

HOUSE BILL No. 1255

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 21-9-7.

Synopsis: 529 college savings distributions. Excludes from Indiana adjusted gross income amounts that were withdrawn by a taxpayer from an account owned by the taxpayer under an Indiana education savings program, that were never expended for purposes of an Indiana education savings program, and that were deposited into a qualified retirement account. Removes the power of the education savings authority to establish penalties for withdrawals of money from accounts that are not used exclusively for qualified higher education expenses.

Effective: July 1, 2019.

Prescott

January 10, 2019, read first time and referred to Committee on Ways and Means.



First Regular Session of the 121st General Assembly (2019)

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 2018 Regular and Special Session of the General Assembly.

HOUSE BILL No. 1255

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.214-2018(ss),
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2019]: Sec. 3.5. When used in this article, the term "adjusted
4 gross income" shall mean the following:
5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:
8 (1) Subtract income that is exempt from taxation under this article
9 by the Constitution and statutes of the United States.
10 (2) Except as provided in subsection (c), add an amount equal to
11 any deduction or deductions allowed or allowable pursuant to
12 Section 62 of the Internal Revenue Code for taxes based on or
13 measured by income and levied at the state level by any state of
14 the United States.
15 (3) Subtract one thousand dollars (\$1,000), or in the case of a
16 joint return filed by a husband and wife, subtract for each spouse
17 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 (as effective January 1, 2017);
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);
14 (B) one thousand five hundred dollars (\$1,500) for each
15 exemption allowed under Section 151(c) of the Internal
16 Revenue Code (as effective January 1, 2017) for an individual:
17 (i) who is less than nineteen (19) years of age or is a
18 full-time student who is less than twenty-four (24) years of
19 age;
20 (ii) for whom the taxpayer is the legal guardian; and
21 (iii) for whom the taxpayer does not claim an exemption
22 under clause (A); and
23 (C) five hundred dollars (\$500) for each additional amount
24 allowable under Section 63(f)(1) of the Internal Revenue Code
25 if the adjusted gross income of the taxpayer, or the taxpayer
26 and the taxpayer's spouse in the case of a joint return, is less
27 than forty thousand dollars (\$40,000).
28 This amount is in addition to the amount subtracted under
29 subdivision (4).
- 30 (6) Subtract any amounts included in federal adjusted gross
31 income under Section 111 of the Internal Revenue Code as a
32 recovery of items previously deducted as an itemized deduction
33 from adjusted gross income.
- 34 (7) Subtract any amounts included in federal adjusted gross
35 income under the Internal Revenue Code which amounts were
36 received by the individual as supplemental railroad retirement
37 annuities under 45 U.S.C. 231 and which are not deductible under
38 subdivision (1).
- 39 (8) Subtract an amount equal to the amount of federal Social
40 Security and Railroad Retirement benefits included in a taxpayer's
41 federal gross income by Section 86 of the Internal Revenue Code.
- 42 (9) In the case of a nonresident taxpayer or a resident taxpayer



