Reprinted
April 10, 2015

ENGROSSED
SENATE BILL No. 441

DIGEST OF SB 441 (Updated April 9, 2015 12:57 pm - DI 58)

Citations Affected: IC 6-1.1; IC 6-1.5; IC 6-2.5; IC 6-3; IC 6-3.1; IC 6-3.5; IC 6-5.5; IC 6-6; IC 6-8; IC 6-8.1; IC 8-24; noncode.

Synopsis: Various tax matters. Eliminates the World War I veteran property tax deduction for property taxes imposed for an assessment date after 2015. Provides that the equipment eligible for the double direct sales tax exemption includes material handling equipment purchased for the purpose of transporting materials into production activities from an onsite location. Specifies that the double direct sales tax exemption applies to agricultural machinery, tools, and equipment that is acquired for timber harvesting. Eliminates various add backs for purposes of determining Indiana adjusted gross income. 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"). Provides that sales of a broadcaster that arise from

(Continued next page)

Effective: Upon passage; January 1, 2015 (retroactive); July 1, 2015; January 1, 2016; January 1, 2017.

Hershman, Steele, Broden, Randolph

(HOUSE SPONSORS — HUSTON, STEMLER, GOODIN, CLERE)

January 12, 2015, read first time and referred to Committee on Tax & Fiscal Policy.
February 12, 2015, amended, reported favorably — Do Pass.
February 17, 2015, read second time, amended, ordered engrossed.
February 18, 2015, engrossed.
February 19, 2015, read third time, passed. Yeas 42, nays 7.

HOUSE ACTION

March 3, 2015, read first time and referred to Committee on Ways and Means.
April 2, 2015, amended, reported — Do Pass.
April 9, 2015, read second time, amended, ordered engrossed.

the broadcast or other distribution of film programming or radio programming are in this state if the commercial domicile of the broadcaster's customer is in this state. Increases the maximum amount of the state income tax deduction for federal civil service annuity income to $8,000 for 2015 and $16,000 for 2016 and thereafter. Provides that the deduction is also available to a surviving spouse. Eliminates the adjusted gross income exemption for money deposited into a medical care savings account after December 31, 2015. Uses the most recent Internal Revenue Code for determining the earned income tax credit. Eliminates the residential historic rehabilitation credit for residential rehabilitation expenditures made after December 31, 2015. Extends the sunset date of the venture capital investment tax credit and the Hoosier business investment tax credit from January 1, 2017, to January 1, 2021. Reinstates the prison investment income tax credit beginning in 2015, reduces the maximum credit amount over five years, and expires the credit for taxable years after 2019. Provides that upgrading or building passing lines or automated switches on a rail line is an eligible logistics investment for purposes of the Hoosier business investment tax credit. Eliminates various income tax deductions and exemptions. Broadens the add back to Indiana adjusted gross income related to intercompany interest expenses. Eliminates various income tax credits. Provides for a tax amnesty program. Urges the legislative council to assign the topic of virtual charter schools to an appropriate study committee during the 2015 interim. Makes technical corrections and conforming amendments.

Reprinted
April 10, 2015

First Regular Session 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.

ENGROSSED
SENATE BILL No. 441

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

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

SECTION 1. IC 6-1.1-12-17.4, AS AMENDED BY P.L.1-2009, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 17.4. **(a) This section applies only to property taxes imposed for an assessment date before January 1, 2016.**

~~(a)~~ **(b)** Except as provided in section 40.5 of this chapter, a World War I veteran who is a resident of Indiana is entitled to have the sum of eighteen thousand seven hundred twenty dollars ($18,720) deducted from the assessed valuation of the real property (including a mobile home that is assessed as real property), mobile home that is not assessed as real property, or manufactured home that is not assessed as real property the veteran owns or is buying under a contract that requires the veteran to pay property taxes on the real property, if the contract or a memorandum of the contract is recorded in the county recorder's office, if:

(1) the real property, mobile home, or manufactured home is the veteran's principal residence;

(2) the assessed valuation of the real property, mobile home, or manufactured home does not exceed two hundred six thousand five hundred dollars ($206,500);

(3) the veteran owns the real property, mobile home, or manufactured home for at least one (1) year before claiming the deduction; and

(4) the veteran:

(A) owns the real property, mobile home, or manufactured home; or

(B) is buying the real property, mobile home, or manufactured home under contract;

on the date the statement required by section 17.5 of this chapter is filed.

~~(b)~~ **(c)** An individual may not be denied the deduction provided by this section because the individual is absent from the individual's principal residence while in a nursing home or hospital.

~~(c)~~ **(d)** For purposes of this section, if real property, a mobile home, or a manufactured home is owned by a husband and wife as tenants by the entirety, only one (1) deduction may be allowed under this section. However, the deduction provided in this section applies if either spouse satisfies the requirements prescribed in subsection ~~(a).~~ **(b).**

~~(d)~~ **(e)** An individual who has sold real property, a mobile home not assessed as real property, or a manufactured home not assessed as real property to another person under a contract that provides that the contract buyer is to pay the property taxes on the real property, mobile home, or manufactured home may not claim the deduction provided under this section with respect to that real property, mobile home, or manufactured home.

(f) This section expires January 1, 2017.

SECTION 2. IC 6-1.1-12-17.5, AS AMENDED BY P.L.183-2014, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 17.5. (a) Except as provided in section 17.8 of this chapter and subject to section 45 of this chapter, a veteran who desires to claim the deduction provided in section 17.4 of this chapter **(before its expiration)** must file a sworn statement, on forms prescribed by the department of local government finance, with the auditor of the county in which the real property, mobile home, or manufactured home is assessed. With respect to real property, the veteran must complete and date the statement in the calendar year for which the veteran wishes to obtain the deduction and file the statement with the county auditor on or before January 5 of the immediately succeeding calendar year. With respect to a mobile home that is not assessed as real property or a manufactured home that is not assessed as real property, the statement must be filed during the twelve (12) months before March 31 of each year for which the individual wishes to obtain the deduction. The statement may be filed in person or by mail. If mailed, the mailing must be postmarked on or before the last day for filing.

(b) The statement required under this section shall be in affidavit form or require verification under penalties of perjury. The statement shall be filed in duplicate if the veteran has, or is buying under a contract, real property in more than one (1) county or in more than one (1) taxing district in the same county. The statement shall contain:

(1) a description and the assessed value of the real property, mobile home, or manufactured home;

(2) the veteran's full name and complete residence address;

(3) the record number and page where the contract or memorandum of the contract is recorded, if the individual is buying the real property, mobile home, or manufactured home on a contract that provides that the individual is to pay property taxes on the real property, mobile home, or manufactured home; and

(4) any additional information ~~which~~ **that** the department of local government finance may require.

SECTION 3. IC 6-1.1-12-17.8, AS AMENDED BY THE TECHNICAL CORRECTIONS BILL OF THE 2015 GENERAL ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 17.8. (a) An individual who receives a deduction provided under section 1, 9, 11, 13, 14, 16, 17.4 **(before its expiration),** or 37 of this chapter in a particular year and who remains eligible for the deduction in the following year is not required to file a statement to apply for the deduction in the following year. However, for purposes of a deduction under section 37 of this chapter, the county auditor may, in the county auditor's discretion, terminate the deduction for assessment dates after January 15, 2012, if the individual does not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015),** as determined by the county auditor, before January 1, 2013. Before the county auditor terminates the deduction because the taxpayer claiming the deduction did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall mail notice of the proposed termination of the deduction to:

(1) the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or special assessment records; or

(2) the last known address of the most recent owner shown in the

transfer book.

(b) An individual who receives a deduction provided under section 1, 9, 11, 13, 14, 16, or 17.4 **(before its expiration)** of this chapter in a particular year and who becomes ineligible for the deduction in the following year shall notify the auditor of the county in which the real property, mobile home, or manufactured home for which the individual claims the deduction is located of the individual's ineligibility in the year in which the individual becomes ineligible. An individual who becomes ineligible for a deduction under section 37 of this chapter shall notify the county auditor of the county in which the property is located in conformity with section 37 of this chapter.

(c) The auditor of each county shall, in a particular year, apply a deduction provided under section 1, 9, 11, 13, 14, 16, 17.4 **(before its expiration),** or 37 of this chapter to each individual who received the deduction in the preceding year unless the auditor determines that the individual is no longer eligible for the deduction.

(d) An individual who receives a deduction provided under section 1, 9, 11, 13, 14, 16, 17.4 **(before its expiration),** or 37 of this chapter for property that is jointly held with another owner in a particular year and remains eligible for the deduction in the following year is not required to file a statement to reapply for the deduction following the removal of the joint owner if:

(1) the individual is the sole owner of the property following the death of the individual's spouse;

(2) the individual is the sole owner of the property following the death of a joint owner who was not the individual's spouse; or

(3) the individual is awarded sole ownership of the property in a divorce decree.

However, for purposes of a deduction under section 37 of this chapter, if the removal of the joint owner occurs before the date that a notice described in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** is sent, the county auditor may, in the county auditor's discretion, terminate the deduction for assessment dates after January 15, 2012, if the individual does not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015),** as determined by the county auditor, before January 1, 2013. Before the county auditor terminates the deduction because the taxpayer claiming the deduction did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall mail notice of the proposed termination of the deduction to the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or special assessment records or the last known address of the most recent owner shown in the transfer book.

(e) A trust entitled to a deduction under section 9, 11, 13, 14, 16, 17.4 **(before its expiration),** or 37 of this chapter for real property owned by the trust and occupied by an individual in accordance with section 17.9 of this chapter is not required to file a statement to apply for the deduction, if:

(1) the individual who occupies the real property receives a deduction provided under section 9, 11, 13, 14, 16, 17.4 **(before its expiration),** or 37 of this chapter in a particular year; and

(2) the trust remains eligible for the deduction in the following year.

However, for purposes of a deduction under section 37 of this chapter, the individuals that qualify the trust for a deduction must comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013.

(f) A cooperative housing corporation (as defined in 26 U.S.C. 216) that is entitled to a deduction under section 37 of this chapter in the immediately preceding calendar year for a homestead (as defined in section 37 of this chapter) is not required to file a statement to apply for the deduction for the current calendar year if the cooperative housing corporation remains eligible for the deduction for the current calendar year. However, the county auditor may, in the county auditor's discretion, terminate the deduction for assessment dates after January 15, 2012, if the individual does not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015),** as determined by the county auditor, before January 1, 2013. Before the county auditor terminates a deduction because the taxpayer claiming the deduction did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall mail notice of the proposed termination of the deduction to:

(1) the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or special assessment records; or

(2) the last known address of the most recent owner shown in the transfer book.

(g) An individual who:

(1) was eligible for a homestead credit under IC 6-1.1-20.9 (repealed) for property taxes imposed for the March 1, 2007, or January 15, 2008, assessment date; or

(2) would have been eligible for a homestead credit under IC 6-1.1-20.9 (repealed) for property taxes imposed for the March 1, 2008, or January 15, 2009, assessment date if IC 6-1.1-20.9 had

not been repealed;

is not required to file a statement to apply for a deduction under section 37 of this chapter if the individual remains eligible for the deduction in the current year. An individual who filed for a homestead credit under IC 6-1.1-20.9 (repealed) for an assessment date after March 1, 2007 (if the property is real property), or after January 1, 2008 (if the property is personal property), shall be treated as an individual who has filed for a deduction under section 37 of this chapter. However, the county auditor may, in the county auditor's discretion, terminate the deduction for assessment dates after January 15, 2012, if the individual does not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015),** as determined by the county auditor, before January 1, 2013. Before the county auditor terminates the deduction because the taxpayer claiming the deduction did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall mail notice of the proposed termination of the deduction to the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or special assessment records, or to the last known address of the most recent owner shown in the transfer book.

