

# HOUSE BILL No. 1184

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3; IC 6-5.5-1-2.

**Synopsis:** Tax exemption for certain income related to patents. Provides an exemption from adjusted gross income taxation for income derived from an invention in the period beginning when a patent application for the invention is filed and ending when the patent is granted, if a patent is ultimately issued for the invention. Provides for a new schedule of exemption percentages for the patent exemption from adjusted gross income taxation in current law, applicable to patents issued during taxable years beginning after December 31, 2014.

**Effective:** January 1, 2015.

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January 14, 2014, read first time and referred to Committee on Ways and Means.

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Second Regular Session 118th General Assembly (2014)

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 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

# HOUSE BILL No. 1184



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.205-2013,  
2 SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2015]: Sec. 3.5. When used in this article, the term  
4 "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) Add an amount equal to any deduction or deductions allowed  
11 or allowable pursuant to Section 62 of the Internal Revenue Code  
12 for taxes based on or measured by income and levied at the state  
13 level by any state of the United States.  
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a  
15 joint return filed by a husband and wife, subtract for each spouse  
16 one thousand dollars (\$1,000).



- 1 (4) Subtract one thousand dollars (\$1,000) for:  
2 (A) each of the exemptions provided by Section 151(c) of the  
3 Internal Revenue Code;  
4 (B) each additional amount allowable under Section 63(f) of  
5 the Internal Revenue Code; and  
6 (C) the spouse of the taxpayer if a separate return is made by  
7 the taxpayer and if the spouse, for the calendar year in which  
8 the taxable year of the taxpayer begins, has no gross income  
9 and is not the dependent of another taxpayer.
- 10 (5) Subtract:  
11 (A) one thousand five hundred dollars (\$1,500) for each of the  
12 exemptions allowed under Section 151(c)(1)(B) of the Internal  
13 Revenue Code (as effective January 1, 2004); and  
14 (B) five hundred dollars (\$500) for each additional amount  
15 allowable under Section 63(f)(1) of the Internal Revenue Code  
16 if the adjusted gross income of the taxpayer, or the taxpayer  
17 and the taxpayer's spouse in the case of a joint return, is less  
18 than forty thousand dollars (\$40,000).  
19 This amount is in addition to the amount subtracted under  
20 subdivision (4).
- 21 (6) Subtract an amount equal to the lesser of:  
22 (A) that part of the individual's adjusted gross income (as  
23 defined in Section 62 of the Internal Revenue Code) for that  
24 taxable year that is subject to a tax that is imposed by a  
25 political subdivision of another state and that is imposed on or  
26 measured by income; or  
27 (B) two thousand dollars (\$2,000).
- 28 (7) Add an amount equal to the total capital gain portion of a  
29 lump sum distribution (as defined in Section 402(e)(4)(D) of the  
30 Internal Revenue Code) if the lump sum distribution is received  
31 by the individual during the taxable year and if the capital gain  
32 portion of the distribution is taxed in the manner provided in  
33 Section 402 of the Internal Revenue Code.
- 34 (8) Subtract any amounts included in federal adjusted gross  
35 income under Section 111 of the Internal Revenue Code as a  
36 recovery of items previously deducted as an itemized deduction  
37 from adjusted gross income.
- 38 (9) Subtract any amounts included in federal adjusted gross  
39 income under the Internal Revenue Code which amounts were  
40 received by the individual as supplemental railroad retirement  
41 annuities under 45 U.S.C. 231 and which are not deductible under  
42 subdivision (1).



- 1 (10) Subtract an amount equal to the amount of federal Social  
2 Security and Railroad Retirement benefits included in a taxpayer's  
3 federal gross income by Section 86 of the Internal Revenue Code.  
4 (11) In the case of a nonresident taxpayer or a resident taxpayer  
5 residing in Indiana for a period of less than the taxpayer's entire  
6 taxable year, the total amount of the deductions allowed pursuant  
7 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount  
8 which bears the same ratio to the total as the taxpayer's income  
9 taxable in Indiana bears to the taxpayer's total income.  
10 (12) In the case of an individual who is a recipient of assistance  
11 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,  
12 subtract an amount equal to that portion of the individual's  
13 adjusted gross income with respect to which the individual is not  
14 allowed under federal law to retain an amount to pay state and  
15 local income taxes.  
16 (13) In the case of an eligible individual, subtract the amount of  
17 a Holocaust victim's settlement payment included in the  
18 individual's federal adjusted gross income.  
19 (14) Subtract an amount equal to the portion of any premiums  
20 paid during the taxable year by the taxpayer for a qualified long  
21 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer  
22 or the taxpayer's spouse, or both.  
23 (15) Subtract an amount equal to the lesser of:  
24 (A) two thousand five hundred dollars (\$2,500); or  
25 (B) the amount of property taxes that are paid during the  
26 taxable year in Indiana by the individual on the individual's  
27 principal place of residence.  
28 (16) Subtract an amount equal to the amount of a September 11  
29 terrorist attack settlement payment included in the individual's  
30 federal adjusted gross income.  
31 (17) Add or subtract the amount necessary to make the adjusted  
32 gross income of any taxpayer that owns property for which bonus  
33 depreciation was allowed in the current taxable year or in an  
34 earlier taxable year equal to the amount of adjusted gross income  
35 that would have been computed had an election not been made  
36 under Section 168(k) of the Internal Revenue Code to apply bonus  
37 depreciation to the property in the year that it was placed in  
38 service.  
39 (18) Add an amount equal to any deduction allowed under  
40 Section 172 of the Internal Revenue Code.  
41 (19) Add or subtract the amount necessary to make the adjusted  
42 gross income of any taxpayer that placed Section 179 property (as



