

# HOUSE BILL No. 1020

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-1-3.5.

**Synopsis:** Personal exemptions. Increases the personal exemption to \$1,500 in the definition of adjusted gross income for a taxpayer, or, in the case of a joint return, for each spouse. Increases the exemption for dependents to \$1,500. Increases the exemption to \$1,500 for the spouse of the taxpayer if a separate return is made by the taxpayer and the spouse and if the spouse had no gross income for the calendar year.

**Effective:** January 1, 2021 (retroactive).

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## Jackson, Porter

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January 4, 2021, read first time and referred to Committee on Ways and Means.

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First Regular Session of the 122nd General Assembly (2021)

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 2020 Regular Session of the General Assembly.

# HOUSE BILL No. 1020

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 6-3-1-3.5, AS AMENDED BY P.L.146-2020,  
2 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2021 (RETROACTIVE)]: Sec. 3.5. When used in this  
4 article, the term "adjusted gross income" shall mean the following:  
5 (a) In the case of all individuals, "adjusted gross income" (as  
6 defined in Section 62 of the Internal Revenue Code), modified as  
7 follows:  
8 (1) Subtract income that is exempt from taxation under this article  
9 by the Constitution and statutes of the United States.  
10 (2) Except as provided in subsection (c), add an amount equal to  
11 any deduction or deductions allowed or allowable pursuant to  
12 Section 62 of the Internal Revenue Code for taxes based on or  
13 measured by income and levied at the state level by any state of  
14 the United States.  
15 (3) Subtract ~~one thousand dollars (\$1,000)~~, **one thousand five**  
16 **hundred dollars (\$1,500)**, or in the case of a joint return filed by  
17 a husband and wife, subtract for each spouse ~~one thousand dollars~~



- 1           (~~\$1,000~~): **one thousand five hundred dollars (\$1,500).**
- 2           (4) Subtract: ~~one thousand dollars (\$1,000)~~ for:
- 3               (A) **one thousand five hundred dollars (\$1,500)** for each of
- 4               the exemptions provided by Section 151(c) of the Internal
- 5               Revenue Code (as effective January 1, 2017);
- 6               (B) **one thousand dollars (\$1,000)** for each additional amount
- 7               allowable under Section 63(f) of the Internal Revenue Code;
- 8               and
- 9               (C) **one thousand five hundred dollars (\$1,500)** for the
- 10              spouse of the taxpayer if a separate return is made by the
- 11              taxpayer and if the spouse, for the calendar year in which the
- 12              taxable year of the taxpayer begins, has no gross income and
- 13              is not the dependent of another taxpayer.
- 14           (5) Subtract:
- 15               (A) one thousand five hundred dollars (\$1,500) for each of the
- 16               exemptions allowed under Section 151(c)(1)(B) of the Internal
- 17               Revenue Code (as effective January 1, 2004);
- 18               (B) one thousand five hundred dollars (\$1,500) for each
- 19               exemption allowed under Section 151(c) of the Internal
- 20               Revenue Code (as effective January 1, 2017) for an individual:
- 21                   (i) who is less than nineteen (19) years of age or is a
- 22                   full-time student who is less than twenty-four (24) years of
- 23                   age;
- 24                   (ii) for whom the taxpayer is the legal guardian; and
- 25                   (iii) for whom the taxpayer does not claim an exemption
- 26                   under clause (A); and
- 27               (C) five hundred dollars (\$500) for each additional amount
- 28               allowable under Section 63(f)(1) of the Internal Revenue Code
- 29               if the federal adjusted gross income of the taxpayer, or the
- 30               taxpayer and the taxpayer's spouse in the case of a joint return,
- 31               is less than forty thousand dollars (\$40,000). In the case of a
- 32               married individual filing a separate return, the qualifying
- 33               income amount in this clause is equal to twenty thousand
- 34               dollars (\$20,000).
- 35           This amount is in addition to the amount subtracted under
- 36           subdivision (4).
- 37           (6) Subtract any amounts included in federal adjusted gross
- 38           income under Section 111 of the Internal Revenue Code as a
- 39           recovery of items previously deducted as an itemized deduction
- 40           from adjusted gross income.
- 41           (7) Subtract any amounts included in federal adjusted gross
- 42           income under the Internal Revenue Code which amounts were



