



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.

ES 441—LS 7062/DI 120



Digest Continued

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.

ES 441—LS 7062/DI 120



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:

1 SECTION 1. IC 6-1.1-12-17.4, AS AMENDED BY P.L.1-2009,
2 SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2015]: Sec. 17.4. **(a) This section applies only to property
4 taxes imposed for an assessment date before January 1, 2016.**
5 ~~(a)~~ **(b)** Except as provided in section 40.5 of this chapter, a World
6 War I veteran who is a resident of Indiana is entitled to have the sum
7 of eighteen thousand seven hundred twenty dollars (\$18,720) deducted
8 from the assessed valuation of the real property (including a mobile
9 home that is assessed as real property), mobile home that is not
10 assessed as real property, or manufactured home that is not assessed as
11 real property the veteran owns or is buying under a contract that
12 requires the veteran to pay property taxes on the real property, if the
13 contract or a memorandum of the contract is recorded in the county
14 recorder's office, if:
15 (1) the real property, mobile home, or manufactured home is the
16 veteran's principal residence;

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

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

7 (4) the veteran:

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

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

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

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

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

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

29 (f) **This section expires January 1, 2017.**

30 SECTION 2. IC 6-1.1-12-17.5, AS AMENDED BY P.L.183-2014,
 31 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 32 JULY 1, 2015]: Sec. 17.5. (a) Except as provided in section 17.8 of this
 33 chapter and subject to section 45 of this chapter, a veteran who desires
 34 to claim the deduction provided in section 17.4 of this chapter (**before**
 35 **its expiration**) must file a sworn statement, on forms prescribed by the
 36 department of local government finance, with the auditor of the county
 37 in which the real property, mobile home, or manufactured home is
 38 assessed. With respect to real property, the veteran must complete and
 39 date the statement in the calendar year for which the veteran wishes to
 40 obtain the deduction and file the statement with the county auditor on
 41 or before January 5 of the immediately succeeding calendar year. With
 42 respect to a mobile home that is not assessed as real property or a



1 manufactured home that is not assessed as real property, the statement
 2 must be filed during the twelve (12) months before March 31 of each
 3 year for which the individual wishes to obtain the deduction. The
 4 statement may be filed in person or by mail. If mailed, the mailing must
 5 be postmarked on or before the last day for filing.

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

- 11 (1) a description and the assessed value of the real property,
 12 mobile home, or manufactured home;
- 13 (2) the veteran's full name and complete residence address;
- 14 (3) the record number and page where the contract or
 15 memorandum of the contract is recorded, if the individual is
 16 buying the real property, mobile home, or manufactured home on
 17 a contract that provides that the individual is to pay property taxes
 18 on the real property, mobile home, or manufactured home; and
- 19 (4) any additional information ~~which that~~ the department of local
 20 government finance may require.

21 SECTION 3. IC 6-1.1-12-17.8, AS AMENDED BY THE
 22 TECHNICAL CORRECTIONS BILL OF THE 2015 GENERAL
 23 ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 24 JULY 1, 2015]: Sec. 17.8. (a) An individual who receives a deduction
 25 provided under section 1, 9, 11, 13, 14, 16, 17.4 (**before its**
 26 **expiration**), or 37 of this chapter in a particular year and who remains
 27 eligible for the deduction in the following year is not required to file a
 28 statement to apply for the deduction in the following year. However, for
 29 purposes of a deduction under section 37 of this chapter, the county
 30 auditor may, in the county auditor's discretion, terminate the deduction
 31 for assessment dates after January 15, 2012, if the individual does not
 32 comply with the requirement in IC 6-1.1-22-8.1(b)(9) (**expired**
 33 **January 1, 2015**), as determined by the county auditor, before January
 34 1, 2013. Before the county auditor terminates the deduction because
 35 the taxpayer claiming the deduction did not comply with the
 36 requirement in IC 6-1.1-22-8.1(b)(9) (**expired January 1, 2015**) before
 37 January 1, 2013, the county auditor shall mail notice of the proposed
 38 termination of the deduction to:

- 39 (1) the last known address of each person liable for any property
 40 taxes or special assessment, as shown on the tax duplicate or
 41 special assessment records; or
- 42 (2) the last known address of the most recent owner shown in the



1 transfer book.

2 (b) An individual who receives a deduction provided under section
 3 1, 9, 11, 13, 14, 16, or 17.4 (**before its expiration**) of this chapter in a
 4 particular year and who becomes ineligible for the deduction in the
 5 following year shall notify the auditor of the county in which the real
 6 property, mobile home, or manufactured home for which the individual
 7 claims the deduction is located of the individual's ineligibility in the
 8 year in which the individual becomes ineligible. An individual who
 9 becomes ineligible for a deduction under section 37 of this chapter
 10 shall notify the county auditor of the county in which the property is
 11 located in conformity with section 37 of this chapter.

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

17 (d) An individual who receives a deduction provided under section
 18 1, 9, 11, 13, 14, 16, 17.4 (**before its expiration**), or 37 of this chapter
 19 for property that is jointly held with another owner in a particular year
 20 and remains eligible for the deduction in the following year is not
 21 required to file a statement to reapply for the deduction following the
 22 removal of the joint owner if:

- 23 (1) the individual is the sole owner of the property following the
 24 death of the individual's spouse;
 25 (2) the individual is the sole owner of the property following the
 26 death of a joint owner who was not the individual's spouse; or
 27 (3) the individual is awarded sole ownership of the property in a
 28 divorce decree.

29 However, for purposes of a deduction under section 37 of this chapter,
 30 if the removal of the joint owner occurs before the date that a notice
 31 described in IC 6-1.1-22-8.1(b)(9) (**expired January 1, 2015**) is sent,
 32 the county auditor may, in the county auditor's discretion, terminate the
 33 deduction for assessment dates after January 15, 2012, if the individual
 34 does not comply with the requirement in IC 6-1.1-22-8.1(b)(9)
 35 (**expired January 1, 2015**), as determined by the county auditor,
 36 before January 1, 2013. Before the county auditor terminates the
 37 deduction because the taxpayer claiming the deduction did not comply
 38 with the requirement in IC 6-1.1-22-8.1(b)(9) (**expired January 1,**
 39 **2015**) before January 1, 2013, the county auditor shall mail notice of
 40 the proposed termination of the deduction to the last known address of
 41 each person liable for any property taxes or special assessment, as
 42 shown on the tax duplicate or special assessment records or the last



1 known address of the most recent owner shown in the transfer book.