- 1 defined in Section 179 of the Internal Revenue Code) in service  
2 in the current taxable year or in an earlier taxable year equal to  
3 the amount of adjusted gross income that would have been  
4 computed had an election for federal income tax purposes not  
5 been made for the year in which the property was placed in  
6 service to take deductions under Section 179 of the Internal  
7 Revenue Code in a total amount exceeding twenty-five thousand  
8 dollars (\$25,000).
- 9 (20) Add an amount equal to the amount that a taxpayer claimed  
10 as a deduction for domestic production activities for the taxable  
11 year under Section 199 of the Internal Revenue Code for federal  
12 income tax purposes.
- 13 (21) Subtract an amount equal to the amount of the taxpayer's  
14 qualified military income that was not excluded from the  
15 taxpayer's gross income for federal income tax purposes under  
16 Section 112 of the Internal Revenue Code.
- 17 (22) Subtract income that is:
- 18 (A) exempt from taxation under **IC 6-3-2-21** or IC 6-3-2-21.7;  
19 and
- 20 (B) included in the individual's federal adjusted gross income  
21 under the Internal Revenue Code.
- 22 (23) Subtract any amount of a credit (including an advance refund  
23 of the credit) that is provided to an individual under 26 U.S.C.  
24 6428 (federal Economic Stimulus Act of 2008) and included in  
25 the individual's federal adjusted gross income.
- 26 (24) Add any amount of unemployment compensation excluded  
27 from federal gross income, as defined in Section 61 of the Internal  
28 Revenue Code, under Section 85(c) of the Internal Revenue Code.
- 29 (25) Add the amount excluded from gross income under Section  
30 108(a)(1)(e) of the Internal Revenue Code for the discharge of  
31 debt on a qualified principal residence.
- 32 (26) Add an amount equal to any income not included in gross  
33 income as a result of the deferral of income arising from business  
34 indebtedness discharged in connection with the reacquisition after  
35 December 31, 2008, and before January 1, 2011, of an applicable  
36 debt instrument, as provided in Section 108(i) of the Internal  
37 Revenue Code. Subtract the amount necessary from the adjusted  
38 gross income of any taxpayer that added an amount to adjusted  
39 gross income in a previous year to offset the amount included in  
40 federal gross income as a result of the deferral of income arising  
41 from business indebtedness discharged in connection with the  
42 reacquisition after December 31, 2008, and before January 1,



- 1 2011, of an applicable debt instrument, as provided in Section  
2 108(i) of the Internal Revenue Code.
- 3 (27) Add or subtract the amount necessary to make the adjusted  
4 gross income of any taxpayer that claimed the special allowance  
5 for qualified disaster assistance property under Section 168(n) of  
6 the Internal Revenue Code equal to the amount of adjusted gross  
7 income that would have been computed had the special allowance  
8 not been claimed for the property.
- 9 (28) Add or subtract the amount necessary to make the adjusted  
10 gross income of any taxpayer that made an election under Section  
11 179C of the Internal Revenue Code to expense costs for qualified  
12 refinery property equal to the amount of adjusted gross income  
13 that would have been computed had an election for federal  
14 income tax purposes not been made for the year.
- 15 (29) Add or subtract the amount necessary to make the adjusted  
16 gross income of any taxpayer that made an election under Section  
17 181 of the Internal Revenue Code to expense costs for a qualified  
18 film or television production equal to the amount of adjusted  
19 gross income that would have been computed had an election for  
20 federal income tax purposes not been made for the year.
- 21 (30) Add or subtract the amount necessary to make the adjusted  
22 gross income of any taxpayer that treated a loss from the sale or  
23 exchange of preferred stock in:
- 24 (A) the Federal National Mortgage Association, established  
25 under the Federal National Mortgage Association Charter Act  
26 (12 U.S.C. 1716 et seq.); or
- 27 (B) the Federal Home Loan Mortgage Corporation, established  
28 under the Federal Home Loan Mortgage Corporation Act (12  
29 U.S.C. 1451 et seq.);
- 30 as an ordinary loss under Section 301 of the Emergency  
31 Economic Stabilization Act of 2008 in the current taxable year or  
32 in an earlier taxable year equal to the amount of adjusted gross  
33 income that would have been computed had the loss not been  
34 treated as an ordinary loss.
- 35 (31) Add the amount excluded from federal gross income under  
36 Section 103 of the Internal Revenue Code for interest received on  
37 an obligation of a state other than Indiana, or a political  
38 subdivision of such a state, that is acquired by the taxpayer after  
39 December 31, 2011.
- 40 (32) This subdivision does not apply to payments made for  
41 services provided to a business that was enrolled and participated  
42 in the E-Verify program (as defined in IC 22-5-1.7-3) during the



1 time the taxpayer conducted business in Indiana in the taxable  
2 year. For a taxable year beginning after June 30, 2011, add the  
3 amount of any trade or business deduction allowed under the  
4 Internal Revenue Code for wages, reimbursements, or other  
5 payments made for services provided in Indiana by an individual  
6 for services as an employee, if the individual was, during the  
7 period of service, prohibited from being hired as an employee  
8 under 8 U.S.C. 1324a.