- 1 received by the individual as supplemental railroad retirement  
2 annuities under 45 U.S.C. 231 and which are not deductible under  
3 subdivision (1).
- 4 (8) Subtract an amount equal to the amount of federal Social  
5 Security and Railroad Retirement benefits included in a taxpayer's  
6 federal gross income by Section 86 of the Internal Revenue Code.
- 7 (9) In the case of a nonresident taxpayer or a resident taxpayer  
8 residing in Indiana for a period of less than the taxpayer's entire  
9 taxable year, the total amount of the deductions allowed pursuant  
10 to subdivisions (3), (4), and (5) shall be reduced to an amount  
11 which bears the same ratio to the total as the taxpayer's income  
12 taxable in Indiana bears to the taxpayer's total income.
- 13 (10) In the case of an individual who is a recipient of assistance  
14 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,  
15 subtract an amount equal to that portion of the individual's  
16 adjusted gross income with respect to which the individual is not  
17 allowed under federal law to retain an amount to pay state and  
18 local income taxes.
- 19 (11) In the case of an eligible individual, subtract the amount of  
20 a Holocaust victim's settlement payment included in the  
21 individual's federal adjusted gross income.
- 22 (12) Subtract an amount equal to the portion of any premiums  
23 paid during the taxable year by the taxpayer for a qualified long  
24 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer  
25 or the taxpayer's spouse if the taxpayer and the taxpayer's spouse  
26 file a joint income tax return or the taxpayer is otherwise entitled  
27 to a deduction under this subdivision for the taxpayer's spouse, or  
28 both.
- 29 (13) Subtract an amount equal to the lesser of:
- 30 (A) two thousand five hundred dollars (\$2,500), or one  
31 thousand two hundred fifty dollars (\$1,250) in the case of a  
32 married individual filing a separate return; or
- 33 (B) the amount of property taxes that are paid during the  
34 taxable year in Indiana by the individual on the individual's  
35 principal place of residence.
- 36 (14) Subtract an amount equal to the amount of a September 11  
37 terrorist attack settlement payment included in the individual's  
38 federal adjusted gross income.
- 39 (15) Add or subtract the amount necessary to make the adjusted  
40 gross income of any taxpayer that owns property for which bonus  
41 depreciation was allowed in the current taxable year or in an  
42 earlier taxable year equal to the amount of adjusted gross income



1 that would have been computed had an election not been made  
 2 under Section 168(k) of the Internal Revenue Code to apply bonus  
 3 depreciation to the property in the year that it was placed in  
 4 service.

5 (16) Add an amount equal to any deduction allowed under  
 6 Section 172 of the Internal Revenue Code (concerning net  
 7 operating losses).

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

17 (A) twenty-five thousand dollars (\$25,000) to the extent  
 18 deductions under Section 179 of the Internal Revenue Code  
 19 were not elected as provided in clause (B); and

20 (B) for taxable years beginning after December 31, 2017, the  
 21 deductions elected under Section 179 of the Internal Revenue  
 22 Code on property acquired in an exchange if:

23 (i) the exchange would have been eligible for  
 24 nonrecognition of gain or loss under Section 1031 of the  
 25 Internal Revenue Code in effect on January 1, 2017;

26 (ii) the exchange is not eligible for nonrecognition of gain or  
 27 loss under Section 1031 of the Internal Revenue Code; and

28 (iii) the taxpayer made an election to take deductions under  
 29 Section 179 of the Internal Revenue Code with regard to the  
 30 acquired property in the year that the property was placed  
 31 into service.

32 The amount of deductions allowable for an item of property  
 33 under this clause may not exceed the amount of adjusted gross  
 34 income realized on the property that would have been deferred  
 35 under the Internal Revenue Code in effect on January 1, 2017.

36 (18) Subtract an amount equal to the amount of the taxpayer's  
 37 qualified military income that was not excluded from the  
 38 taxpayer's gross income for federal income tax purposes under  
 39 Section 112 of the Internal Revenue Code.

40 (19) Subtract income that is:

41 (A) exempt from taxation under IC 6-3-2-21.7 (certain income  
 42 derived from patents); and



- 1 (B) included in the individual's federal adjusted gross income  
2 under the Internal Revenue Code.
- 3 (20) Add an amount equal to any income not included in gross  
4 income as a result of the deferral of income arising from business  
5 indebtedness discharged in connection with the reacquisition after  
6 December 31, 2008, and before January 1, 2011, of an applicable  
7 debt instrument, as provided in Section 108(i) of the Internal  
8 Revenue Code. Subtract the amount necessary from the adjusted  
9 gross income of any taxpayer that added an amount to adjusted  
10 gross income in a previous year to offset the amount included in  
11 federal gross income as a result of the deferral of income arising  
12 from 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.
- 16 (21) Add the amount excluded from federal gross income under  
17 Section 103 of the Internal Revenue Code for interest received on  
18 an obligation of a state other than Indiana, or a political  
19 subdivision of such a state, that is acquired by the taxpayer after  
20 December 31, 2011.
- 21 (22) Subtract an amount as described in Section 1341(a)(2) of the  
22 Internal Revenue Code to the extent, if any, that the amount was  
23 previously included in the taxpayer's adjusted gross income for a  
24 prior taxable year.
- 25 (23) For taxable years beginning after December 25, 2016, add an  
26 amount equal to the deduction for deferred foreign income that  
27 was claimed by the taxpayer for the taxable year under Section  
28 965(c) of the Internal Revenue Code.
- 29 (24) Subtract any interest expense paid or accrued in the current  
30 taxable year but not deducted as a result of the limitation imposed  
31 under Section 163(j)(1) of the Internal Revenue Code. Add any  
32 interest expense paid or accrued in a previous taxable year but  
33 allowed as a deduction under Section 163 of the Internal Revenue  
34 Code in the current taxable year. For purposes of this subdivision,  
35 an interest expense is considered paid or accrued only in the first  
36 taxable year the deduction would have been allowable under  
37 Section 163 of the Internal Revenue Code if the limitation under  
38 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 39 (25) Subtract the amount that would have been excluded from  
40 gross income but for the enactment of Section 118(b)(2) of the  
41 Internal Revenue Code for taxable years ending after December  
42 22, 2017.