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



- 1 computed had an election for federal income tax purposes not
2 been made for the year in which the property was placed in
3 service to take deductions under Section 179 of the Internal
4 Revenue Code in a total amount exceeding twenty-five thousand
5 dollars (\$25,000).
- 6 (18) Subtract an amount equal to the amount of the taxpayer's
7 qualified military income that was not excluded from the
8 taxpayer's gross income for federal income tax purposes under
9 Section 112 of the Internal Revenue Code.
- 10 (19) Subtract income that is:
- 11 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
12 derived from patents); and
- 13 (B) included in the individual's federal adjusted gross income
14 under the Internal Revenue Code.
- 15 (20) Add an amount equal to any income not included in gross
16 income as a result of the deferral of income arising from business
17 indebtedness discharged in connection with the reacquisition after
18 December 31, 2008, and before January 1, 2011, of an applicable
19 debt instrument, as provided in Section 108(i) of the Internal
20 Revenue Code. Subtract the amount necessary from the adjusted
21 gross income of any taxpayer that added an amount to adjusted
22 gross income in a previous year to offset the amount included in
23 federal gross income as a result of the deferral of income arising
24 from business indebtedness discharged in connection with the
25 reacquisition after December 31, 2008, and before January 1,
26 2011, of an applicable debt instrument, as provided in Section
27 108(i) of the Internal Revenue Code.
- 28 (21) Add the amount excluded from federal gross income under
29 Section 103 of the Internal Revenue Code for interest received on
30 an obligation of a state other than Indiana, or a political
31 subdivision of such a state, that is acquired by the taxpayer after
32 December 31, 2011.
- 33 (22) Subtract an amount as described in Section 1341(a)(2) of the
34 Internal Revenue Code to the extent, if any, that the amount was
35 previously included in the taxpayer's adjusted gross income for a
36 prior taxable year.
- 37 (23) For taxable years beginning after December 25, 2016, add an
38 amount equal to the deduction for deferred foreign income that
39 was claimed by the taxpayer for the taxable year under Section
40 965(c) of the Internal Revenue Code.
- 41 (24) Subtract any interest expense paid or accrued in the current
42 taxable year but not deducted as a result of the limitation imposed



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

9 (25) Subtract the amount included in the taxpayer's gross income
 10 under Section 118(b)(2) of the Internal Revenue Code for taxable
 11 years ending after December 22, 2017.

12 **(26) Subtract an amount included in the taxpayer's federal**
 13 **adjusted gross income that was:**

14 **(A) withdrawn by the taxpayer from an account owned by**
 15 **the taxpayer under the Indiana education savings program**
 16 **established under IC 21-9;**

17 **(B) never expended for purposes of an Indiana education**
 18 **savings program established under IC 21-9; and**

19 **(C) deposited into a qualified retirement account described**
 20 **in Section 408 of the Internal Revenue Code.**

21 ~~(26)~~ (27) Subtract any other amounts the taxpayer is entitled to
 22 deduct under IC 6-3-2.

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

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

28 (2) Add an amount equal to any deduction or deductions allowed
 29 or allowable pursuant to Section 170 of the Internal Revenue
 30 Code (concerning charitable contributions).

31 (3) Except as provided in subsection (c), add an amount equal to
 32 any deduction or deductions allowed or allowable pursuant to
 33 Section 63 of the Internal Revenue Code for taxes based on or
 34 measured by income and levied at the state level by any state of
 35 the United States.

36 (4) Subtract an amount equal to the amount included in the
 37 corporation's taxable income under Section 78 of the Internal
 38 Revenue Code (concerning foreign tax credits).

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



- 1 that would have been computed had an election not been made
 2 under Section 168(k) of the Internal Revenue Code to apply bonus
 3 depreciation to the property in the year that it was placed in
 4 service.
- 5 (6) Add an amount equal to any deduction allowed under Section
 6 172 of the Internal Revenue Code (concerning net operating
 7 losses).
- 8 (7) Add or subtract the amount necessary to make the adjusted
 9 gross income of any taxpayer that placed Section 179 property (as
 10 defined in Section 179 of the Internal Revenue Code) in service
 11 in the current taxable year or in an earlier taxable year equal to
 12 the amount of adjusted gross income that would have been
 13 computed had an election for federal income tax purposes not
 14 been made for the year in which the property was placed in
 15 service to take deductions under Section 179 of the Internal
 16 Revenue Code in a total amount exceeding twenty-five thousand
 17 dollars (\$25,000).
- 18 (8) Add to the extent required by IC 6-3-2-20:
 19 (A) the amount of intangible expenses (as defined in
 20 IC 6-3-2-20) for the taxable year that reduced the corporation's
 21 taxable income (as defined in Section 63 of the Internal
 22 Revenue Code) for federal income tax purposes; and
 23 (B) any directly related interest expenses (as defined in
 24 IC 6-3-2-20) that reduced the corporation's adjusted gross
 25 income (determined without regard to this subdivision). The
 26 amount of interest that is considered to have reduced the
 27 corporation's adjusted gross income equals:
 28 (i) the directly related interest expense that reduced the
 29 taxpayer's federal taxable income (as defined in Section 63
 30 of the Internal Revenue Code); plus
 31 (ii) any directly related interest expenses for which a
 32 subtraction is allowable under subdivision (15); minus
 33 (iii) any directly related interest expenses required to be
 34 added back under subdivision (15).
- 35 (9) Add an amount equal to any deduction for dividends paid (as
 36 defined in Section 561 of the Internal Revenue Code) to
 37 shareholders of a captive real estate investment trust (as defined
 38 in section 34.5 of this chapter).
- 39 (10) Subtract income that is:
 40 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
 41 derived from patents); and
 42 (B) included in the corporation's taxable income under the