(h) If a county auditor terminates a deduction because the taxpayer claiming the deduction did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall reinstate the deduction if the taxpayer provides proof that the taxpayer is eligible for the deduction and is not claiming the deduction for any other property.

(i) A taxpayer described in section 37(k) of this chapter is not required to file a statement to apply for the deduction provided by section 37 of this chapter for a calendar year beginning after December 31, 2008, if the property owned by the taxpayer remains eligible for the deduction for that calendar year. However, the county auditor may terminate the deduction for assessment dates after January 15, 2012, if the individual residing on the property owned by the taxpayer does not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015),** as determined by the county auditor, before January 1, 2013. Before the county auditor terminates a deduction because the individual residing on the property did not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)** before January 1, 2013, the county auditor shall mail notice of the proposed termination of the deduction to:

(1) the last known address of each person liable for any property taxes or special assessment, as shown on the tax duplicate or

special assessment records; or
(2) the last known address of the most recent owner shown in the transfer book.

SECTION 4. IC 6-1.1-12-17.9, AS AMENDED BY P.L.101-2008, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 17.9. A trust is entitled to a deduction under section 9, 11, 13, 14, 16, or 17.4 **(before its expiration)** of this chapter for real property owned by the trust and occupied by an individual if the county auditor determines that the individual:

(1) upon verification in the body of the deed or otherwise, has either:
(A) a beneficial interest in the trust; or
(B) the right to occupy the real property rent free under the terms of a qualified personal residence trust created by the individual under United States Treasury Regulation 25.2702-5(c)(2);
(2) otherwise qualifies for the deduction; and
(3) would be considered the owner of the real property under IC 6-1.1-1-9(f) or IC 6-1.1-1-9(g).

SECTION 5. IC 6-1.1-12-43, AS AMENDED BY P.L.87-2009, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 43. (a) For purposes of this section:

(1) "benefit" refers to a deduction under section 1, 9, 11, 13, 14, 16, 17.4 **(before its expiration),** 26, 29, 31, 33, 34, 37, or 37.5 of this chapter;
(2) "closing agent" means a person that closes a transaction;
(3) "customer" means an individual who obtains a loan in a transaction; and
(4) "transaction" means a single family residential:
(A) first lien purchase money mortgage transaction; or
(B) refinancing transaction.

(b) Before closing a transaction after December 31, 2004, a closing agent must provide to the customer the form referred to in subsection (c).

(c) Before June 1, 2004, the department of local government finance shall prescribe the form to be provided by closing agents to customers under subsection (b). The department shall make the form available to closing agents, county assessors, county auditors, and county treasurers in hard copy and electronic form. County assessors, county auditors, and county treasurers shall make the form available to the general public. The form must:

(1) on one (1) side:

(A) list each benefit;
(B) list the eligibility criteria for each benefit; and
(C) indicate that a new application for a deduction under section 1 of this chapter is required when residential real property is refinanced;
(2) on the other side indicate:
(A) each action by and each type of documentation from the customer required to file for each benefit; and
(B) sufficient instructions and information to permit a party to terminate a standard deduction under section 37 of this chapter on any property on which the party or the spouse of the party will no longer be eligible for the standard deduction under section 37 of this chapter after the party or the party's spouse begins to reside at the property that is the subject of the closing, including an explanation of the tax consequences and applicable penalties, if a party unlawfully claims a standard deduction under section 37 of this chapter; and
(3) be printed in one (1) of two (2) or more colors prescribed by the department of local government finance that distinguish the form from other documents typically used in a closing referred to in subsection (b).
(d) A closing agent:
(1) may reproduce the form referred to in subsection (c);
(2) in reproducing the form, must use a print color prescribed by the department of local government finance; and
(3) is not responsible for the content of the form referred to in subsection (c) and shall be held harmless by the department of local government finance from any liability for the content of the form.
(e) This subsection applies to a transaction that is closed after December 31, 2009. In addition to providing the customer the form described in subsection (c) before closing the transaction, a closing agent shall do the following as soon as possible after the closing, and within the time prescribed by the department of insurance under IC 27-7-3-15.5:
(1) To the extent determinable, input the information described in IC 27-7-3-15.5(c)(2) into the system maintained by the department of insurance under IC 27-7-3-15.5.
(2) Submit the form described in IC 27-7-3-15.5(c) to the data base described in IC 27-7-3-15.5(c)(2)(D).
(f) A closing agent to which this section applies shall document the closing agent's compliance with this section with respect to each

transaction in the form of verification of compliance signed by the customer.

(g) Subject to IC 27-7-3-15.5(d), a closing agent is subject to a civil penalty of twenty-five dollars ($25) for each instance in which the closing agent fails to comply with this section with respect to a customer. The penalty:

(1) may be enforced by the state agency that has administrative jurisdiction over the closing agent in the same manner that the agency enforces the payment of fees or other penalties payable to the agency; and

(2) shall be paid into:

(A) the state general fund, if the closing agent fails to comply with subsection (b); or

(B) the home ownership education account established by IC 5-20-1-27, if the closing agent fails to comply with subsection (e) in a transaction that is closed after December 31, 2009.

(h) A closing agent is not liable for any other damages claimed by a customer because of:

(1) the closing agent's mere failure to provide the appropriate document to the customer under subsection (b); or

(2) with respect to a transaction that is closed after December 31, 2009, the closing agent's failure to input the information or submit the form described in subsection (e).

(i) The state agency that has administrative jurisdiction over a closing agent shall:

(1) examine the closing agent to determine compliance with this section; and

(2) impose and collect penalties under subsection (g).

SECTION 6. IC 6-1.1-12-46, AS ADDED BY P.L.172-2011, SECTION 29, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 46. (a) This section applies to real property for an assessment date in 2011 or a later year if:

(1) the real property is not exempt from property taxation for the assessment date;

(2) title to the real property is transferred after the assessment date and on or before the December 31 that next succeeds the assessment date;

(3) the transferee of the real property applies for an exemption under IC 6-1.1-11 for the next succeeding assessment date; and

(4) the county property tax assessment board of appeals determines that the real property is exempt from property taxation

for that next succeeding assessment date.

(b) For the assessment date referred to in subsection (a)(1), real property is eligible for any deductions for which the transferor under subsection (a)(2) was eligible for that assessment date under the following:

(1) IC 6-1.1-12-1.
(2) IC 6-1.1-12-9.
(3) IC 6-1.1-12-11.
(4) IC 6-1.1-12-13.
(5) IC 6-1.1-12-14.
(6) IC 6-1.1-12-16.
(7) IC 6-1.1-12-17.4 **(before its expiration).**
(8) IC 6-1.1-12-18.
(9) IC 6-1.1-12-22.
(10) IC 6-1.1-12-37.
(11) IC 6-1.1-12-37.5.

(c) For the payment date applicable to the assessment date referred to in subsection (a)(1), real property is eligible for the credit for excessive residential property taxes under IC 6-1.1-20.6 for which the transferor under subsection (a)(2) would be eligible for that payment date if the transfer had not occurred.

SECTION 7. IC 6-1.5-5-1, AS AMENDED BY P.L.208-2005, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 1. (a) The Indiana board shall conduct impartial review of all appeals of final determinations of the department of local government finance made under the following:

(1) IC 6-1.1-8.
(2) IC 6-1.1-14-11.
(3) IC 6-1.1-16.
(4) IC 6-1.1-26-2.
(5) IC 6-1.1-45-6 **(before its expiration).**

(b) Each notice of final determination issued by the department of local government finance under a statute listed in subsection (a) must give the taxpayer notice of:

(1) the opportunity for review under this section; and
(2) the procedures the taxpayer must follow in order to obtain review under this section.

(c) Except as provided in subsection (e), in order to obtain a review by the Indiana board under this section, the taxpayer must file a petition for review with the appropriate county assessor not later than forty-five (45) days after the notice of the department of local government finance's action is given to the taxpayer.

(d) The county assessor shall transmit a petition for review under subsection (c) to the Indiana board not later than ten (10) days after the petition is filed.

(e) In order to obtain a review by the Indiana board of an appeal of a final determination of the department of local government finance under IC 6-1.1-8-30, the public utility company must follow the procedures in IC 6-1.1-8-30.

SECTION 8. IC 6-2.5-5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) Transactions involving agricultural machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for ~~his~~ **the person's** direct use in the direct production, extraction, harvesting, or processing of agricultural commodities **(including timber harvesting), and including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.**

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

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

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

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

SECTION 9. IC 6-2.5-5-3, AS AMENDED BY P.L.211-2007, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 3. (a) For purposes of this section:

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

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

(b) Except as provided in subsection (c), transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property, **including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.**

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

SECTION 10. IC 6-2.5-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 4. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for ~~his~~ **the person's** direct use in the direct production of the machinery, tools, or equipment described in section 2 or 3 of this chapter, **including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.**

SECTION 11. IC 6-3-1-3.5, AS AMENDED BY P.L.205-2013, SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 3.5. When used in this article, the term "adjusted gross income" shall mean the following:

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

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

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

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

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

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

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

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

(5) Subtract:

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

(B) five hundred dollars ($500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars ($40,000).

This amount is in addition to the amount subtracted under subdivision (4).

~~(6) Subtract an amount equal to the lesser of:~~

~~(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or~~

~~(B) two thousand dollars ($2,000).~~

~~(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.~~

~~(8)~~ **(6)** Subtract any amounts included in federal adjusted gross income under Section 111 of the Internal Revenue Code as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

~~(9)~~ **(7)** Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

~~(10)~~ **(8)** Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

~~(11)~~ **(9)** In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), **and** (5) ~~and (6)~~ shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

~~(12)~~ **(10)** In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

~~(13)~~ **(11)** In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

~~(14)~~ **(12)** Subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

~~(15)~~ **(13)** Subtract an amount equal to the lesser of:

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

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

~~(16)~~ **(14)** Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

~~(17)~~ **(15)** Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

~~(18)~~ **(16)** Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

~~(19)~~ **(17)** Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars ($25,000).

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

~~(21)~~ **(19)** Subtract an amount equal to the amount of the taxpayer's qualified military income that was not excluded from the taxpayer's gross income for federal income tax purposes under Section 112 of the Internal Revenue Code.

~~(22)~~ **(20)** Subtract income that is:

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

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

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

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

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

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

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

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

~~income tax purposes not been made for the year.~~

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

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

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

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

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

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

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

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

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

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

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

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

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

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

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

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

(9) Add to the extent required by IC 6-3-2-20 the amount of intangible expenses (as defined in IC 6-3-2-20) and any directly related intangible interest expenses (as defined in IC 6-3-2-20) for the taxable year that reduced the corporation's taxable income (as defined in Section 63 of the Internal Revenue Code) for federal income tax purposes.

(10) Add an amount equal to any deduction for dividends paid (as defined in Section 561 of the Internal Revenue Code) to

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

(11) Subtract income that is:

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

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

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

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

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

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

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

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

~~(12 U.S.C. 1716 et seq.); or~~

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

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

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

~~(18)~~ **(13)** Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 of the Internal Revenue Code), adjusted as follows:

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

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

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

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

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus

depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.