- 1           (26) Subtract any other amounts the taxpayer is entitled to deduct  
2           under IC 6-3-2.
- 3           (b) In the case of corporations, the same as "taxable income" (as  
4 defined in Section 63 of the Internal Revenue Code) adjusted as  
5 follows:
- 6           (1) Subtract income that is exempt from taxation under this article  
7           by the Constitution and statutes of the United States.
- 8           (2) Add an amount equal to any deduction or deductions allowed  
9           or allowable pursuant to Section 170 of the Internal Revenue  
10          Code (concerning charitable contributions).
- 11          (3) Except as provided in subsection (c), add an amount equal to  
12          any deduction or deductions allowed or allowable pursuant to  
13          Section 63 of the Internal Revenue Code for taxes based on or  
14          measured by income and levied at the state level by any state of  
15          the United States.
- 16          (4) Subtract an amount equal to the amount included in the  
17          corporation's taxable income under Section 78 of the Internal  
18          Revenue Code (concerning foreign tax credits).
- 19          (5) Add or subtract the amount necessary to make the adjusted  
20          gross income of any taxpayer that owns property for which bonus  
21          depreciation was allowed in the current taxable year or in an  
22          earlier taxable year equal to the amount of adjusted gross income  
23          that would have been computed had an election not been made  
24          under Section 168(k) of the Internal Revenue Code to apply bonus  
25          depreciation to the property in the year that it was placed in  
26          service.
- 27          (6) Add an amount equal to any deduction allowed under Section  
28          172 of the Internal Revenue Code (concerning net operating  
29          losses).
- 30          (7) Add or subtract the amount necessary to make the adjusted  
31          gross income of any taxpayer that placed Section 179 property (as  
32          defined in Section 179 of the Internal Revenue Code) in service  
33          in the current taxable year or in an earlier taxable year equal to  
34          the amount of adjusted gross income that would have been  
35          computed had an election for federal income tax purposes not  
36          been made for the year in which the property was placed in  
37          service to take deductions under Section 179 of the Internal  
38          Revenue Code in a total amount exceeding the sum of:
- 39                  (A) twenty-five thousand dollars (\$25,000) to the extent  
40                  deductions under Section 179 of the Internal Revenue Code  
41                  were not elected as provided in clause (B); and  
42                  (B) for taxable years beginning after December 31, 2017, the



- 1 deductions elected under Section 179 of the Internal Revenue  
 2 Code on property acquired in an exchange if:
- 3 (i) the exchange would have been eligible for
  - 4 nonrecognition of gain or loss under Section 1031 of the
  - 5 Internal Revenue Code in effect on January 1, 2017;
  - 6 (ii) the exchange is not eligible for nonrecognition of gain or
  - 7 loss under Section 1031 of the Internal Revenue Code; and
  - 8 (iii) the taxpayer made an election to take deductions under
  - 9 Section 179 of the Internal Revenue Code with regard to the
  - 10 acquired property in the year that the property was placed
  - 11 into service.
- 12 The amount of deductions allowable for an item of property  
 13 under this clause may not exceed the amount of adjusted gross  
 14 income realized on the property that would have been deferred  
 15 under the Internal Revenue Code in effect on January 1, 2017.
- 16 (8) Add to the extent required by IC 6-3-2-20:
- 17 (A) the amount of intangible expenses (as defined in
  - 18 IC 6-3-2-20) for the taxable year that reduced the corporation's
  - 19 taxable income (as defined in Section 63 of the Internal
  - 20 Revenue Code) for federal income tax purposes; and
  - 21 (B) any directly related interest expenses (as defined in
  - 22 IC 6-3-2-20) that reduced the corporation's adjusted gross
  - 23 income (determined without regard to this subdivision). For
  - 24 purposes of this clause, any directly related interest expense
  - 25 that constitutes business interest within the meaning of Section
  - 26 163(j) of the Internal Revenue Code shall be considered to
  - 27 have reduced the taxpayer's federal taxable income only in the
  - 28 first taxable year in which the deduction otherwise would have
  - 29 been allowable under Section 163 of the Internal Revenue
  - 30 Code if the limitation under Section 163(j)(1) of the Internal
  - 31 Revenue Code did not exist.
- 32 (9) Add an amount equal to any deduction for dividends paid (as  
 33 defined in Section 561 of the Internal Revenue Code) to  
 34 shareholders of a captive real estate investment trust (as defined  
 35 in section 34.5 of this chapter).
- 36 (10) Subtract income that is:
- 37 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
  - 38 derived from patents); and
  - 39 (B) included in the corporation's taxable income under the
  - 40 Internal Revenue Code.
- 41 (11) Add an amount equal to any income not included in gross  
 42 income as a result of the deferral of income arising from business