- 1 Internal Revenue Code.
- 2 (11) Add an amount equal to any income not included in gross
3 income as a result of the deferral of income arising from business
4 indebtedness discharged in connection with the reacquisition after
5 December 31, 2008, and before January 1, 2011, of an applicable
6 debt instrument, as provided in Section 108(i) of the Internal
7 Revenue Code. Subtract from the adjusted gross income of any
8 taxpayer that added an amount to adjusted gross income in a
9 previous year the amount necessary to offset the amount included
10 in federal gross income as a result of the deferral of income
11 arising from business indebtedness discharged in connection with
12 the reacquisition after December 31, 2008, and before January 1,
13 2011, of an applicable debt instrument, as provided in Section
14 108(i) of the Internal Revenue Code.
- 15 (12) Add the amount excluded from federal gross income under
16 Section 103 of the Internal Revenue Code for interest received on
17 an obligation of a state other than Indiana, or a political
18 subdivision of such a state, that is acquired by the taxpayer after
19 December 31, 2011.
- 20 (13) For taxable years beginning after December 25, 2016:
- 21 (A) for a corporation other than a real estate investment trust,
22 add an amount equal to the amount reported by the taxpayer on
23 IRC 965 Transition Tax Statement, line 1; and
- 24 (B) for a real estate investment trust, add an amount equal to
25 the deduction for deferred foreign income that was claimed by
26 the taxpayer for the taxable year under Section 965(c) of the
27 Internal Revenue Code, but only to the extent that the taxpayer
28 included income pursuant to Section 965 of the Internal
29 Revenue Code in its taxable income for federal income tax
30 purposes or is required to add back dividends paid under
31 subdivision (9).
- 32 (14) Add an amount equal to the deduction that was claimed by
33 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
34 Internal Revenue Code (attributable to global intangible
35 low-taxed income). The taxpayer shall separately specify the
36 amount of the reduction under Section 250(a)(1)(B)(i) of the
37 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
38 Internal Revenue Code.
- 39 (15) Subtract any interest expense paid or accrued in the current
40 taxable year but not deducted as a result of the limitation imposed
41 under Section 163(j)(1) of the Internal Revenue Code. Add any
42 interest expense paid or accrued in a previous taxable year but



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

7 (16) Subtract the amount included in the taxpayer's gross income
8 under Section 118(b)(2) of the Internal Revenue Code for taxable
9 years ending after December 22, 2017.

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

11 (A) required to add or subtract; or

12 (B) entitled to deduct;

13 under IC 6-3-2.

14 (c) The following apply to taxable years beginning after December
15 31, 2018, for purposes of the add back of any deduction allowed on the
16 taxpayer's federal income tax return for wagering taxes, as provided in
17 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if
18 the taxpayer is a corporation:

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

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

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

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

37 (5) For taxable years beginning after December 31, 2022, and
38 before January 1, 2024, a taxpayer is required to add back under
39 this section thirty-seven and five-tenths percent (37.5%) of any
40 deduction allowed on the taxpayer's federal income tax return for
41 wagering taxes.