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

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

(9) Subtract income that is:

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

(B) included in the insurance company's taxable income under the Internal Revenue Code.

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

~~(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of~~

~~the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.~~

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

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

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

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

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

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

~~(15)~~ **(11)** Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

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

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

~~(17)~~ **(12)** Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

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

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

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

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

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

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

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

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

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

(9) Subtract income that is:

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

(B) included in the insurance company's taxable income under the Internal Revenue Code.

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

~~(11) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.~~

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

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

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

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

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

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

~~(15)~~ **(11)** Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

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

~~(17)~~ **(12)** Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

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

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

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

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

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

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

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

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

(7) Subtract income that is:

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

(B) included in the taxpayer's taxable income under the Internal Revenue Code.

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

~~(9) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance~~

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

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

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

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

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

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

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

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

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

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

~~(15)~~ **(9)** Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

SECTION 12. IC 6-3-1-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 20. The term "business income" means **all** income ~~arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.~~ **that is apportionable to the state under the Constitution of the United States.**

SECTION 13. IC 6-3-2-2, AS AMENDED BY P.L.233-2013, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

(1) income from real or tangible personal property located in this state;

(2) income from doing business in this state;

(3) income from a trade or profession conducted in this state;

(4) compensation for labor or services rendered within this state; and

(5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property to the extent that the income is apportioned to Indiana under this section or if the income is allocated to Indiana or considered to be derived from sources within Indiana under this section.

Income from a pass through entity shall be characterized in a manner consistent with the income's characterization for federal income tax purposes and shall be considered Indiana source income as if the person, corporation, or pass through entity that received the income had directly engaged in the income producing activity. Income that is derived from one (1) pass through entity and is considered to pass through to another pass through entity does not change these characteristics or attribution provisions. In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter), only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year. However, with respect to a foreign corporation, the denominator does not include the average value of real or tangible personal property owned or rented and used in a place that is outside the United States. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. The average of property shall be determined by averaging the values at the beginning and ending of the taxable year, but the department may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the taxpayer's property.

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

(1) the individual's service is performed entirely within the state;

(2) the individual's service is performed both within and without this state, but the service performed without this state is incidental to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. Regardless of the f.o.b. point or other conditions of the sale, sales of tangible personal property are in this state if:

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

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

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

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

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

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

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

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

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

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

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

(i) if and to the extent that the property is utilized in this state; or

(ii) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state

is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year, and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

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

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

(i) the property had a situs in this state at the time of the sale; or

(ii) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

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

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

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

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

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

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

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

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

(1) separate accounting;

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

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

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

(m) In the case of two (2) or more organizations, trades, or businesses owned or controlled directly or indirectly by the same interests, the department shall distribute, apportion, or allocate the income derived from sources within the state of Indiana between and among those organizations, trades, or businesses in order to fairly reflect and report the income derived from sources within the state of Indiana by various taxpayers.

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

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

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

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

(1) a foreign corporation; or

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

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

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

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

(1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and

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

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

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

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

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

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

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

(3) Any amounts earned as an incentive for placement or

participation in one (1) or more races and that are not covered under subdivisions (1) or (2) or under IC 6-3-2-3.2 shall be attributed to Indiana in the proportion of the races that occurred in Indiana.

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

(t) Sales of a broadcaster that arise from or relate to the broadcast or other distribution of film programming or radio programming by any means are in this state if the commercial domicile of the broadcaster's customer is in this state. Sales to which this subsection applies include income from advertising and licensing income from distributing film programming or radio programming. For purposes of this subsection, the following definitions apply:

(1) "Broadcaster" means a taxpayer that is a television or radio station licensed by the Federal Communications Commission, a television or radio broadcast network, a cable program network, or a television distribution company. The term "broadcaster" does not include a cable service provider or a direct broadcast satellite system.

(2) "Commercial domicile" has the meaning set forth in IC 6-3-1-22.

(3) "Customer" means a person, corporation, partnership, limited liability company, or other entity, such as an advertiser or licensee, that has a direct connection or contractual relationship with the broadcaster under which revenue is derived by the broadcaster. The term "customer" does not include an advertising agency placing advertising on behalf of its client. The client of such an advertising agency is the customer.

(4) "Film programming" means one (1) or more performances, events, or productions (or segments of performances, events, or productions) intended to be distributed for visual and auditory perception, including but not limited to news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.

(5) "Radio programming" means one (1) or more performances, events, or productions (or segments of performances, events, or productions) intended to be distributed for auditory perception, including but not limited to news, entertainment, sporting events, plays, stories, or

other literary, commercial, educational, or artistic works.

SECTION 14. IC 6-3-2-3.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]: Sec. 3.7. **(a)** Each taxable year, an individual **or the individual's surviving spouse** is entitled to an adjusted gross income tax deduction equal to the remainder of:

(1) the:

(A) first ~~two~~ **eight** thousand dollars ~~($2,000)~~ **($8,000), for taxable years beginning after December 31, 2014, and before January 1, 2016; and**

(B) first sixteen thousand dollars ($16,000), for taxable years beginning after December 31, 2015;

which is received by the individual **or the individual's surviving spouse** during the taxable year from a federal civil service annuity, and which is included in adjusted gross income under Section 62 of the Internal Revenue Code; minus

(2) the total amount of Social Security benefits and railroad retirement benefits received by the individual **or the individual's surviving spouse** during the taxable year.

(b) ~~However,~~ The individual is only entitled to the deduction provided by this section if the individual is at least sixty-two (62) years of age before the end of the taxable year. **This subsection does not apply to the individual's surviving spouse.**

SECTION 15. IC 6-3-2-4, AS AMENDED BY P.L.6-2012, SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 4. (a) Each taxable year, an individual, or the individual's surviving spouse, is entitled to an adjusted gross income tax deduction for the first five thousand dollars ($5,000) of income, including retirement or survivor's benefits, received during the taxable year by the individual, or the individual's surviving spouse, for the individual's service in an active or reserve component of the armed forces of the United States, including the army, navy, air force, coast guard, marine corps, merchant marine, Indiana army national guard, or Indiana air national guard. However, a person who is less than sixty (60) years of age on the last day of the person's taxable year, is not, for that taxable year, entitled to a deduction under this section for retirement or survivor's benefits.

(b) An individual whose qualified military income is subtracted from the individual's federal adjusted gross income under ~~IC 6-3-1-3.5(a)(21)~~ **IC 6-3-1-3.5(a)(19)** for Indiana individual income tax purposes is not, for that taxable year, entitled to a deduction under this section for the individual's qualified military income.

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

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

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

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

~~(2) one thousand dollars ($1,000).~~

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

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

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

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

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

~~(1) one-half (1/2) of the amount the taxpayer pays for labor and materials for the installation of a solar powered roof vent or fan that is installed during the taxable year; or~~

~~(2) one thousand dollars ($1,000).~~

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

~~solar powered roof vent or fan.~~

SECTION 18. IC 6-3-2-13, AS AMENDED BY P.L.98-2008, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 13. (a) As used in this section, "export income" means the gross receipts from the sale, transfer, or exchange of tangible personal property destined for international markets that is:

(1) manufactured at a plant located within a maritime opportunity district established under IC 6-1.1-40; and

(2) shipped through a port operated by the state.

(b) As used in this section, "export sales ratio" means the quotient of:

(1) the taxpayer's export income; divided by

(2) the taxpayer's gross receipts from the sale, transfer, or exchange of tangible personal property, regardless of its destination.

(c) As used in this section, "taxpayer" means a person or corporation that has export income.

(d) The ports of Indiana established by IC 8-10-1-3 shall notify the department when a maritime opportunity district is established under IC 6-1.1-40. The notice must include:

(1) the resolution passed by the commission to establish the district; and

(2) a list of all taxpayers located in the district.

(e) The ports of Indiana shall also notify the department of any subsequent changes in the list of taxpayers located in the district.

(f) A taxpayer is entitled to a deduction from the taxpayer's adjusted gross income in an amount equal to the lesser of:

(1) the taxpayer's adjusted gross income; or

(2) the product of the export sales ratio multiplied by the percentage set forth in subsection (g).

(g) The percentage to be used in determining the amount a taxpayer is entitled to deduct under this section depends upon the number of years that the taxpayer could have taken a deduction under this section. The percentage to be used in subsection (f) is as follows:

YEAR OF DEDUCTION	PERCENTAGE
1st through 4th	100%
5th	80%
6th	60%
7th	40%
8th	20%
9th and thereafter	0%

(h) The department shall determine, for each taxpayer claiming a deduction under this section, the taxpayer's export sales ratio for purposes of IC 6-1.1-40. The department shall certify the amount of the ratio to the department of local government finance.

(i) A taxpayer is not entitled to a deduction under this section based on export income received by the taxpayer after December 31, 2015.

(j) This section expires January 1, 2025.

SECTION 19. IC 6-3-2-14.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 14.1. Notwithstanding ~~section 14.5 of this chapter and~~ IC 6-3-4-8.2, a payment made after June 30, 2002, on prize money received from a winning lottery ticket purchased under IC 4-30 for a lottery held before July 1, 2002, is exempt from the adjusted gross income tax and supplemental net income tax (repealed) imposed by this article.

SECTION 20. IC 6-3-2-14.5 IS REPEALED [EFFECTIVE JANUARY 1, 2016]. ~~Sec. 14.5. The first one thousand two hundred dollars ($1,200) of prize money received from a winning lottery ticket purchased under IC 4-30 is exempt from the adjusted gross income tax imposed by this article. If the amount of prize money received from a winning lottery ticket exceeds one thousand two hundred dollars ($1,200), the amount of the excess is subject to the adjusted gross income tax imposed by this article.~~

SECTION 21. IC 6-3-2-17 IS REPEALED [EFFECTIVE JANUARY 1, 2016]. ~~Sec. 17. A reward received by an individual is exempt from taxation under IC 6-3-1 through IC 6-3-7, in an amount not to exceed one thousand dollars ($1,000), if:~~

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

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

~~(3) the individual is not:~~

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

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

~~(C) the victim of the crime.~~

SECTION 22. IC 6-3-2-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) As used in this section, "eligible medical expense" has the meaning set forth in IC 6-8-11-3.

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

(c) **This subsection applies only to money deposited by an employer in a medical care savings account before January 1, 2016.** Except as provided in subsection (g), the amount of money deposited by an employer in a medical care savings account established for an employee under IC 6-8-11 is exempt from taxation under IC 6-3-1 through IC 6-3-7 as income of the employee in the taxable year in which the money is deposited in the account.

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

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

(2) either:

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

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

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

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

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

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

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

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

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

(1) section 106 of the Internal Revenue Code;

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

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

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

SECTION 23. IC 6-3-2-20, AS AMENDED BY P.L.211-2007, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 20. (a) The following definitions apply throughout this section:

(1) "Affiliated group" has the meaning provided in Section 1504 of the Internal Revenue Code, except that the ownership percentage in Section 1504(a)(2) of the Internal Revenue Code shall be determined using fifty percent (50%) instead of eighty percent (80%).

(2) "Directly related ~~intangible~~ interest expenses" means interest expenses that are paid to, or accrued or incurred as a liability to, a recipient if:

(A) the amounts represent, in the hands of the recipient, income from making one (1) or more loans; and

(B) the funds loaned were originally received by the recipient from the payment of ~~intangible~~ expenses by any of the following:

(i) The taxpayer.

(ii) A member of the same affiliated group as the taxpayer.