- 1 indebtedness discharged in connection with the reacquisition after  
2 December 31, 2008, and before January 1, 2011, of an applicable  
3 debt instrument, as provided in Section 108(i) of the Internal  
4 Revenue Code. Subtract from the adjusted gross income of any  
5 taxpayer that added an amount to adjusted gross income in a  
6 previous year the amount necessary to offset the amount included  
7 in federal gross income as a result of the deferral of income  
8 arising from business indebtedness discharged in connection with  
9 the reacquisition after December 31, 2008, and before January 1,  
10 2011, of an applicable debt instrument, as provided in Section  
11 108(i) of the Internal Revenue Code.
- 12 (12) Add the amount excluded from federal gross income under  
13 Section 103 of the Internal Revenue Code for interest received on  
14 an obligation of a state other than Indiana, or a political  
15 subdivision of such a state, that is acquired by the taxpayer after  
16 December 31, 2011.
- 17 (13) For taxable years beginning after December 25, 2016:  
18 (A) for a corporation other than a real estate investment trust,  
19 add:  
20 (i) an amount equal to the amount reported by the taxpayer  
21 on IRC 965 Transition Tax Statement, line 1; or  
22 (ii) if the taxpayer deducted an amount under Section 965(c)  
23 of the Internal Revenue Code in determining the taxpayer's  
24 taxable income for purposes of the federal income tax, the  
25 amount deducted under Section 965(c) of the Internal  
26 Revenue Code; and  
27 (B) for a real estate investment trust, add an amount equal to  
28 the deduction for deferred foreign income that was claimed by  
29 the taxpayer for the taxable year under Section 965(c) of the  
30 Internal Revenue Code, but only to the extent that the taxpayer  
31 included income pursuant to Section 965 of the Internal  
32 Revenue Code in its taxable income for federal income tax  
33 purposes or is required to add back dividends paid under  
34 subdivision (9).
- 35 (14) Add an amount equal to the deduction that was claimed by  
36 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
37 Internal Revenue Code (attributable to global intangible  
38 low-taxed income). The taxpayer shall separately specify the  
39 amount of the reduction under Section 250(a)(1)(B)(i) of the  
40 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
41 Internal Revenue Code.
- 42 (15) Subtract any interest expense paid or accrued in the current



1 taxable year but not deducted as a result of the limitation imposed  
 2 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 3 interest expense paid or accrued in a previous taxable year but  
 4 allowed as a deduction under Section 163 of the Internal Revenue  
 5 Code in the current taxable year. For purposes of this subdivision,  
 6 an interest expense is considered paid or accrued only in the first  
 7 taxable year the deduction would have been allowable under  
 8 Section 163 of the Internal Revenue Code if the limitation under  
 9 Section 163(j)(1) of the Internal Revenue Code did not exist.

10 (16) Subtract the amount that would have been excluded from  
 11 gross income but for the enactment of Section 118(b)(2) of the  
 12 Internal Revenue Code for taxable years ending after December  
 13 22, 2017.

14 (17) Add or subtract any other amounts the taxpayer is:

15 (A) required to add or subtract; or

16 (B) entitled to deduct;

17 under IC 6-3-2.

18 (c) The following apply to taxable years beginning after December  
 19 31, 2018, for purposes of the add back of any deduction allowed on the  
 20 taxpayer's federal income tax return for wagering taxes, as provided in  
 21 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if  
 22 the taxpayer is a corporation:

23 (1) For taxable years beginning after December 31, 2018, and  
 24 before January 1, 2020, a taxpayer is required to add back under  
 25 this section eighty-seven and five-tenths percent (87.5%) of any  
 26 deduction allowed on the taxpayer's federal income tax return for  
 27 wagering taxes.

28 (2) For taxable years beginning after December 31, 2019, and  
 29 before January 1, 2021, a taxpayer is required to add back under  
 30 this section seventy-five percent (75%) of any deduction allowed  
 31 on the taxpayer's federal income tax return for wagering taxes.

32 (3) For taxable years beginning after December 31, 2020, and  
 33 before January 1, 2022, a taxpayer is required to add back under  
 34 this section sixty-two and five-tenths percent (62.5%) of any  
 35 deduction allowed on the taxpayer's federal income tax return for  
 36 wagering taxes.

