

HOUSE BILL No. 1246

DIGEST OF INTRODUCED BILL

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

Synopsis: Police pension exemption. Provides that an individual's Indiana adjusted gross income excludes income that is attributable to a pension or other benefit received from the 1925 police pension fund.

Effective: January 1, 2015 (retroactive).

Harman

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



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

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

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

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

HOUSE BILL No. 1246



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 (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) 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



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



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



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

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

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

18 (22) Subtract income that is:

19 (A) exempt from taxation under IC 6-3-2-21.7; 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 **(33) Subtract an amount equal to the part of federal adjusted**
 10 **gross income that is attributable to a pension, survivor, or**
 11 **insurance benefit received by the individual as a member,**
 12 **surviving spouse, or other beneficiary of the 1925 fund (as**
 13 **defined in IC 36-8-1-2).**

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

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

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

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

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

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

37 (6) Add an amount equal to any deduction allowed under Section
 38 172 of the Internal Revenue Code.

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



- 1 the amount of adjusted gross income that would have been
2 computed had an election for federal income tax purposes not
3 been made for the year in which the property was placed in
4 service to take deductions under Section 179 of the Internal
5 Revenue Code in a total amount exceeding twenty-five thousand
6 dollars (\$25,000).
- 7 (8) Add an amount equal to the amount that a taxpayer claimed as
8 a deduction for domestic production activities for the taxable year
9 under Section 199 of the Internal Revenue Code for federal
10 income tax purposes.
- 11 (9) Add to the extent required by IC 6-3-2-20 the amount of
12 intangible expenses (as defined in IC 6-3-2-20) and any directly
13 related intangible interest expenses (as defined in IC 6-3-2-20) for
14 the taxable year that reduced the corporation's taxable income (as
15 defined in Section 63 of the Internal Revenue Code) for federal
16 income tax purposes.
- 17 (10) Add an amount equal to any deduction for dividends paid (as
18 defined in Section 561 of the Internal Revenue Code) to
19 shareholders of a captive real estate investment trust (as defined
20 in section 34.5 of this chapter).
- 21 (11) Subtract income that is:
- 22 (A) exempt from taxation under IC 6-3-2-21.7; and
23 (B) included in the corporation's taxable income under the
24 Internal Revenue Code.
- 25 (12) 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 (13) 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 (14) 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 (15) 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 (16) 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 (17) This subdivision does not apply to payments made for
- 29 services provided to a business that was enrolled and participated
- 30 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
- 31 time the taxpayer conducted business in Indiana in the taxable
- 32 year. For a taxable year beginning after June 30, 2011, add the
- 33 amount of any trade or business deduction allowed under the
- 34 Internal Revenue Code for wages, reimbursements, or other
- 35 payments made for services provided in Indiana by an individual
- 36 for services as an employee, if the individual was, during the
- 37 period of service, prohibited from being hired as an employee
- 38 under 8 U.S.C. 1324a.
- 39 (18) Add the amount excluded from federal gross income under
- 40 Section 103 of the Internal Revenue Code for interest received on
- 41 an obligation of a state other than Indiana, or a political
- 42 subdivision of such a state, that is acquired by the taxpayer after



- 1 December 31, 2011.
- 2 (c) In the case of life insurance companies (as defined in Section
- 3 816(a) of the Internal Revenue Code) that are organized under Indiana
- 4 law, the same as "life insurance company taxable income" (as defined
- 5 in Section 801 of the Internal Revenue Code), adjusted as 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 allowed or allowable
- 9 under Section 170 of the Internal Revenue Code.
- 10 (3) Add an amount equal to a deduction allowed or allowable
- 11 under Section 805 or Section 831(c) of the Internal Revenue Code
- 12 for taxes based on or measured by income and levied at the state
- 13 level by any state.
- 14 (4) Subtract an amount equal to the amount included in the
- 15 company's taxable income under Section 78 of the Internal
- 16 Revenue Code.
- 17 (5) Add or subtract the amount necessary to make the adjusted
- 18 gross income of any taxpayer that owns property for which bonus
- 19 depreciation was allowed in the current taxable year or in an
- 20 earlier taxable year equal to the amount of adjusted gross income
- 21 that would have been computed had an election not been made
- 22 under Section 168(k) of the Internal Revenue Code to apply bonus
- 23 depreciation to the property in the year that it was placed in
- 24 service.
- 25 (6) Add an amount equal to any deduction allowed under Section
- 26 172 or Section 810 of the Internal Revenue Code.
- 27 (7) Add or subtract the amount necessary to make the adjusted
- 28 gross income of any taxpayer that placed Section 179 property (as
- 29 defined in Section 179 of the Internal Revenue Code) in service
- 30 in the current taxable year or in an earlier taxable year equal to
- 31 the amount of adjusted gross income that would have been
- 32 computed had an election for federal income tax purposes not
- 33 been made for the year in which the property was placed in
- 34 service to take deductions under Section 179 of the Internal
- 35 Revenue Code in a total amount exceeding twenty-five thousand
- 36 dollars (\$25,000).
- 37 (8) Add an amount equal to the amount that a taxpayer claimed as
- 38 a deduction for domestic production activities for the taxable year
- 39 under Section 199 of the Internal Revenue Code for federal
- 40 income tax purposes.
- 41 (9) Subtract income that is:
- 42 (A) exempt from taxation under IC 6-3-2-21.7; and



