) is either:

33 (A) an individual or corporation, if the number of employees  
 34 of the individual or corporation, including affiliates as  
 35 specified in 13 CFR 121.103, does not exceed five hundred  
 36 (500) persons; or

37 (B) a nonprofit organization or nonprofit corporation as  
 38 specified in:

39 (i) 37 CFR 1.27(a)(3)(ii)(A) or 37 CFR 1.27(a)(3)(ii)(B); or

40 (ii) IC 23-17; and

41 (2) is domiciled in Indiana.

42 (e) Subject to subsections (g) and (h), in determining adjusted gross



1 income or taxable income under IC 6-3-1-3.5 or IC 6-5.5-1-2, a  
2 qualified taxpayer is entitled to an exemption from taxation under  
3 IC 6-3-1 through IC 6-3-7 for the following:

4 (1) Licensing fees or other income received for the use of a  
5 qualified patent.

6 (2) Royalties received for the infringement of a qualified patent.

7 (3) Receipts from the sale of a qualified patent.

8 (4) Subject to subsection (f), income from the taxpayer's own use  
9 of the taxpayer's qualified patent to produce the claimed  
10 invention.

11 (f) The exemption provided by subsection (e)(4) may not exceed the  
12 fair market value of the licensing fees or other income that would be  
13 received by allowing use of the qualified taxpayer's qualified patent by  
14 someone other than the taxpayer. The fair market value referred to in  
15 this subsection must be determined in each taxable year in which the  
16 qualified taxpayer claims an exemption under subsection (e)(4).

17 (g) The total amount of exemptions claimed under this section by a  
18 qualified taxpayer in a taxable year may not exceed five million dollars  
19 (\$5,000,000).

20 (h) A taxpayer may not claim an exemption under this section with  
21 respect to a particular qualified patent for more than ten (10) taxable  
22 years. Subject to the provisions of this section, the following amount of  
23 the income, royalties, or receipts described in subsection (e) from a  
24 particular qualified patent is exempt:

25 (1) Fifty percent (50%) for each of the first five (5) taxable years  
26 in which the exemption is claimed for the qualified patent.

27 (2) Forty percent (40%) for the sixth taxable year in which the  
28 exemption is claimed for the qualified patent.

29 (3) Thirty percent (30%) for the seventh taxable year in which the  
30 exemption is claimed for the qualified patent.

31 (4) Twenty percent (20%) for the eighth taxable year in which the  
32 exemption is claimed for the qualified patent.

33 (5) Ten percent (10%) each year for the ninth and tenth taxable  
34 year in which the exemption is claimed for the qualified patent.

35 (6) No exemption under this section for the particular qualified  
36 patent after the eleventh taxable year in which the exemption is  
37 claimed for the qualified patent.

38 (i) To receive the exemption provided by this section, a qualified  
39 taxpayer must claim the exemption on the qualified taxpayer's annual  
40 state tax return or returns in the manner prescribed by the department.  
41 The qualified taxpayer shall submit to the department all information  
42 that the department determines is necessary for the determination of the



1 exemption provided by this section.

2 (j) On or before December 1 of each year, the department shall  
3 provide an evaluation report to the legislative council, the budget  
4 committee, and the Indiana economic development corporation. The  
5 evaluation report must contain the following:

6 (1) The number of taxpayers claiming an exemption under this  
7 section.

8 (2) The sum of all the exemptions claimed under this section.

9 (3) The North American Industry Classification System code for  
10 each taxpayer claiming an exemption under this section.

11 (4) Any other information the department considers appropriate,  
12 including the number of qualified patents for which an exemption  
13 was claimed under this section.

14 The report required under this subsection must be in an electronic  
15 format under IC 5-14-6.

16 **(k) This section may not be construed to preclude an exemption**  
17 **otherwise allowable under this section for any qualified patent**  
18 **issued before January 1, 2016.**

19 SECTION 26. IC 6-3-2-25, AS AMENDED BY P.L.6-2012,  
20 SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
21 JANUARY 1, 2016]: Sec. 25. (a) This section applies only to an  
22 individual who in 2008 paid property taxes that:

23 (1) were imposed on the individual's principal place of residence  
24 for the March 1, 2006, assessment date or the January 15, 2007,  
25 assessment date;

26 (2) are due after December 31, 2007; and

27 (3) are paid on or before the due date for the property taxes.

28 (b) As used in this section, "adjusted gross income" has the meaning  
29 set forth in IC 6-3-1-3.5.

30 (c) An individual described in subsection (a) is entitled to a  
31 deduction from the individual's adjusted gross income for a taxable  
32 year beginning after December 31, 2007, and before January 1, 2009,  
33 in an amount equal to the amount determined in the following STEPS:

34 STEP ONE: Determine the lesser of:

35 (A) two thousand five hundred dollars (\$2,500); or

36 (B) the total amount of property taxes imposed on the  
37 individual's principal place of residence for the March 1, 2006,  
38 assessment date or the January 15, 2007, assessment date and  
39 paid in 2007 or 2008.

40 STEP TWO: Determine the greater of zero (0) or the result of:

41 (A) the STEP ONE result; minus

42 (B) the total amount of property taxes that:



- 1 (i) were imposed on the individual's principal place of  
 2 residence for the March 1, 2006, assessment date or the  
 3 January 15, 2007, assessment date;  
 4 (ii) were paid in 2007; and  
 5 (iii) were deducted from the individual's adjusted gross  
 6 income under ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)** by  
 7 the individual on the individual's state income tax return for  
 8 a taxable year beginning before January 1, 2008.

9 (d) The deduction under this section is in addition to any deduction  
 10 that an individual is otherwise entitled to claim under  
 11 ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)**. However, an individual may  
 12 not deduct under ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)** any property  
 13 taxes deducted under this section.

14 SECTION 27. IC 6-3-3-5, AS AMENDED BY P.L.2-2007,  
 15 SECTION 121, IS AMENDED TO READ AS FOLLOWS  
 16 [EFFECTIVE JANUARY 1, 2016]: Sec. 5. (a) At the election of the  
 17 taxpayer, there shall be allowed, as a credit against the adjusted gross  
 18 income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year,  
 19 an amount (subject to the applicable limitations provided by this  
 20 section) equal to fifty percent (50%) of the aggregate amount of  
 21 charitable contributions made by such taxpayer during such year to  
 22 postsecondary educational institutions located within Indiana  
 23 (including any of its associated colleges in Indiana) or to any  
 24 corporation or foundation organized and operated solely for the benefit  
 25 of any postsecondary educational institution.

26 (b) In the case of a taxpayer other than a corporation, the amount  
 27 allowable as a credit under this section for any taxable year shall not  
 28 exceed one hundred dollars (\$100) in the case of a single return or two  
 29 hundred dollars (\$200) in the case of a joint return.

30 (c) In the case of a corporation, the amount allowable as a credit  
 31 under this section for any taxable year shall not exceed:

- 32 (1) ten percent (10%) of such corporation's total adjusted gross  
 33 income tax under IC 6-3-1 through IC 6-3-7 for such year (as  
 34 determined without regard to any credits against that tax); or  
 35 (2) one thousand dollars (\$1,000);

36 whichever is less.

37 (d) A charitable contribution in Indiana qualifies for a credit under  
 38 this section only if the charitable contribution is made to a  
 39 postsecondary educational institution or a corporation or foundation  
 40 organized for the benefit of a postsecondary educational institution  
 41 that:

- 42 (1) normally maintains a regular faculty and curriculum and



1 normally has a regularly organized body of students in attendance  
 2 at the place where its educational activities are carried on;  
 3 (2) regularly offers education at a level above the twelfth grade;  
 4 (3) regularly awards either associate, bachelors, masters, or  
 5 doctoral degrees, or any combination thereof; and  
 6 (4) is duly accredited by the North Central Association of  
 7 Colleges and Schools, the Indiana state board of education, or the  
 8 American Association of Theological Schools.

9 (e) The credit allowed by this section shall not exceed the amount  
 10 of the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7  
 11 for the taxable year, reduced by the sum of all credits (as determined  
 12 without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

13 **(f) A taxpayer is not entitled to a credit under this section for a**  
 14 **contribution made in a taxable year beginning after December 31,**  
 15 **2015.**

16 **(g) This section expires January 1, 2019.**

17 SECTION 28. IC 6-3-3-5.1, AS AMENDED BY P.L.2-2007,  
 18 SECTION 122, IS AMENDED TO READ AS FOLLOWS  
 19 [EFFECTIVE JANUARY 1, 2016]: Sec. 5.1. (a) At the election of the  
 20 taxpayer, a credit against the adjusted gross income tax imposed by  
 21 IC 6-3-1 through IC 6-3-7 for the taxable year, is permitted in an  
 22 amount (subject to the applicable limitations provided by this section)  
 23 equal to fifty percent (50%) of the aggregate amount of contributions  
 24 made by the taxpayer during the taxable year to the twenty-first century  
 25 scholars program support fund established under IC 21-12-7-1.

26 (b) In the case of a taxpayer other than a corporation, the amount  
 27 allowable as a credit under this section for any taxable year may not  
 28 exceed:

- 29 (1) one hundred dollars (\$100) in the case of a single return; or
- 30 (2) two hundred dollars (\$200) in the case of a joint return.