9 (b) In the case of corporations, the same as "taxable income" (as  
10 defined in Section 63 of the Internal Revenue Code) adjusted as  
11 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 or deductions allowed  
15 or allowable pursuant to Section 170 of the Internal Revenue  
16 Code.

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

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

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

32 (6) Add an amount equal to any deduction allowed under Section  
33 172 of the Internal Revenue Code.

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



- 1 dollars (\$25,000).
- 2 (8) Add an amount equal to the amount that a taxpayer claimed as
- 3 a deduction for domestic production activities for the taxable year
- 4 under Section 199 of the Internal Revenue Code for federal
- 5 income tax purposes.
- 6 (9) Add to the extent required by IC 6-3-2-20 the amount of
- 7 intangible expenses (as defined in IC 6-3-2-20) and any directly
- 8 related intangible interest expenses (as defined in IC 6-3-2-20) for
- 9 the taxable year that reduced the corporation's taxable income (as
- 10 defined in Section 63 of the Internal Revenue Code) for federal
- 11 income tax purposes.
- 12 (10) Add an amount equal to any deduction for dividends paid (as
- 13 defined in Section 561 of the Internal Revenue Code) to
- 14 shareholders of a captive real estate investment trust (as defined
- 15 in section 34.5 of this chapter).
- 16 (11) Subtract income that is:
- 17 (A) exempt from taxation under **IC 6-3-2-21** or IC 6-3-2-21.7;
- 18 and
- 19 (B) included in the corporation's taxable income under the
- 20 Internal Revenue Code.
- 21 (12) Add an amount equal to any income not included in gross
- 22 income as a result of the deferral of income arising from business
- 23 indebtedness discharged in connection with the reacquisition after
- 24 December 31, 2008, and before January 1, 2011, of an applicable
- 25 debt instrument, as provided in Section 108(i) of the Internal
- 26 Revenue Code. Subtract from the adjusted gross income of any
- 27 taxpayer that added an amount to adjusted gross income in a
- 28 previous year the amount necessary to offset the amount included
- 29 in federal gross income as a result of the deferral of income
- 30 arising from business indebtedness discharged in connection with
- 31 the reacquisition after December 31, 2008, and before January 1,
- 32 2011, of an applicable debt instrument, as provided in Section
- 33 108(i) of the Internal Revenue Code.
- 34 (13) Add or subtract the amount necessary to make the adjusted
- 35 gross income of any taxpayer that claimed the special allowance
- 36 for qualified disaster assistance property under Section 168(n) of
- 37 the Internal Revenue Code equal to the amount of adjusted gross
- 38 income that would have been computed had the special allowance
- 39 not been claimed for the property.
- 40 (14) Add or subtract the amount necessary to make the adjusted
- 41 gross income of any taxpayer that made an election under Section
- 42 179C of the Internal Revenue Code to expense costs for qualified





1 refinery property equal to the amount of adjusted gross income  
 2 that would have been computed had an election for federal  
 3 income tax purposes not been made for the year.

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

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

13 (A) the Federal National Mortgage Association, established  
 14 under the Federal National Mortgage Association Charter Act  
 15 (12 U.S.C. 1716 et seq.); or

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

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

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

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

40 (c) In the case of life insurance companies (as defined in Section  
 41 816(a) of the Internal Revenue Code) that are organized under Indiana  
 42 law, the same as "life insurance company taxable income" (as defined



- 1 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 2 (1) Subtract income that is exempt from taxation under this article
- 3 by the Constitution and statutes of the United States.
- 4 (2) Add an amount equal to any deduction allowed or allowable
- 5 under Section 170 of the Internal Revenue Code.
- 6 (3) Add an amount equal to a deduction allowed or allowable
- 7 under Section 805 or Section 831(c) of the Internal Revenue Code
- 8 for taxes based on or measured by income and levied at the state
- 9 level by any state.
- 10 (4) Subtract an amount equal to the amount included in the
- 11 company's taxable income under Section 78 of the Internal
- 12 Revenue Code.
- 13 (5) Add or subtract the amount necessary to make the adjusted
- 14 gross income of any taxpayer that owns property for which bonus
- 15 depreciation was allowed in the current taxable year or in an
- 16 earlier taxable year equal to the amount of adjusted gross income
- 17 that would have been computed had an election not been made
- 18 under Section 168(k) of the Internal Revenue Code to apply bonus
- 19 depreciation to the property in the year that it was placed in
- 20 service.
- 21 (6) Add an amount equal to any deduction allowed under Section
- 22 172 or Section 810 of the Internal Revenue Code.
- 23 (7) Add or subtract the amount necessary to make the adjusted
- 24 gross income of any taxpayer that placed Section 179 property (as
- 25 defined in Section 179 of the Internal Revenue Code) in service
- 26 in the current taxable year or in an earlier taxable year equal to
- 27 the amount of adjusted gross income that would have been
- 28 computed had an election for federal income tax purposes not
- 29 been made for the year in which the property was placed in
- 30 service to take deductions under Section 179 of the Internal
- 31 Revenue Code in a total amount exceeding twenty-five thousand
- 32 dollars (\$25,000).
- 33 (8) Add an amount equal to the amount that a taxpayer claimed as
- 34 a deduction for domestic production activities for the taxable year
- 35 under Section 199 of the Internal Revenue Code for federal
- 36 income tax purposes.
- 37 (9) Subtract income that is:
- 38 (A) exempt from taxation under **IC 6-3-2-21** or IC 6-3-2-21.7;
- 39 and
- 40 (B) included in the insurance company's taxable income under
- 41 the Internal Revenue Code.
- 42 (10) Add an amount equal to any income not included in gross