(iii) A foreign corporation.

(3) "Foreign corporation" means a corporation that is organized under the laws of a country other than the United States and would be a member of the same affiliated group as the taxpayer if the corporation were organized under the laws of the United States.

(4) "Intangible expenses" means the following amounts to the extent these amounts are allowed as deductions in determining taxable income under Section 63 of the Internal Revenue Code before the application of any net operating loss deduction and special deductions for the taxable year:

(A) Expenses, losses, and costs directly for, related to, or in connection with the acquisition, use, maintenance, management, ownership, sale, exchange, or any other disposition of intangible property.

(B) Royalty, patent, technical, and copyright fees.

(C) Licensing fees.

(D) Other substantially similar expenses and costs.

(5) "Intangible property" means patents, patent applications, trade names, trademarks, service marks, copyrights, trade secrets, and substantially similar types of intangible assets.

(6) "Interest expenses" means amounts that are allowed as deductions under Section 163 of the Internal Revenue Code in

determining taxable income under Section 63 of the Internal Revenue Code before the application of any net operating loss deductions and special deductions for the taxable year.

(7) "Makes a disclosure" means a taxpayer provides the following information regarding a transaction with a member of the same affiliated group or a foreign corporation involving an intangible expense ~~and~~ ~~any~~ **or a** directly related ~~intangible~~ interest expense with the taxpayer's tax return on the forms prescribed by the department:

(A) The name of the recipient.

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

(C) The amount paid to the recipient.

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

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

(8) "Recipient" means:

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

(B) a foreign corporation;

to which is paid an item of income that corresponds to an intangible expense or ~~any~~ **a** directly related ~~intangible~~ interest expense.

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

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

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

(2) ~~any~~ **all** directly related ~~intangible~~ interest expenses;

paid, accrued, or incurred with one (1) or more members of the same affiliated group or with one (1) or more foreign corporations.

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

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

(2) If the recipient receives an item of income that corresponds to the directly related interest expenses and the

recipient:

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

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

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

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

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

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

(ii) a country other than the United States;

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) the recipient is engaged in:

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 24. IC 6-3-2-25, AS AMENDED BY P.L.6-2012, SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 25. (a) This section applies only to an individual who in 2008 paid property taxes that:

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

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

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

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

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

STEP ONE: Determine the lesser of:

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

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

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

(A) the STEP ONE result; minus

(B) the total amount of property taxes that:

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

(ii) were paid in 2007; and

(iii) were deducted from the individual's adjusted gross income under ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)** by the individual on the individual's state income tax return for a taxable year beginning before January 1, 2008.

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

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

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

(c) This chapter expires January 1, 2018.

SECTION 26. IC 6-3.1-16-7, AS AMENDED BY P.L.166-2014, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 7. (a) Subject to section 14 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer completes the preservation or rehabilitation of historic property and obtains the certifications required under section 8 of this chapter.

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

(1) the taxpayer makes for the preservation or rehabilitation of historic property; and

(2) are approved by the office.

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

(1) own and rehabilitate a historic property jointly; and

(2) file separate tax returns;

the husband and wife may take the credit in equal shares or one (1) spouse may take the whole credit.

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

(e) This chapter expires January 1, 2019.

SECTION 27. IC 6-3.1-18-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 11. **(a)** A tax credit shall be allowable under this chapter only for the taxable year of the taxpayer in which the contribution qualifying for the credit is paid.

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

(c) This chapter expires January 1, 2018.

SECTION 28. IC 6-3.1-20-4, AS AMENDED BY P.L.166-2014, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 4. (a) Except as provided in subsection (b), an individual is entitled to a credit under this chapter if:

(1) the individual's Indiana income for the taxable year is less than eighteen thousand six hundred dollars ($18,600); and

(2) the individual pays property taxes in the taxable year on a homestead that:

(A) the individual:

(i) owns; or

(ii) is buying under a contract that requires the individual to pay property taxes on the homestead, if the contract or a memorandum of the contract is recorded in the county recorder's office; and

(B) is located in a county having a population of more than four hundred thousand (400,000) but less than seven hundred thousand (700,000).

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

SECTION 29. IC 6-3.1-21-6, AS AMENDED BY P.L.229-2011, SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 6. (a) Except as provided by subsection (b), an individual who is eligible for an earned income tax credit under Section 32 of the Internal Revenue Code ~~as it existed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312),~~ is eligible for a credit under this chapter equal to nine percent (9%) of the amount of the federal earned income tax credit that the individual:

(1) is eligible to receive in the taxable year; and

(2) claimed for the taxable year;

under Section 32 of the Internal Revenue Code. ~~as it existed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).~~

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

(1) the amount determined under subsection (a); multiplied by

(2) the quotient of the taxpayer's income taxable in Indiana divided by the taxpayer's total income.

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

SECTION 30. IC 6-3.1-24-9, AS AMENDED BY P.L.288-2013, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 9. (a) The total amount of tax credits that may be approved by the corporation under this chapter in a particular calendar year for qualified investment capital provided during that calendar year may not exceed twelve million five hundred thousand dollars ($12,500,000). An amount of an unused credit carried over by a taxpayer from a previous calendar year may not be considered in determining the amount of proposed investments that the Indiana economic development corporation may certify under this chapter.

(b) Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for providing qualified investment capital to a qualified Indiana business after December 31, ~~2016.~~ **2020.** However, this subsection may not be construed to prevent a taxpayer from carrying over to a taxable year beginning after December 31, ~~2016,~~ **2020,** an unused tax credit attributable to an investment occurring before January 1, ~~2017.~~ **2021.**

SECTION 31. IC 6-3.1-26-8.5, AS ADDED BY P.L.288-2013, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 8.5. For purposes of this chapter, a "logistics investment" means an expenditure for one (1) or more of the following purposes:

(1) Making an improvement to real property located in Indiana that is related to constructing a new, or modernizing an existing, transportation or logistical distribution facility.

(2) Improving the transportation of goods on Indiana highways, limited to the following:

(A) Upgrading terminal facilities that serve tractors (as defined in IC 9-13-2-180) and semitrailers (as defined in IC 9-13-2-164).

(B) Improving paved access to terminal facilities.

(C) Adding new maintenance areas.

(D) Purchasing new shop equipment having a useful life of at least five (5) years, such as diagnostic equipment, oil delivery systems, air compressors, and truck lifts.

(3) Improving the transportation of goods by rail, limited to the following:

(A) Upgrading or building mainline, secondary, yard, and spur trackage.

(B) Upgrading or replacing bridges to obtain higher load bearing capability.

(C) Upgrading or replacing grade crossings to increase visibility for motorists, including improvements to roadway surfaces, signage and traffic signals, and signal system upgrades and replacements to meet Federal Railroad Administration Positive Train Control regulations.

(D) Upgrading fueling facilities, including upgrading fueling and sanding locomotives or tanks, pumps, piping, containment areas, track pans, lighting, and security.

(E) Upgrading team track facilities, including railroad owned warehouses, loading docks, and transfer stations for loading and unloading freight.

(F) Upgrading shop facilities, including upgrading structures, inspection pits, drop pits, cranes, employee fall protection, lighting, climate control, and break rooms.

(G) Upgrading or building passing lines or automated switches on a rail line.

(4) Improving the transportation of goods by water, limited to the following:

(A) Upgrading or replacing a permanent waterside dock.

(B) Upgrading or building a new terminal facility that serves waterborne transportation.

(C) Improving paved access to a waterborne terminal facility.

(D) Purchasing new equipment having a useful life of at least five (5) years, including diagnostic equipment, an oil delivery system, an air compressor, or a barge lift.

(5) Improving the transportation of goods by air, limited to the

following:

(A) Upgrading or building a new cargo building, apron, hangar, warehouse facility, freight forwarding facility, cross-dock distribution facility, or aircraft maintenance facility.

(B) Improving paved access to a terminal or cargo facility.

(C) Upgrading a fueling facility.

(6) Improving warehousing and logistical capabilities, limited to the following:

(A) Upgrading warehousing facilities, including upgrading loading dock doors and loading dock plates, fueling equipment, fueling installations, or dolly drop pads for trailers.

(B) Improving logistical distribution by purchasing new equipment, limited to the following:

(i) Picking modules (systems of racks, conveyors, and controllers).

(ii) Racking equipment.

(iii) Warehouse management systems, including scanning or coding equipment.

(iv) Security equipment.

(v) Temperature control and monitoring equipment.

(vi) Dock levelers and pallet levelers and inverters.

(vii) Conveyors and related controllers, scales, and like equipment.

(viii) Packaging equipment.

(ix) Moving, separating, sorting, and picking equipment.

A logistics investment does not include an expenditure for maintenance expenses.

SECTION 32. IC 6-3.1-26-26, AS AMENDED BY P.L.137-2012, SECTION 61, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 26. (a) This chapter applies to taxable years beginning after December 31, 2003.

(b) Notwithstanding the other provisions of this chapter, the corporation may not approve a credit for a qualified investment made after December 31, ~~2016.~~ **2020.** However, this section may not be construed to prevent a taxpayer from carrying an unused tax credit attributable to a qualified investment made before January 1, ~~2017,~~ **2021,** forward to a taxable year beginning after December 31, ~~2016,~~ **2020,** in the manner provided by section 15 of this chapter.

SECTION 33. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]:

Chapter 34. Prison Investment Income Tax Credit

Sec. 1. For purposes of this chapter:

"Agreement" means any agreement entered into with the commissioner of the department of correction under IC 11-10-7-2.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Qualified property" means any machinery, tools, equipment, building, structure, or other tangible property considered qualified property under Section 38 of the Internal Revenue Code that is used as an integral part of the operation contemplated by an agreement and that is installed, used, or operated exclusively on property managed by the department of correction.

"State income tax liability" means a taxpayer's total income tax liability incurred under IC 6-3, as computed after application of credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has state tax liability. The term includes a pass through entity.

"Wages paid" includes all earnings surrendered to the department of correction under IC 11-10-7-5.

Sec. 2. (a) A taxpayer who enters into an agreement is entitled to receive an income tax credit for a taxable year equal to:

(1) the taxpayer's state income tax liability for the taxable year;

(2) an amount equal to the sum of:

(A) fifty percent (50%) of any investment in qualified property made by the taxpayer during the taxable year as part of the agreement; plus

(B) twenty-five percent (25%) of the wages paid to inmates during the taxable year as part of the agreement; or

(3) the following:

(A) for taxable years beginning in 2015 and 2016, one hundred thousand dollars ($100,000);

(B) for taxable years beginning in 2017 and 2018, fifty thousand dollars ($50,000); or

(C) for a taxable year beginning in 2019, twenty-five

thousand dollars ($25,000);
whichever is least.

(b) A tax credit shall be allowed under this chapter only for the taxable year of the taxpayer during which:

(1) the investment in qualified property is made in accordance with Section 38 of the Internal Revenue Code; or

(2) the wages are paid to inmates;

as part of an agreement.

(c) A tax credit shall not be allowed under this chapter for a taxable year beginning after 2019.

Sec. 3. (a) A taxpayer is liable for a recapture tax if qualified property is converted to any use, other than the use contemplated in the agreement, within three (3) years after the end of the taxable year in which a tax credit was allowed for investment in that qualified property. The recapture tax equals:

(1) seventy-five percent (75%) of the tax credit if the use is converted not later than one (1) year after the end of the taxable year in which the tax credit was allowed;

(2) fifty percent (50%) of the tax credit if the use is converted after one (1) year and not later than two (2) years after the end of the taxable year in which the tax credit was allowed; or

(3) twenty-five percent (25%) of the tax credit if the use is converted after two (2) years and not later than three (3) years after the end of the taxable year in which the tax credit was allowed.