31 (c) In the case of a taxpayer that is a corporation, the amount  
 32 allowable as a credit under this section for any taxable year may not  
 33 exceed the lesser of the following amounts:

- 34 (1) Ten percent (10%) of the corporation's total adjusted gross  
 35 income tax under IC 6-3-1 through IC 6-3-7 for the taxable year  
 36 (as determined without regard to any credits against that tax).
- 37 (2) One thousand dollars (\$1,000).

38 (d) The credit permitted under this section may not exceed the  
 39 amount of the adjusted gross income tax imposed by IC 6-3-1 through  
 40 IC 6-3-7 for the taxable year, reduced by the sum of all credits (as  
 41 determined without regard to this section) allowed by IC 6-3-1 through  
 42 IC 6-3-7.





1           **(e) A taxpayer is not entitled to a credit under this section for a**  
 2 **contribution made in a taxable year beginning after December 31,**  
 3 **2015.**

4           **(f) This section expires January 1, 2019.**

5           SECTION 29. IC 6-3-3-10, AS AMENDED BY P.L.182-2009(ss),  
 6 SECTION 197, IS AMENDED TO READ AS FOLLOWS  
 7 [EFFECTIVE JANUARY 1, 2016]: Sec. 10. (a) As used in this section:

8           "Base period wages" means the following:

9           (1) In the case of a taxpayer other than a pass through entity,  
 10 wages paid or payable by a taxpayer to its employees during the  
 11 year that ends on the last day of the month that immediately  
 12 precedes the month in which an enterprise zone is established, to  
 13 the extent that the wages would have been qualified wages if the  
 14 enterprise zone had been in effect for that year. If the taxpayer did  
 15 not engage in an active trade or business during that year in the  
 16 area that is later designated as an enterprise zone, then the base  
 17 period wages equal zero (0). If the taxpayer engaged in an active  
 18 trade or business during only part of that year in an area that is  
 19 later designated as an enterprise zone, then the department shall  
 20 determine the amount of base period wages.

21           (2) In the case of a taxpayer that is a pass through entity, base  
 22 period wages equal zero (0).

23           "Enterprise zone" means an enterprise zone created under  
 24 IC 5-28-15.

25           "Enterprise zone adjusted gross income" means adjusted gross  
 26 income of a taxpayer that is derived from sources within an enterprise  
 27 zone. Sources of adjusted gross income shall be determined with  
 28 respect to an enterprise zone, to the extent possible, in the same manner  
 29 that sources of adjusted gross income are determined with respect to  
 30 the state of Indiana under IC 6-3-2-2.

31           "Enterprise zone gross income" means gross income of a taxpayer  
 32 that is derived from sources within an enterprise zone.

33           "Enterprise zone insurance premiums" means insurance premiums  
 34 derived from sources within an enterprise zone.

35           "Monthly base period wages" means base period wages divided by  
 36 twelve (12).

37           "Qualified employee" means an individual who is employed by a  
 38 taxpayer and who:

39           (1) has the individual's principal place of residence in the  
 40 enterprise zone in which the individual is employed;

41           (2) performs services for the taxpayer, ninety percent (90%) of  
 42 which are directly related to the conduct of the taxpayer's trade or



1 business that is located in an enterprise zone;  
 2 (3) performs at least fifty percent (50%) of the individual's  
 3 services for the taxpayer during the taxable year in the enterprise  
 4 zone; and  
 5 (4) in the case of an individual who is employed by a taxpayer  
 6 that is a pass through entity, was first employed by the taxpayer  
 7 after December 31, 1998.

8 "Qualified increased employment expenditures" means the  
 9 following:

10 (1) For a taxpayer's taxable year other than the taxpayer's taxable  
 11 year in which the enterprise zone is established, the amount by  
 12 which qualified wages paid or payable by the taxpayer during the  
 13 taxable year to qualified employees exceeds the taxpayer's base  
 14 period wages.

15 (2) For the taxpayer's taxable year in which the enterprise zone is  
 16 established, the amount by which qualified wages paid or payable  
 17 by the taxpayer during all of the full calendar months in the  
 18 taxpayer's taxable year that succeed the date on which the  
 19 enterprise zone was established exceed the taxpayer's monthly  
 20 base period wages multiplied by that same number of full  
 21 calendar months.

22 "Qualified state tax liability" means a taxpayer's total income tax  
 23 liability incurred under:

24 (1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax) with  
 25 respect to enterprise zone adjusted gross income;

26 (2) IC 27-1-18-2 (insurance premiums tax) with respect to  
 27 enterprise zone insurance premiums; and

28 (3) IC 6-5.5 (the financial institutions tax);

29 as computed after the application of the credits that, under  
 30 IC 6-3.1-1-2, are to be applied before the credit provided by this  
 31 section.

32 "Qualified wages" means the wages paid or payable to qualified  
 33 employees during a taxable year.

34 "Taxpayer" includes a pass through entity.

35 (b) A taxpayer is entitled to a credit against the taxpayer's qualified  
 36 state tax liability for a taxable year in the amount of the lesser of:

37 (1) the product of ten percent (10%) multiplied by the qualified  
 38 increased employment expenditures of the taxpayer for the  
 39 taxable year; or

40 (2) one thousand five hundred dollars (\$1,500) multiplied by the  
 41 number of qualified employees employed by the taxpayer during  
 42 the taxable year.



1 (c) The amount of the credit provided by this section that a taxpayer  
 2 uses during a particular taxable year may not exceed the taxpayer's  
 3 qualified state tax liability for the taxable year. If the credit provided by  
 4 this section exceeds the amount of that tax liability for the taxable year  
 5 it is first claimed, then the excess may be carried back to preceding  
 6 taxable years or carried over to succeeding taxable years and used as  
 7 a credit against the taxpayer's qualified state tax liability for those  
 8 taxable years. Each time that the credit is carried back to a preceding  
 9 taxable year or carried over to a succeeding taxable year, the amount  
 10 of the carryover is reduced by the amount used as a credit for that  
 11 taxable year. Except as provided in subsection (e), the credit provided  
 12 by this section may be carried forward and applied in the ten (10)  
 13 taxable years that succeed the taxable year in which the credit accrues.  
 14 The credit provided by this section may be carried back and applied in  
 15 the three (3) taxable years that precede the taxable year in which the  
 16 credit accrues.

17 (d) A credit earned by a taxpayer in a particular taxable year shall  
 18 be applied against the taxpayer's qualified state tax liability for that  
 19 taxable year before any credit carryover or carryback is applied against  
 20 that liability under subsection (c).

21 (e) Notwithstanding subsection (c), if a credit under this section  
 22 results from wages paid in a particular enterprise zone, and if that  
 23 enterprise zone terminates in a taxable year that succeeds the last  
 24 taxable year in which a taxpayer is entitled to use the credit carryover  
 25 that results from those wages under subsection (c), then the taxpayer  
 26 may use the credit carryover for any taxable year up to and including  
 27 the taxable year in which the enterprise zone terminates.

28 (f) A taxpayer is not entitled to a refund of any unused credit.

29 (g) A taxpayer that:

- 30 (1) does not own, rent, or lease real property outside of an
- 31 enterprise zone that is an integral part of its trade or business; and
- 32 (2) is not owned or controlled directly or indirectly by a taxpayer
- 33 that owns, rents, or leases real property outside of an enterprise
- 34 zone;

35 is exempt from the allocation and apportionment provisions of this  
 36 section.

37 (h) If a pass through entity is entitled to a credit under subsection (b)  
 38 but does not have state tax liability against which the tax credit may be  
 39 applied, an individual who is a shareholder, partner, beneficiary, or  
 40 member of the pass through entity is entitled to a tax credit equal to:

- 41 (1) the tax credit determined for the pass through entity for the
- 42 taxable year; multiplied by



1 (2) the percentage of the pass through entity's distributive income  
 2 to which the shareholder, partner, beneficiary, or member is  
 3 entitled.

4 The credit provided under this subsection is in addition to a tax credit  
 5 to which a shareholder, partner, beneficiary, or member of a pass  
 6 through entity is entitled. However, a pass through entity and an  
 7 individual who is a shareholder, partner, beneficiary, or member of a  
 8 pass through entity may not claim more than one (1) credit for the  
 9 qualified expenditure.

10 **(i) A taxpayer is not entitled to a credit under this chapter for:**  
 11 **(1) employment expenditures made; or**  
 12 **(2) qualified employees who are employed;**  
 13 **in a taxable year beginning after December 31, 2015.**

14 **(j) This chapter expires January 1, 2026.**

15 SECTION 30. IC 6-3.1-7-3 IS AMENDED TO READ AS  
 16 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 3. (a) If the  
 17 amount determined under section 2(b) of this chapter for a particular  
 18 taxpayer and a particular taxable year exceeds the taxpayer's state tax  
 19 liability for that taxable year, then the taxpayer may carry the excess  
 20 over to the immediately succeeding taxable years. Except as provided  
 21 in subsection (b), the credit carryover may not be used for any taxable  
 22 year that begins more than ten (10) years after the date on which the  
 23 qualified loan from which the credit results is made. The amount of the  
 24 credit carryover from a taxable year shall be reduced to the extent that  
 25 the carryover is used by the taxpayer to obtain a credit under this  
 26 chapter for any subsequent taxable year.