1 income as a result of the deferral of income arising from business  
 2 indebtedness discharged in connection with the reacquisition after  
 3 December 31, 2008, and before January 1, 2011, of an applicable  
 4 debt instrument, as provided in Section 108(i) of the Internal  
 5 Revenue Code. Subtract from the adjusted gross income of any  
 6 taxpayer that added an amount to adjusted gross income in a  
 7 previous year the amount necessary to offset the amount included  
 8 in federal gross income as a result of the deferral of income  
 9 arising from business indebtedness discharged in connection with  
 10 the reacquisition after December 31, 2008, and before January 1,  
 11 2011, of an applicable debt instrument, as provided in Section  
 12 108(i) of the Internal Revenue Code.

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

19 (12) Add or subtract the amount necessary to make the adjusted  
 20 gross income of any taxpayer that made an election under Section  
 21 179C of the Internal Revenue Code to expense costs for qualified  
 22 refinery property equal to the amount of adjusted gross income  
 23 that would have been computed had an election for federal  
 24 income tax purposes not been made for the year.

25 (13) Add or subtract the amount necessary to make the adjusted  
 26 gross income of any taxpayer that made an election under Section  
 27 181 of the Internal Revenue Code to expense costs for a qualified  
 28 film or television production equal to the amount of adjusted  
 29 gross income that would have been computed had an election for  
 30 federal income tax purposes not been made for the year.

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

34 (A) the Federal National Mortgage Association, established  
 35 under the Federal National Mortgage Association Charter Act  
 36 (12 U.S.C. 1716 et seq.); or

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

40 as an ordinary loss under Section 301 of the Emergency  
 41 Economic Stabilization Act of 2008 in the current taxable year or  
 42 in an earlier taxable year equal to the amount of adjusted gross



- 1 income that would have been computed had the loss not been  
 2 treated as an ordinary loss.
- 3 (15) Add an amount equal to any exempt insurance income under  
 4 Section 953(e) of the Internal Revenue Code that is active  
 5 financing income under Subpart F of Subtitle A, Chapter 1,  
 6 Subchapter N of the Internal Revenue Code.
- 7 (16) This subdivision does not apply to payments made for  
 8 services provided to a business that was enrolled and participated  
 9 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 10 time the taxpayer conducted business in Indiana in the taxable  
 11 year. For a taxable year beginning after June 30, 2011, add the  
 12 amount of any trade or business deduction allowed under the  
 13 Internal Revenue Code for wages, reimbursements, or other  
 14 payments made for services provided in Indiana by an individual  
 15 for services as an employee, if the individual was, during the  
 16 period of service, prohibited from being hired as an employee  
 17 under 8 U.S.C. 1324a.
- 18 (17) Add the amount excluded from federal gross income under  
 19 Section 103 of the Internal Revenue Code for interest received on  
 20 an obligation of a state other than Indiana, or a political  
 21 subdivision of such a state, that is acquired by the taxpayer after  
 22 December 31, 2011.
- 23 (d) In the case of insurance companies subject to tax under Section  
 24 831 of the Internal Revenue Code and organized under Indiana law, the  
 25 same as "taxable income" (as defined in Section 832 of the Internal  
 26 Revenue Code), adjusted as follows:
- 27 (1) Subtract income that is exempt from taxation under this article  
 28 by the Constitution and statutes of the United States.
- 29 (2) Add an amount equal to any deduction allowed or allowable  
 30 under Section 170 of the Internal Revenue Code.
- 31 (3) Add an amount equal to a deduction allowed or allowable  
 32 under Section 805 or Section 831(c) of the Internal Revenue Code  
 33 for taxes based on or measured by income and levied at the state  
 34 level by any state.
- 35 (4) Subtract an amount equal to the amount included in the  
 36 company's taxable income under Section 78 of the Internal  
 37 Revenue Code.
- 38 (5) Add or subtract the amount necessary to make the adjusted  
 39 gross income of any taxpayer that owns property for which bonus  
 40 depreciation was allowed in the current taxable year or in an  
 41 earlier taxable year equal to the amount of adjusted gross income  
 42 that would have been computed had an election not been made