(b) Any recapture tax liability must be reported by the taxpayer on his annual state income tax return for the taxable year during which the use was converted.

(c) The commissioner of the department of correction shall report any change in the use of qualified property to the department.

Sec. 4. (a) Before entering into an agreement, the commissioner of the department of correction shall thoroughly consider the effect of the agreement upon the workforce in the community where the correctional institution is located and shall not enter into any agreement if it will cause increased unemployment in the community. The taxpayer shall have the burden of proving by a preponderance of the evidence that the agreement shall not increase unemployment in the community where the correctional institution is located.

(b) The commissioner shall verify any information related to the credit provided by this chapter when requested to do so by the

department of state revenue.

Sec. 5. If a pass through entity is entitled to a credit under this chapter but does not have state tax liability against which the tax credit may be applied, an individual who is a shareholder, partner, beneficiary, or member of the pass through entity is entitled to a tax credit equal to:

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

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

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

Sec. 6. This chapter expires July 1, 2024.

SECTION 34. IC 6-3.5-1.1-7 IS REPEALED [EFFECTIVE JANUARY 1, 2016]. ~~Sec. 7. (a) If for a particular taxable year a county taxpayer is, or a county taxpayer and the taxpayer's spouse who file a joint return are, allowed a credit for the elderly or individuals with a total disability under Section 22 of the Internal Revenue Code, the county taxpayer is, or the county taxpayer and the taxpayer's spouse are, entitled to a credit against the taxpayer's or the taxpayer's and the taxpayer's spouse's county adjusted gross income tax liability for that same taxable year. The amount of the credit equals the lesser of:~~

~~(1) the product of:~~

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

~~(B) a fraction, the numerator of which is the county adjusted gross income tax rate imposed against the county taxpayer, or the county taxpayer and the taxpayer's spouse, and the denominator of which is fifteen hundredths (0.15); or~~

~~(2) the amount of county adjusted gross income tax imposed on the county taxpayer, or the county taxpayer and the taxpayer's spouse.~~

~~(b) If a county taxpayer and the taxpayer's spouse file a joint return and are subject to different county adjusted gross income tax rates for the same taxable year, they shall compute the credit under this section by using the formula provided by subsection (a), except that they shall~~

~~use the average of the two (2) county adjusted gross income tax rates imposed against them as the numerator referred to in subsection (a)(1)(B).~~

SECTION 35. IC 6-3.5-1.1-18, AS AMENDED BY P.L.146-2008, SECTION 330, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

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

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

(b) The provisions of ~~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 not apply to the tax imposed by this chapter.

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

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

SECTION 36. IC 6-3.5-6-22, AS AMENDED BY P.L.146-2008, SECTION 340, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 22. (a) Except as otherwise provided in subsection (b) and the other provisions of this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

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

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

(b) The provisions of ~~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 not apply to the tax imposed by this chapter.

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

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

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

SECTION 37. IC 6-3.5-6-24 IS REPEALED [EFFECTIVE JANUARY 1, 2016]. ~~Sec. 24. (a) If for a particular taxable year a county taxpayer is, or a county taxpayer and the taxpayer's spouse who file a joint return are, allowed a credit for the elderly or individuals with a total disability under Section 22 of the Internal Revenue Code, the county taxpayer is, or the county taxpayer and the taxpayer's spouse are, entitled to a credit against the county option income tax liability for that same taxable year. The amount of the credit equals the lesser of:~~

~~(1) the product of:~~

~~(A) the credit for the elderly or individuals with a total disability for that same taxable year; multiplied by~~

~~(B) a fraction, the numerator of which is the county option income tax rate imposed against the county taxpayer, or the county taxpayer and the taxpayer's spouse, and the denominator of which is fifteen-hundredths (0.15); or~~

~~(2) the amount of county option income tax imposed on the county taxpayer, or the county taxpayer and the taxpayer's spouse.~~

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

SECTION 38. IC 6-3.5-7-9 IS REPEALED [EFFECTIVE JANUARY 1, 2016]. ~~Sec. 9. (a) If for a taxable year a county taxpayer is (or a county taxpayer and a county taxpayer's spouse who file a joint return are) allowed a credit for the elderly or individuals with a total disability under Section 22 of the Internal Revenue Code, the county taxpayer is (or the county taxpayer and the county taxpayer's spouse are) entitled to a credit against the county taxpayer's (or the county taxpayer's and the county taxpayer's spouse's) county economic development income tax liability for that same taxable year. The amount of the credit equals the lesser of:~~

~~(1) the product of:~~

~~(A) the county taxpayer's (or the county taxpayer's and the~~

~~county taxpayer's spouse's) credit for the elderly or individuals with a total disability for that same taxable year; multiplied by (B) a fraction. The numerator of the fraction is the county economic development income tax rate imposed against the county taxpayer (or against the county taxpayer and the county taxpayer's spouse). The denominator of the fraction is fifteen-hundredths (0.15); or~~

~~(2) the amount of county economic development income tax imposed on the county taxpayer (or the county taxpayer and the county taxpayer's spouse).~~

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

SECTION 39. IC 6-3.5-7-18, AS AMENDED BY P.L.146-2008, SECTION 348, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

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

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

(b) The provisions of ~~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 not apply to the tax imposed by this chapter.

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

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

SECTION 40. IC 6-5.5-1-2, AS AMENDED BY P.L.205-2013, SECTION 124, IS AMENDED TO READ AS FOLLOWS

[EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) Except as provided in subsections (b) through (d), "adjusted gross income" means taxable income as defined in Section 63 of the Internal Revenue Code, adjusted as follows:

(1) Add the following amounts:

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

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

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

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

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

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

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

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

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

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

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

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

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

~~been made for the year.~~

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

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

~~(ii) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);~~

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

~~(O)~~ **(K)** Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code for active financing income under Subpart F, Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(2) Subtract the following amounts:

(A) Income that the United States Constitution or any statute of the United States prohibits from being used to measure the tax imposed by this chapter.

(B) Income that is derived from sources outside the United States, as defined by the Internal Revenue Code.

(C) An amount equal to a debt or part of a debt that becomes worthless, as permitted under Section 166(a) of the Internal Revenue Code.

(D) An amount equal to any bad debt reserves that are included in federal income because of accounting method changes required by Section 585(c)(3)(A) or Section 593 of the Internal Revenue Code.

(E) The amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation.

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

(G) Income that is:

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

(ii) included in the taxpayer's taxable income under the Internal Revenue Code.

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

(b) In the case of a credit union, "adjusted gross income" for a taxable year means the total transfers to undivided earnings minus dividends for that taxable year after statutory reserves are set aside under IC 28-7-1-24.

(c) In the case of an investment company, "adjusted gross income" means the company's federal taxable income plus the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011, multiplied by the quotient of:

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

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

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

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

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

(A) a so-called bond;

(B) a share;

(C) a coupon;

(D) a certificate of membership;

(E) an agreement;

(F) a pretended agreement; or

(G) other evidences of obligation;

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

SECTION 41. IC 6-6-5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2017]: Sec. 5. (a) The amount of tax imposed by this chapter shall be based upon the classification of the vehicle, as provided in section 4 of this chapter, and the age of the vehicle, in accordance with the schedule set out in subsection (c) or (d).

(b) A person who owns a vehicle and who is entitled to a property tax deduction under IC 6-1.1-12-13, IC 6-1.1-12-14, **or** IC 6-1.1-12-16 ~~or IC 6-1.1-12-17.4~~ is entitled to a credit against the annual license excise tax as follows: Any remaining deduction from assessed valuation to which the person is entitled, applicable to property taxes payable in the year in which the excise tax imposed by this chapter is due, after allowance of the deduction on real estate and personal property owned by the person, shall reduce the annual excise tax in the amount of two dollars ($2) on each one hundred dollars ($100) of taxable value or major portion thereof. The county auditor shall, upon request, furnish a certified statement to the person verifying the credit allowable under this section and the statement shall be presented to and retained by the bureau to support the credit.

(c) After January 1, 1996, the tax schedule is as follows:

Year of Manufacture	I	II	III	IV	V
1st	$12	$36	$50	$50	$66
2nd	12	30	50	50	57
3rd	12	27	42	50	50
4th	12	24	33	50	50
5th	12	18	24	48	50
6th	12	12	18	36	50
7th	12	12	12	24	42
8th	12	12	12	18	24
9th	12	12	12	12	12
10th and thereafter	12	12	12	12	12

Year of Manufacture	VI	VII	VIII	IX	X
1st	$84	$103	$123	$150	$172
2nd	74	92	110	134	149
3rd	63	77	93	115	130
4th	52	64	78	98	112
5th	50	52	64	82	96
6th	50	50	50	65	79
7th	49	50	50	52	65
8th	30	40	50	50	53
9th	18	21	34	40	50
10th and thereafter	12	12	12	12	12

Year of Manufacture	XI	XII	XIII	XIV	XV
1st	$207	$250	$300	$350	$406
2nd	179	217	260	304	353
3rd	156	189	225	265	307
4th	135	163	184	228	257
5th	115	139	150	195	210
6th	94	114	121	160	169
7th	78	94	96	132	134
8th	64	65	65	91	91
9th	50	50	50	50	50
10th and thereafter	21	26	30	36	42

Year of Manufacture	XVI	XVII

1st	$469	$532
2nd	407	461
3rd	355	398
4th	306	347
5th	261	296
6th	214	242
7th	177	192
8th	129	129
9th	63	63
10th	49	50

and thereafter.

(d) Every vehicle shall be taxed as a vehicle in its first year of manufacture throughout the calendar year in which vehicles of that make and model are first offered for sale in Indiana, except that a vehicle of a make and model first offered for sale in Indiana after August 1 of any year shall continue to be taxed as a vehicle in its first year of manufacture until the end of the calendar year following the year in which it is first offered for sale. Thereafter, the vehicle shall be considered to have aged one (1) year as of January 1 of each year.

SECTION 42. IC 6-6-5.1-13, AS ADDED BY P.L.131-2008, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2017]: Sec. 13. (a) Subject to any reductions permitted under this chapter, the amount of tax imposed under this chapter on a recreational vehicle or truck camper is prescribed by the schedule set out in subsection (c). The amount of tax imposed by this chapter is determined using:

(1) the classification of the recreational vehicle or truck camper under section 12 of this chapter; and

(2) the age of the recreational vehicle or truck camper.

(b) If a person who owns a recreational vehicle or truck camper is entitled to an ad valorem property tax assessed valuation deduction under IC 6-1.1-12-13, IC 6-1.1-12-14, **or** IC 6-1.1-12-16 ~~or IC 6-1.1-12-17.4~~ in a year in which a tax is imposed by this chapter and any part of the deduction is unused after allowance of the deduction on real property and personal property owned by the person, the person is entitled to a credit that reduces the annual tax imposed by this chapter. The amount of the credit is determined by multiplying the amount of the unused deduction by two (2) and dividing the result by one hundred (100). The county auditor shall, upon request, furnish a certified statement to the person verifying the credit allowable under this subsection. The statement shall be presented to and retained by the bureau to support the credit.