27 (b) Notwithstanding subsection (a), if a loan is a qualified loan as  
 28 the result of the use of the loan proceeds in a particular enterprise zone,  
 29 and if the phase-out period of that enterprise zone terminates in a  
 30 taxable year that succeeds the last taxable year in which a taxpayer is  
 31 entitled to use credit carryover that results from that loan under  
 32 subsection (a), then the taxpayer may use the credit carryover for any  
 33 taxable year up to and including the taxable year in which the  
 34 phase-out period of the enterprise zone terminates.

35 **(c) A taxpayer is not entitled to a credit under this chapter for**  
 36 **qualified loan interest received in a taxable year beginning after**  
 37 **December 31, 2015.**

38 **(d) This chapter expires January 1, 2026.**

39 SECTION 31. IC 6-3.1-9-6 IS AMENDED TO READ AS  
 40 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 6. (a) A tax credit  
 41 shall be allowable under this chapter only for the taxable year of the  
 42 taxpayer in which the contribution qualifying for the credit is paid or



1 permanently set aside in a special account for the approved program or  
2 purpose.

3 **(b) A taxpayer is not entitled to a credit under this chapter for**  
4 **contributions made or permanently set aside in a taxable year**  
5 **beginning after December 31, 2015.**

6 **(c) This chapter expires January 1, 2019.**

7 SECTION 32. IC 6-3.1-10-7 IS AMENDED TO READ AS  
8 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 7. (a) If the  
9 amount determined under section 6(b) of this chapter for a taxpayer in  
10 a taxable year exceeds the taxpayer's state tax liability for that taxable  
11 year, the taxpayer may carry the excess over to the following taxable  
12 years. The amount of the credit carryover from a taxable year shall be  
13 reduced to the extent that the carryover is used by the taxpayer to  
14 obtain a credit under this chapter for any subsequent taxable year.

15 (b) A taxpayer is not entitled to a carryback or refund of any unused  
16 credit.

17 **(c) A taxpayer is not entitled to a credit under this chapter for**  
18 **qualified investments made in a taxable year beginning after**  
19 **December 31, 2015.**

20 **(d) This chapter expires January 1, 2026.**

21 SECTION 33. IC 6-3.1-15-7 IS AMENDED TO READ AS  
22 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 7. (a) A taxpayer  
23 that has donated during the taxable year qualified computer equipment  
24 to a service center is entitled to a tax credit as provided in section 8 of  
25 this chapter.

26 **(b) A taxpayer is not entitled to a credit under this chapter for**  
27 **a contribution made in a taxable year beginning after December**  
28 **31, 2015.**

29 **(c) This chapter expires January 1, 2019.**

30 SECTION 34. IC 6-3.1-16-7, AS AMENDED BY P.L.166-2014,  
31 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
32 JANUARY 1, 2016]: Sec. 7. (a) Subject to section 14 of this chapter,  
33 a taxpayer is entitled to a credit against the taxpayer's state tax liability  
34 in the taxable year in which the taxpayer completes the preservation or  
35 rehabilitation of historic property and obtains the certifications required  
36 under section 8 of this chapter.

37 (b) The amount of the credit is equal to twenty percent (20%) of the  
38 qualified expenditures that:

- 39 (1) the taxpayer makes for the preservation or rehabilitation of
- 40 historic property; and
- 41 (2) are approved by the office.

42 (c) In the case of a husband and wife who:



1 (1) own and rehabilitate a historic property jointly; and  
 2 (2) file separate tax returns;  
 3 the husband and wife may take the credit in equal shares or one (1)  
 4 spouse may take the whole credit.

5 **(d) A taxpayer is not entitled to a credit under this chapter for**  
 6 **a contribution made in a taxable year beginning after December**  
 7 **31, 2015.**

8 **(e) This chapter expires January 1, 2019.**

9 SECTION 35. IC 6-3.1-18-11 IS AMENDED TO READ AS  
 10 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 11. **(a)** A tax  
 11 credit shall be allowable under this chapter only for the taxable year of  
 12 the taxpayer in which the contribution qualifying for the credit is paid.

13 **(b) A taxpayer is not entitled to a credit under this chapter for**  
 14 **a contribution made in a taxable year beginning after December**  
 15 **31, 2015.**

16 **(c) This chapter expires January 1, 2019.**

17 SECTION 36. IC 6-3.1-19-2, AS AMENDED BY P.L.4-2005,  
 18 SECTION 94, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 19 JULY 1, 2015]: Sec. 2. As used in this chapter, "qualified investment"  
 20 means the amount of a taxpayer's expenditures that is:

- 21 (1) for redevelopment or rehabilitation of property located within  
 22 a community revitalization enhancement district designated under  
 23 IC 36-7-13;  
 24 (2) made under a plan adopted by an advisory commission on  
 25 industrial development under IC 36-7-13; and  
 26 (3) approved by the Indiana economic development corporation  
 27 before the expenditure is made.

28 **Beginning after December 31, 2015, the term does not include a**  
 29 **taxpayer's expenditures made on property that is classified as**  
 30 **residential for property tax purposes.**

31 SECTION 37. IC 6-3.1-20-4, AS AMENDED BY P.L.166-2014,  
 32 SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 33 JANUARY 1, 2016]: Sec. 4. (a) Except as provided in subsection (b),  
 34 an individual is entitled to a credit under this chapter if:

- 35 (1) the individual's Indiana income for the taxable year is less than  
 36 eighteen thousand six hundred dollars (\$18,600); and  
 37 (2) the individual pays property taxes in the taxable year on a  
 38 homestead that:

39 (A) the individual:

- 40 (i) owns; or  
 41 (ii) is buying under a contract that requires the individual to  
 42 pay property taxes on the homestead, if the contract or a



1 memorandum of the contract is recorded in the county  
 2 recorder's office; and  
 3 (B) is located in a county having a population of more than  
 4 four hundred thousand (400,000) but less than seven hundred  
 5 thousand (700,000).

6 (b) An individual is not entitled to a credit under this chapter for a  
 7 taxable year for property taxes paid on the individual's homestead if the  
 8 individual claims the deduction under ~~IC 6-3-1-3.5(a)(15)~~  
 9 **IC 6-3-1-3.5(a)(13)** for the homestead for that same taxable year.

10 SECTION 38. IC 6-3.1-21-6, AS AMENDED BY P.L.229-2011,  
 11 SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 12 JANUARY 1, 2016]: Sec. 6. (a) Except as provided by subsection (b),  
 13 an individual who is eligible for an earned income tax credit under  
 14 Section 32 of the Internal Revenue Code as it existed before being  
 15 amended by the Tax Relief, Unemployment Insurance Reauthorization,  
 16 and Job Creation Act of 2010 (P.L. 111-312), is eligible for a credit  
 17 under this chapter equal to nine percent (9%) of the amount of the  
 18 federal earned income tax credit that the individual:

19 (1) is eligible to receive in the taxable year; and  
 20 (2) claimed for the taxable year;  
 21 under Section 32 of the Internal Revenue Code. ~~as it existed before~~  
 22 ~~being amended by the Tax Relief, Unemployment Insurance~~  
 23 ~~Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).~~

24 (b) In the case of a nonresident taxpayer or a resident taxpayer  
 25 residing in Indiana for a period of less than the taxpayer's entire taxable  
 26 year, the amount of the credit is equal to the product of:

27 (1) the amount determined under subsection (a); multiplied by  
 28 (2) the quotient of the taxpayer's income taxable in Indiana  
 29 divided by the taxpayer's total income.

30 (c) If the credit amount exceeds the taxpayer's adjusted gross  
 31 income tax liability for the taxable year, the excess ~~less any advance~~  
 32 ~~payments of the credit made by the taxpayer's employer under~~  
 33 ~~IC 6-3-4-8 that reduce the excess;~~ shall be refunded to the taxpayer.

34 SECTION 39. IC 6-3.1-22-8, AS AMENDED BY P.L.166-2014,  
 35 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 36 JANUARY 1, 2016]: Sec. 8. (a) Subject to section 14 of this chapter,  
 37 a taxpayer is entitled to a credit against the taxpayer's state tax liability  
 38 in the taxable year in which the taxpayer completes the preservation or  
 39 rehabilitation of historic property and obtains the certifications required  
 40 under section 9 of this chapter.