2 (e) A trust entitled to a deduction under section 9, 11, 13, 14, 16,
3 17.4 **(before its expiration)**, or 37 of this chapter for real property
4 owned by the trust and occupied by an individual in accordance with
5 section 17.9 of this chapter is not required to file a statement to apply
6 for the deduction, if:

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

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

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

16 (f) A cooperative housing corporation (as defined in 26 U.S.C. 216)
17 that is entitled to a deduction under section 37 of this chapter in the
18 immediately preceding calendar year for a homestead (as defined in
19 section 37 of this chapter) is not required to file a statement to apply for
20 the deduction for the current calendar year if the cooperative housing
21 corporation remains eligible for the deduction for the current calendar
22 year. However, the county auditor may, in the county auditor's
23 discretion, terminate the deduction for assessment dates after January
24 15, 2012, if the individual does not comply with the requirement in
25 IC 6-1.1-22-8.1(b)(9) **(expired January 1, 2015)**, as determined by the
26 county auditor, before January 1, 2013. Before the county auditor
27 terminates a deduction because the taxpayer claiming the deduction did
28 not comply with the requirement in IC 6-1.1-22-8.1(b)(9) **(expired**
29 **January 1, 2015)** before January 1, 2013, the county auditor shall mail
30 notice of the proposed termination of the deduction to:

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

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

36 (g) An individual who:

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

40 (2) would have been eligible for a homestead credit under
41 IC 6-1.1-20.9 (repealed) for property taxes imposed for the March
42 1, 2008, or January 15, 2009, assessment date if IC 6-1.1-20.9 had



1 not been repealed;
 2 is not required to file a statement to apply for a deduction under section
 3 37 of this chapter if the individual remains eligible for the deduction in
 4 the current year. An individual who filed for a homestead credit under
 5 IC 6-1.1-20.9 (repealed) for an assessment date after March 1, 2007 (if
 6 the property is real property), or after January 1, 2008 (if the property
 7 is personal property), shall be treated as an individual who has filed for
 8 a deduction under section 37 of this chapter. However, the county
 9 auditor may, in the county auditor's discretion, terminate the deduction
 10 for assessment dates after January 15, 2012, if the individual does not
 11 comply with the requirement in IC 6-1.1-22-8.1(b)(9) (**expired**
 12 **January 1, 2015**), as determined by the county auditor, before January
 13 1, 2013. Before the county auditor terminates the deduction because
 14 the taxpayer claiming the deduction did not comply with the
 15 requirement in IC 6-1.1-22-8.1(b)(9) (**expired January 1, 2015**) before
 16 January 1, 2013, the county auditor shall mail notice of the proposed
 17 termination of the deduction to the last known address of each person
 18 liable for any property taxes or special assessment, as shown on the tax
 19 duplicate or special assessment records, or to the last known address of
 20 the most recent owner shown in the transfer book.

21 (h) If a county auditor terminates a deduction because the taxpayer
 22 claiming the deduction did not comply with the requirement in
 23 IC 6-1.1-22-8.1(b)(9) (**expired January 1, 2015**) before January 1,
 24 2013, the county auditor shall reinstate the deduction if the taxpayer
 25 provides proof that the taxpayer is eligible for the deduction and is not
 26 claiming the deduction for any other property.

27 (i) A taxpayer described in section 37(k) of this chapter is not
 28 required to file a statement to apply for the deduction provided by
 29 section 37 of this chapter for a calendar year beginning after December
 30 31, 2008, if the property owned by the taxpayer remains eligible for the
 31 deduction for that calendar year. However, the county auditor may
 32 terminate the deduction for assessment dates after January 15, 2012, if
 33 the individual residing on the property owned by the taxpayer does not
 34 comply with the requirement in IC 6-1.1-22-8.1(b)(9) (**expired**
 35 **January 1, 2015**), as determined by the county auditor, before January
 36 1, 2013. Before the county auditor terminates a deduction because the
 37 individual residing on the property did not comply with the
 38 requirement in IC 6-1.1-22-8.1(b)(9) (**expired January 1, 2015**) before
 39 January 1, 2013, the county auditor shall mail notice of the proposed
 40 termination of the deduction to:

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



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

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

10 (1) upon verification in the body of the deed or otherwise, has
 11 either:

12 (A) a beneficial interest in the trust; or

13 (B) the right to occupy the real property rent free under the
 14 terms of a qualified personal residence trust created by the
 15 individual under United States Treasury Regulation
 16 25.2702-5(c)(2);

17 (2) otherwise qualifies for the deduction; and

18 (3) would be considered the owner of the real property under
 19 IC 6-1.1-1-9(f) or IC 6-1.1-1-9(g).

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

23 (1) "benefit" refers to a deduction under section 1, 9, 11, 13, 14,
 24 16, 17.4 (**before its expiration**), 26, 29, 31, 33, 34, 37, or 37.5 of
 25 this chapter;

26 (2) "closing agent" means a person that closes a transaction;

27 (3) "customer" means an individual who obtains a loan in a
 28 transaction; and

29 (4) "transaction" means a single family residential:

30 (A) first lien purchase money mortgage transaction; or

31 (B) refinancing transaction.

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

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

42 (1) on one (1) side:



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



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

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

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

11 (2) shall be paid into:

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

14 (B) the home ownership education account established by
15 IC 5-20-1-27, if the closing agent fails to comply with
16 subsection (e) in a transaction that is closed after December
17 31, 2009.

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

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

22 (2) with respect to a transaction that is closed after December 31,
23 2009, the closing agent's failure to input the information or submit
24 the form described in subsection (e).

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

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

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

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

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

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

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

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



- 1 for that next succeeding assessment date.
- 2 (b) For the assessment date referred to in subsection (a)(1), real
 3 property is eligible for any deductions for which the transferor under
 4 subsection (a)(2) was eligible for that assessment date under the
 5 following:
- 6 (1) IC 6-1.1-12-1.
 - 7 (2) IC 6-1.1-12-9.
 - 8 (3) IC 6-1.1-12-11.
 - 9 (4) IC 6-1.1-12-13.
 - 10 (5) IC 6-1.1-12-14.
 - 11 (6) IC 6-1.1-12-16.
 - 12 (7) IC 6-1.1-12-17.4 **(before its expiration)**.
 - 13 (8) IC 6-1.1-12-18.
 - 14 (9) IC 6-1.1-12-22.
 - 15 (10) IC 6-1.1-12-37.
 - 16 (11) IC 6-1.1-12-37.5.
- 17 (c) For the payment date applicable to the assessment date referred
 18 to in subsection (a)(1), real property is eligible for the credit for
 19 excessive residential property taxes under IC 6-1.1-20.6 for which the
 20 transferor under subsection (a)(2) would be eligible for that payment
 21 date if the transfer had not occurred.
- 22 SECTION 7. IC 6-1.5-5-1, AS AMENDED BY P.L.208-2005,
 23 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 24 JULY 1, 2015]: Sec. 1. (a) The Indiana board shall conduct impartial
 25 review of all appeals of final determinations of the department of local
 26 government finance made under the following:
- 27 (1) IC 6-1.1-8.
 - 28 (2) IC 6-1.1-14-11.
 - 29 (3) IC 6-1.1-16.
 - 30 (4) IC 6-1.1-26-2.
 - 31 (5) IC 6-1.1-45-6 **(before its expiration)**.
- 32 (b) Each notice of final determination issued by the department of
 33 local government finance under a statute listed in subsection (a) must
 34 give the taxpayer notice of:
- 35 (1) the opportunity for review under this section; and
 - 36 (2) the procedures the taxpayer must follow in order to obtain
 37 review under this section.
- 38 (c) Except as provided in subsection (e), in order to obtain a review
 39 by the Indiana board under this section, the taxpayer must file a petition
 40 for review with the appropriate county assessor not later than forty-five
 41 (45) days after the notice of the department of local government
 42 finance's action is given to the taxpayer.