(c) The tax schedule for each class of recreational vehicles and truck campers is as follows:

Year of Manufacture	I	II	III	IV	V
1st	$15	$36	$50	$59	$103
2nd	12	31	43	51	91
3rd	12	26	35	41	75
4th	12	20	28	38	62
5th	12	15	20	34	53
6th	12	12	15	26	41
7th	12	12	12	16	32
8th	12	12	12	13	21
9th	12	12	12	12	13
10th and thereafter	12	12	12	12	12

Year of Manufacture	VI	VII	VIII
1st	$164	$241	$346
2nd	148	212	302
3rd	131	185	261
4th	110	161	223
5th	89	131	191
6th	68	108	155
7th	53	86	126
8th	36	71	97
9th	23	35	48
10th and thereafter	12	12	17

Year of Manufacture	IX	X	XI	XII
1st	$470	$667	$879	$1,045
2nd	412	572	763	907
3rd	360	507	658	782
4th	307	407	574	682
5th	253	341	489	581
6th	204	279	400	475
7th	163	224	317	377
8th	116	154	214	254
9th	55	70	104	123
10th and thereafter	25	33	46	55

Year of

Manufacture	XIII	XIV	XV	XVI	XVII
1st	$1,235	$1,425	$1,615	$1,805	$2,375
2nd	1,072	1,236	1,401	1,566	2,060
3rd	924	1,066	1,208	1,350	1,777
4th	806	929	1,053	1,177	1,549
5th	687	793	898	1,004	1,321
6th	562	648	734	821	1,080
7th	445	514	582	651	856
8th	300	346	392	439	577
9th	146	168	190	213	280
10th	64	74	84	94	123

and thereafter.

(d) Each recreational vehicle or truck camper shall be taxed as a recreational vehicle or truck camper in its first year of manufacture throughout the calendar year in which a recreational vehicle or truck camper of that make and model is first offered for sale in Indiana. However, a recreational vehicle or truck camper of a make and model first offered for sale in Indiana after August 1 of any year continues to be taxed as a recreational vehicle or truck camper in its first year of manufacture until the end of the calendar year following the year in which it is first offered for sale. Thereafter, the recreational vehicle or truck camper shall be considered to have aged one (1) year as of January 1 of each year.

SECTION 43. IC 6-8-11-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 9. (a) Except as otherwise provided by statute, contract, or a collective bargaining agreement, an employer may establish a medical care savings account program for the employer's employees.

(b) An employer that establishes a medical care savings account program under this chapter shall, before making any contributions to medical care savings accounts under the program, inform all employees in writing of the federal tax status of contributions made under this chapter.

(c) Except as provided in sections **11.5,** 17, and 23 of this chapter, the:

(1) principal contributed by an employer to a medical care savings account **before January 1, 2016;**

(2) interest earned on money on deposit in a medical care savings account; and

(3) money:

(A) paid out of a medical care savings account for eligible medical expenses; or

(B) used to reimburse an employee for eligible medical expenses;

are exempt from taxation as income of the employee under IC 6-3-2-18.

SECTION 44. IC 6-8-11-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: **Sec. 11.5. Notwithstanding sections 17 and 23 of this chapter, if an employer contributes money to an account under this chapter after December 31, 2015, for which no exemption applies under IC 6-3-2-18(c):**

(1) the money may be withdrawn from the account by the employee at any time and for any purpose without a penalty;

(2) the withdrawal of the money by the employee is not income to the employee that is subject to taxation under IC 6-3-1 through IC 6-3-7; and

(3) income earned on the money while it is in the account is not income to the employee that is subject to taxation under IC 6-3-1 through IC 6-3-7.

SECTION 45. IC 6-8-11-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 17. (a) An employee may, under this section, withdraw money from the employee's medical care savings account for a purpose other than the purposes set forth in section 13 of this chapter.

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

(1) the money withdrawn is income to the individual that is subject to taxation under IC 6-3-2-18(e); but

(2) the withdrawal does not:

(A) subject the employee to a penalty; or

(B) make the interest earned on the account during the tax year taxable as income of the employee.

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

(1) The amount of the withdrawal is income to the individual that is subject to taxation under IC 6-3-2-18(e).

(2) The administrator shall withhold and, on behalf of the employee, pay a penalty to the department of state revenue equal to ten percent (10%) of the amount of the withdrawal.

(3) All interest earned on the balance in the account during the tax year in which a withdrawal under this subsection is made is income to the individual that is subject to taxation under IC 6-3-2-18(f).

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

SECTION 46. IC 6-8-11-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 23. (a) This section applies when the employment of an individual by an employer that participates in a medical care savings account program is terminated.

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

(c) If:

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

(2) the account administrator does not agree to retain the account;

the former employer shall, within ninety (90) days after the former employee's final day of employment, pay the money in the former employee's medical care savings account to the former employee under subsection (d).

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

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

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

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

SECTION 47. IC 6-8.1-3-17, AS AMENDED BY P.L.236-2005, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

JULY 1, 2015]: Sec. 17. (a) Before an original tax appeal is filed with the tax court under IC 33-26, the commissioner may settle any tax liability dispute if a substantial doubt exists as to:

(1) the constitutionality of the tax under the Constitution of the State of Indiana;
(2) the right to impose the tax;
(3) the correct amount of tax due;
(4) the ~~collectibility~~ **collectability** of the tax; or
(5) whether the taxpayer is a resident or nonresident of Indiana.

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

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

(1) for any tax liability resulting from the taxpayer's failure to comply with IC 6-3-1-3.5(b)(3) with regard to the tax imposed by IC 4-33-13 **or IC 4-35-8; or**
(2) if the taxpayer participated in any previous amnesty program under:
(A) this section (as in effect on December 31, 2014); or
(B) IC 6-2.5-14.

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

(1) shall abate and not seek to collect any interest, penalties, collection fees, or costs that would otherwise be applicable;
(2) shall release any liens imposed;
(3) shall not seek civil or criminal prosecution against any individual or entity; and
(4) shall not issue, or, if issued, shall withdraw, an assessment, a demand notice, or a warrant for payment under **IC 6-8.1-5-1,** IC 6-8.1-5-3, IC 6-8.1-8-2, or another law against any individual or entity;

for listed taxes due from the taxpayer for the tax period for which amnesty has been granted to the taxpayer. Amnesty granted under this subsection is binding on the state and its agents. However, failure to pay to the department all listed taxes due for a tax period invalidates any amnesty granted under this subsection for that tax period. The department shall conduct an assessment of the impact of the tax amnesty program on tax collections and an analysis of the costs of administering the tax amnesty program. As soon as practicable after the end of the tax amnesty period, the department shall submit a copy of the assessment and analysis to the legislative council in an electronic format under IC 5-14-6. The department shall enforce an agreement with a taxpayer that prohibits the taxpayer from receiving amnesty in another amnesty program.

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

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

SECTION 48. IC 6-8.1-3-24 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: **Sec. 24. (a) The department of state revenue may adopt emergency rules under IC 4-22-2-37.1 to carry out a tax amnesty program under section 17 of this chapter.**

(b) Notwithstanding IC 4-22-2-37.1(g), an emergency rule

adopted by the department under IC 4-22-2-37.1 expires on the date specified in the emergency rule.

(c) This section expires July 1, 2017.

SECTION 49. IC 6-8.1-10-12, AS AMENDED BY P.L.1-2009, SECTION 59, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 12. (a) This section applies to a penalty related to a tax liability to the extent that the:

(1) tax liability is for a listed tax;

(2) tax liability was due and payable, as determined under IC 6-8.1-3-17(d), for a tax period ending before ~~July 1, 2004;~~ **January 1, 2013;**

(3) department establishes an amnesty program for the tax liability under IC 6-8.1-3-17(c);

(4) individual or entity from which the tax liability is due was eligible to participate in the amnesty program described in subdivision (3); and

(5) tax liability is not paid:

(A) in conformity with a payment program acceptable to the department that provides for payment of the unpaid listed taxes in full in the manner and time established in a written payment program agreement entered into between the department and the taxpayer under IC 6-8.1-3-17(c); or

(B) if clause (A) does not apply, before the end of the amnesty period established by the department.

(b) Subject to subsection (c), if a penalty is imposed or otherwise calculated under any combination of:

(1) IC 6-8.1-1-8;

(2) section 2.1 of this chapter;

(3) section 3 of this chapter;

(4) section 3.5 of this chapter;

~~(4)~~ **(5)** section 4 of this chapter;

~~(5)~~ **(6)** section 5 of this chapter;

~~(6)~~ **(7)** section 6 of this chapter;

~~(7)~~ **(8)** section 7 of this chapter;

~~(8)~~ **(9)** section 9 of this chapter; or

~~(9)~~ **(10)** IC 6-6;

an additional penalty is imposed under this section. The amount of the additional penalty imposed under this section is equal to the sum of the penalties imposed or otherwise calculated under the provisions listed in subdivisions (1) through ~~(9).~~ **(10).**

(c) The additional penalty provided by subsection (b) does not apply if all of the following apply:

(1) The department imposes a penalty on a taxpayer or otherwise calculates the penalty under the provisions described in subsection (b)(1) through ~~(b)(9).~~ **(b)(10).**

(2) The taxpayer against whom the penalty is imposed:

(A) timely files an original tax appeal in the tax court under IC 6-8.1-5-1; and

(B) contests the department's imposition of the penalty or the tax on which the penalty is based.

(3) The taxpayer meets all other jurisdictional requirements to initiate the original tax appeal.

(4) Either the:

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

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

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

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

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

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

SECTION 50. IC 8-24-17-14, AS ADDED BY P.L.182-2009(ss), SECTION 282, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 14. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

(1) definitions;

(2) declarations of estimated tax;

(3) filing of returns;

(4) remittances;

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

(6) penalties and interest;

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

(8) exemptions and deductions;

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

(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 not apply to the improvement tax.

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

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

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

SECTION 51. [EFFECTIVE UPON PASSAGE] **(a) The legislative council is urged to assign to an appropriate study committee during the 2015 legislative interim the topic of virtual charter schools.**

(b) If the topic described in subsection (a) is assigned to a study committee, the study committee shall issue a final report to the legislative council in an electronic format under IC 5-14-6 not later than November 1, 2015.

(c) This SECTION expires January 1, 2016.

SECTION 52. [EFFECTIVE JANUARY 1, 2016] **(a) IC 6-3-1-3.5, IC 6-3-2-2, IC 6-3-2-13, IC 6-3-2-18, and IC 6-3.1-21-6, all as amended by this act, apply to taxable years beginning after December 31, 2015.**

(b) IC 6-3-2-5, IC 6-3-2-5.3, IC 6-3-2-14.5, 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 repealed by this act, do not apply to taxable years beginning after December 31, 2015.

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

(d) This SECTION expires July 1, 2019.

SECTION 53. [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)] **(a) IC 6-3-2-3.7, as amended by this act, applies to taxable years beginning after December 31, 2014.**

(b) This SECTION expires January 1, 2018.

SECTION 54. **An emergency is declared for this act.**

COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 441, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 12, delete lines 12 through 42, begin a new paragraph and insert:

"SECTION 10. IC 6-2.5-5-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) Transactions involving agricultural machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for ~~his~~ **the person's** direct use in the direct production, extraction, harvesting, or processing of agricultural commodities **(including timber harvesting), and including equipment purchased for the purpose of transporting materials into such activities from an onsite location.**

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

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

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

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

SECTION 11. IC 6-2.5-5-3, AS AMENDED BY P.L.211-2007, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 3. (a) For purposes of this section:

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

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

(b) Except as provided in subsection (c), transactions involving manufacturing machinery, tools, and equipment are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property, **including equipment purchased for the purpose of transporting materials into such activities from an onsite**

location.