41 (b) The amount of the credit is equal to twenty percent (20%) of the  
 42 qualified expenditures that:



- 1 (1) the taxpayer makes for the preservation or rehabilitation of  
 2 historic property; and  
 3 (2) are approved by the office.
- 4 (c) In the case of a husband and wife who:  
 5 (1) own and rehabilitate a historic property jointly; and  
 6 (2) file separate tax returns;  
 7 the husband and wife may take the credit in equal shares or one (1)  
 8 spouse may take the whole credit.
- 9 **(d) A taxpayer may not claim a credit under this chapter for**  
 10 **qualified expenditures approved in a taxable year beginning after**  
 11 **December 31, 2015.**
- 12 **(e) This chapter expires January 1, 2033.**
- 13 SECTION 40. IC 6-3.1-30-11, AS ADDED BY P.L.193-2005,  
 14 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 15 JANUARY 1, 2016]: Sec. 11. (a) If the credit provided by this chapter  
 16 exceeds the taxpayer's state tax liability for the taxable year for which  
 17 the credit is first claimed, the excess may be carried forward to  
 18 succeeding taxable years and used as a credit against the taxpayer's  
 19 state tax liability during those taxable years. Each time that the credit  
 20 is carried forward to a succeeding taxable year, the credit is to be  
 21 reduced by the amount that was used as a credit during the immediately  
 22 preceding taxable year. The credit provided by this chapter may be  
 23 carried forward and applied to succeeding taxable years for nine (9)  
 24 taxable years following the unused credit year.
- 25 (b) A taxpayer is not entitled to any carryback or refund of any  
 26 unused credit.
- 27 **(c) A taxpayer is not entitled to a credit under this chapter for**  
 28 **relocation costs incurred in a taxable year beginning after**  
 29 **December 31, 2015.**
- 30 **(d) This chapter expires January 1, 2026.**
- 31 SECTION 41. IC 6-3.5-1.1-7 IS REPEALED [EFFECTIVE  
 32 JANUARY 1, 2016]. Sec. 7: (a) If for a particular taxable year a county  
 33 taxpayer is; or a county taxpayer and the taxpayer's spouse who file a  
 34 joint return are; allowed a credit for the elderly or individuals with a  
 35 total disability under Section 22 of the Internal Revenue Code; the  
 36 county taxpayer is; or the county taxpayer and the taxpayer's spouse  
 37 are; entitled to a credit against the taxpayer's or the taxpayer's and the  
 38 taxpayer's spouse's county adjusted gross income tax liability for that  
 39 same taxable year: The amount of the credit equals the lesser of:  
 40 (†) the product of:  
 41 (A) the taxpayer's or the taxpayer's and the taxpayer's spouse's  
 42 credit for the elderly or individuals with a total disability for





- 1 that same taxable year; multiplied by  
 2 ~~(B)~~ a fraction; the numerator of which is the county adjusted  
 3 gross income tax rate imposed against the county taxpayer; or  
 4 the county taxpayer and the taxpayer's spouse; and the  
 5 denominator of which is fifteen hundredths (0.15); or  
 6 (2) the amount of county adjusted gross income tax imposed on  
 7 the county taxpayer; or the county taxpayer and the taxpayer's  
 8 spouse.
- 9 (b) If a county taxpayer and the taxpayer's spouse file a joint return  
 10 and are subject to different county adjusted gross income tax rates for  
 11 the same taxable year; they shall compute the credit under this section  
 12 by using the formula provided by subsection (a); except that they shall  
 13 use the average of the two (2) county adjusted gross income tax rates  
 14 imposed against them as the numerator referred to in subsection  
 15 ~~(a)(1)(B)~~:
- 16 SECTION 42. IC 6-3.5-1.1-18, AS AMENDED BY P.L.146-2008,  
 17 SECTION 330, IS AMENDED TO READ AS FOLLOWS  
 18 [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) Except as otherwise  
 19 provided in this chapter, all provisions of the adjusted gross income tax  
 20 law (IC 6-3) concerning:  
 21 (1) definitions;  
 22 (2) declarations of estimated tax;  
 23 (3) filing of returns;  
 24 (4) remittances;  
 25 (5) incorporation of the provisions of the Internal Revenue Code;  
 26 (6) penalties and interest;  
 27 (7) exclusion of military pay credits for withholding; and  
 28 (8) exemptions and deductions;  
 29 apply to the imposition, collection, and administration of the tax  
 30 imposed by this chapter.
- 31 (b) ~~The provisions of IC 6-3-1-3.5(a)(6); IC 6-3-3-3 IC 6-3-3-5, and~~  
 32 ~~IC 6-3-5-1 do~~ does not apply to the tax imposed by this chapter.
- 33 (c) Notwithstanding subsections (a) and (b), each employer shall  
 34 report to the department the amount of withholdings attributable to  
 35 each county. This report shall be submitted to the department:  
 36 (1) each time the employer remits to the department the tax that  
 37 is withheld; and  
 38 (2) annually along with the employer's annual withholding report.
- 39 SECTION 43. IC 6-3.5-6-22, AS AMENDED BY P.L.146-2008,  
 40 SECTION 340, IS AMENDED TO READ AS FOLLOWS  
 41 [EFFECTIVE JANUARY 1, 2016]: Sec. 22. (a) Except as otherwise  
 42 provided in subsection (b) and the other provisions of this chapter, all



1 provisions of the adjusted gross income tax law (IC 6-3) concerning:

- 2 (1) definitions;
- 3 (2) declarations of estimated tax;
- 4 (3) filing of returns;
- 5 (4) deductions or exemptions from adjusted gross income;
- 6 (5) remittances;
- 7 (6) incorporation of the provisions of the Internal Revenue Code;
- 8 (7) penalties and interest; and
- 9 (8) exclusion of military pay credits for withholding;

10 apply to the imposition, collection, and administration of the tax  
11 imposed by this chapter.

12 (b) ~~The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3 IC 6-3-3-5, and~~  
13 ~~IC 6-3-5-1 do~~ **does** not apply to the tax imposed by this chapter.

14 (c) Notwithstanding subsections (a) and (b), each employer shall  
15 report to the department the amount of withholdings attributable to  
16 each county. This report shall be submitted to the department:

- 17 (1) each time the employer remits to the department the tax that  
18 is withheld; and
- 19 (2) annually along with the employer's annual withholding report.

20 SECTION 44. IC 6-3.5-6-24 IS REPEALED [EFFECTIVE  
21 JANUARY 1, 2016]. ~~Sec. 24: (a) If for a particular taxable year a~~  
22 ~~county taxpayer is, or a county taxpayer and the taxpayer's spouse who~~  
23 ~~file a joint return are, allowed a credit for the elderly or individuals~~  
24 ~~with a total disability under Section 22 of the Internal Revenue Code;~~  
25 ~~the county taxpayer is, or the county taxpayer and the taxpayer's spouse~~  
26 ~~are, entitled to a credit against the county option income tax liability for~~  
27 ~~that same taxable year. The amount of the credit equals the lesser of:~~

- 28 (1) the product of:
- 29 (A) the credit for the elderly or individuals with a total  
30 disability for that same taxable year; multiplied by
- 31 (B) a fraction; the numerator of which is the county option  
32 income tax rate imposed against the county taxpayer, or the  
33 county taxpayer and the taxpayer's spouse, and the  
34 denominator of which is fifteen-hundredths (0.15); or
- 35 (2) the amount of county option income tax imposed on the  
36 county taxpayer, or the county taxpayer and the taxpayer's spouse.

37 (b) If a county taxpayer and the taxpayer's spouse file a joint return  
38 and are subject to different county option income tax rates for the same  
39 taxable year, they shall compute the credit under this section by using  
40 the formula provided by subsection (a), except that they shall use the  
41 average of the two (2) county option income tax rates imposed against  
42 them as the numerator referred to in subsection (a)(1)(B):



1 SECTION 45. IC 6-3.5-7-9 IS REPEALED [EFFECTIVE  
2 JANUARY 1, 2016]. Sec. 9: (a) If for a taxable year a county taxpayer  
3 is (or a county taxpayer and a county taxpayer's spouse who file a joint  
4 return are) allowed a credit for the elderly or individuals with a total  
5 disability under Section 22 of the Internal Revenue Code; the county  
6 taxpayer is (or the county taxpayer and the county taxpayer's spouse  
7 are) entitled to a credit against the county taxpayer's (or the county  
8 taxpayer's and the county taxpayer's spouse's) county economic  
9 development income tax liability for that same taxable year. The  
10 amount of the credit equals the lesser of:

11 (1) the product of:

12 (A) the county taxpayer's (or the county taxpayer's and the  
13 county taxpayer's spouse's) credit for the elderly or individuals  
14 with a total disability for that same taxable year; multiplied by

15 (B) a fraction: The numerator of the fraction is the county  
16 economic development income tax rate imposed against the  
17 county taxpayer (or against the county taxpayer and the county  
18 taxpayer's spouse). The denominator of the fraction is  
19 fifteen-hundredths (0.15); or

20 (2) the amount of county economic development income tax  
21 imposed on the county taxpayer (or the county taxpayer and the  
22 county taxpayer's spouse):

23 (b) If a county taxpayer and the county taxpayer's spouse file a joint  
24 return and are subject to different county economic development  
25 income tax rates for the same taxable year; they shall compute the  
26 credit under this section by using the formula provided by subsection  
27 (a); except that they shall use the average of the two (2) county  
28 economic development income tax rates imposed against them as the  
29 numerator referred to in subsection (a)(1)(B):

30 SECTION 46. IC 6-3.5-7-18, AS AMENDED BY P.L.146-2008,  
31 SECTION 348, IS AMENDED TO READ AS FOLLOWS  
32 [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) Except as otherwise  
33 provided in this chapter, all provisions of the adjusted gross income tax  
34 law (IC 6-3) concerning:

- 35 (1) definitions;  
36 (2) declarations of estimated tax;  
37 (3) filing of returns;  
38 (4) remittances;  
39 (5) incorporation of the provisions of the Internal Revenue Code;  
40 (6) penalties and interest;  
41 (7) exclusion of military pay credits for withholding; and  
42 (8) exemptions and deductions;



1 apply to the imposition, collection, and administration of the tax  
2 imposed by this chapter.