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

38 (5) Subtract:

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

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



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



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



- 1 qualified military income that was not excluded from the
 2 taxpayer's gross income for federal income tax purposes under
 3 Section 112 of the Internal Revenue Code.
- 4 ~~(22)~~ **(20)** Subtract income that is:
- 5 (A) exempt from taxation under IC 6-3-2-21.7; and
 6 (B) included in the individual's federal adjusted gross income
 7 under the Internal Revenue Code.
- 8 ~~(23)~~ Subtract any amount of a credit (including an advance refund
 9 of the credit) that is provided to an individual under 26 U.S.C.
 10 6428 (federal Economic Stimulus Act of 2008) and included in
 11 the individual's federal adjusted gross income.
- 12 ~~(24)~~ Add any amount of unemployment compensation excluded
 13 from federal gross income, as defined in Section 61 of the Internal
 14 Revenue Code, under Section 85(c) of the Internal Revenue Code.
- 15 ~~(25)~~ Add the amount excluded from gross income under Section
 16 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 17 debt on a qualified principal residence.
- 18 ~~(26)~~ **(21)** Add an amount equal to any income not included in
 19 gross income as a result of the deferral of income arising from
 20 business indebtedness discharged in connection with the
 21 reacquisition after December 31, 2008, and before January 1,
 22 2011, of an applicable debt instrument, as provided in Section
 23 108(i) of the Internal Revenue Code. Subtract the amount
 24 necessary from the adjusted gross income of any taxpayer that
 25 added an amount to adjusted gross income in a previous year to
 26 offset the amount included in federal gross income as a result of
 27 the deferral of income arising from business indebtedness
 28 discharged in connection with the reacquisition after December
 29 31, 2008, and before January 1, 2011, of an applicable debt
 30 instrument, as provided in Section 108(i) of the Internal Revenue
 31 Code.
- 32 ~~(27)~~ Add or subtract the amount necessary to make the adjusted
 33 gross income of any taxpayer that claimed the special allowance
 34 for qualified disaster assistance property under Section 168(n) of
 35 the Internal Revenue Code equal to the amount of adjusted gross
 36 income that would have been computed had the special allowance
 37 not been claimed for the property.
- 38 ~~(28)~~ Add or subtract the amount necessary to make the adjusted
 39 gross income of any taxpayer that made an election under Section
 40 179C of the Internal Revenue Code to expense costs for qualified
 41 refinery property equal to the amount of adjusted gross income
 42 that would have been computed had an election for federal



1 income tax purposes not been made for the year.

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

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

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

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

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

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

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

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

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



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



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

3 (11) Subtract income that is:

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

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

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

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

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

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

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

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



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



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



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

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

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

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

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

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

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

30 (15) (11) Add an amount equal to any exempt insurance income
31 under Section 953(e) of the Internal Revenue Code that is active
32 financing income under Subpart F of Subtitle A, Chapter 1,
33 Subchapter N of the Internal Revenue Code.

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



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

3 (17) (12) Add the amount excluded from federal gross income
4 under Section 103 of the Internal Revenue Code for interest
5 received on an obligation of a state other than Indiana, or a
6 political subdivision of such a state, that is acquired by the
7 taxpayer after December 31, 2011.

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

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

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

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

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

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

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

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



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



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

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

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

12 ~~(15)~~ (11) Add an amount equal to any exempt insurance income
 13 under Section 953(e) of the Internal Revenue Code that is active
 14 financing income under Subpart F of Subtitle A, Chapter 1,
 15 Subchapter N of the Internal Revenue Code.

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

27 ~~(17)~~ (12) Add the amount excluded from federal gross income
 28 under Section 103 of the Internal Revenue Code for interest
 29 received on an obligation of a state other than Indiana, or a
 30 political subdivision of such a state, that is acquired by the
 31 taxpayer after December 31, 2011.

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

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

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

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



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



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

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

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

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

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

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

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

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

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



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

3 ~~(15)~~ (9) Add the amount excluded from federal gross income
4 under Section 103 of the Internal Revenue Code for interest
5 received on an obligation of a state other than Indiana, or a
6 political subdivision of such a state, that is acquired by the
7 taxpayer after December 31, 2011.

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

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

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

24 (2) income from doing business in this state;

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

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

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

34 Income from a pass through entity shall be characterized in a manner
35 consistent with the income's characterization for federal income tax
36 purposes and shall be considered Indiana source income as if the
37 person, corporation, or pass through entity that received the income had
38 directly engaged in the income producing activity. Income that is
39 derived from one (1) pass through entity and is considered to pass
40 through to another pass through entity does not change these
41 characteristics or attribution provisions. In the case of nonbusiness
42 income described in subsection (g), only so much of such income as is



1 allocated to this state under the provisions of subsections (h) through
 2 (k) shall be deemed to be derived from sources within Indiana. In the
 3 case of business income, only so much of such income as is
 4 apportioned to this state under the provision of subsection (b) shall be
 5 deemed to be derived from sources within the state of Indiana. In the
 6 case of compensation of a team member (as defined in section 2.7 of
 7 this chapter), only the portion of income determined to be Indiana
 8 income under section 2.7 of this chapter is considered derived from
 9 sources within Indiana. In the case of a corporation that is a life
 10 insurance company (as defined in Section 816(a) of the Internal
 11 Revenue Code) or an insurance company that is subject to tax under
 12 Section 831 of the Internal Revenue Code, only so much of the income
 13 as is apportioned to Indiana under subsection (r) is considered derived
 14 from sources within Indiana.

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

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

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

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

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

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

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

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

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

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

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

42 (A) numerator of the fraction is the property factor plus the



- 1 payroll factor plus the product of the sales factor multiplied by
 2 eighteen (18); and
 3 (B) denominator of the fraction is twenty (20).
- 4 (5) For all taxable years beginning after December 31, 2010, the
 5 sales factor.
- 6 (c) The property factor is a fraction, the numerator of which is the
 7 average value of the taxpayer's real and tangible personal property
 8 owned or rented and used in this state during the taxable year and the
 9 denominator of which is the average value of all the taxpayer's real and
 10 tangible personal property owned or rented and used during the taxable
 11 year. However, with respect to a foreign corporation, the denominator
 12 does not include the average value of real or tangible personal property
 13 owned or rented and used in a place that is outside the United States.
 14 Property owned by the taxpayer is valued at its original cost. Property
 15 rented by the taxpayer is valued at eight (8) times the net annual rental
 16 rate. Net annual rental rate is the annual rental rate paid by the taxpayer
 17 less any annual rental rate received by the taxpayer from subrentals.
 18 The average of property shall be determined by averaging the values at
 19 the beginning and ending of the taxable year, but the department may
 20 require the averaging of monthly values during the taxable year if
 21 reasonably required to reflect properly the average value of the
 22 taxpayer's property.
- 23 (d) The payroll factor is a fraction, the numerator of which is the
 24 total amount paid in this state during the taxable year by the taxpayer
 25 for compensation, and the denominator of which is the total
 26 compensation paid everywhere during the taxable year. However, with
 27 respect to a foreign corporation, the denominator does not include
 28 compensation paid in a place that is outside the United States.
 29 Compensation is paid in this state if:
- 30 (1) the individual's service is performed entirely within the state;
 31 (2) the individual's service is performed both within and without
 32 this state, but the service performed without this state is incidental
 33 to the individual's service within this state; or
 34 (3) some of the service is performed in this state and:
 35 (A) the base of operations or, if there is no base of operations,
 36 the place from which the service is directed or controlled is in
 37 this state; or
 38 (B) the base of operations or the place from which the service
 39 is directed or controlled is not in any state in which some part
 40 of the service is performed, but the individual is a resident of
 41 this state.
- 42 (e) The sales factor is a fraction, the numerator of which is the total



1 sales of the taxpayer in this state during the taxable year, and the
 2 denominator of which is the total sales of the taxpayer everywhere
 3 during the taxable year. Sales include receipts from intangible property
 4 and receipts from the sale or exchange of intangible property. However,
 5 with respect to a foreign corporation, the denominator does not include
 6 sales made in a place that is outside the United States. Receipts from
 7 intangible personal property are derived from sources within Indiana
 8 if the receipts from the intangible personal property are attributable to
 9 Indiana under section 2.2 of this chapter. Regardless of the f.o.b. point
 10 or other conditions of the sale, sales of tangible personal property are
 11 in this state if:

- 12 (1) the property is delivered or shipped to a purchaser that is
 13 within Indiana, other than the United States government; or
 14 (2) the property is shipped from an office, a store, a warehouse, a
 15 factory, or other place of storage in this state and
 16 ~~(A) the purchaser is the United States government. or~~
 17 ~~(B) the taxpayer is not taxable in the state of the purchaser.~~

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

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

- 25 (1) the income-producing activity is performed in this state; or
 26 (2) the income-producing activity is performed both within and
 27 without this state and a greater proportion of the
 28 income-producing activity is performed in this state than in any
 29 other state, based on costs of performance.