42 (6) For taxable years beginning after December 31, 2023, and



- 1 before January 1, 2025, a taxpayer is required to add back under
 2 this section twenty-five percent (25%) of any deduction allowed
 3 on the taxpayer's federal income tax return for wagering taxes.
- 4 (7) For taxable years beginning after December 31, 2024, and
 5 before January 1, 2026, a taxpayer is required to add back under
 6 this section twelve and five-tenths percent (12.5%) of any
 7 deduction allowed on the taxpayer's federal income tax return for
 8 wagering taxes.
- 9 (8) For taxable years beginning after December 31, 2025, a
 10 taxpayer is not required to add back under this section any amount
 11 of a deduction allowed on the taxpayer's federal income tax return
 12 for wagering taxes.
- 13 (d) In the case of life insurance companies (as defined in Section
 14 816(a) of the Internal Revenue Code) that are organized under Indiana
 15 law, the same as "life insurance company taxable income" (as defined
 16 in Section 801 of the Internal Revenue Code), adjusted as 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 allowed or allowable
 20 under Section 170 of the Internal Revenue Code (concerning
 21 charitable contributions).
- 22 (3) Add an amount equal to a deduction allowed or allowable
 23 under Section 805 or Section 832(c) of the Internal Revenue Code
 24 for taxes based on or measured by income and levied at the state
 25 level by any state.
- 26 (4) Subtract an amount equal to the amount included in the
 27 company's taxable income under Section 78 of the Internal
 28 Revenue Code (concerning foreign tax credits).
- 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 (concerning net operating
 39 losses).
- 40 (7) Add or subtract the amount necessary to make the adjusted
 41 gross income of any taxpayer that placed Section 179 property (as
 42 defined in Section 179 of the Internal Revenue Code) in service



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

8 (8) Subtract income that is:

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

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

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

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

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

35 (12) For taxable years beginning after December 25, 2016, add an
36 amount equal to the amount reported by the taxpayer on IRC 965
37 Transition Tax Statement, line 1.

38 (13) Add an amount equal to the deduction that was claimed by
39 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
40 Internal Revenue Code (attributable to global intangible
41 low-taxed income). The taxpayer shall separately specify the
42 amount of the reduction under Section 250(a)(1)(B)(i) of the



- 1 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
 2 Internal Revenue Code.
- 3 (14) Subtract any interest expense paid or accrued in the current
 4 taxable year but not deducted as a result of the limitation imposed
 5 under Section 163(j)(1) of the Internal Revenue Code. Add any
 6 interest expense paid or accrued in a previous taxable year but
 7 allowed as a deduction under Section 163 of the Internal Revenue
 8 Code in the current taxable year. For purposes of this subdivision,
 9 an interest expense is considered paid or accrued only in the first
 10 taxable year the deduction would have been allowable under
 11 Section 163 of the Internal Revenue Code if the limitation under
 12 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 13 (15) Subtract the amount included in the taxpayer's gross income
 14 under Section 118(b)(2) of the Internal Revenue Code for taxable
 15 years ending after December 22, 2017.
- 16 (16) Add or subtract any other amounts the taxpayer is:
 17 (A) required to add or subtract; or
 18 (B) entitled to deduct;
 19 under IC 6-3-2.
- 20 (e) In the case of insurance companies subject to tax under Section
 21 831 of the Internal Revenue Code and organized under Indiana law, the
 22 same as "taxable income" (as defined in Section 832 of the Internal
 23 Revenue Code), adjusted as follows:
- 24 (1) Subtract income that is exempt from taxation under this article
 25 by the Constitution and statutes of the United States.
- 26 (2) Add an amount equal to any deduction allowed or allowable
 27 under Section 170 of the Internal Revenue Code (concerning
 28 charitable contributions).
- 29 (3) Add an amount equal to a deduction allowed or allowable
 30 under Section 805 or Section 832(c) of the Internal Revenue Code
 31 for taxes based on or measured by income and levied at the state
 32 level by any state.
- 33 (4) Subtract an amount equal to the amount included in the
 34 company's taxable income under Section 78 of the Internal
 35 Revenue Code (concerning foreign tax credits).
- 36 (5) Add or subtract the amount necessary to make the adjusted
 37 gross income of any taxpayer that owns property for which bonus
 38 depreciation was allowed in the current taxable year or in a
 39 earlier taxable year equal to the amount of adjusted gross income
 40 that would have been computed had an election not been made
 41 under Section 168(k) of the Internal Revenue Code to apply bonus
 42 depreciation to the property in the year that it was placed in