3 (b) ~~The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3 IC 6-3-3-5, and~~  
4 ~~IC 6-3-5-1 do~~ does not apply to the tax imposed by this chapter.

5 (c) Notwithstanding subsections (a) and (b), each employer shall  
6 report to the department the amount of withholdings attributable to  
7 each county. This report shall be submitted to the department:

8 (1) each time the employer remits to the department the tax that  
9 is withheld; and

10 (2) annually along with the employer's annual withholding report.

11 SECTION 47. IC 6-5.5-1-2, AS AMENDED BY P.L.205-2013,  
12 SECTION 124, IS AMENDED TO READ AS FOLLOWS  
13 [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) Except as provided in  
14 subsections (b) through (d), "adjusted gross income" means taxable  
15 income as defined in Section 63 of the Internal Revenue Code, adjusted  
16 as follows:

17 (1) Add the following amounts:

18 (A) An amount equal to a deduction allowed or allowable  
19 under Section 166, Section 585, or Section 593 of the Internal  
20 Revenue Code.

21 (B) An amount equal to a deduction allowed or allowable  
22 under Section 170 of the Internal Revenue Code.

23 (C) An amount equal to a deduction or deductions allowed or  
24 allowable under Section 63 of the Internal Revenue Code for  
25 taxes based on or measured by income and levied at the state  
26 level by a state of the United States or levied at the local level  
27 by any subdivision of a state of the United States.

28 (D) The amount of interest excluded under Section 103 of the  
29 Internal Revenue Code or under any other federal law, minus  
30 the associated expenses disallowed in the computation of  
31 taxable income under Section 265 of the Internal Revenue  
32 Code.

33 (E) An amount equal to the deduction allowed under Section  
34 172 or 1212 of the Internal Revenue Code for net operating  
35 losses or net capital losses.

36 (F) For a taxpayer that is not a large bank (as defined in  
37 Section 585(c)(2) of the Internal Revenue Code), an amount  
38 equal to the recovery of a debt, or part of a debt, that becomes  
39 worthless to the extent a deduction was allowed from gross  
40 income in a prior taxable year under Section 166(a) of the  
41 Internal Revenue Code.

42 (G) Add the amount necessary to make the adjusted gross



1 income of any taxpayer that owns property for which bonus  
 2 depreciation was allowed in the current taxable year or in an  
 3 earlier taxable year equal to the amount of adjusted gross  
 4 income that would have been computed had an election not  
 5 been made under Section 168(k) of the Internal Revenue Code  
 6 to apply bonus depreciation to the property in the year that it  
 7 was placed in service.

8 (H) Add the amount necessary to make the adjusted gross  
 9 income of any taxpayer that placed Section 179 property (as  
 10 defined in Section 179 of the Internal Revenue Code) in  
 11 service in the current taxable year or in an earlier taxable year  
 12 equal to the amount of adjusted gross income that would have  
 13 been computed had an election for federal income tax  
 14 purposes not been made for the year in which the property was  
 15 placed in service to take deductions under Section 179 of the  
 16 Internal Revenue Code in a total amount exceeding  
 17 twenty-five thousand dollars (\$25,000).

18 (I) Add an amount equal to the amount that a taxpayer claimed  
 19 as a deduction for domestic production activities for the  
 20 taxable year under Section 199 of the Internal Revenue Code  
 21 for federal income tax purposes.

22 (J) Add an amount equal to any income not included in gross  
 23 income as a result of the deferral of income arising from  
 24 business indebtedness discharged in connection with the  
 25 reacquisition after December 31, 2008, and before January 1,  
 26 2011, of an applicable debt instrument, as provided in Section  
 27 108(i) of the Internal Revenue Code. Subtract from the  
 28 adjusted gross income of any taxpayer that added an amount  
 29 to adjusted gross income in a previous year the amount  
 30 necessary to offset the amount included in federal gross  
 31 income as a result of the deferral of income arising from  
 32 business indebtedness discharged in connection with the  
 33 reacquisition after December 31, 2008, and before January 1,  
 34 2011, of an applicable debt instrument, as provided in Section  
 35 108(i) of the Internal Revenue Code.

36 ~~(K) Add or subtract the amount necessary to make the adjusted~~  
 37 ~~gross income of any taxpayer that claimed the special~~  
 38 ~~allowance for qualified disaster assistance property under~~  
 39 ~~Section 168(n) of the Internal Revenue Code equal to the~~  
 40 ~~amount of adjusted gross income that would have been~~  
 41 ~~computed had the special allowance not been claimed for the~~  
 42 ~~property.~~



- 1 (L) Add or subtract the amount necessary to make the adjusted  
 2 gross income of any taxpayer that made an election under  
 3 Section 179C of the Internal Revenue Code to expense costs  
 4 for qualified refinery property equal to the amount of adjusted  
 5 gross income that would have been computed had an election  
 6 for federal income tax purposes not been made for the year.
- 7 (M) Add or subtract the amount necessary to make the  
 8 adjusted gross income of any taxpayer that made an election  
 9 under Section 181 of the Internal Revenue Code to expense  
 10 costs for a qualified film or television production equal to the  
 11 amount of adjusted gross income that would have been  
 12 computed had an election for federal income tax purposes not  
 13 been made for the year.
- 14 (N) Add or subtract the amount necessary to make the adjusted  
 15 gross income of any taxpayer that treated a loss from the sale  
 16 or exchange of preferred stock in:
- 17 (i) the Federal National Mortgage Association, established  
 18 under the Federal National Mortgage Association Charter  
 19 Act (12 U.S.C. 1716 et seq.); or
- 20 (ii) the Federal Home Loan Mortgage Corporation,  
 21 established under the Federal Home Loan Mortgage  
 22 Corporation Act (12 U.S.C. 1451 et seq.);
- 23 as an ordinary loss under Section 301 of the Emergency  
 24 Economic Stabilization Act of 2008 in the current taxable year  
 25 or in an earlier taxable year equal to the amount of adjusted  
 26 gross income that would have been computed had the loss not  
 27 been treated as an ordinary loss.
- 28 (O) (K) Add an amount equal to any exempt insurance income  
 29 under Section 953(e) of the Internal Revenue Code for active  
 30 financing income under Subpart F, Subtitle A, Chapter 1,  
 31 Subchapter N of the Internal Revenue Code.
- 32 (2) Subtract the following amounts:
- 33 (A) Income that the United States Constitution or any statute  
 34 of the United States prohibits from being used to measure the  
 35 tax imposed by this chapter.
- 36 (B) Income that is derived from sources outside the United  
 37 States, as defined by the Internal Revenue Code.
- 38 (C) An amount equal to a debt or part of a debt that becomes  
 39 worthless, as permitted under Section 166(a) of the Internal  
 40 Revenue Code.
- 41 (D) An amount equal to any bad debt reserves that are  
 42 included in federal income because of accounting method



- 1 changes required by Section 585(c)(3)(A) or Section 593 of  
 2 the Internal Revenue Code.
- 3 (E) The amount necessary to make the adjusted gross income  
 4 of any taxpayer that owns property for which bonus  
 5 depreciation was allowed in the current taxable year or in an  
 6 earlier taxable year equal to the amount of adjusted gross  
 7 income that would have been computed had an election not  
 8 been made under Section 168(k) of the Internal Revenue Code  
 9 to apply bonus depreciation.
- 10 (F) The amount necessary to make the adjusted gross income  
 11 of any taxpayer that placed Section 179 property (as defined  
 12 in Section 179 of the Internal Revenue Code) in service in the  
 13 current taxable year or in an earlier taxable year equal to the  
 14 amount of adjusted gross income that would have been  
 15 computed had an election for federal income tax purposes not  
 16 been made for the year in which the property was placed in  
 17 service to take deductions under Section 179 of the Internal  
 18 Revenue Code in a total amount exceeding twenty-five  
 19 thousand dollars (\$25,000).
- 20 (G) Income that is:
- 21 (i) exempt from taxation under IC 6-3-2-21.7; and
- 22 (ii) included in the taxpayer's taxable income under the  
 23 Internal Revenue Code.
- 24 (H) This clause does not apply to payments made for services  
 25 provided to a business that was enrolled and participated in the  
 26 E-Verify program (as defined in IC 22-5-1.7-3) during the time  
 27 the taxpayer conducted business in Indiana in the taxable year.  
 28 For a taxable year beginning after June 30, 2011, add the  
 29 amount of any trade or business deduction allowed under the  
 30 Internal Revenue Code for wages, reimbursements, or other  
 31 payments made for services provided in Indiana by an  
 32 individual for services as an employee; if the individual was;  
 33 during the period of service, prohibited from being hired as an  
 34 employee under 8 U.S.C. 1324a.
- 35 (b) In the case of a credit union, "adjusted gross income" for a  
 36 taxable year means the total transfers to undivided earnings minus  
 37 dividends for that taxable year after statutory reserves are set aside  
 38 under IC 28-7-1-24.
- 39 (c) In the case of an investment company, "adjusted gross income"  
 40 means the company's federal taxable income plus the amount excluded  
 41 from federal gross income under Section 103 of the Internal Revenue  
 42 Code for interest received on an obligation of a state other than Indiana,



1 or a political subdivision of such a state, that is acquired by the  
2 taxpayer after December 31, 2011, multiplied by the quotient of:

3 (1) the aggregate of the gross payments collected by the company  
4 during the taxable year from old and new business upon  
5 investment contracts issued by the company and held by residents  
6 of Indiana; divided by

7 (2) the total amount of gross payments collected during the  
8 taxable year by the company from the business upon investment  
9 contracts issued by the company and held by persons residing  
10 within Indiana and elsewhere.