37 (4) For taxable years beginning after December 31, 2021, and  
 38 before January 1, 2023, a taxpayer is required to add back under  
 39 this section fifty percent (50%) of any deduction allowed on the  
 40 taxpayer's federal income tax return for wagering taxes.

41 (5) For taxable years beginning after December 31, 2022, and  
 42 before January 1, 2024, a taxpayer is required to add back under



- 1 this section thirty-seven and five-tenths percent (37.5%) of any  
2 deduction allowed on the taxpayer's federal income tax return for  
3 wagering taxes.
- 4 (6) For taxable years beginning after December 31, 2023, and  
5 before January 1, 2025, a taxpayer is required to add back under  
6 this section twenty-five percent (25%) of any deduction allowed  
7 on the taxpayer's federal income tax return for wagering taxes.
- 8 (7) For taxable years beginning after December 31, 2024, and  
9 before January 1, 2026, a taxpayer is required to add back under  
10 this section twelve and five-tenths percent (12.5%) of any  
11 deduction allowed on the taxpayer's federal income tax return for  
12 wagering taxes.
- 13 (8) For taxable years beginning after December 31, 2025, a  
14 taxpayer is not required to add back under this section any amount  
15 of a deduction allowed on the taxpayer's federal income tax return  
16 for wagering taxes.
- 17 (d) In the case of life insurance companies (as defined in Section  
18 816(a) of the Internal Revenue Code) that are organized under Indiana  
19 law, the same as "life insurance company taxable income" (as defined  
20 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 21 (1) Subtract income that is exempt from taxation under this article  
22 by the Constitution and statutes of the United States.
- 23 (2) Add an amount equal to any deduction allowed or allowable  
24 under Section 170 of the Internal Revenue Code (concerning  
25 charitable contributions).
- 26 (3) Add an amount equal to a deduction allowed or allowable  
27 under Section 805 or Section 832(c) of the Internal Revenue Code  
28 for taxes based on or measured by income and levied at the state  
29 level by any state.
- 30 (4) Subtract an amount equal to the amount included in the  
31 company's taxable income under Section 78 of the Internal  
32 Revenue Code (concerning foreign tax credits).
- 33 (5) Add or subtract the amount necessary to make the adjusted  
34 gross income 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 income  
37 that would have been computed had an election not been made  
38 under Section 168(k) of the Internal Revenue Code to apply bonus  
39 depreciation to the property in the year that it was placed in  
40 service.
- 41 (6) Add an amount equal to any deduction allowed under Section  
42 172 of the Internal Revenue Code (concerning net operating



- 1 losses).
- 2 (7) Add or subtract the amount necessary to make the adjusted
- 3 gross income of any taxpayer that placed Section 179 property (as
- 4 defined in Section 179 of the Internal Revenue Code) in service
- 5 in the current taxable year or in an earlier taxable year equal to
- 6 the amount of adjusted gross income that would have been
- 7 computed had an election for federal income tax purposes not
- 8 been made for the year in which the property was placed in
- 9 service to take deductions under Section 179 of the Internal
- 10 Revenue Code in a total amount exceeding the sum of:
- 11 (A) twenty-five thousand dollars (\$25,000) to the extent
- 12 deductions under Section 179 of the Internal Revenue Code
- 13 were not elected as provided in clause (B); and
- 14 (B) for taxable years beginning after December 31, 2017, the
- 15 deductions elected under Section 179 of the Internal Revenue
- 16 Code on property acquired in an exchange if:
- 17 (i) the exchange would have been eligible for
- 18 nonrecognition of gain or loss under Section 1031 of the
- 19 Internal Revenue Code in effect on January 1, 2017;
- 20 (ii) the exchange is not eligible for nonrecognition of gain or
- 21 loss under Section 1031 of the Internal Revenue Code; and
- 22 (iii) the taxpayer made an election to take deductions under
- 23 Section 179 of the Internal Revenue Code with regard to the
- 24 acquired property in the year that the property was placed
- 25 into service.
- 26 The amount of deductions allowable for an item of property
- 27 under this clause may not exceed the amount of adjusted gross
- 28 income realized on the property that would have been deferred
- 29 under the Internal Revenue Code in effect on January 1, 2017.
- 30 (8) Subtract income that is:
- 31 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 32 derived from patents); and
- 33 (B) included in the insurance company's taxable income under
- 34 the Internal Revenue Code.
- 35 (9) Add an amount equal to any income not included in gross
- 36 income as a result of the deferral of income arising from business
- 37 indebtedness discharged in connection with the reacquisition after
- 38 December 31, 2008, and before January 1, 2011, of an applicable
- 39 debt instrument, as provided in Section 108(i) of the Internal
- 40 Revenue Code. Subtract from the adjusted gross income of any
- 41 taxpayer that added an amount to adjusted gross income in a
- 42 previous year the amount necessary to offset the amount included