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

SECTION 12. IC 6-2.5-5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 4. Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for ~~his~~ **the person's** direct use in the direct production of the machinery, tools, or equipment described in section 2 or 3 of this chapter, **including equipment purchased for the purpose of transporting materials into such activities from an onsite location.**".

Delete pages 13 through 19.

Page 20, delete lines 1 through 38.

Page 35, after line 42, begin a new paragraph and insert:

"SECTION 23. IC 6-3-2-3.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]: Sec. 3.7. **(a)** Each taxable year, an individual **or the individual's surviving spouse** is entitled to an adjusted gross income tax deduction equal to the remainder of:

(1) the:

(A) first ~~two~~ **eight** thousand dollars ~~($2,000)~~ **($8,000), for taxable years beginning after December 31, 2014, and before January 1, 2016; and**

(B) first sixteen thousand dollars ($16,000), for taxable years beginning after December 31, 2015;

which is received by the individual **or the individual's surviving spouse** during the taxable year from a federal civil service annuity, and which is included in adjusted gross income under Section 62 of the Internal Revenue Code; minus

(2) the total amount of Social Security benefits and railroad retirement benefits received by the individual **or the individual's surviving spouse** during the taxable year.

(b) ~~However,~~ The individual is only entitled to the deduction provided by this section if the individual is at least sixty-two (62) years of age before the end of the taxable year. **This subsection does not apply to the individual's surviving spouse.**".

Page 44, delete lines 34 through 42.

Page 45, delete lines 1 through 31.

Page 46, delete lines 28 through 42, begin a new paragraph and insert:

"SECTION 36. IC 6-3.1-24-9, AS AMENDED BY P.L.288-2013, SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 9. (a) The total amount of tax credits that may be approved by the corporation under this chapter in a particular calendar year for qualified investment capital provided during that calendar year may not exceed twelve million five hundred thousand dollars ($12,500,000). An amount of an unused credit carried over by a taxpayer from a previous calendar year may not be considered in determining the amount of proposed investments that the Indiana economic development corporation may certify under this chapter.

(b) Notwithstanding the other provisions of this chapter, a taxpayer is not entitled to a credit for providing qualified investment capital to a qualified Indiana business after December 31, ~~2016.~~ **2020.** However, this subsection may not be construed to prevent a taxpayer from carrying over to a taxable year beginning after December 31, ~~2016,~~ **2020,** an unused tax credit attributable to an investment occurring before January 1, ~~2017.~~ **2021.**

SECTION 37. IC 6-3.1-26-8.5, AS ADDED BY P.L.288-2013, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 8.5. For purposes of this chapter, a "logistics investment" means an expenditure for one (1) or more of the following purposes:

(1) Making an improvement to real property located in Indiana that is related to constructing a new, or modernizing an existing, transportation or logistical distribution facility.

(2) Improving the transportation of goods on Indiana highways, limited to the following:

(A) Upgrading terminal facilities that serve tractors (as defined in IC 9-13-2-180) and semitrailers (as defined in IC 9-13-2-164).

(B) Improving paved access to terminal facilities.

(C) Adding new maintenance areas.

(D) Purchasing new shop equipment having a useful life of at least five (5) years, such as diagnostic equipment, oil delivery systems, air compressors, and truck lifts.

(3) Improving the transportation of goods by rail, limited to the following:

(A) Upgrading or building mainline, secondary, yard, and spur trackage.

(B) Upgrading or replacing bridges to obtain higher load bearing capability.

(C) Upgrading or replacing grade crossings to increase visibility for motorists, including improvements to roadway surfaces, signage and traffic signals, and signal system upgrades and replacements to meet Federal Railroad Administration Positive Train Control regulations.

(D) Upgrading fueling facilities, including upgrading fueling and sanding locomotives or tanks, pumps, piping, containment areas, track pans, lighting, and security.

(E) Upgrading team track facilities, including railroad owned warehouses, loading docks, and transfer stations for loading and unloading freight.

(F) Upgrading shop facilities, including upgrading structures, inspection pits, drop pits, cranes, employee fall protection, lighting, climate control, and break rooms.

(G) Upgrading or building passing lines or automated switches on a rail line.

(4) Improving the transportation of goods by water, limited to the following:

(A) Upgrading or replacing a permanent waterside dock.

(B) Upgrading or building a new terminal facility that serves waterborne transportation.

(C) Improving paved access to a waterborne terminal facility.

(D) Purchasing new equipment having a useful life of at least five (5) years, including diagnostic equipment, an oil delivery system, an air compressor, or a barge lift.

(5) Improving the transportation of goods by air, limited to the following:

(A) Upgrading or building a new cargo building, apron, hangar, warehouse facility, freight forwarding facility, cross-dock distribution facility, or aircraft maintenance facility.

(B) Improving paved access to a terminal or cargo facility.

(C) Upgrading a fueling facility.

(6) Improving warehousing and logistical capabilities, limited to the following:

(A) Upgrading warehousing facilities, including upgrading loading dock doors and loading dock plates, fueling equipment, fueling installations, or dolly drop pads for trailers.

(B) Improving logistical distribution by purchasing new equipment, limited to the following:

(i) Picking modules (systems of racks, conveyors, and controllers).

(ii) Racking equipment.

(iii) Warehouse management systems, including scanning or coding equipment.
(iv) Security equipment.
(v) Temperature control and monitoring equipment.
(vi) Dock levelers and pallet levelers and inverters.
(vii) Conveyors and related controllers, scales, and like equipment.
(viii) Packaging equipment.
(ix) Moving, separating, sorting, and picking equipment.

A logistics investment does not include an expenditure for maintenance expenses.

SECTION 38. IC 6-3.1-26-26, AS AMENDED BY P.L.137-2012, SECTION 61, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 26. (a) This chapter applies to taxable years beginning after December 31, 2003.

(b) Notwithstanding the other provisions of this chapter, the corporation may not approve a credit for a qualified investment made after December 31, ~~2016.~~ **2020.** However, this section may not be construed to prevent a taxpayer from carrying an unused tax credit attributable to a qualified investment made before January 1, ~~2017,~~ **2021,** forward to a taxable year beginning after December 31, ~~2016,~~ **2020,** in the manner provided by section 15 of this chapter.".

Page 47, delete lines 1 through 3.

Page 63, delete lines 18 through 25.

Page 63, after line 38, begin a new paragraph and insert:

"SECTION 53. [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)] **(a) IC 6-3-2-3.7, as amended by this act, applies to taxable years beginning after December 31, 2014.**

(b) This SECTION expires January 1, 2018.

SECTION 54. **An emergency is declared for this act.**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 441 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 7, Nays 4.

SENATE MOTION

Madam President: I move that Senate Bill 441 be amended to read as follows:

Page 12, line 18, after "and including" insert "**material handling**".

Page 13, line 2, after "including" insert "**material handling**".

Page 13, line 14, after "including" insert "**material handling**".

(Reference is to SB 441 as printed February 13, 2015.)

HERSHMAN

COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 441, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 10, delete lines 22 through 42.

Page 11, delete lines 1 through 25.

Page 28, between lines 20 and 21, begin a new paragraph and insert:

"SECTION 13. IC 6-3-2-2, AS AMENDED BY P.L.233-2013, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 2. (a) With regard to corporations and nonresident persons, "adjusted gross income derived from sources within Indiana", for the purposes of this article, shall mean and include:

(1) income from real or tangible personal property located in this state;

(2) income from doing business in this state;

(3) income from a trade or profession conducted in this state;

(4) compensation for labor or services rendered within this state; and

(5) income from stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other intangible personal property to the extent that the income is apportioned to Indiana under this section or if the income is allocated to Indiana or considered to be derived from sources within Indiana under this section.

Income from a pass through entity shall be characterized in a manner consistent with the income's characterization for federal income tax purposes and shall be considered Indiana source income as if the person, corporation, or pass through entity that received the income had directly engaged in the income producing activity. Income that is derived from one (1) pass through entity and is considered to pass through to another pass through entity does not change these characteristics or attribution provisions. In the case of nonbusiness income described in subsection (g), only so much of such income as is allocated to this state under the provisions of subsections (h) through (k) shall be deemed to be derived from sources within Indiana. In the case of business income, only so much of such income as is apportioned to this state under the provision of subsection (b) shall be deemed to be derived from sources within the state of Indiana. In the case of compensation of a team member (as defined in section 2.7 of this chapter), only the portion of income determined to be Indiana income under section 2.7 of this chapter is considered derived from sources within Indiana. In the case of a corporation that is a life insurance company (as defined in Section 816(a) of the Internal Revenue Code) or an insurance company that is subject to tax under Section 831 of the Internal Revenue Code, only so much of the income as is apportioned to Indiana under subsection (r) is considered derived from sources within Indiana.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the taxable year. However, with respect to a foreign corporation, the denominator does not include the average value of real or tangible personal property owned or rented and used in a place that is outside the United States. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals. The average of property shall be determined by averaging the values at the beginning and ending of the taxable year, but the department may require the averaging of monthly values during the taxable year if reasonably required to reflect properly the average value of the taxpayer's property.

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

(1) the individual's service is performed entirely within the state;

(2) the individual's service is performed both within and without this state, but the service performed without this state is incidental to the individual's service within this state; or

(3) some of the service is performed in this state and:

(A) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in this state; or

(B) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual is a resident of this state.

(e) The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Sales include receipts from intangible property and receipts from the sale or exchange of intangible property. However, with respect to a foreign corporation, the denominator does not include sales made in a place that is outside the United States. Receipts from intangible personal property are derived from sources within Indiana if the receipts from the intangible personal property are attributable to Indiana under section 2.2 of this chapter. Regardless of the f.o.b. point or other conditions of the sale, sales of tangible personal property are in this state if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Capital gains and losses from sales of tangible personal property are allocable to this state if:
(i) the property had a situs in this state at the time of the sale; or
(ii) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

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

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

(k)(1) Patent and copyright royalties are allocable to this state:
(i) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or
(ii) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

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

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts

from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

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

(1) separate accounting;

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

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

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

(m) In the case of two (2) or more organizations, trades, or businesses owned or controlled directly or indirectly by the same interests, the department shall distribute, apportion, or allocate the income derived from sources within the state of Indiana between and among those organizations, trades, or businesses in order to fairly reflect and report the income derived from sources within the state of Indiana by various taxpayers.

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

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

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

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

(1) a foreign corporation; or

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

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

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

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

(1) the numerator of which is the direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in the state; and

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

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

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

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

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

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

Indiana.

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

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

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

(t) Sales of a broadcaster that arise from or relate to the broadcast or other distribution of film programming or radio programming by any means are in this state if the commercial domicile of the broadcaster's customer is in this state. Sales to which this subsection applies include income from advertising and licensing income from distributing film programming or radio programming. For purposes of this subsection, the following definitions apply:

(1) "Broadcaster" means a taxpayer that is a television or radio station licensed by the Federal Communications Commission, a television or radio broadcast network, a cable program network, or a television distribution company. The term "broadcaster" does not include a cable service provider or a direct broadcast satellite system.

(2) "Commercial domicile" has the meaning set forth in IC 6-3-1-22.