11 (d) As used in subsection (c), "investment company" means a  
12 person, copartnership, association, limited liability company, or  
13 corporation, whether domestic or foreign, that:

14 (1) is registered under the Investment Company Act of 1940 (15  
15 U.S.C. 80a-1 et seq.); and

16 (2) solicits or receives a payment to be made to itself and issues  
17 in exchange for the payment:

18 (A) a so-called bond;

19 (B) a share;

20 (C) a coupon;

21 (D) a certificate of membership;

22 (E) an agreement;

23 (F) a pretended agreement; or

24 (G) other evidences of obligation;

25 entitling the holder to anything of value at some future date, if the  
26 gross payments received by the company during the taxable year  
27 on outstanding investment contracts, plus interest and dividends  
28 earned on those contracts (by prorating the interest and dividends  
29 earned on investment contracts by the same proportion that  
30 certificate reserves (as defined by the Investment Company Act  
31 of 1940) is to the company's total assets) is at least fifty percent  
32 (50%) of the company's gross payments upon investment  
33 contracts plus gross income from all other sources except  
34 dividends from subsidiaries for the taxable year. The term  
35 "investment contract" means an instrument listed in clauses (A)  
36 through (G).

37 SECTION 48. IC 6-6-5-1, AS AMENDED BY P.L.259-2013,  
38 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
39 JANUARY 1, 2016]: Sec. 1. (a) As used in this chapter, "vehicle"  
40 means a vehicle subject to annual registration as a condition of its  
41 operation on the public highways pursuant to the motor vehicle  
42 registration laws of the state.





1 (b) As used in this chapter, "mobile home" means a  
 2 nonself-propelled vehicle designed for occupancy as a dwelling or  
 3 sleeping place.

4 (c) As used in this chapter, "bureau" means the bureau of motor  
 5 vehicles.

6 (d) As used in this chapter, "license branch" means a branch office  
 7 of the bureau authorized to register motor vehicles pursuant to the laws  
 8 of the state.

9 (e) As used in this chapter, "owner" means the person in whose  
 10 name the vehicle or trailer is registered (as defined in IC 9-13-2).

11 (f) As used in this chapter, "motor home" means a self-propelled  
 12 vehicle having been designed and built as an integral part thereof  
 13 having living and sleeping quarters, including that which is commonly  
 14 referred to as a recreational vehicle.

15 (g) As used in this chapter, "last preceding annual excise tax  
 16 liability" means either:

17 (1) the amount of excise tax liability to which the vehicle was  
 18 subject on the owner's last preceding regular annual registration  
 19 date; or

20 (2) the amount of excise tax liability to which a vehicle that was  
 21 registered after the owner's last preceding annual registration date  
 22 would have been subject if it had been registered on that date.

23 (h) As used in this chapter, "trailer" means a device having a gross  
 24 vehicle weight equal to or less than three thousand (3,000) pounds that  
 25 is pulled behind a vehicle and that is subject to annual registration as  
 26 a condition of its operation on the public highways pursuant to the  
 27 motor vehicle registration laws of the state. The term includes any  
 28 utility, boat, or other two (2) wheeled trailer.

29 (i) This chapter does not apply to the following:

30 (1) Vehicles owned, or leased and operated, by the United States,  
 31 the state, or political subdivisions of the state.

32 (2) Mobile homes and motor homes.

33 (3) Vehicles assessed under IC 6-1.1-8.

34 (4) Vehicles subject to registration as trucks under the motor  
 35 vehicle registration laws of the state, except trucks having a  
 36 declared gross weight not exceeding eleven thousand (11,000)  
 37 pounds, trailers, semitrailers, tractors, and buses.

38 (5) Vehicles owned, or leased and operated, by a postsecondary  
 39 educational institution ~~described in IC 6-3-3-5(d)~~ that:

40 **(A) normally maintains a regular faculty and curriculum**  
 41 **and normally has a regularly organized body of students**  
 42 **in attendance at the place where its educational activities**



- 1           **are carried on;**  
 2           **(B) regularly offers education at a level above grade 12;**  
 3           **(C) regularly awards either associate, bachelor's, master's,**  
 4           **or doctoral degrees, or any combination thereof; and**  
 5           **(D) is accredited by the North Central Association of**  
 6           **Colleges and Schools, the Indiana state board of education,**  
 7           **or the American Association of Theological Schools.**  
 8           (6) Vehicles owned, or leased and operated, by a volunteer fire  
 9           department (as defined in IC 36-8-12-2).  
 10          (7) Vehicles owned, or leased and operated, by a volunteer  
 11          emergency ambulance service that:  
 12              (A) meets the requirements of IC 16-31; and  
 13              (B) has only members that serve for no compensation or a  
 14              nominal annual compensation of not more than three thousand  
 15              five hundred dollars (\$3,500).  
 16          (8) Vehicles that are exempt from the payment of registration fees  
 17          under IC 9-18-3-1.  
 18          (9) Farm wagons.  
 19          (10) Off-road vehicles (as defined in IC 14-8-2-185).  
 20          (11) Snowmobiles (as defined in IC 14-8-2-261).  
 21          SECTION 49. IC 6-6-5.1-1, AS ADDED BY P.L.131-2008,  
 22          SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 23          JANUARY 1, 2016]: Sec. 1. This chapter does not apply to the  
 24          following:  
 25              (1) A vehicle subject to the motor vehicle excise tax under  
 26              IC 6-6-5.  
 27              (2) A vehicle owned or leased and operated by the United States,  
 28              the state, or a political subdivision of the state.  
 29              (3) A mobile home.  
 30              (4) A vehicle assessed under IC 6-1.1-8.  
 31              (5) A vehicle subject to the commercial vehicle excise tax under  
 32              IC 6-6-5.5.  
 33              (6) A trailer subject to the annual excise tax imposed under  
 34              IC 6-6-5-5.5.  
 35              (7) A bus (as defined in IC 9-13-2-17(a)).  
 36              (8) A vehicle owned or leased and operated by a postsecondary  
 37              educational institution ~~(as described in IC 6-3-3-5(d))~~ **that:**  
 38                  **(A) normally maintains a regular faculty and curriculum**  
 39                  **and normally has a regularly organized body of students**  
 40                  **in attendance at the place where its educational activities**  
 41                  **are carried on;**  
 42                  **(B) regularly offers education at a level above grade 12;**



- 1           **(C) regularly awards either associate, bachelor's, master's,**  
 2           **or doctoral degrees, or any combination thereof; and**  
 3           **(D) is accredited by the North Central Association of**  
 4           **Colleges and Schools, the Indiana state board of education,**  
 5           **or the American Association of Theological Schools.**  
 6           (9) A vehicle owned or leased and operated by a volunteer fire  
 7           department (as defined in IC 36-8-12-2).  
 8           (10) A vehicle owned or leased and operated by a volunteer  
 9           emergency ambulance service that:  
 10           (A) meets the requirements of IC 16-31; and  
 11           (B) has only members who serve for no compensation or a  
 12           nominal annual compensation of not more than three thousand  
 13           five hundred dollars (\$3,500).  
 14           (11) A vehicle that is exempt from the payment of registration  
 15           fees under IC 9-18-3-1.  
 16           (12) A farm wagon.  
 17           (13) A recreational vehicle or truck camper in the inventory of  
 18           recreational vehicles and truck campers held for sale by a  
 19           manufacturer, distributor, or dealer in the course of business.  
 20           SECTION 50. IC 6-6-5.5-2, AS AMENDED BY P.L.2-2007,  
 21           SECTION 127, IS AMENDED TO READ AS FOLLOWS  
 22           [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) Except as provided in  
 23           subsection (b), this chapter applies to all commercial vehicles.  
 24           (b) This chapter does not apply to the following:  
 25           (1) Vehicles owned or leased and operated by the United States,  
 26           the state, or political subdivisions of the state.  
 27           (2) Mobile homes and motor homes.  
 28           (3) Vehicles assessed under IC 6-1.1-8.  
 29           (4) Buses subject to apportioned registration under the  
 30           International Registration Plan.  
 31           (5) Vehicles subject to taxation under IC 6-6-5.  
 32           (6) Vehicles owned or leased and operated by a postsecondary  
 33           educational institution ~~described in IC 6-3-3-5(d)~~ **that:**  
 34           **(A) normally maintains a regular faculty and curriculum**  
 35           **and normally has a regularly organized body of students**  
 36           **in attendance at the place where its educational activities**  
 37           **are carried on;**  
 38           **(B) regularly offers education at a level above grade 12;**  
 39           **(C) regularly awards either associate, bachelor's, master's,**  
 40           **or doctoral degrees, or any combination thereof; and**  
 41           **(D) is accredited by the North Central Association of**  
 42           **Colleges and Schools, the Indiana state board of education,**