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



- 1 not been claimed for the property.
- 2 (12) Add or subtract the amount necessary to make the adjusted  
3 gross income of any taxpayer that made an election under Section  
4 179C of the Internal Revenue Code to expense costs for qualified  
5 refinery property equal to the amount of adjusted gross income  
6 that would have been computed had an election for federal  
7 income tax purposes not been made for the year.
- 8 (13) Add or subtract the amount necessary to make the adjusted  
9 gross income of any taxpayer that made an election under Section  
10 181 of the Internal Revenue Code to expense costs for a qualified  
11 film or television production equal to the amount of adjusted  
12 gross income that would have been computed had an election for  
13 federal income tax purposes not been made for the year.
- 14 (14) Add or subtract the amount necessary to make the adjusted  
15 gross income of any taxpayer that treated a loss from the sale or  
16 exchange of preferred stock in:
- 17 (A) the Federal National Mortgage Association, established  
18 under the Federal National Mortgage Association Charter Act  
19 (12 U.S.C. 1716 et seq.); or
- 20 (B) the Federal Home Loan Mortgage Corporation, established  
21 under the Federal Home Loan Mortgage Corporation Act (12  
22 U.S.C. 1451 et seq.);
- 23 as an ordinary loss under Section 301 of the Emergency  
24 Economic Stabilization Act of 2008 in the current taxable year or  
25 in an earlier taxable year equal to the amount of adjusted gross  
26 income that would have been computed had the loss not been  
27 treated as an ordinary loss.
- 28 (15) Add an amount equal to any exempt insurance income under  
29 Section 953(e) of the Internal Revenue Code that is active  
30 financing income under Subpart F of Subtitle A, Chapter 1,  
31 Subchapter N of the Internal Revenue Code.
- 32 (16) This subdivision does not apply to payments made for  
33 services provided to a business that was enrolled and participated  
34 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
35 time the taxpayer conducted business in Indiana in the taxable  
36 year. For a taxable year beginning after June 30, 2011, add the  
37 amount of any trade or business deduction allowed under the  
38 Internal Revenue Code for wages, reimbursements, or other  
39 payments made for services provided in Indiana by an individual  
40 for services as an employee, if the individual was, during the  
41 period of service, prohibited from being hired as an employee  
42 under 8 U.S.C. 1324a.



- 1 (17) Add the amount excluded from federal gross income under  
 2 Section 103 of the Internal Revenue Code for interest received on  
 3 an obligation of a state other than Indiana, or a political  
 4 subdivision of such a state, that is acquired by the taxpayer after  
 5 December 31, 2011.
- 6 (e) In the case of trusts and estates, "taxable income" (as defined for  
 7 trusts and estates in Section 641(b) of the Internal Revenue Code)  
 8 adjusted as follows:
- 9 (1) Subtract income that is exempt from taxation under this article  
 10 by the Constitution and statutes of the United States.
- 11 (2) Subtract an amount equal to the amount of a September 11  
 12 terrorist attack settlement payment included in the federal  
 13 adjusted gross income of the estate of a victim of the September  
 14 11 terrorist attack or a trust to the extent the trust benefits a victim  
 15 of the September 11 terrorist attack.
- 16 (3) Add or subtract the amount necessary to make the adjusted  
 17 gross income of any taxpayer that owns property for which bonus  
 18 depreciation was allowed in the current taxable year or in an  
 19 earlier taxable year equal to the amount of adjusted gross income  
 20 that would have been computed had an election not been made  
 21 under Section 168(k) of the Internal Revenue Code to apply bonus  
 22 depreciation to the property in the year that it was placed in  
 23 service.
- 24 (4) Add an amount equal to any deduction allowed under Section  
 25 172 of the Internal Revenue Code.
- 26 (5) Add or subtract the amount necessary to make the adjusted  
 27 gross income of any taxpayer that placed Section 179 property (as  
 28 defined in Section 179 of the Internal Revenue Code) in service  
 29 in the current taxable year or in an earlier taxable year equal to  
 30 the amount of adjusted gross income that would have been  
 31 computed had an election for federal income tax purposes not  
 32 been made for the year in which the property was placed in  
 33 service to take deductions under Section 179 of the Internal  
 34 Revenue Code in a total amount exceeding twenty-five thousand  
 35 dollars (\$25,000).
- 36 (6) Add an amount equal to the amount that a taxpayer claimed as  
 37 a deduction for domestic production activities for the taxable year  
 38 under Section 199 of the Internal Revenue Code for federal  
 39 income tax purposes.
- 40 (7) Subtract income that is:
- 41 (A) exempt from taxation under **IC 6-3-2-21** or IC 6-3-2-21.7;  
 42 and



- 1 (B) included in the taxpayer's taxable income under the  
 2 Internal Revenue Code.
- 3 (8) 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 from the adjusted gross income of any  
 9 taxpayer that added an amount to adjusted gross income in a  
 10 previous year the amount necessary to offset the amount included  
 11 in federal gross income as a result of the deferral of income  
 12 arising from business indebtedness discharged in connection with  
 13 the 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 (9) Add or subtract the amount necessary to make the adjusted  
 17 gross income of any taxpayer that claimed the special allowance  
 18 for qualified disaster assistance property under Section 168(n) of  
 19 the Internal Revenue Code equal to the amount of adjusted gross  
 20 income that would have been computed had the special allowance  
 21 not been claimed for the property.
- 22 (10) Add or subtract the amount necessary to make the adjusted  
 23 gross income of any taxpayer that made an election under Section  
 24 179C of the Internal Revenue Code to expense costs for qualified  
 25 refinery property equal to the amount of adjusted gross income  
 26 that would have been computed had an election for federal  
 27 income tax purposes not been made for the year.
- 28 (11) Add or subtract the amount necessary to make the adjusted  
 29 gross income of any taxpayer that made an election under Section  
 30 181 of the Internal Revenue Code to expense costs for a qualified  
 31 film or television production equal to the amount of adjusted  
 32 gross income that would have been computed had an election for  
 33 federal income tax purposes not been made for the year.
- 34 (12) Add or subtract the amount necessary to make the adjusted  
 35 gross income of any taxpayer that treated a loss from the sale or  
 36 exchange of preferred stock in:
- 37 (A) the Federal National Mortgage Association, established  
 38 under the Federal National Mortgage Association Charter Act  
 39 (12 U.S.C. 1716 et seq.); or
- 40 (B) the Federal Home Loan Mortgage Corporation, established  
 41 under the Federal Home Loan Mortgage Corporation Act (12  
 42 U.S.C. 1451 et seq.);





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

6 (13) Add the amount excluded from gross income under Section  
 7 108(a)(1)(e) of the Internal Revenue Code for the discharge of  
 8 debt on a qualified principal residence.