- 1 in federal gross income as a result of the deferral of income  
2 arising from business indebtedness discharged in connection with  
3 the reacquisition after December 31, 2008, and before January 1,  
4 2011, of an applicable debt instrument, as provided in Section  
5 108(i) of the Internal Revenue Code.
- 6 (10) Add an amount equal to any exempt insurance income under  
7 Section 953(e) of the Internal Revenue Code that is active  
8 financing income under Subpart F of Subtitle A, Chapter 1,  
9 Subchapter N of the Internal Revenue Code.
- 10 (11) Add the amount excluded from federal gross income under  
11 Section 103 of the Internal Revenue Code for interest received on  
12 an obligation of a state other than Indiana, or a political  
13 subdivision of such a state, that is acquired by the taxpayer after  
14 December 31, 2011.
- 15 (12) For taxable years beginning after December 25, 2016, add:  
16 (A) an amount equal to the amount reported by the taxpayer on  
17 IRC 965 Transition Tax Statement, line 1; or  
18 (B) if the taxpayer deducted an amount under Section 965(c)  
19 of the Internal Revenue Code in determining the taxpayer's  
20 taxable income for purposes of the federal income tax, the  
21 amount deducted under Section 965(c) of the Internal Revenue  
22 Code.
- 23 (13) Add an amount equal to the deduction that was claimed by  
24 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
25 Internal Revenue Code (attributable to global intangible  
26 low-taxed income). The taxpayer shall separately specify the  
27 amount of the reduction under Section 250(a)(1)(B)(i) of the  
28 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
29 Internal Revenue Code.
- 30 (14) Subtract any interest expense paid or accrued in the current  
31 taxable year but not deducted as a result of the limitation imposed  
32 under Section 163(j)(1) of the Internal Revenue Code. Add any  
33 interest expense paid or accrued in a previous taxable year but  
34 allowed as a deduction under Section 163 of the Internal Revenue  
35 Code in the current taxable year. For purposes of this subdivision,  
36 an interest expense is considered paid or accrued only in the first  
37 taxable year the deduction would have been allowable under  
38 Section 163 of the Internal Revenue Code if the limitation under  
39 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 40 (15) Subtract the amount that would have been excluded from  
41 gross income but for the enactment of Section 118(b)(2) of the  
42 Internal Revenue Code for taxable years ending after December



- 1 22, 2017.
- 2 (16) Add or subtract any other amounts the taxpayer is:
- 3 (A) required to add or subtract; or
- 4 (B) entitled to deduct;
- 5 under IC 6-3-2.
- 6 (e) In the case of insurance companies subject to tax under Section
- 7 831 of the Internal Revenue Code and organized under Indiana law, the
- 8 same as "taxable income" (as defined in Section 832 of the Internal
- 9 Revenue Code), adjusted as follows:
- 10 (1) Subtract income that is exempt from taxation under this article
- 11 by the Constitution and statutes of the United States.
- 12 (2) Add an amount equal to any deduction allowed or allowable
- 13 under Section 170 of the Internal Revenue Code (concerning
- 14 charitable contributions).
- 15 (3) Add an amount equal to a deduction allowed or allowable
- 16 under Section 805 or Section 832(c) of the Internal Revenue Code
- 17 for taxes based on or measured by income and levied at the state
- 18 level by any state.
- 19 (4) Subtract an amount equal to the amount included in the
- 20 company's taxable income under Section 78 of the Internal
- 21 Revenue Code (concerning foreign tax credits).
- 22 (5) Add or subtract the amount necessary to make the adjusted
- 23 gross income of any taxpayer that owns property for which bonus
- 24 depreciation was allowed in the current taxable year or in an
- 25 earlier taxable year equal to the amount of adjusted gross income
- 26 that would have been computed had an election not been made
- 27 under Section 168(k) of the Internal Revenue Code to apply bonus
- 28 depreciation to the property in the year that it was placed in
- 29 service.
- 30 (6) Add an amount equal to any deduction allowed under Section
- 31 172 of the Internal Revenue Code (concerning net operating
- 32 losses).
- 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 the sum of:
- 42 (A) twenty-five thousand dollars (\$25,000) to the extent



1 deductions under Section 179 of the Internal Revenue Code  
 2 were not elected as provided in clause (B); and  
 3 (B) for taxable years beginning after December 31, 2017, the  
 4 deductions elected under Section 179 of the Internal Revenue  
 5 Code on property acquired in an exchange if:

6 (i) the exchange would have been eligible for  
 7 nonrecognition of gain or loss under Section 1031 of the  
 8 Internal Revenue Code in effect on January 1, 2017;

9 (ii) the exchange is not eligible for nonrecognition of gain or  
 10 loss under Section 1031 of the Internal Revenue Code; and

11 (iii) the taxpayer made an election to take deductions under  
 12 Section 179 of the Internal Revenue Code with regard to the  
 13 acquired property in the year that the property was placed  
 14 into service.

