

HOUSE BILL No. 1411

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3; IC 6-3.1-20-4; IC 6-3.5; IC 6-8.1-3-17; IC 8-24.

Synopsis: Repeal of state income tax on individuals. Provides that the state adjusted gross income tax does not apply to individuals for taxable years beginning after December 31, 2015. Repeals an obsolete tax deduction. Requires the code revision commission to prepare conforming legislation for introduction in 2015.

Effective: July 1, 2014.

Candelaria Reardon

January 16, 2014, read first time and referred to Committee on Ways and Means.



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. 1411

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 JULY 1, 2014]: Sec. 3.5. ~~When used in this article, the term "adjusted~~
4 ~~gross income" shall mean the following:~~

5 **(a) This section does not apply to an individual beginning with**
6 **a taxable year that begins after December 31, 2015, and each**
7 **taxable year thereafter.**

8 ~~(a)~~ **(b)** In the case of all individuals, "adjusted gross income" ~~(as~~
9 ~~defined has the meaning set forth~~ in Section 62 of the Internal
10 Revenue Code); **Code**, modified 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) Add an amount equal to any deduction or deductions allowed
14 or allowable pursuant to Section 62 of the Internal Revenue Code
15 for taxes based on or measured by income and levied at the state
16 level by any state of the United States.



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



- 1 received by the individual as supplemental railroad retirement
2 annuities under 45 U.S.C. 231 and which are not deductible under
3 subdivision (1).
- 4 (10) Subtract an amount equal to the amount of federal Social
5 Security and Railroad Retirement benefits included in a taxpayer's
6 federal gross income by Section 86 of the Internal Revenue Code.
- 7 (11) In the case of a nonresident taxpayer or a resident taxpayer
8 residing in Indiana for a period of less than the taxpayer's entire
9 taxable year, the total amount of the deductions allowed pursuant
10 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
11 which bears the same ratio to the total as the taxpayer's income
12 taxable in Indiana bears to the taxpayer's total income.
- 13 (12) In the case of an individual who is a recipient of assistance
14 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
15 subtract an amount equal to that portion of the individual's
16 adjusted gross income with respect to which the individual is not
17 allowed under federal law to retain an amount to pay state and
18 local income taxes.
- 19 (13) In the case of an eligible individual, subtract the amount of
20 a Holocaust victim's settlement payment included in the
21 individual's federal adjusted gross income.
- 22 (14) Subtract an amount equal to the portion of any premiums
23 paid during the taxable year by the taxpayer for a qualified long
24 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
25 or the taxpayer's spouse, or both.
- 26 (15) Subtract an amount equal to the lesser of:
27 (A) two thousand five hundred dollars (\$2,500); or
28 (B) the amount of property taxes that are paid during the
29 taxable year in Indiana by the individual on the individual's
30 principal place of residence.
- 31 (16) Subtract an amount equal to the amount of a September 11
32 terrorist attack settlement payment included in the individual's
33 federal adjusted gross income.
- 34 (17) Add or subtract the amount necessary to make the adjusted
35 gross income of any taxpayer that owns property for which bonus
36 depreciation was allowed in the current taxable year or in an
37 earlier taxable year equal to the amount of adjusted gross income
38 that would have been computed had an election not been made
39 under Section 168(k) of the Internal Revenue Code to apply bonus
40 depreciation to the property in the year that it was placed in
41 service.
- 42 (18) Add an amount equal to any deduction allowed under