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

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

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

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

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



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

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

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

- 14 (i) the property had a situs in this state at the time of the sale; or
- 15 (ii) the taxpayer's commercial domicile is in this state and the
 16 taxpayer is not taxable in the state in which the property had a
 17 situs.

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

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

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

- 24 (i) if and to the extent that the patent or copyright is utilized by
 25 the taxpayer in this state; or
- 26 (ii) if and to the extent that the patent or copyright is utilized by
 27 the taxpayer in a state in which the taxpayer is not taxable and the
 28 taxpayer's commercial domicile is in this state.

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

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

42 (l) If the allocation and apportionment provisions of this article do



1 not fairly represent the taxpayer's income derived from sources within
 2 the state of Indiana, the taxpayer may petition for or the department
 3 may require, in respect to all or any part of the taxpayer's business
 4 activity, if reasonable:

5 (1) separate accounting;

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

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

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

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

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

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

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

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

33 (1) a foreign corporation; or

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

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



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

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

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

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

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

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

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

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

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

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

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



- 1 participation in one (1) or more races and that are not covered
 2 under subdivisions (1) or (2) or under IC 6-3-2-3.2 shall be
 3 attributed to Indiana in the proportion of the races that occurred
 4 in Indiana.
- 5 This subsection, as enacted in 2013, is intended to be a clarification of
 6 the law and not a substantive change in the law.
- 7 **(t) Sales of a broadcaster that arise from or relate to the**
 8 **broadcast or other distribution of film programming or radio**
 9 **programming by any means are in this state if the commercial**
 10 **domicile of the broadcaster's customer is in this state. Sales to**
 11 **which this subsection applies include income from advertising and**
 12 **licensing income from distributing film programming or radio**
 13 **programming. For purposes of this subsection, the following**
 14 **definitions apply:**
- 15 (1) "Broadcaster" means a taxpayer that is a television or
 16 radio station licensed by the Federal Communications
 17 Commission, a television or radio broadcast network, a cable
 18 program network, or a television distribution company. The
 19 term "broadcaster" does not include a cable service provider
 20 or a direct broadcast satellite system.
- 21 (2) "Commercial domicile" has the meaning set forth in
 22 IC 6-3-1-22.
- 23 (3) "Customer" means a person, corporation, partnership,
 24 limited liability company, or other entity, such as an
 25 advertiser or licensee, that has a direct connection or
 26 contractual relationship with the broadcaster under which
 27 revenue is derived by the broadcaster. The term "customer"
 28 does not include an advertising agency placing advertising on
 29 behalf of its client. The client of such an advertising agency is
 30 the customer.
- 31 (4) "Film programming" means one (1) or more
 32 performances, events, or productions (or segments of
 33 performances, events, or productions) intended to be
 34 distributed for visual and auditory perception, including but
 35 not limited to news, entertainment, sporting events, plays,
 36 stories, or other literary, commercial, educational, or artistic
 37 works.
- 38 (5) "Radio programming" means one (1) or more
 39 performances, events, or productions (or segments of
 40 performances, events, or productions) intended to be
 41 distributed for auditory perception, including but not limited
 42 to news, entertainment, sporting events, plays, stories, or



1 **other literary, commercial, educational, or artistic works.**

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

7 (1) the:

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

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

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

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

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

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

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



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

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

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

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

18 (2) one thousand dollars (\$1,000):

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

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

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

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

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

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

38 (2) one thousand dollars (\$1,000):

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



1 solar powered roof vent or fan:
 2 SECTION 18. IC 6-3-2-13, AS AMENDED BY P.L.98-2008,
 3 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 4 JULY 1, 2015]: Sec. 13. (a) As used in this section, "export income"
 5 means the gross receipts from the sale, transfer, or exchange of tangible
 6 personal property destined for international markets that is:
 7 (1) manufactured at a plant located within a maritime opportunity
 8 district established under IC 6-1.1-40; and
 9 (2) shipped through a port operated by the state.
 10 (b) As used in this section, "export sales ratio" means the quotient
 11 of:
 12 (1) the taxpayer's export income; divided by
 13 (2) the taxpayer's gross receipts from the sale, transfer, or
 14 exchange of tangible personal property, regardless of its
 15 destination.
 16 (c) As used in this section, "taxpayer" means a person or corporation
 17 that has export income.
 18 (d) The ports of Indiana established by IC 8-10-1-3 shall notify the
 19 department when a maritime opportunity district is established under
 20 IC 6-1.1-40. The notice must include:
 21 (1) the resolution passed by the commission to establish the
 22 district; and
 23 (2) a list of all taxpayers located in the district.
 24 (e) The ports of Indiana shall also notify the department of any
 25 subsequent changes in the list of taxpayers located in the district.
 26 (f) A taxpayer is entitled to a deduction from the taxpayer's adjusted
 27 gross income in an amount equal to the lesser of:
 28 (1) the taxpayer's adjusted gross income; or
 29 (2) the product of the export sales ratio multiplied by the
 30 percentage set forth in subsection (g).
 31 (g) The percentage to be used in determining the amount a taxpayer
 32 is entitled to deduct under this section depends upon the number of
 33 years that the taxpayer could have taken a deduction under this section.
 34 The percentage to be used in subsection (f) is as follows:
 35 YEAR OF DEDUCTION PERCENTAGE
 36 1st through 4th 100%
 37 5th 80%
 38 6th 60%
 39 7th 40%
 40 8th 20%
 41 9th and thereafter 0%
 42 (h) The department shall determine, for each taxpayer claiming a



1 deduction under this section, the taxpayer's export sales ratio for
 2 purposes of IC 6-1.1-40. The department shall certify the amount of the
 3 ratio to the department of local government finance.

4 **(i) A taxpayer is not entitled to a deduction under this section**
 5 **based on export income received by the taxpayer after December**
 6 **31, 2015.**

7 **(j) This section expires January 1, 2025.**

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

15 SECTION 20. IC 6-3-2-14.5 IS REPEALED [EFFECTIVE
 16 JANUARY 1, 2016]. Sec. ~~14.5~~: The first one thousand two hundred
 17 dollars (\$1,200) of prize money received from a winning lottery ticket
 18 purchased under IC 4-30 is exempt from the adjusted gross income tax
 19 imposed by this article. If the amount of prize money received from a
 20 winning lottery ticket exceeds one thousand two hundred dollars
 21 (\$1,200), the amount of the excess is subject to the adjusted gross
 22 income tax imposed by this article.

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

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

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

33 (3) the individual is not:

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

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

38 (C) the victim of the crime.