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

20 (15) 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 SECTION 2. IC 6-3-2-21 IS ADDED TO THE INDIANA CODE  
 26 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
 27 JANUARY 1, 2015]: **Sec. 21. (a) This section applies only to taxable**  
 28 **years beginning after December 31, 2014.**

29 **(b) The following definitions apply throughout this section:**

30 **(1) "Application period" of a qualified patent means the**  
 31 **period:**

32 **(A) beginning on the date on which a patent application for**  
 33 **the invention was first filed; and**

34 **(B) ending on the day immediately preceding the date on**  
 35 **which the qualified patent was issued.**

36 **(2) "Invention" has the meaning set forth in section 21.7(b) of**  
 37 **this chapter.**

38 **(3) "Patent application" means an application filed with the**  
 39 **United States Patent and Trademark Office to obtain a**  
 40 **qualified patent (as defined in section 21.7(c) of this chapter).**

41 **(4) "Qualified taxpayer" has the meaning set forth in section**  
 42 **21.7(d) of this chapter.**



1           (c) Except as otherwise provided in this section, each taxable  
2 year, a qualified taxpayer to whom a qualified patent is issued  
3 during the taxable year is entitled to exempt an amount of income  
4 from taxation under IC 6-3-1 through IC 6-3-7 equal to the lesser  
5 of the following:

6           (1) The total amount of the following items of income that  
7 were received by the qualified taxpayer during the application  
8 period of the qualified patent for the invention that is the  
9 subject of the qualified patent:

10           (A) Licensing fees, milestone payments, and other income  
11 received by the qualified taxpayer for another entity's use  
12 of the invention.

13           (B) Subject to subsection (d), income attributable to the  
14 qualified taxpayer's own production or use of the  
15 invention.

16           (2) The amount of the qualified taxpayer's income subject to  
17 taxation under IC 6-3-1 through IC 6-3-7 for the taxable year,  
18 calculated without regard to this section.

19           (d) For an item of income attributable to a qualified taxpayer's  
20 own use of an invention under subsection (c)(1)(B), the item of  
21 income may not exceed the fair market value of the licensing fees  
22 or other income that the qualified taxpayer could have reasonably  
23 expected to receive for allowing someone other than the qualified  
24 taxpayer to use the qualified taxpayer's invention during the  
25 application period.

26           (e) If part of the exemption amount calculated under subsection  
27 (c)(1) exceeds the lesser of:

28           (1) the amount described in subsection (c)(2); or

29           (2) the limit described in subsection (f);

30 the unused part of the exemption amount may be carried forward  
31 by the qualified taxpayer for not more than four (4) consecutive  
32 taxable years following the taxable year in which the exemption  
33 amount was first claimed. At the conclusion of each subsequent  
34 taxable year, the exemption amount to be carried forward is  
35 reduced by the exemption amount applied to income received in  
36 that taxable year.

37           (f) The amount of income that a qualified taxpayer may exempt  
38 from taxation under IC 6-3-1 through IC 6-3-7 in a taxable year  
39 under this section may not exceed five million dollars (\$5,000,000),  
40 including:

41           (1) any exemption amount to which the qualified taxpayer is  
42 entitled for a qualified patent issued to the qualified taxpayer



1           **during the taxable year; and**  
 2           **(2) any exemption amount carried forward from a preceding**  
 3           **taxable year that is applied to reduce the amount of the**  
 4           **qualified taxpayer's income subject to taxation under IC 6-3-1**  
 5           **through IC 6-3-7 for the taxable year.**

6           SECTION 3. IC 6-3-2-21.7, AS ADDED BY P.L.223-2007,  
 7           SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8           JANUARY 1, 2015]: Sec. 21.7. (a) This section applies to a qualified  
 9           patent issued to a taxpayer after December 31, 2007.

10          (b) As used in this section, "invention" has the meaning set forth in  
 11          35 U.S.C. 100(a).

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

13           **(1) for a taxable year beginning before January 1, 2015:**

14            (A) a utility patent issued under 35 U.S.C. 101; or

15            ~~(2)~~ **(B)** a plant patent issued under 35 U.S.C. 161;

16            after December 31, 2007, for an invention resulting from a  
 17            development process conducted in Indiana; or

18           **(2) for a taxable year beginning after December 31, 2014:**

19            (A) a utility patent issued under 35 U.S.C. 101; or

20            (B) a plant patent issued under 35 U.S.C. 161;

21            **after December 31, 2014, for an invention resulting from a**  
 22            **development process substantially conducted in Indiana.**

23          The term does not include a design patent issued under 35 U.S.C. 171.

24          (d) As used in this section, "qualified taxpayer" means a taxpayer  
 25          **domiciled in Indiana** that on the effective filing date of the claimed  
 26          invention:

27           **(1) for taxable years beginning before January 1, 2015, is**  
 28            either:

29            (A) an individual or corporation, if the number of employees  
 30            of the individual or corporation, including affiliates as  
 31            specified in 13 CFR 121.103, does not exceed five hundred  
 32            (500) persons; or