(3) "Customer" means a person, corporation, partnership, limited liability company, or other entity, such as an advertiser or licensee, that has a direct connection or contractual relationship with the broadcaster under which revenue is derived by the broadcaster. The term "customer" does not include an advertising agency placing advertising on behalf of its client. The client of such an advertising agency is the customer.

(4) "Film programming" means one (1) or more performances, events, or productions (or segments of performances, events, or productions) intended to be distributed for visual and auditory perception, including but not limited to news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.

(5) "Radio programming" means one (1) or more performances, events, or productions (or segments of performances, events, or productions) intended to be distributed for auditory perception, including but not limited to news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.".

Page 32, between lines 15 and 16, begin a new paragraph and insert:

"SECTION 21. IC 6-3-2-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 18. (a) As used in this section, "eligible medical expense" has the meaning set forth in IC 6-8-11-3.

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

(c) **This subsection applies only to money deposited by an employer in a medical care savings account before January 1, 2016.** Except as provided in subsection (g), the amount of money deposited by an employer in a medical care savings account established for an employee under IC 6-8-11 is exempt from taxation under IC 6-3-1 through IC 6-3-7 as income of the employee in the taxable year in which the money is deposited in the account.

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

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

(2) either:

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

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

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

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

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

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

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

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

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

(1) section 106 of the Internal Revenue Code;
(2) section 220 of the Internal Revenue Code; or
(3) any other section of the Internal Revenue Code;

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

Page 33, line 36, after "any" insert "**a**".

Page 37, after line 42, begin a new paragraph and insert:

"SECTION 25. IC 6-3.1-16-7, AS AMENDED BY P.L.166-2014, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 7. (a) Subject to section 14 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer completes the preservation or rehabilitation of historic property and obtains the certifications required under section 8 of this chapter.

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

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

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

(1) own and rehabilitate a historic property jointly; and
(2) file separate tax returns;

the husband and wife may take the credit in equal shares or one (1) spouse may take the whole credit.

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

(e) This chapter expires January 1, 2019.".

Page 38, between lines 29 and 30, begin a new paragraph and insert:

"SECTION 28. IC 6-3.1-21-6, AS AMENDED BY P.L.229-2011, SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 6. (a) Except as provided by subsection (b), an individual who is eligible for an earned income tax credit under Section 32 of the Internal Revenue Code ~~as it existed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312),~~ is eligible for a credit under this chapter equal to nine percent (9%) of the amount of the federal earned income tax credit that the individual:

(1) is eligible to receive in the taxable year; and

(2) claimed for the taxable year;

under Section 32 of the Internal Revenue Code. ~~as it existed before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312).~~

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

(1) the amount determined under subsection (a); multiplied by

(2) the quotient of the taxpayer's income taxable in Indiana divided by the taxpayer's total income.

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

SECTION 29. IC 6-3.1-22-8, AS AMENDED BY P.L.166-2014, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 8. (a) Subject to section 14 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer completes the preservation or rehabilitation of historic property and obtains the certifications required under section 9 of this chapter.

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

(1) the taxpayer makes for the preservation or rehabilitation of historic property; and

(2) are approved by the office.

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

(1) own and rehabilitate a historic property jointly; and

(2) file separate tax returns;

the husband and wife may take the credit in equal shares or one (1) spouse may take the whole credit.

(d) A taxpayer may not claim a credit under this chapter for qualified expenditures approved in a taxable year beginning after December 31, 2015.

(e) This chapter expires January 1, 2033.".

Page 53, between lines 14 and 15, begin a new paragraph and insert:

"SECTION 42. IC 6-8-11-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 9. (a) Except as otherwise provided by statute, contract, or a collective bargaining agreement, an employer may establish a medical care savings account program for the employer's employees.

(b) An employer that establishes a medical care savings account program under this chapter shall, before making any contributions to medical care savings accounts under the program, inform all employees in writing of the federal tax status of contributions made under this chapter.

(c) Except as provided in sections **11.5,** 17, and 23 of this chapter, the:

(1) principal contributed by an employer to a medical care savings account **before January 1, 2016;**

(2) interest earned on money on deposit in a medical care savings account; and

(3) money:

(A) paid out of a medical care savings account for eligible medical expenses; or

(B) used to reimburse an employee for eligible medical expenses;

are exempt from taxation as income of the employee under IC 6-3-2-18.

SECTION 43. IC 6-8-11-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: **Sec. 11.5. Notwithstanding sections 17 and 23 of this chapter, if an employer contributes money to an account under this chapter after December 31, 2015, for which no exemption applies under IC 6-3-2-18(c):**

(1) the money may be withdrawn from the account by the employee at any time and for any purpose without a penalty;

(2) the withdrawal of the money by the employee is not income to the employee that is subject to taxation under IC 6-3-1 through IC 6-3-7; and

(3) income earned on the money while it is in the account is not income to the employee that is subject to taxation under IC 6-3-1 through IC 6-3-7.

SECTION 44. IC 6-8-11-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 17. (a) An employee may, under this section, withdraw money from the employee's medical care savings account for a purpose other than the purposes set forth in section 13 of this chapter.

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

(1) the money withdrawn is income to the individual that is subject to taxation under IC 6-3-2-18(e); but

(2) the withdrawal does not:

(A) subject the employee to a penalty; or

(B) make the interest earned on the account during the tax year taxable as income of the employee.

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

(1) The amount of the withdrawal is income to the individual that is subject to taxation under IC 6-3-2-18(e).

(2) The administrator shall withhold and, on behalf of the employee, pay a penalty to the department of state revenue equal to ten percent (10%) of the amount of the withdrawal.

(3) All interest earned on the balance in the account during the tax year in which a withdrawal under this subsection is made is income to the individual that is subject to taxation under IC 6-3-2-18(f).

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

SECTION 45. IC 6-8-11-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 23. (a) This section applies when the employment of an individual by an employer that participates in a medical care savings account program is terminated.

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

(c) If:

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

(2) the account administrator does not agree to retain the account;

the former employer shall, within ninety (90) days after the former employee's final day of employment, pay the money in the former employee's medical care savings account to the former employee under subsection (d).

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

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

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

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

Page 57, delete lines 24 through 36, begin a new paragraph and insert:

"SECTION 50. [EFFECTIVE UPON PASSAGE] **(a) The legislative council is urged to assign to an appropriate study committee during the 2015 legislative interim the topic of virtual charter schools.**

(b) If the topic described in subsection (a) is assigned to a study committee, the study committee shall issue a final report to the legislative council in an electronic format under IC 5-14-6 not later than November 1, 2015.

(c) This SECTION expires January 1, 2016.

SECTION 51. [EFFECTIVE JANUARY 1, 2016] **(a) IC 6-3-1-3.5, IC 6-3-2-2, IC 6-3-2-13, IC 6-3-2-18, and IC 6-3.1-21-6, all as amended by this act, apply to taxable years beginning after December 31, 2015.**

(b) IC 6-3-2-5, IC 6-3-2-5.3, IC 6-3-2-14.5, 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 repealed by this act, do not apply to taxable years beginning after December 31, 2015.

(c) The legislative council shall provide for the preparation and introduction of legislation in the 2016 session of the general assembly to correct cross references and make other changes, as necessary, to bring provisions that are not added or amended by

this act into conformity with this act.

(d) This SECTION expires July 1, 2019.".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 441 as reprinted February 18, 2015.)

BROWN T

Committee Vote: yeas 22, nays 0.

HOUSE MOTION

Mr. Speaker: I move that Engrossed Senate Bill 441 be amended to read as follows:

Page 47, delete lines 18 through 38.

Renumber all SECTIONS consecutively.

(Reference is to ESB 441 as printed April 3, 2015.)

CLERE

HOUSE MOTION

Mr. Speaker: I move that Engrossed Senate Bill 441 be amended to read as follows:

Page 50, between lines 18 and 19, begin a new paragraph and insert:

"SECTION 34. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]:

Chapter 34. Prison Investment Income Tax Credit

Sec. 1. For purposes of this chapter:

"Agreement" means any agreement entered into with the commissioner of the department of correction under IC 11-10-7-2.

"Pass through entity" means a:

(1) corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);

(2) partnership;

(3) trust;

(4) limited liability company; or

(5) limited liability partnership.

"Qualified property" means any machinery, tools, equipment, building, structure, or other tangible property considered qualified property under Section 38 of the Internal Revenue Code that is used as an integral part of the operation contemplated by an agreement and that is installed, used, or operated exclusively on property managed by the department of correction.

"State income tax liability" means a taxpayer's total income tax liability incurred under IC 6-3, as computed after application of credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

"Taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has state tax liability. The term includes a pass through entity.

"Wages paid" includes all earnings surrendered to the department of correction under IC 11-10-7-5.

Sec. 2. (a) A taxpayer who enters into an agreement is entitled to receive an income tax credit for a taxable year equal to:

(1) the taxpayer's state income tax liability for the taxable year;

(2) an amount equal to the sum of:

(A) fifty percent (50%) of any investment in qualified property made by the taxpayer during the taxable year as part of the agreement; plus

(B) twenty-five percent (25%) of the wages paid to inmates during the taxable year as part of the agreement; or

(3) the following:

(A) for taxable years beginning in 2015 and 2016, one hundred thousand dollars ($100,000);

(B) for taxable years beginning in 2017 and 2018, fifty thousand dollars ($50,000); or

(C) for a taxable year beginning in 2019, twenty-five thousand dollars ($25,000);

whichever is least.

(b) A tax credit shall be allowed under this chapter only for the taxable year of the taxpayer during which:

(1) the investment in qualified property is made in accordance with Section 38 of the Internal Revenue Code; or

(2) the wages are paid to inmates;

as part of an agreement.

(c) A tax credit shall not be allowed under this chapter for a taxable year beginning after 2019.

Sec. 3. (a) A taxpayer is liable for a recapture tax if qualified

property is converted to any use, other than the use contemplated in the agreement, within three (3) years after the end of the taxable year in which a tax credit was allowed for investment in that qualified property. The recapture tax equals:

(1) seventy-five percent (75%) of the tax credit if the use is converted not later than one (1) year after the end of the taxable year in which the tax credit was allowed;

(2) fifty percent (50%) of the tax credit if the use is converted after one (1) year and not later than two (2) years after the end of the taxable year in which the tax credit was allowed; or

(3) twenty-five percent (25%) of the tax credit if the use is converted after two (2) years and not later than three (3) years after the end of the taxable year in which the tax credit was allowed.

(b) Any recapture tax liability must be reported by the taxpayer on his annual state income tax return for the taxable year during which the use was converted.

(c) The commissioner of the department of correction shall report any change in the use of qualified property to the department.

Sec. 4. (a) Before entering into an agreement, the commissioner of the department of correction shall thoroughly consider the effect of the agreement upon the workforce in the community where the correctional institution is located and shall not enter into any agreement if it will cause increased unemployment in the community. The taxpayer shall have the burden of proving by a preponderance of the evidence that the agreement shall not increase unemployment in the community where the correctional institution is located.

(b) The commissioner shall verify any information related to the credit provided by this chapter when requested to do so by the department of state revenue.

Sec. 5. If a pass through entity is entitled to a credit under this chapter but does not have state tax liability against which the tax credit may be applied, an individual who is a shareholder, partner, beneficiary, or member of the pass through entity is entitled to a tax credit equal to:

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

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

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

Sec. 6. This chapter expires July 1, 2024.".

Renumber all SECTIONS consecutively.

(Reference is to ESB 441 as printed April 3, 2015.)

AUSTIN