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



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

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

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

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

14 (2) either:

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

18 (i) The taxpayer.

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

20 (iii) A foreign corporation.

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

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

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

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

36 (C) Licensing fees.

37 (D) Other substantially similar expenses and costs.

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

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



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

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

10 (A) The name of the recipient.

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

12 (C) The amount paid to the recipient.

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

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

17 (8) "Recipient" means:

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

19 (B) a foreign corporation;

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

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

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

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

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

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

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

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



- 1 **recipient:**
 2 **(A) is subject to the financial institutions tax under**
 3 **IC 6-5.5;**
 4 **(B) files a return under IC 6-5.5; and**
 5 **(C) apportions the items of income that correspond to the**
 6 **intangible expenses and the directly related interest**
 7 **expenses in accordance with IC 6-5.5.**
 8 ~~(2)~~ **(3)** The taxpayer makes a disclosure and, at the request of the
 9 department, can establish by a preponderance of the evidence
 10 that:
 11 (A) the item of income corresponding to the intangible
 12 expenses ~~and any or the~~ directly related ~~intangible~~ interest
 13 expenses was included within the recipient's income that is
 14 subject to tax in:
 15 (i) a state or possession of the United States; or
 16 (ii) a country other than the United States;
 17 that is the recipient's commercial domicile and that imposes a
 18 net income tax, a franchise tax measured, in whole or in part,
 19 by net income, or a value added tax;
 20 (B) the transaction giving rise to the intangible expenses ~~and~~
 21 ~~any or the~~ directly related ~~intangible~~ interest expenses
 22 between the taxpayer and the recipient was made at a
 23 commercially reasonable rate and at terms comparable to an
 24 arm's length transaction; and
 25 (C) the transactions giving rise to the intangible expenses ~~and~~
 26 ~~any or the~~ directly related ~~intangible~~ interest expenses
 27 between the taxpayer and the recipient did not have Indiana
 28 tax avoidance as a principal purpose.
 29 ~~(3)~~ **(4)** The taxpayer makes a disclosure and, at the request of the
 30 department, can establish by a preponderance of the evidence
 31 that:
 32 (A) the recipient regularly engages in transactions ~~involving~~
 33 ~~intangible property~~ with one (1) or more unrelated parties on
 34 terms substantially similar to those of the subject transaction;
 35 and
 36 (B) the transaction giving rise to the intangible expenses ~~and~~
 37 ~~any or the~~ directly related ~~intangible~~ interest expenses
 38 between the taxpayer and the recipient did not have Indiana
 39 tax avoidance as a principal purpose.
 40 ~~(4)~~ **(5)** The taxpayer makes a disclosure and, at the request of the
 41 department, can establish by a preponderance of the evidence
 42 that:



- 1 (A) the payment was received from a person or entity that is an
 2 unrelated party, and on behalf of that unrelated party, paid that
 3 amount to the recipient in an arm's length transaction; and
 4 (B) the transaction giving rise to the intangible expenses ~~and~~
 5 ~~any or the~~ directly related ~~intangible~~ interest expenses
 6 between the taxpayer and the recipient did not have Indiana
 7 tax avoidance as a principal purpose.
- 8 ~~(5)~~ (6) The taxpayer makes a disclosure and, at the request of the
 9 department, can establish by a preponderance of the evidence
 10 that:
- 11 (A) the recipient paid, accrued, or incurred a liability to an
 12 unrelated party during the taxable year for an equal or greater
 13 amount that was directly for, related to, or in connection with
 14 the same ~~intangible~~ property giving rise to the ~~intangible~~
 15 expenses; and
 16 (B) the transactions giving rise to the intangible expenses ~~and~~
 17 ~~any or the~~ directly related ~~intangible~~ interest expenses
 18 between the taxpayer and the recipient did not have Indiana
 19 tax avoidance as a principal purpose.
- 20 ~~(6)~~ (7) The taxpayer makes a disclosure and, at the request of the
 21 department, can establish by a preponderance of the evidence
 22 that:
- 23 (A) the recipient is engaged in:
 24 (i) substantial business activities from the acquisition, use,
 25 licensing, maintenance, management, ownership, sale,
 26 exchange, or any other disposition of intangible property; or
 27 (ii) other substantial business activities separate and apart
 28 from the business activities described in item (i);
 29 as evidenced by the maintenance of a permanent office space
 30 and an adequate number of full-time, experienced employees;
 31 (B) the transactions giving rise to the intangible expenses ~~and~~
 32 ~~any or the~~ directly related ~~intangible~~ interest expenses
 33 between the taxpayer and the recipient did not have Indiana
 34 tax avoidance as a principal purpose; and
 35 (C) the ~~transactions were~~ **transaction was** made at a
 36 commercially reasonable rate and at terms comparable to an
 37 arm's length transaction.
- 38 ~~(7)~~ (8) The taxpayer and the department agree, in writing, to the
 39 application or use of an alternative method of allocation or
 40 apportionment under section 2(l) or 2(m) of this chapter.
- 41 ~~(8)~~ (9) Upon request by the taxpayer, the department determines
 42 that the adjustment otherwise required by this section is



1 unreasonable.

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

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

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

- 19 (1) there is not one (1) or more valid business purposes that
20 independently sustain the transaction notwithstanding any tax
21 benefits associated with the transaction; and
22 (2) the principal purpose of tax avoidance exceeds any other valid
23 business purpose.

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

- 28 (1) were imposed on the individual's principal place of residence
29 for the March 1, 2006, assessment date or the January 15, 2007,
30 assessment date;
31 (2) are due after December 31, 2007; and
32 (3) are paid on or before the due date for the property taxes.

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

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

39 STEP ONE: Determine the lesser of:

- 40 (A) two thousand five hundred dollars (\$2,500); or
41 (B) the total amount of property taxes imposed on the
42 individual's principal place of residence for the March 1, 2006,



- 1 assessment date or the January 15, 2007, assessment date and
 2 paid in 2007 or 2008.
- 3 STEP TWO: Determine the greater of zero (0) or the result of:
 4 (A) the STEP ONE result; minus
 5 (B) the total amount of property taxes that:
 6 (i) were imposed on the individual's principal place of
 7 residence for the March 1, 2006, assessment date or the
 8 January 15, 2007, assessment date;
 9 (ii) were paid in 2007; and
 10 (iii) were deducted from the individual's adjusted gross
 11 income under ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)** by
 12 the individual on the individual's state income tax return for
 13 a taxable year beginning before January 1, 2008.
- 14 (d) The deduction under this section is in addition to any deduction
 15 that an individual is otherwise entitled to claim under
 16 ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)**. However, an individual may
 17 not deduct under ~~IC 6-3-1-3.5(a)(15)~~ **IC 6-3-1-3.5(a)(13)** any property
 18 taxes deducted under this section.
- 19 SECTION 25. IC 6-3.1-15-7 IS AMENDED TO READ AS
 20 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 7. (a) A taxpayer
 21 that has donated during the taxable year qualified computer equipment
 22 to a service center is entitled to a tax credit as provided in section 8 of
 23 this chapter.
- 24 **(b) A taxpayer is not entitled to a credit under this chapter for**
 25 **a contribution made in a taxable year beginning after December**
 26 **31, 2015.**
- 27 **(c) This chapter expires January 1, 2018.**
- 28 SECTION 26. IC 6-3.1-16-7, AS AMENDED BY P.L.166-2014,
 29 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 30 JANUARY 1, 2016]: Sec. 7. (a) Subject to section 14 of this chapter,
 31 a taxpayer is entitled to a credit against the taxpayer's state tax liability
 32 in the taxable year in which the taxpayer completes the preservation or
 33 rehabilitation of historic property and obtains the certifications required
 34 under section 8 of this chapter.
- 35 (b) The amount of the credit is equal to twenty percent (20%) of the
 36 qualified expenditures that:
 37 (1) the taxpayer makes for the preservation or rehabilitation of
 38 historic property; and
 39 (2) are approved by the office.
- 40 (c) In the case of a husband and wife who:
 41 (1) own and rehabilitate a historic property jointly; and
 42 (2) file separate tax returns;