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



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



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



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

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

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

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

13 (2) Subtract an amount equal to the amount of a September 11
14 terrorist attack settlement payment included in the federal
15 adjusted gross income of the estate of a victim of the September
16 11 terrorist attack or a trust to the extent the trust benefits a victim
17 of the September 11 terrorist attack.

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

26 (4) Add an amount equal to any deduction allowed under Section
27 172 of the Internal Revenue Code.

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

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

42 (7) Subtract income that is:



- 1 (A) exempt from taxation under IC 6-3-2-21.7; and
 2 (B) included in the taxpayer's taxable income under the
 3 Internal Revenue Code.
- 4 (8) Add an amount equal to any income not included in gross
 5 income as a result of the deferral of income arising from business
 6 indebtedness discharged in connection with the reacquisition after
 7 December 31, 2008, and before January 1, 2011, of an applicable
 8 debt instrument, as provided in Section 108(i) of the Internal
 9 Revenue Code. Subtract from the adjusted gross income of any
 10 taxpayer that added an amount to adjusted gross income in a
 11 previous year the amount necessary to offset the amount included
 12 in federal gross income as a result of the deferral of income
 13 arising from business indebtedness discharged in connection with
 14 the reacquisition after December 31, 2008, and before January 1,
 15 2011, of an applicable debt instrument, as provided in Section
 16 108(i) of the Internal Revenue Code.
- 17 (9) Add or subtract the amount necessary to make the adjusted
 18 gross income of any taxpayer that claimed the special allowance
 19 for qualified disaster assistance property under Section 168(n) of
 20 the Internal Revenue Code equal to the amount of adjusted gross
 21 income that would have been computed had the special allowance
 22 not been claimed for the property.
- 23 (10) Add or subtract the amount necessary to make the adjusted
 24 gross income of any taxpayer that made an election under Section
 25 179C of the Internal Revenue Code to expense costs for qualified
 26 refinery property equal to the amount of adjusted gross income
 27 that would have been computed had an election for federal
 28 income tax purposes not been made for the year.
- 29 (11) Add or subtract the amount necessary to make the adjusted
 30 gross income of any taxpayer that made an election under Section
 31 181 of the Internal Revenue Code to expense costs for a qualified
 32 film or television production equal to the amount of adjusted
 33 gross income that would have been computed had an election for
 34 federal income tax purposes not been made for the year.
- 35 (12) Add or subtract the amount necessary to make the adjusted
 36 gross income of any taxpayer that treated a loss from the sale or
 37 exchange of preferred stock in:
- 38 (A) the Federal National Mortgage Association, established
 39 under the Federal National Mortgage Association Charter Act
 40 (12 U.S.C. 1716 et seq.); or
 41 (B) the Federal Home Loan Mortgage Corporation, established
 42 under the Federal Home Loan Mortgage Corporation Act (12



1 U.S.C. 1451 et seq.);
 2 as an ordinary loss under Section 301 of the Emergency
 3 Economic Stabilization Act of 2008 in the current taxable year or
 4 in an earlier taxable year equal to the amount of adjusted gross
 5 income that would have been computed had the loss not been
 6 treated as an ordinary loss.
 7 (13) Add the amount excluded from gross income under Section
 8 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 9 debt on a qualified principal residence.
 10 (14) This subdivision does not apply to payments made for
 11 services provided to a business that was enrolled and participated
 12 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 13 time the taxpayer conducted business in Indiana in the taxable
 14 year. For a taxable year beginning after June 30, 2011, add the
 15 amount of any trade or business deduction allowed under the
 16 Internal Revenue Code for wages, reimbursements, or other
 17 payments made for services provided in Indiana by an individual
 18 for services as an employee, if the individual was, during the
 19 period of service, prohibited from being hired as an employee
 20 under 8 U.S.C. 1324a.
 21 (15) Add the amount excluded from federal gross income under
 22 Section 103 of the Internal Revenue Code for interest received on
 23 an obligation of a state other than Indiana, or a political
 24 subdivision of such a state, that is acquired by the taxpayer after
 25 December 31, 2011.
 26 SECTION 2. [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]
 27 **(a) IC 6-3-1-3.5, as amended by this act, applies only to taxable**
 28 **years beginning after December 31, 2014.**
 29 **(b) This SECTION expires December 31, 2018.**
 30 SECTION 3. **An emergency is declared for this act.**