15 The amount of deductions allowable for an item of property  
 16 under this clause may not exceed the amount of adjusted gross  
 17 income realized on the property that would have been deferred  
 18 under the Internal Revenue Code in effect on January 1, 2017.

19 (8) Subtract income that is:

20 (A) exempt from taxation under IC 6-3-2-21.7 (certain income  
 21 derived from patents); and

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

24 (9) Add an amount equal to any income not included in gross  
 25 income as a result of the deferral of income arising from business  
 26 indebtedness discharged in connection with the reacquisition after  
 27 December 31, 2008, and before January 1, 2011, of an applicable  
 28 debt instrument, as provided in Section 108(i) of the Internal  
 29 Revenue Code. Subtract from the adjusted gross income of any  
 30 taxpayer that added an amount to adjusted gross income in a  
 31 previous year the amount necessary to offset the amount included  
 32 in federal gross income as a result of the deferral of income  
 33 arising from business indebtedness discharged in connection with  
 34 the reacquisition after December 31, 2008, and before January 1,  
 35 2011, of an applicable debt instrument, as provided in Section  
 36 108(i) of the Internal Revenue Code.

37 (10) Add an amount equal to any exempt insurance income under  
 38 Section 953(e) of the Internal Revenue Code that is active  
 39 financing income under Subpart F of Subtitle A, Chapter 1,  
 40 Subchapter N of the Internal Revenue Code.

41 (11) Add the amount excluded from federal gross income under  
 42 Section 103 of the Internal Revenue Code for interest received on



1 an obligation of a state other than Indiana, or a political  
 2 subdivision of such a state, that is acquired by the taxpayer after  
 3 December 31, 2011.

4 (12) For taxable years beginning after December 25, 2016, add:

5 (A) an amount equal to the amount reported by the taxpayer on  
 6 IRC 965 Transition Tax Statement, line 1; or

7 (B) if the taxpayer deducted an amount under Section 965(c)  
 8 of the Internal Revenue Code in determining the taxpayer's  
 9 taxable income for purposes of the federal income tax, the  
 10 amount deducted under Section 965(c) of the Internal Revenue  
 11 Code.

12 (13) Add an amount equal to the deduction that was claimed by  
 13 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
 14 Internal Revenue Code (attributable to global intangible  
 15 low-taxed income). The taxpayer shall separately specify the  
 16 amount of the reduction under Section 250(a)(1)(B)(i) of the  
 17 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
 18 Internal Revenue Code.

19 (14) Subtract any interest expense paid or accrued in the current  
 20 taxable year but not deducted as a result of the limitation imposed  
 21 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 22 interest expense paid or accrued in a previous taxable year but  
 23 allowed as a deduction under Section 163 of the Internal Revenue  
 24 Code in the current taxable year. For purposes of this subdivision,  
 25 an interest expense is considered paid or accrued only in the first  
 26 taxable year the deduction would have been allowable under  
 27 Section 163 of the Internal Revenue Code if the limitation under  
 28 Section 163(j)(1) of the Internal Revenue Code did not exist.

29 (15) Subtract the amount that would have been excluded from  
 30 gross income but for the enactment of Section 118(b)(2) of the  
 31 Internal Revenue Code for taxable years ending after December  
 32 22, 2017.

33 (16) Add or subtract any other amounts the taxpayer is:

34 (A) required to add or subtract; or

35 (B) entitled to deduct;

36 under IC 6-3-2.

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

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

42 (2) Subtract an amount equal to the amount of a September 11





1 terrorist attack settlement payment included in the federal  
 2 adjusted gross income of the estate of a victim of the September  
 3 11 terrorist attack or a trust to the extent the trust benefits a victim  
 4 of the September 11 terrorist attack.

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

13 (4) Add an amount equal to any deduction allowed under Section  
 14 172 of the Internal Revenue Code (concerning net operating  
 15 losses).

16 (5) Add or subtract the amount necessary to make the adjusted  
 17 gross income of any taxpayer that placed Section 179 property (as  
 18 defined in Section 179 of the Internal Revenue Code) in service  
 19 in the current taxable year or in an earlier taxable year equal to  
 20 the amount of adjusted gross income that would have been  
 21 computed had an election for federal income tax purposes not  
 22 been made for the year in which the property was placed in  
 23 service to take deductions under Section 179 of the Internal  
 24 Revenue Code in a total amount exceeding the sum of:

25 (A) twenty-five thousand dollars (\$25,000) to the extent  
 26 deductions under Section 179 of the Internal Revenue Code  
 27 were not elected as provided in clause (B); and

28 (B) for taxable years beginning after December 31, 2017, the  
 29 deductions elected under Section 179 of the Internal Revenue  
 30 Code on property acquired in an exchange if:

31 (i) the exchange would have been eligible for  
 32 nonrecognition of gain or loss under Section 1031 of the  
 33 Internal Revenue Code in effect on January 1, 2017;

34 (ii) the exchange is not eligible for nonrecognition of gain or  
 35 loss under Section 1031 of the Internal Revenue Code; and

36 (iii) the taxpayer made an election to take deductions under  
 37 Section 179 of the Internal Revenue Code with regard to the  
 38 acquired property in the year that the property was placed  
 39 into service.