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

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

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

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

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

14 **(c) This chapter expires January 1, 2018.**

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

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

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

23 (A) the individual:

24 (i) owns; or

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

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

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

36 SECTION 29. IC 6-3.1-21-6, AS AMENDED BY P.L.229-2011,
37 SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
38 JANUARY 1, 2016]: Sec. 6. (a) Except as provided by subsection (b),
39 an individual who is eligible for an earned income tax credit under
40 Section 32 of the Internal Revenue Code ~~as it existed before being~~
41 ~~amended by the Tax Relief, Unemployment Insurance Reauthorization,~~
42 ~~and Job Creation Act of 2010 (P.L. 111-312);~~ is eligible for a credit



1 under this chapter equal to nine percent (9%) of the amount of the
2 federal earned income tax credit that the individual:

- 3 (1) is eligible to receive in the taxable year; and
4 (2) claimed for the taxable year;

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

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

- 11 (1) the amount determined under subsection (a); multiplied by
12 (2) the quotient of the taxpayer's income taxable in Indiana
13 divided by the taxpayer's total income.

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

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

28 (b) Notwithstanding the other provisions of this chapter, a taxpayer
29 is not entitled to a credit for providing qualified investment capital to
30 a qualified Indiana business after December 31, ~~2016~~. **2020**. However,
31 this subsection may not be construed to prevent a taxpayer from
32 carrying over to a taxable year beginning after December 31, ~~2016~~;
33 **2020**, an unused tax credit attributable to an investment occurring
34 before January 1, ~~2017~~. **2021**.

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

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



- 1 (2) Improving the transportation of goods on Indiana highways,
 2 limited to the following:
 3 (A) Upgrading terminal facilities that serve tractors (as defined
 4 in IC 9-13-2-180) and semitrailers (as defined in
 5 IC 9-13-2-164).
 6 (B) Improving paved access to terminal facilities.
 7 (C) Adding new maintenance areas.
 8 (D) Purchasing new shop equipment having a useful life of at
 9 least five (5) years, such as diagnostic equipment, oil delivery
 10 systems, air compressors, and truck lifts.
 11 (3) Improving the transportation of goods by rail, limited to the
 12 following:
 13 (A) Upgrading or building mainline, secondary, yard, and spur
 14 trackage.
 15 (B) Upgrading or replacing bridges to obtain higher load
 16 bearing capability.
 17 (C) Upgrading or replacing grade crossings to increase
 18 visibility for motorists, including improvements to roadway
 19 surfaces, signage and traffic signals, and signal system
 20 upgrades and replacements to meet Federal Railroad
 21 Administration Positive Train Control regulations.
 22 (D) Upgrading fueling facilities, including upgrading fueling
 23 and sanding locomotives or tanks, pumps, piping, containment
 24 areas, track pans, lighting, and security.
 25 (E) Upgrading team track facilities, including railroad owned
 26 warehouses, loading docks, and transfer stations for loading
 27 and unloading freight.
 28 (F) Upgrading shop facilities, including upgrading structures,
 29 inspection pits, drop pits, cranes, employee fall protection,
 30 lighting, climate control, and break rooms.
 31 **(G) Upgrading or building passing lines or automated**
 32 **switches on a rail line.**
 33 (4) Improving the transportation of goods by water, limited to the
 34 following:
 35 (A) Upgrading or replacing a permanent waterside dock.
 36 (B) Upgrading or building a new terminal facility that serves
 37 waterborne transportation.
 38 (C) Improving paved access to a waterborne terminal facility.
 39 (D) Purchasing new equipment having a useful life of at least
 40 five (5) years, including diagnostic equipment, an oil delivery
 41 system, an air compressor, or a barge lift.
 42 (5) Improving the transportation of goods by air, limited to the



- 1 following:
- 2 (A) Upgrading or building a new cargo building, apron,
- 3 hangar, warehouse facility, freight forwarding facility,
- 4 cross-dock distribution facility, or aircraft maintenance
- 5 facility.
- 6 (B) Improving paved access to a terminal or cargo facility.
- 7 (C) Upgrading a fueling facility.
- 8 (6) Improving warehousing and logistical capabilities, limited to
- 9 the following:
- 10 (A) Upgrading warehousing facilities, including upgrading
- 11 loading dock doors and loading dock plates, fueling
- 12 equipment, fueling installations, or dolly drop pads for trailers.
- 13 (B) Improving logistical distribution by purchasing new
- 14 equipment, limited to the following:
- 15 (i) Picking modules (systems of racks, conveyors, and
- 16 controllers).
- 17 (ii) Racking equipment.
- 18 (iii) Warehouse management systems, including scanning or
- 19 coding equipment.
- 20 (iv) Security equipment.
- 21 (v) Temperature control and monitoring equipment.
- 22 (vi) Dock levelers and pallet levelers and inverters.
- 23 (vii) Conveyors and related controllers, scales, and like
- 24 equipment.
- 25 (viii) Packaging equipment.
- 26 (ix) Moving, separating, sorting, and picking equipment.
- 27 A logistics investment does not include an expenditure for maintenance
- 28 expenses.
- 29 SECTION 32. IC 6-3.1-26-26, AS AMENDED BY P.L.137-2012,
- 30 SECTION 61, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 31 JULY 1, 2015]: Sec. 26. (a) This chapter applies to taxable years
- 32 beginning after December 31, 2003.
- 33 (b) Notwithstanding the other provisions of this chapter, the
- 34 corporation may not approve a credit for a qualified investment made
- 35 after December 31, ~~2016~~. **2020**. However, this section may not be
- 36 construed to prevent a taxpayer from carrying an unused tax credit
- 37 attributable to a qualified investment made before January 1, ~~2017~~;
- 38 **2021**, forward to a taxable year beginning after December 31, ~~2016~~;
- 39 **2020**, in the manner provided by section 15 of this chapter.
- 40 SECTION 33. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE
- 41 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 42 JANUARY 1, 2015 (RETROACTIVE)]:



1 **Chapter 34. Prison Investment Income Tax Credit**

2 **Sec. 1. For purposes of this chapter:**

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

5 **"Pass through entity" means a:**

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

8 (2) partnership;

9 (3) trust;

10 (4) limited liability company; or

11 (5) limited liability partnership.

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

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

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

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

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

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

31 (2) an amount equal to the sum of:

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

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

37 (3) the following:

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

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

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



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

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

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

7 (2) the wages are paid to inmates;
8 as part of an agreement.

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

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

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

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

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

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

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

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

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



1 department of state revenue.

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

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

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

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

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

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

28 (1) the product of:

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

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

36 (2) the amount of county adjusted gross income tax imposed on
 37 the county taxpayer; or the county taxpayer and the taxpayer's
 38 spouse.