33            (B) a nonprofit organization or nonprofit corporation as  
 34            specified in:

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

36              (ii) IC 23-17; ~~and~~ or

37           **(2) is domiciled in Indiana: for taxable years beginning after**  
 38            **December 31, 2014, is:**

39            (A) an individual;

40            (B) a pass through entity;

41            (C) a corporation; or

42            (D) a nonprofit organization or nonprofit corporation as



1 **specified in:**

- 2 **(i) 37 CFR 1.27(a)(3)(ii)(A) or 37 CFR 1.27(a)(3)(ii)(B);**  
 3 **or**  
 4 **(ii) IC 23-17.**

5 (e) Subject to ~~subsections (g) and (h)~~; **other provisions of this**  
 6 **section**, in determining adjusted gross income or taxable income under  
 7 IC 6-3-1-3.5 or IC 6-5.5-1-2, a qualified taxpayer is entitled to an  
 8 exemption from taxation under IC 6-3-1 through IC 6-3-7 for the  
 9 following:

- 10 (1) Licensing fees, **royalties, milestone payments**, or other  
 11 income received for the use of a qualified patent.  
 12 (2) Royalties received for the infringement of a qualified patent.  
 13 (3) Receipts from the sale of a qualified patent.  
 14 (4) Subject to subsection (f), income from the taxpayer's own use  
 15 of the taxpayer's qualified patent to produce the claimed  
 16 invention.

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

23 (g) The total amount of exemptions claimed under this section by a  
 24 qualified taxpayer in a taxable year may not exceed five million dollars  
 25 (\$5,000,000).

26 (h) A taxpayer may not claim an exemption under this section with  
 27 respect to a particular qualified patent for more than ten (10)  
 28 **consecutive taxable years, beginning with the taxable year in which**  
 29 **the qualified patent is issued.**

30 **(i) This subsection applies if the taxable year in which a**  
 31 **qualified patent is issued begins before January 1, 2015.** Subject to  
 32 the provisions of this section, the following ~~amount~~ **percentages** of the  
 33 **items of income royalties, or receipts** described in subsection (e) **that**  
 34 **are derived** from a ~~particular~~ qualified patent **is** **are** exempt:

- 35 (1) Fifty percent (50%) for each of the first five (5) taxable years  
 36 in which the exemption is claimed for the qualified patent.  
 37 (2) Forty percent (40%) for the sixth taxable year in which the  
 38 exemption is claimed for the qualified patent.  
 39 (3) Thirty percent (30%) for the seventh taxable year in which the  
 40 exemption is claimed for the qualified patent.  
 41 (4) Twenty percent (20%) for the eighth taxable year in which the  
 42 exemption is claimed for the qualified patent.



1 (5) Ten percent (10%) each year for the ninth and tenth taxable  
 2 year in which the exemption is claimed for the qualified patent.  
 3 ~~(6)~~ No exemption under this section for the particular qualified patent  
 4 after the eleventh taxable year in which the exemption is claimed for  
 5 the qualified patent.

6 **(j) This subsection applies if the taxable year in which a**  
 7 **qualified patent is issued begins after December 31, 2014. Subject**  
 8 **to the provisions of this section, the following percentages of the**  
 9 **items of income described in subsection (e) that are derived from**  
 10 **a qualified patent are exempt:**

11 **(1) One hundred percent (100%) for the first taxable year in**  
 12 **which the exemption is claimed for the qualified patent.**

13 **(2) Ninety percent (90%) for the second taxable year in which**  
 14 **the exemption is claimed for the qualified patent.**

15 **(3) Eighty percent (80%) for the third taxable year in which**  
 16 **the exemption is claimed for the qualified patent.**

17 **(4) Seventy percent (70%) for the fourth taxable year in**  
 18 **which the exemption is claimed for the qualified patent.**

19 **(5) Sixty percent (60%) for the fifth taxable year in which the**  
 20 **exemption is claimed for the qualified patent.**

21 **(6) Fifty percent (50%) for the sixth taxable year in which the**  
 22 **exemption is claimed for the qualified patent.**

23 **(7) Forty percent (40%) for the seventh taxable year in which**  
 24 **the exemption is claimed for the qualified patent.**

25 **(8) Thirty percent (30%) for the eighth taxable year in which**  
 26 **the exemption is claimed for the qualified patent.**

27 **(9) Twenty percent (20%) for the ninth taxable year in which**  
 28 **the exemption is claimed for the qualified patent.**

29 **(10) Ten percent (10%) for the tenth taxable year in which the**  
 30 **exemption is claimed for the qualified patent.**

31 **(k)** To receive the exemption provided by this section, a qualified  
 32 taxpayer must claim the exemption on the qualified taxpayer's annual  
 33 state tax return or returns in the manner prescribed by the department.  
 34 The qualified taxpayer shall submit to the department all information  
 35 that the department determines is necessary for the determination of the  
 36 exemption provided by this section.

37 **(l)** On or before December 1 of each year, the department shall  
 38 provide an evaluation report to the legislative council, the budget  
 39 committee, and the Indiana economic development corporation. The  
 40 evaluation report must contain the following:

41 (1) The number of taxpayers claiming an exemption under this  
 42 section.



- 1 (2) The sum of all the exemptions claimed under this section.  
 2 (3) The North American Industry Classification System code for  
 3 each taxpayer claiming an exemption under this section.  
 4 (4) Any other information the department considers appropriate,  
 5 including the number of qualified patents for which an exemption  
 6 was claimed under this section.