- 1 service.
- 2 (6) Add an amount equal to any deduction allowed under Section
- 3 172 of the Internal Revenue Code (concerning net operating
- 4 losses).
- 5 (7) Add or subtract the amount necessary to make the adjusted
- 6 gross income of any taxpayer that placed Section 179 property (as
- 7 defined in Section 179 of the Internal Revenue Code) in service
- 8 in the current taxable year or in an earlier taxable year equal to
- 9 the 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 in which the property was placed in
- 12 service to take deductions under Section 179 of the Internal
- 13 Revenue Code in a total amount exceeding twenty-five thousand
- 14 dollars (\$25,000).
- 15 (8) Subtract income that is:
- 16 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 17 derived from patents); and
- 18 (B) included in the insurance company's taxable income under
- 19 the Internal Revenue Code.
- 20 (9) Add an amount equal to any income not included in gross
- 21 income as a result of the deferral of income arising from business
- 22 indebtedness discharged in connection with the reacquisition after
- 23 December 31, 2008, and before January 1, 2011, of an applicable
- 24 debt instrument, as provided in Section 108(i) of the Internal
- 25 Revenue Code. Subtract from the adjusted gross income of any
- 26 taxpayer that added an amount to adjusted gross income in a
- 27 previous year the amount necessary to offset the amount included
- 28 in federal gross income as a result of the deferral of income
- 29 arising from business indebtedness discharged in connection with
- 30 the reacquisition after December 31, 2008, and before January 1,
- 31 2011, of an applicable debt instrument, as provided in Section
- 32 108(i) of the Internal Revenue Code.
- 33 (10) Add an amount equal to any exempt insurance income under
- 34 Section 953(e) of the Internal Revenue Code that is active
- 35 financing income under Subpart F of Subtitle A, Chapter 1,
- 36 Subchapter N of the Internal Revenue Code.
- 37 (11) Add the amount excluded from federal gross income under
- 38 Section 103 of the Internal Revenue Code for interest received on
- 39 an obligation of a state other than Indiana, or a political
- 40 subdivision of such a state, that is acquired by the taxpayer after
- 41 December 31, 2011.
- 42 (12) For taxable years beginning after December 25, 2016, add an