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



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

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

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

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

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

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

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

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

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

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

42 (b) The provisions of ~~IC 6-3-1-3.5(a)(6)~~; IC 6-3-3-3, IC 6-3-3-5, and



1 IC 6-3-5-1 do not apply to the tax imposed by this chapter.

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

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

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

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

16 (1) the product of:

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

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

23 (2) the amount of county option income tax imposed on the
24 county taxpayer; or the county taxpayer and the taxpayer's spouse.

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

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

41 (1) the product of:

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



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

8 (2) the amount of county economic development income tax
 9 imposed on the county taxpayer (or the county taxpayer and the
 10 county taxpayer's spouse):

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

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

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

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

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

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

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

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



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

5 (1) Add the following amounts:

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

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

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

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

21 (E) An amount equal to the deduction allowed under Section
22 172 or 1212 of the Internal Revenue Code for net operating
23 losses or net capital losses.

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

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

38 (H) Add the amount necessary to make the adjusted gross
39 income of any taxpayer that placed Section 179 property (as
40 defined in Section 179 of the Internal Revenue Code) in
41 service in the current taxable year or in an earlier taxable year
42 equal to the amount of adjusted gross income that would have



1 been computed had an election for federal income tax
2 purposes not been made for the year in which the property was
3 placed in service to take deductions under Section 179 of the
4 Internal Revenue Code in a total amount exceeding
5 twenty-five thousand dollars (\$25,000).

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

10 (J) Add an amount equal to any income not included in gross
11 income as a result of the deferral of income arising from
12 business indebtedness discharged in connection with the
13 reacquisition after December 31, 2008, and before January 1,
14 2011, of an applicable debt instrument, as provided in Section
15 108(i) of the Internal Revenue Code. Subtract from the
16 adjusted gross income of any taxpayer that added an amount
17 to adjusted gross income in a previous year the amount
18 necessary to offset the amount included in federal gross
19 income as a result of the deferral of income arising from
20 business indebtedness discharged in connection with the
21 reacquisition after December 31, 2008, and before January 1,
22 2011, of an applicable debt instrument, as provided in Section
23 108(i) of the Internal Revenue Code.

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

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

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



- 1 been made for the year.
- 2 ~~(N)~~ Add or subtract the amount necessary to make the adjusted
- 3 gross income of any taxpayer that treated a loss from the sale
- 4 or exchange of preferred stock in:
- 5 (i) the Federal National Mortgage Association, established
- 6 under the Federal National Mortgage Association Charter
- 7 Act (12 U.S.C. 1716 et seq.); or
- 8 (ii) the Federal Home Loan Mortgage Corporation,
- 9 established under the Federal Home Loan Mortgage
- 10 Corporation Act (12 U.S.C. 1451 et seq.);
- 11 as an ordinary loss under Section 301 of the Emergency
- 12 Economic Stabilization Act of 2008 in the current taxable year
- 13 or in an earlier taxable year equal to the amount of adjusted
- 14 gross income that would have been computed had the loss not
- 15 been treated as an ordinary loss.
- 16 ~~(O)~~ **(K)** Add an amount equal to any exempt insurance income
- 17 under Section 953(e) of the Internal Revenue Code for active
- 18 financing income under Subpart F, Subtitle A, Chapter 1,
- 19 Subchapter N of the Internal Revenue Code.
- 20 (2) Subtract the following amounts:
- 21 (A) Income that the United States Constitution or any statute
- 22 of the United States prohibits from being used to measure the
- 23 tax imposed by this chapter.
- 24 (B) Income that is derived from sources outside the United
- 25 States, as defined by the Internal Revenue Code.
- 26 (C) An amount equal to a debt or part of a debt that becomes
- 27 worthless, as permitted under Section 166(a) of the Internal
- 28 Revenue Code.
- 29 (D) An amount equal to any bad debt reserves that are
- 30 included in federal income because of accounting method
- 31 changes required by Section 585(c)(3)(A) or Section 593 of
- 32 the Internal Revenue Code.
- 33 (E) The amount necessary to make the adjusted gross income
- 34 of any taxpayer that owns property for which bonus
- 35 depreciation was allowed in the current taxable year or in an
- 36 earlier taxable year equal to the amount of adjusted gross
- 37 income that would have been computed had an election not
- 38 been made under Section 168(k) of the Internal Revenue Code
- 39 to apply bonus depreciation.
- 40 (F) The amount necessary to make the adjusted gross income
- 41 of any taxpayer that placed Section 179 property (as defined
- 42 in Section 179 of the Internal Revenue Code) in service in the



1 current taxable year or in an earlier taxable year equal to the
 2 amount of adjusted gross income that would have been
 3 computed had an election for federal income tax purposes not
 4 been made for the year in which the property was placed in
 5 service to take deductions under Section 179 of the Internal
 6 Revenue Code in a total amount exceeding twenty-five
 7 thousand dollars (\$25,000).

8 (G) Income that is:

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

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

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

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

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

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

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

41 (d) As used in subsection (c), "investment company" means a
 42 person, copartnership, association, limited liability company, or



1 corporation, whether domestic or foreign, that:

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

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

6 (A) a so-called bond;

7 (B) a share;

8 (C) a coupon;

9 (D) a certificate of membership;

10 (E) an agreement;

11 (F) a pretended agreement; or

12 (G) other evidences of obligation;

13 entitling the holder to anything of value at some future date, if the
14 gross payments received by the company during the taxable year
15 on outstanding investment contracts, plus interest and dividends
16 earned on those contracts (by prorating the interest and dividends
17 earned on investment contracts by the same proportion that
18 certificate reserves (as defined by the Investment Company Act
19 of 1940) is to the company's total assets) is at least fifty percent
20 (50%) of the company's gross payments upon investment
21 contracts plus gross income from all other sources except
22 dividends from subsidiaries for the taxable year. The term
23 "investment contract" means an instrument listed in clauses (A)
24 through (G).

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

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

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1	(c) After January 1, 1996, the tax schedule is as follows:					
2	Year of					
3	Manufacture	I	II	III	IV	V
4	1st	\$12	\$36	\$50	\$50	\$66
5	2nd	12	30	50	50	57
6	3rd	12	27	42	50	50
7	4th	12	24	33	50	50
8	5th	12	18	24	48	50
9	6th	12	12	18	36	50
10	7th	12	12	12	24	42
11	8th	12	12	12	18	24
12	9th	12	12	12	12	12
13	10th	12	12	12	12	12
14	and thereafter					
15	Year of					
16	Manufacture	VI	VII	VIII	IX	X
17	1st	\$84	\$103	\$123	\$150	\$172
18	2nd	74	92	110	134	149
19	3rd	63	77	93	115	130
20	4th	52	64	78	98	112
21	5th	50	52	64	82	96
22	6th	50	50	50	65	79
23	7th	49	50	50	52	65
24	8th	30	40	50	50	53
25	9th	18	21	34	40	50
26	10th	12	12	12	12	12
27	and thereafter					
28	Year of					
29	Manufacture	XI	XII	XIII	XIV	XV
30	1st	\$207	\$250	\$300	\$350	\$406
31	2nd	179	217	260	304	353
32	3rd	156	189	225	265	307
33	4th	135	163	184	228	257
34	5th	115	139	150	195	210
35	6th	94	114	121	160	169
36	7th	78	94	96	132	134
37	8th	64	65	65	91	91
38	9th	50	50	50	50	50
39	10th	21	26	30	36	42
40	and thereafter					
41	Year of					
42	Manufacture	XVI	XVII			



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

11 and thereafter.

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

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

- 27 (1) the classification of the recreational vehicle or truck camper
- 28 under section 12 of this chapter; and
- 29 (2) the age of the recreational vehicle or truck camper.