- 1                   **or the American Association of Theological Schools.**  
 2                   (7) Vehicles owned or leased and operated by a volunteer fire  
 3                   department (as defined in IC 36-8-12-2).  
 4                   (8) Vehicles owned or leased and operated by a volunteer  
 5                   emergency ambulance service that:  
 6                   (A) meets the requirements of IC 16-31; and  
 7                   (B) has only members that serve for no compensation or a  
 8                   nominal annual compensation of not more than three thousand  
 9                   five hundred dollars (\$3,500).  
 10                  (9) Vehicles that are exempt from the payment of registration fees  
 11                  under IC 9-18-3-1.  
 12                  (10) Farm wagons.  
 13                  (11) A vehicle in the inventory of vehicles held for sale by a  
 14                  manufacturer, distributor, or dealer in the course of business.  
 15                  SECTION 51. IC 6-8-11-9 IS AMENDED TO READ AS  
 16                  FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 9. (a) Except as  
 17                  otherwise provided by statute, contract, or a collective bargaining  
 18                  agreement, an employer may establish a medical care savings account  
 19                  program for the employer's employees.  
 20                  (b) An employer that establishes a medical care savings account  
 21                  program under this chapter shall, before making any contributions to  
 22                  medical care savings accounts under the program, inform all employees  
 23                  in writing of the federal tax status of contributions made under this  
 24                  chapter.  
 25                  (c) Except as provided in sections **11.5**, 17, and 23 of this chapter,  
 26                  the:  
 27                    (1) principal contributed by an employer to a medical care savings  
 28                    account **before January 1, 2016**;  
 29                    (2) interest earned on money on deposit in a medical care savings  
 30                    account; and  
 31                    (3) money:  
 32                        (A) paid out of a medical care savings account for eligible  
 33                        medical expenses; or  
 34                        (B) used to reimburse an employee for eligible medical  
 35                        expenses;  
 36                  are exempt from taxation as income of the employee under IC 6-3-2-18.  
 37                  SECTION 52. IC 6-8-11-11.5 IS ADDED TO THE INDIANA  
 38                  CODE AS A **NEW SECTION** TO READ AS FOLLOWS  
 39                  [EFFECTIVE JANUARY 1, 2016]: **Sec. 11.5. Notwithstanding**  
 40                  **sections 17 and 23 of this chapter, if an employer contributes**  
 41                  **money to an account under this chapter after December 31, 2015,**  
 42                  **for which no exemption applies under IC 6-3-2-18(c):**



- 1           **(1) the money may be withdrawn from the account by the**  
 2           **employee at any time and for any purpose without a penalty;**  
 3           **(2) the withdrawal of the money by the employee is not**  
 4           **income to the employee that is subject to taxation under**  
 5           **IC 6-3-1 through IC 6-3-7; and**  
 6           **(3) income earned on the money while it is in the account is**  
 7           **not income to the employee that is subject to taxation under**  
 8           **IC 6-3-1 through IC 6-3-7.**

9           SECTION 53. IC 6-8-11-17 IS AMENDED TO READ AS  
 10          FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 17. (a) An  
 11          employee may, under this section, withdraw money from the  
 12          employee's medical care savings account for a purpose other than the  
 13          purposes set forth in section 13 of this chapter.

14          (b) Except as provided in ~~section~~ **sections 11(b) and 11.5** of this  
 15          chapter, if an employee withdraws money from the employee's medical  
 16          care savings account on the last business day of the account  
 17          administrator's business year for a purpose not set forth in section 13  
 18          of this chapter:

- 19               (1) the money withdrawn is income to the individual that is  
 20               subject to taxation under IC 6-3-2-18(e); but  
 21               (2) the withdrawal does not:  
 22                       (A) subject the employee to a penalty; or  
 23                       (B) make the interest earned on the account during the tax year  
 24                       taxable as income of the employee.

25          (c) Except as provided in ~~section~~ **sections 11(b) and 11.5** of this  
 26          chapter, if an employee withdraws money for a purpose not set forth in  
 27          section 13 of this chapter at any time other than the last business day  
 28          of the account administrator's business year, all of the following apply:

- 29               (1) The amount of the withdrawal is income to the individual that  
 30               is subject to taxation under IC 6-3-2-18(e).  
 31               (2) The administrator shall withhold and, on behalf of the  
 32               employee, pay a penalty to the department of state revenue equal  
 33               to ten percent (10%) of the amount of the withdrawal.  
 34               (3) All interest earned on the balance in the account during the tax  
 35               year in which a withdrawal under this subsection is made is  
 36               income to the individual that is subject to taxation under  
 37               IC 6-3-2-18(f).

38          (d) Money paid to the department of state revenue as a penalty  
 39          under this section shall be deposited in the local health maintenance  
 40          fund established by IC 16-46-10-1.

41          SECTION 54. IC 6-8-11-23 IS AMENDED TO READ AS  
 42          FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 23. (a) This



1 section applies when the employment of an individual by an employer  
2 that participates in a medical care savings account program is  
3 terminated.

4 (b) If the former employer is not informed, within ninety (90) days  
5 after the former employee's final day of employment, of the name and  
6 address of an account administrator to which the former employer is  
7 transferring the former employee's medical care savings account under  
8 section 21 of this chapter, the former employer shall pay the money in  
9 the former employee's medical care savings account to the former  
10 employee under subsection (d).

11 (c) If:

12 (1) the former employee, under section 22(2) of this chapter,  
13 requests in writing that the former employer's account  
14 administrator remain the administrator of the individual's medical  
15 care savings account; and

16 (2) the account administrator does not agree to retain the account;  
17 the former employer shall, within ninety (90) days after the former  
18 employee's final day of employment, pay the money in the former  
19 employee's medical care savings account to the former employee under  
20 subsection (d).

21 (d) An employer that is required under this section to pay the money  
22 in a former employee's medical care savings account to the former  
23 employee shall mail to the former employee, at the former employee's  
24 last known address, a check for the balance in the account on the  
25 ninety-first day after the employee's final day of employment.

26 (e) Except as provided in ~~section~~ **sections 11(b) and 11.5** of this  
27 chapter, money that is paid to a former employee under subsection (d):

28 (1) is subject to taxation under IC 6-3-1 through IC 6-3-7 as  
29 income of the individual; but

30 (2) is not subject to the penalty referred to in section 17(c)(2) of  
31 this chapter.

32 SECTION 55. IC 6-8.1-3-17, AS AMENDED BY P.L.236-2005,  
33 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
34 JULY 1, 2015]: Sec. 17. (a) Before an original tax appeal is filed with  
35 the tax court under IC 33-26, the commissioner may settle any tax  
36 liability dispute if a substantial doubt exists as to:

37 (1) the constitutionality of the tax under the Constitution of the  
38 State of Indiana;

39 (2) the right to impose the tax;

40 (3) the correct amount of tax due;

41 (4) the ~~collectibility~~ **collectability** of the tax; or

42 (5) whether the taxpayer is a resident or nonresident of Indiana.



1 (b) After an original tax appeal is filed with the tax court under  
 2 IC 33-26, and notwithstanding IC 4-6-2-11, the commissioner may  
 3 settle a tax liability dispute with an amount in contention of twenty-five  
 4 thousand dollars (\$25,000) or less. Notwithstanding IC 6-8.1-7-1(a),  
 5 the terms of a settlement under this subsection are available for public  
 6 inspection.

7 (c) The department shall establish an amnesty program for taxpayers  
 8 having an unpaid tax liability for a listed tax that was due and payable  
 9 for a tax period ending before ~~July 1, 2004~~ **January 1, 2013**. A  
 10 taxpayer is not eligible for the amnesty program:

11 (1) for any tax liability resulting from the taxpayer's failure to  
 12 comply with IC 6-3-1-3.5(b)(3) with regard to the tax imposed by  
 13 IC 4-33-13 **or IC 4-35-8; or**

14 **(2) if the taxpayer participated in any previous amnesty**  
 15 **program under:**

16 **(A) this section (as in effect on December 31, 2014); or**

17 **(B) IC 6-2.5-14.**

18 The time in which a voluntary payment of tax liability may be made (or  
 19 the taxpayer may enter into a payment program acceptable to the  
 20 department for the payment of the unpaid listed taxes in full in the  
 21 manner and time established in a written payment program agreement  
 22 between the department and the taxpayer) under the amnesty program  
 23 is limited to the period determined by the department, not to exceed  
 24 eight (8) regular business weeks ending before the earlier of the date  
 25 set by the department or ~~July 1, 2006~~ **January 1, 2017**. The amnesty  
 26 program must provide that, upon payment by a taxpayer to the  
 27 department of all listed taxes due from the taxpayer for a tax period (or  
 28 payment of the unpaid listed taxes in full in the manner and time  
 29 established in a written payment program agreement between the  
 30 department and the taxpayer), entry into an agreement that the taxpayer  
 31 is not eligible for any other amnesty program that may be established  
 32 and waives any part of interest and penalties on the same type of listed  
 33 tax that is being granted amnesty in the current amnesty program, and  
 34 compliance with all other amnesty conditions adopted under a rule of  
 35 the department in effect on the date the voluntary payment is made, the  
 36 department:

37 (1) shall abate and not seek to collect any interest, penalties,  
 38 collection fees, or costs that would otherwise be applicable;

39 (2) shall release any liens imposed;

40 (3) shall not seek civil or criminal prosecution against any  
 41 individual or entity; and

42 (4) shall not issue, or, if issued, shall withdraw, an assessment, a



1 demand notice, or a warrant for payment under **IC 6-8.1-5-1**,  
 2 IC 6-8.1-5-3, IC 6-8.1-8-2, or another law against any individual  
 3 or entity;  
 4 for listed taxes due from the taxpayer for the tax period for which  
 5 amnesty has been granted to the taxpayer. Amnesty granted under this  
 6 subsection is binding on the state and its agents. However, failure to  
 7 pay to the department all listed taxes due for a tax period invalidates  
 8 any amnesty granted under this subsection for that tax period. The  
 9 department shall conduct an assessment of the impact of the tax  
 10 amnesty program on tax collections and an analysis of the costs of  
 11 administering the tax amnesty program. As soon as practicable after the  
 12 end of the tax amnesty period, the department shall submit a copy of  
 13 the assessment and analysis to the legislative council in an electronic  
 14 format under IC 5-14-6. The department shall enforce an agreement  
 15 with a taxpayer that prohibits the taxpayer from receiving amnesty in  
 16 another amnesty program.