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

9 SECTION 4. IC 6-5.5-1-2, AS AMENDED BY P.L.205-2013,  
 10 SECTION 124, IS AMENDED TO READ AS FOLLOWS  
 11 [EFFECTIVE JANUARY 1, 2015]: Sec. 2. (a) Except as provided in  
 12 subsections (b) through (d), "adjusted gross income" means taxable  
 13 income as defined in Section 63 of the Internal Revenue Code, adjusted  
 14 as follows:

15 (1) Add the following amounts:

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

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

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

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

31 (E) An amount equal to the deduction allowed under Section  
 32 172 or 1212 of the Internal Revenue Code for net operating  
 33 losses or net capital losses.

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

40 (G) Add the amount necessary to make the adjusted gross  
 41 income of any taxpayer that owns property for which bonus  
 42 depreciation was allowed in the current taxable year or in an



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



- 1 Section 179C of the Internal Revenue Code to expense costs  
 2 for qualified refinery property equal to the amount of adjusted  
 3 gross income that would have been computed had an election  
 4 for federal income tax purposes not been made for the year.
- 5 (M) Add or subtract the amount necessary to make the  
 6 adjusted gross income of any taxpayer that made an election  
 7 under Section 181 of the Internal Revenue Code to expense  
 8 costs for a qualified film or television production equal to the  
 9 amount of adjusted gross income that would have been  
 10 computed had an election for federal income tax purposes not  
 11 been made for the year.
- 12 (N) Add or subtract the amount necessary to make the adjusted  
 13 gross income of any taxpayer that treated a loss from the sale  
 14 or exchange of preferred stock in:
- 15 (i) the Federal National Mortgage Association, established  
 16 under the Federal National Mortgage Association Charter  
 17 Act (12 U.S.C. 1716 et seq.); or
- 18 (ii) the Federal Home Loan Mortgage Corporation,  
 19 established under the Federal Home Loan Mortgage  
 20 Corporation Act (12 U.S.C. 1451 et seq.);
- 21 as an ordinary loss under Section 301 of the Emergency  
 22 Economic Stabilization Act of 2008 in the current taxable year  
 23 or in an earlier taxable year equal to the amount of adjusted  
 24 gross income that would have been computed had the loss not  
 25 been treated as an ordinary loss.
- 26 (O) Add an amount equal to any exempt insurance income  
 27 under Section 953(e) of the Internal Revenue Code for active  
 28 financing income under Subpart F, Subtitle A, Chapter 1,  
 29 Subchapter N of the Internal Revenue Code.
- 30 (2) Subtract the following amounts:
- 31 (A) Income that the United States Constitution or any statute  
 32 of the United States prohibits from being used to measure the  
 33 tax imposed by this chapter.
- 34 (B) Income that is derived from sources outside the United  
 35 States, as defined by the Internal Revenue Code.
- 36 (C) An amount equal to a debt or part of a debt that becomes  
 37 worthless, as permitted under Section 166(a) of the Internal  
 38 Revenue Code.
- 39 (D) An amount equal to any bad debt reserves that are  
 40 included in federal income because of accounting method  
 41 changes required by Section 585(c)(3)(A) or Section 593 of  
 42 the Internal Revenue Code.





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



- 1 taxpayer after December 31, 2011, multiplied by the quotient of:
- 2 (1) the aggregate of the gross payments collected by the company
- 3 during the taxable year from old and new business upon
- 4 investment contracts issued by the company and held by residents
- 5 of Indiana; divided by
- 6 (2) the total amount of gross payments collected during the
- 7 taxable year by the company from the business upon investment
- 8 contracts issued by the company and held by persons residing
- 9 within Indiana and elsewhere.
- 10 (d) As used in subsection (c), "investment company" means a
- 11 person, copartnership, association, limited liability company, or
- 12 corporation, whether domestic or foreign, that:
- 13 (1) is registered under the Investment Company Act of 1940 (15
- 14 U.S.C. 80a-1 et seq.); and
- 15 (2) solicits or receives a payment to be made to itself and issues
- 16 in exchange for the payment:
- 17 (A) a so-called bond;
- 18 (B) a share;
- 19 (C) a coupon;
- 20 (D) a certificate of membership;
- 21 (E) an agreement;
- 22 (F) a pretended agreement; or
- 23 (G) other evidences of obligation;
- 24 entitling the holder to anything of value at some future date, if the
- 25 gross payments received by the company during the taxable year
- 26 on outstanding investment contracts, plus interest and dividends
- 27 earned on those contracts (by prorating the interest and dividends
- 28 earned on investment contracts by the same proportion that
- 29 certificate reserves (as defined by the Investment Company Act
- 30 of 1940) is to the company's total assets) is at least fifty percent
- 31 (50%) of the company's gross payments upon investment
- 32 contracts plus gross income from all other sources except
- 33 dividends from subsidiaries for the taxable year. The term
- 34 "investment contract" means an instrument listed in clauses (A)
- 35 through (G).
- 36 SECTION 5. [EFFECTIVE JANUARY 1, 2015] (a) IC 6-3-1-3.5,
- 37 IC 6-3-2-21.7, and IC 6-5.5-1-2, all as amended by this act, apply
- 38 only to taxable years beginning after December 31, 2014.
- 39 (b) This SECTION expires July 1, 2018.