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



1	(c) The tax schedule for each class of recreational vehicles and truck						
2	campers is as follows:						
3	Year of						
4	Manufacture	I	II	III	IV	V	
5	1st	\$15	\$36	\$50	\$59	\$103	
6	2nd	12	31	43	51	91	
7	3rd	12	26	35	41	75	
8	4th	12	20	28	38	62	
9	5th	12	15	20	34	53	
10	6th	12	12	15	26	41	
11	7th	12	12	12	16	32	
12	8th	12	12	12	13	21	
13	9th	12	12	12	12	13	
14	10th	12	12	12	12	12	
15	and thereafter						
16	Year of						
17	Manufacture	VI	VII	VIII			
18	1st	\$164	\$241	\$346			
19	2nd	148	212	302			
20	3rd	131	185	261			
21	4th	110	161	223			
22	5th	89	131	191			
23	6th	68	108	155			
24	7th	53	86	126			
25	8th	36	71	97			
26	9th	23	35	48			
27	10th	12	12	17			
28	and thereafter						
29	Year of						
30	Manufacture	IX	X	XI	XII		
31	1st	\$470	\$667	\$879	\$1,045		
32	2nd	412	572	763	907		
33	3rd	360	507	658	782		
34	4th	307	407	574	682		
35	5th	253	341	489	581		
36	6th	204	279	400	475		
37	7th	163	224	317	377		
38	8th	116	154	214	254		
39	9th	55	70	104	123		
40	10th	25	33	46	55		
41	and thereafter						
42	Year of						



	Manufacture	XIII	XIV	XV	XVI	XVII
1						
2	1st	\$1,235	\$1,425	\$1,615	\$1,805	\$2,375
3	2nd	1,072	1,236	1,401	1,566	2,060
4	3rd	924	1,066	1,208	1,350	1,777
5	4th	806	929	1,053	1,177	1,549
6	5th	687	793	898	1,004	1,321
7	6th	562	648	734	821	1,080
8	7th	445	514	582	651	856
9	8th	300	346	392	439	577
10	9th	146	168	190	213	280
11	10th	64	74	84	94	123

12 and thereafter.

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

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

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

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

- 36 (1) principal contributed by an employer to a medical care savings
 37 account **before January 1, 2016**;
 38 (2) interest earned on money on deposit in a medical care savings
 39 account; and
 40 (3) money:
 41 (A) paid out of a medical care savings account for eligible
 42 medical expenses; or



- 1 (B) used to reimburse an employee for eligible medical
 2 expenses;
 3 are exempt from taxation as income of the employee under IC 6-3-2-18.
- 4 SECTION 44. IC 6-8-11-11.5 IS ADDED TO THE INDIANA
 5 CODE AS A NEW SECTION TO READ AS FOLLOWS
 6 [EFFECTIVE JANUARY 1, 2016]: **Sec. 11.5. Notwithstanding**
 7 **sections 17 and 23 of this chapter, if an employer contributes**
 8 **money to an account under this chapter after December 31, 2015,**
 9 **for which no exemption applies under IC 6-3-2-18(c):**
- 10 (1) the money may be withdrawn from the account by the
 11 employee at any time and for any purpose without a penalty;
 12 (2) the withdrawal of the money by the employee is not
 13 income to the employee that is subject to taxation under
 14 IC 6-3-1 through IC 6-3-7; and
 15 (3) income earned on the money while it is in the account is
 16 not income to the employee that is subject to taxation under
 17 IC 6-3-1 through IC 6-3-7.
- 18 SECTION 45. IC 6-8-11-17 IS AMENDED TO READ AS
 19 FOLLOWS [EFFECTIVE JANUARY 1, 2016]: Sec. 17. (a) An
 20 employee may, under this section, withdraw money from the
 21 employee's medical care savings account for a purpose other than the
 22 purposes set forth in section 13 of this chapter.
- 23 (b) Except as provided in ~~section~~ **sections 11(b) and 11.5** of this
 24 chapter, if an employee withdraws money from the employee's medical
 25 care savings account on the last business day of the account
 26 administrator's business year for a purpose not set forth in section 13
 27 of this chapter:
- 28 (1) the money withdrawn is income to the individual that is
 29 subject to taxation under IC 6-3-2-18(e); but
 30 (2) the withdrawal does not:
 31 (A) subject the employee to a penalty; or
 32 (B) make the interest earned on the account during the tax year
 33 taxable as income of the employee.
- 34 (c) Except as provided in ~~section~~ **sections 11(b) and 11.5** of this
 35 chapter, if an employee withdraws money for a purpose not set forth in
 36 section 13 of this chapter at any time other than the last business day
 37 of the account administrator's business year, all of the following apply:
 38 (1) The amount of the withdrawal is income to the individual that
 39 is subject to taxation under IC 6-3-2-18(e).
 40 (2) The administrator shall withhold and, on behalf of the
 41 employee, pay a penalty to the department of state revenue equal
 42 to ten percent (10%) of the amount of the withdrawal.



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

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

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

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

20 (c) If:

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

25 (2) the account administrator does not agree to retain the account;
 26 the former employer shall, within ninety (90) days after the former
 27 employee's final day of employment, pay the money in the former
 28 employee's medical care savings account to the former employee under
 29 subsection (d).

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

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

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

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

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



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

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

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

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

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

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



1 compliance with all other amnesty conditions adopted under a rule of
 2 the department in effect on the date the voluntary payment is made, the
 3 department:

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

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

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

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

37 SECTION 48. IC 6-8.1-3-24 IS ADDED TO THE INDIANA CODE
 38 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 39 1, 2015]: **Sec. 24. (a) The department of state revenue may adopt**
 40 **emergency rules under IC 4-22-2-37.1 to carry out a tax amnesty**
 41 **program under section 17 of this chapter.**

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



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

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

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

8 (1) tax liability is for a listed tax;

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

11 **January 1, 2013;**

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

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

17 (5) tax liability is not paid:

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

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

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

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

28 (2) section 2.1 of this chapter;

29 (3) section 3 of this chapter;

30 **(4) section 3.5 of this chapter;**

31 ~~(4)~~ **(5)** section 4 of this chapter;

32 ~~(5)~~ **(6)** section 5 of this chapter;

33 ~~(6)~~ **(7)** section 6 of this chapter;

34 ~~(7)~~ **(8)** section 7 of this chapter;

35 ~~(8)~~ **(9)** section 9 of this chapter; or

36 ~~(9)~~ **(10)** IC 6-6;

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

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

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

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

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

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

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

11 (4) Either the:

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

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

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

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

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

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

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

31 (1) definitions;

32 (2) declarations of estimated tax;

33 (3) filing of returns;

34 (4) remittances;

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

36 (6) penalties and interest;

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

38 (8) exemptions and deductions;

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

41 ~~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
 42 apply to the improvement tax.

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

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

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

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

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

16 (c) **This SECTION expires January 1, 2016.**

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

21 (b) **IC 6-3-2-5, IC 6-3-2-5.3, IC 6-3-2-14.5, IC 6-3-2-17,**
 22 **IC 6-3.5-1.1-7, IC 6-3.5-6-24, and IC 6-3.5-7-9, all as repealed by**
 23 **this act, do not apply to taxable years beginning after December 31,**
 24 **2015.**

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

30 (d) **This SECTION expires July 1, 2019.**

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

34 (b) **This SECTION expires January 1, 2018.**

35 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."**

Re-number 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

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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