40 The amount of deductions allowable for an item of property  
 41 under this clause may not exceed the amount of adjusted gross  
 42 income realized on the property that would have been deferred



- 1 under the Internal Revenue Code in effect on January 1, 2017.
- 2 (6) Subtract income that is:
- 3 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 4 derived from patents); and
- 5 (B) included in the taxpayer's taxable income under the
- 6 Internal Revenue Code.
- 7 (7) 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 (8) Add the amount excluded from federal gross income under
- 21 Section 103 of the Internal Revenue Code for interest received on
- 22 an obligation of a state other than Indiana, or a political
- 23 subdivision of such a state, that is acquired by the taxpayer after
- 24 December 31, 2011.
- 25 (9) For taxable years beginning after December 25, 2016, add an
- 26 amount equal to:
- 27 (A) the amount reported by the taxpayer on IRC 965
- 28 Transition Tax Statement, line 1;
- 29 (B) if the taxpayer deducted an amount under Section 965(c)
- 30 of the Internal Revenue Code in determining the taxpayer's
- 31 taxable income for purposes of the federal income tax, the
- 32 amount deducted under Section 965(c) of the Internal Revenue
- 33 Code; and
- 34 (C) with regard to any amounts of income under Section 965
- 35 of the Internal Revenue Code distributed by the taxpayer, the
- 36 deduction under Section 965(c) of the Internal Revenue Code
- 37 attributable to such distributed amounts and not reported to the
- 38 beneficiary.
- 39 For purposes of this article, the amount required to be added back
- 40 under clause (B) is not considered to be distributed or
- 41 distributable to a beneficiary of the estate or trust for purposes of
- 42 Sections 651 and 661 of the Internal Revenue Code.



- 1 (10) Subtract any interest expense paid or accrued in the current  
 2 taxable year but not deducted as a result of the limitation imposed  
 3 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 4 interest expense paid or accrued in a previous taxable year but  
 5 allowed as a deduction under Section 163 of the Internal Revenue  
 6 Code in the current taxable year. For purposes of this subdivision,  
 7 an interest expense is considered paid or accrued only in the first  
 8 taxable year the deduction would have been allowable under  
 9 Section 163 of the Internal Revenue Code if the limitation under  
 10 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 11 (11) Add an amount equal to the deduction for qualified business  
 12 income that was claimed by the taxpayer for the taxable year  
 13 under Section 199A of the Internal Revenue Code.
- 14 (12) Subtract the amount that would have been excluded from  
 15 gross income but for the enactment of Section 118(b)(2) of the  
 16 Internal Revenue Code for taxable years ending after December  
 17 22, 2017.
- 18 (13) Add or subtract any other amounts the taxpayer is:  
 19 (A) required to add or subtract; or  
 20 (B) entitled to deduct;  
 21 under IC 6-3-2.
- 22 (g) Subsections (a)(26), (b)(17), (d)(16), (e)(16), or (f)(13) may not  
 23 be construed to require an add back or allow a deduction or exemption  
 24 more than once for a particular add back, deduction, or exemption.
- 25 (h) For taxable years beginning after December 25, 2016, if:  
 26 (1) a taxpayer is a shareholder, either directly or indirectly, in a  
 27 corporation that is an E&P deficit foreign corporation as defined  
 28 in Section 965(b)(3)(B) of the Internal Revenue Code, and the  
 29 earnings and profit deficit, or a portion of the earnings and profit  
 30 deficit, of the E&P deficit foreign corporation is permitted to  
 31 reduce the federal adjusted gross income or federal taxable  
 32 income of the taxpayer, the deficit, or the portion of the deficit,  
 33 shall also reduce the amount taxable under this section to the  
 34 extent permitted under the Internal Revenue Code, however, in no  
 35 case shall this permit a reduction in the amount taxable under  
 36 Section 965 of the Internal Revenue Code for purposes of this  
 37 section to be less than zero (0); and  
 38 (2) the Internal Revenue Service issues guidance that such an  
 39 income or deduction is not reported directly on a federal tax  
 40 return or is to be reported in a manner different than specified in  
 41 this section, this section shall be construed as if federal adjusted  
 42 gross income or federal taxable income included the income or



1           deduction.  
2           SECTION 2. [EFFECTIVE JANUARY 1, 2021 (RETROACTIVE)]  
3           **(a) IC 6-3-1-3.5, as amended by this act, applies to taxable years**  
4           **beginning after December 31, 2020.**  
5           **(b) This SECTION expires January 1, 2024.**  
6           SECTION 3. An emergency is declared for this act.