17 (d) For purposes of subsection (c), a liability for a listed tax is due  
 18 and payable if:

- 19 (1) the department has issued:
- 20 (A) an assessment of the listed tax ~~and~~ **under IC 6-8.1-5-1**;
  - 21 **(B) a demand for payment under IC 6-8.1-5-3**; or
  - 22 ~~(B)~~ **(C) a demand notice for payment of the listed tax under**  
 23 **IC 6-8.1-8-2**;
  - 24 (2) the taxpayer has filed a return or an amended return in which  
 25 the taxpayer has reported a liability for the listed tax; or
  - 26 (3) the taxpayer has filed a written statement of liability for the  
 27 listed tax in a form that is satisfactory to the department.

28 SECTION 56. IC 6-8.1-3-24 IS ADDED TO THE INDIANA CODE  
 29 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 30 1, 2015]: **Sec. 24. (a) The department of state revenue may adopt  
 31 emergency rules under IC 4-22-2-37.1 to carry out a tax amnesty  
 32 program under section 17 of this chapter.**

33 **(b) Notwithstanding IC 4-22-2-37.1(g), an emergency rule  
 34 adopted by the department under IC 4-22-2-37.1 expires on the  
 35 date specified in the emergency rule.**

36 **(c) This section expires July 1, 2017.**

37 SECTION 57. IC 6-8.1-10-12, AS AMENDED BY P.L.1-2009,  
 38 SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 39 JULY 1, 2015]: **Sec. 12. (a) This section applies to a penalty related to  
 40 a tax liability to the extent that the:**

- 41 (1) tax liability is for a listed tax;
- 42 (2) tax liability was due and payable, as determined under





- 1 IC 6-8.1-3-17(d), for a tax period ending before ~~July 1, 2004;~~  
 2 **January 1, 2013;**  
 3 (3) department establishes an amnesty program for the tax  
 4 liability under IC 6-8.1-3-17(c);  
 5 (4) individual or entity from which the tax liability is due was  
 6 eligible to participate in the amnesty program described in  
 7 subdivision (3); and  
 8 (5) tax liability is not paid:  
 9 (A) in conformity with a payment program acceptable to the  
 10 department that provides for payment of the unpaid listed  
 11 taxes in full in the manner and time established in a written  
 12 payment program agreement entered into between the  
 13 department and the taxpayer under IC 6-8.1-3-17(c); or  
 14 (B) if clause (A) does not apply, before the end of the amnesty  
 15 period established by the department.  
 16 (b) Subject to subsection (c), if a penalty is imposed or otherwise  
 17 calculated under any combination of:  
 18 (1) IC 6-8.1-1-8;  
 19 (2) section 2.1 of this chapter;  
 20 (3) section 3 of this chapter;  
 21 **(4) section 3.5 of this chapter;**  
 22 ~~(5)~~ (5) section 4 of this chapter;  
 23 ~~(6)~~ (6) section 5 of this chapter;  
 24 ~~(7)~~ (7) section 6 of this chapter;  
 25 ~~(8)~~ (8) section 7 of this chapter;  
 26 ~~(9)~~ (9) section 9 of this chapter; or  
 27 ~~(10)~~ (10) IC 6-6;  
 28 an additional penalty is imposed under this section. The amount of the  
 29 additional penalty imposed under this section is equal to the sum of the  
 30 penalties imposed or otherwise calculated under the provisions listed  
 31 in subdivisions (1) through ~~(9)~~: **(10)**.  
 32 (c) The additional penalty provided by subsection (b) does not apply  
 33 if all of the following apply:  
 34 (1) The department imposes a penalty on a taxpayer or otherwise  
 35 calculates the penalty under the provisions described in  
 36 subsection (b)(1) through ~~(b)(9)~~: **(b)(10)**.  
 37 (2) The taxpayer against whom the penalty is imposed:  
 38 (A) timely files an original tax appeal in the tax court under  
 39 IC 6-8.1-5-1; and  
 40 (B) contests the department's imposition of the penalty or the  
 41 tax on which the penalty is based.  
 42 (3) The taxpayer meets all other jurisdictional requirements to



1 initiate the original tax appeal.

2 (4) Either the:

3 (A) tax court enjoins collection of the penalty or the tax on  
4 which the penalty is based under IC 33-26-6-2; or

5 (B) department consents to an injunction against collection of  
6 the penalty or tax without entry of an order by the tax court.

7 (d) The additional penalty provided by subsection (b) does not apply  
8 if the taxpayer:

9 (1) has a legitimate hold on making the payment as a result of an  
10 audit, bankruptcy, protest, taxpayer advocate action, or another  
11 reason permitted by the department;

12 (2) had established a payment plan with the department before  
13 ~~May 12, 2005~~; **July 1, 2016**; or

14 (3) verifies with reasonable particularity that is satisfactory to the  
15 commissioner that the taxpayer did not ever receive notice of the  
16 outstanding tax liability.

17 SECTION 58. IC 8-24-17-14, AS ADDED BY P.L.182-2009(ss),  
18 SECTION 282, IS AMENDED TO READ AS FOLLOWS  
19 [EFFECTIVE JANUARY 1, 2016]: Sec. 14. (a) Except as otherwise  
20 provided in this chapter, all provisions of the adjusted gross income tax  
21 law (IC 6-3) concerning:

22 (1) definitions;

23 (2) declarations of estimated tax;

24 (3) filing of returns;

25 (4) remittances;

26 (5) incorporation of the provisions of the Internal Revenue Code;

27 (6) penalties and interest;

28 (7) exclusion of military pay credits for withholding; and

29 (8) exemptions and deductions;

30 apply to the imposition, collection, and administration of the  
31 improvement tax.

32 (b) ~~IC 6-3-1-3.5(a)(6), IC 6-3-3-3 IC 6-3-3-5, and IC 6-3-5-1 do~~  
33 **does** not apply to the improvement tax.

34 (c) Notwithstanding subsections (a) and (b), each employer shall  
35 report to the department the amount of withholdings of the  
36 improvement tax attributable to each county. This report shall be  
37 submitted to the department:

38 (1) each time the employer remits to the department the tax that  
39 is withheld; and

40 (2) annually along with the employer's annual withholding report.

41 SECTION 59. IC 21-12-7-4, AS ADDED BY P.L.2-2007,  
42 SECTION 253, IS AMENDED TO READ AS FOLLOWS



1 [EFFECTIVE JANUARY 1, 2016]: Sec. 4. (a) **This section does not**  
 2 **apply to contributions to the fund made in a taxable year beginning**  
 3 **after December 31, 2015.**

4 (b) A contributor to the fund is entitled to an income tax credit  
 5 under IC 6-3-3-5.1.

6 (c) **This section expires January 1, 2019.**

7 SECTION 60. [EFFECTIVE JULY 1, 2015] (a) **IC 6-3-1-3.5,**  
 8 **IC 6-3-1-20, IC 6-3-2-2, IC 6-3-2-4, IC 6-3-2-14.1, IC 6-3-2-18,**  
 9 **IC 6-3-2-20, IC 6-3-2-21.7, IC 6-3-2-25, IC 6-3-3-5, IC 6-3-3-5.1,**  
 10 **IC 6-3-3-10, and IC 6-5.5-1-2, all as amended by this act, apply to**  
 11 **taxable years beginning after December 31, 2015.**

12 (b) **IC 6-3-2-5, IC 6-3-2-5.3, IC 6-3-2-8, IC 6-3-2-14.5,**  
 13 **IC 6-3-2-17, IC 6-3.5-1.1-7, IC 6-3.5-6-24, and IC 6-3.5-7-9, all as**  
 14 **repealed by this act, apply only to taxable years beginning before**  
 15 **January 1, 2016.**

16 (c) **The legislative council shall provide for the preparation and**  
 17 **introduction of legislation in the 2016 session of the general**  
 18 **assembly to correct cross references and make other changes, as**  
 19 **necessary, to bring provisions that are not added or amended by**  
 20 **this act into conformity with this act.**

21 (d) **This SECTION expires July 1, 2018.**