- 1 amount equal to the amount reported by the taxpayer on IRC 965
 2 Transition Tax Statement, line 1.
- 3 (13) Add an amount equal to the deduction that was claimed by
 4 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
 5 Internal Revenue Code (attributable to global intangible
 6 low-taxed income). The taxpayer shall separately specify the
 7 amount of the reduction under Section 250(a)(1)(B)(i) of the
 8 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
 9 Internal Revenue Code.
- 10 (14) Subtract any interest expense paid or accrued in the current
 11 taxable year but not deducted as a result of the limitation imposed
 12 under Section 163(j)(1) of the Internal Revenue Code. Add any
 13 interest expense paid or accrued in a previous taxable year but
 14 allowed as a deduction under Section 163 of the Internal Revenue
 15 Code in the current taxable year. For purposes of this subdivision,
 16 an interest expense is considered paid or accrued only in the first
 17 taxable year the deduction would have been allowable under
 18 Section 163 of the Internal Revenue Code if the limitation under
 19 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 20 (15) Subtract the amount included in the taxpayer's gross income
 21 under Section 118(b)(2) of the Internal Revenue Code for taxable
 22 years ending after December 22, 2017.
- 23 (16) Add or subtract any other amounts the taxpayer is:
 24 (A) required to add or subtract; or
 25 (B) entitled to deduct;
 26 under IC 6-3-2.
- 27 (f) In the case of trusts and estates, "taxable income" (as defined for
 28 trusts and estates in Section 641(b) of the Internal Revenue Code)
 29 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) Subtract an amount equal to the amount of a September 11
 33 terrorist attack settlement payment included in the federal
 34 adjusted gross income of the estate of a victim of the September
 35 11 terrorist attack or a trust to the extent the trust benefits a victim
 36 of the September 11 terrorist attack.
 37 (3) Add or subtract the amount necessary to make the adjusted
 38 gross income of any taxpayer that owns property for which bonus
 39 depreciation was allowed in the current taxable year or in an
 40 earlier taxable year equal to the amount of adjusted gross income
 41 that would have been computed had an election not been made
 42 under Section 168(k) of the Internal Revenue Code to apply bonus



- 1 depreciation to the property in the year that it was placed in
2 service.
- 3 (4) Add an amount equal to any deduction allowed under Section
4 172 of the Internal Revenue Code (concerning net operating
5 losses).
- 6 (5) 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 (6) Subtract income that is:
- 17 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
18 derived from patents); and
- 19 (B) included in the taxpayer's taxable income under the
20 Internal Revenue Code.
- 21 (7) 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 (8) Add the amount excluded from federal gross income under
35 Section 103 of the Internal Revenue Code for interest received on
36 an obligation of a state other than Indiana, or a political
37 subdivision of such a state, that is acquired by the taxpayer after
38 December 31, 2011.
- 39 (9) For taxable years beginning after December 25, 2016, add an
40 amount equal to:
- 41 (A) the amount reported by the taxpayer on IRC 965
42 Transition Tax Statement, line 1; and



- 1 (B) with regard to any amounts of income under Section 965
 2 of the Internal Revenue Code distributed by the taxpayer, the
 3 deduction under Section 965(c) of the Internal Revenue Code
 4 attributable to such distributed amounts.
- 5 For purposes of this article, the amount required to be added back
 6 under clause (B) is not considered to be distributed or
 7 distributable to a beneficiary of the estate or trust for purposes of
 8 Sections 651 and 661 of the Internal Revenue Code.
- 9 (10) Subtract any interest expense paid or accrued in the current
 10 taxable year but not deducted as a result of the limitation imposed
 11 under Section 163(j)(1) of the Internal Revenue Code. Add any
 12 interest expense paid or accrued in a previous taxable year but
 13 allowed as a deduction under Section 163 of the Internal Revenue
 14 Code in the current taxable year. For purposes of this subdivision,
 15 an interest expense is considered paid or accrued only in the first
 16 taxable year the deduction would have been allowable under
 17 Section 163 of the Internal Revenue Code if the limitation under
 18 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 19 (11) Add an amount equal to the deduction for qualified business
 20 income that was claimed by the taxpayer for the taxable year
 21 under Section 199A of the Internal Revenue Code.
- 22 (12) Subtract the amount included in the taxpayer's gross income
 23 under Section 118(b)(2) of the Internal Revenue Code for taxable
 24 years ending after December 22, 2017.
- 25 (13) Add or subtract any other amounts the taxpayer is:
 26 (A) required to add or subtract; or
 27 (B) entitled to deduct;
 28 under IC 6-3-2.
- 29 (g) Subsections ~~(a)(26)~~; **(a)(27)**, (b)(17), (d)(16), (e)(16), or (f)(13)
 30 may not be construed to require an add back or allow a deduction or
 31 exemption more than once for a particular add back, deduction, or
 32 exemption.
- 33 SECTION 2. IC 21-9-7-1 IS AMENDED TO READ AS FOLLOWS
 34 [EFFECTIVE JULY 1, 2019]: Sec. 1. In addition to any other powers
 35 granted by this article, the board has all powers necessary or
 36 convenient to carry out and effectuate the purposes and objectives of
 37 this chapter and IC 21-9-8, the purposes and objectives of an education
 38 savings program that may be established under this article, and the
 39 powers delegated by other laws or executive orders, including the
 40 following:
 41 (1) To establish policies and procedures to govern distributions
 42 from accounts that are not:



- 1 (A) made on account of the death or disability of an account
- 2 beneficiary;
- 3 (B) made on account of the receipt of a scholarship (or
- 4 allowance or payment described in Section 135(d)(1)(B) or (C)
- 5 of the Internal Revenue Code) by the account beneficiary to
- 6 the extent the amount of the distribution does not exceed the
- 7 amount of the scholarship, allowance, or payment; or
- 8 (C) rollovers.
- 9 ~~(2) To establish penalties for withdrawals of money from accounts~~
- 10 ~~that are not used exclusively for the qualified higher education~~
- 11 ~~expenses of an account beneficiary unless a circumstance~~
- 12 ~~described in subdivision (1) applies.~~
- 13 ~~(3) (2) To establish policies and procedures regarding the transfer~~
- 14 ~~of individual accounts and the designation of substitute account~~
- 15 ~~beneficiaries.~~
- 16 ~~(4) (3) To establish policies and procedures for withdrawal of~~
- 17 ~~money from accounts for, or in reimbursement of, qualified higher~~
- 18 ~~education expenses.~~
- 19 ~~(5) (4) To enter into agreements with account owners, account~~
- 20 ~~beneficiaries, and contributors, with the agreements naming:~~
- 21 (A) the account owner; and
- 22 (B) the account beneficiary.
- 23 ~~(6) (5) To establish accounts for account beneficiaries. However:~~
- 24 (A) the authority shall establish a separate account for each
- 25 account beneficiary; and
- 26 (B) an individual may be the beneficiary of more than one (1)
- 27 account.
- 28 ~~(7) (6) To enter into agreements with financial institutions~~
- 29 ~~relating to accounts as well as deposits, withdrawals, penalties,~~
- 30 ~~allocation of benefits or incentives, and transfers of accounts,~~
- 31 ~~account owners, and account beneficiaries.~~
- 32 ~~(8) (7) To conform the education savings program to federal tax~~
- 33 ~~advantages or incentives, as the advantages or incentives may~~
- 34 ~~exist periodically, to the extent consistent with the purposes and~~
- 35 ~~objectives of this article.~~
- 36 ~~(9) (8) To interpret, in rules, policies, guidelines, and procedures,~~
- 37 ~~the provisions of this article broadly considering the purposes and~~
- 38 ~~objectives of this article.~~

39 SECTION 3. IC 21-9-7-9 IS AMENDED TO READ AS FOLLOWS
 40 [EFFECTIVE JULY 1, 2019]: Sec. 9. ~~The authority may adopt rules or~~
 41 ~~emergency rules under IC 4-22-2 to establish a penalty for a~~
 42 ~~distribution that is not used exclusively for the qualified higher~~



1 education expenses of an account beneficiary. However, The authority
2 may not establish a penalty for distributions described in
3 IC 21-9-7-1(1).

4 SECTION 4. [EFFECTIVE JULY 1, 2019] (a) **IC 6-3-1-3.5, as**
5 **amended by this act, applies to taxable years beginning after**
6 **December 31, 2019.**

7 (b) **This SECTION expires July 1, 2022.**