- 1 Section 172 of the Internal Revenue Code.
- 2 (19) Add or subtract the amount necessary to make the adjusted
3 gross income of any taxpayer that placed Section 179 property (as
4 defined in Section 179 of the Internal Revenue Code) in service
5 in the current taxable year or in an earlier taxable year equal to
6 the amount of adjusted gross income that would have been
7 computed had an election for federal income tax purposes not
8 been made for the year in which the property was placed in
9 service to take deductions under Section 179 of the Internal
10 Revenue Code in a total amount exceeding twenty-five thousand
11 dollars (\$25,000).
- 12 (20) Add an amount equal to the amount that a taxpayer claimed
13 as a deduction for domestic production activities for the taxable
14 year under Section 199 of the Internal Revenue Code for federal
15 income tax purposes.
- 16 (21) Subtract an amount equal to the amount of the taxpayer's
17 qualified military income that was not excluded from the
18 taxpayer's gross income for federal income tax purposes under
19 Section 112 of the Internal Revenue Code.
- 20 (22) Subtract income that is:
- 21 (A) exempt from taxation under IC 6-3-2-21.7; and
- 22 (B) included in the individual's federal adjusted gross income
23 under the Internal Revenue Code.
- 24 (23) Subtract any amount of a credit (including an advance refund
25 of the credit) that is provided to an individual under 26 U.S.C.
26 6428 (federal Economic Stimulus Act of 2008) and included in
27 the individual's federal adjusted gross income.
- 28 (24) Add any amount of unemployment compensation excluded
29 from federal gross income, as defined in Section 61 of the Internal
30 Revenue Code, under Section 85(c) of the Internal Revenue Code.
- 31 (25) Add the amount excluded from gross income under Section
32 108(a)(1)(e) of the Internal Revenue Code for the discharge of
33 debt on a qualified principal residence.
- 34 (26) Add an amount equal to any income not included in gross
35 income as a result of the deferral of income arising from business
36 indebtedness discharged in connection with the reacquisition after
37 December 31, 2008, and before January 1, 2011, of an applicable
38 debt instrument, as provided in Section 108(i) of the Internal
39 Revenue Code. Subtract the amount necessary from the adjusted
40 gross income of any taxpayer that added an amount to adjusted
41 gross income in a previous year to offset the amount included in
42 federal gross income as a result of the deferral of income arising



- 1 from business indebtedness discharged in connection with the
2 reacquisition after December 31, 2008, and before January 1,
3 2011, of an applicable debt instrument, as provided in Section
4 108(i) of the Internal Revenue Code.
- 5 (27) Add or subtract the amount necessary to make the adjusted
6 gross income of any taxpayer that claimed the special allowance
7 for qualified disaster assistance property under Section 168(n) of
8 the Internal Revenue Code equal to the amount of adjusted gross
9 income that would have been computed had the special allowance
10 not been claimed for the property.
- 11 (28) Add or subtract the amount necessary to make the adjusted
12 gross income of any taxpayer that made an election under Section
13 179C of the Internal Revenue Code to expense costs for qualified
14 refinery property equal to the amount of adjusted gross income
15 that would have been computed had an election for federal
16 income tax purposes not been made for the year.
- 17 (29) Add or subtract the amount necessary to make the adjusted
18 gross income of any taxpayer that made an election under Section
19 181 of the Internal Revenue Code to expense costs for a qualified
20 film or television production equal to the amount of adjusted
21 gross income that would have been computed had an election for
22 federal income tax purposes not been made for the year.
- 23 (30) Add or subtract the amount necessary to make the adjusted
24 gross income of any taxpayer that treated a loss from the sale or
25 exchange of preferred stock in:
- 26 (A) the Federal National Mortgage Association, established
27 under the Federal National Mortgage Association Charter Act
28 (12 U.S.C. 1716 et seq.); or
- 29 (B) the Federal Home Loan Mortgage Corporation, established
30 under the Federal Home Loan Mortgage Corporation Act (12
31 U.S.C. 1451 et seq.);
- 32 as an ordinary loss under Section 301 of the Emergency
33 Economic Stabilization Act of 2008 in the current taxable year or
34 in an earlier taxable year equal to the amount of adjusted gross
35 income that would have been computed had the loss not been
36 treated as an ordinary loss.
- 37 (31) 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 (32) This subdivision does not apply to payments made for



1 services provided to a business that was enrolled and participated
 2 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 3 time the taxpayer conducted business in Indiana in the taxable
 4 year. For a taxable year beginning after June 30, 2011, add the
 5 amount of any trade or business deduction allowed under the
 6 Internal Revenue Code for wages, reimbursements, or other
 7 payments made for services provided in Indiana by an individual
 8 for services as an employee, if the individual was, during the
 9 period of service, prohibited from being hired as an employee
 10 under 8 U.S.C. 1324a.

11 ~~(b)~~ (c) In the case of corporations, ~~the same as "taxable income"~~
 12 **"adjusted gross income" means taxable income** (as defined in
 13 Section 63 of the Internal Revenue Code), adjusted as follows:

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

16 (2) Add an amount equal to any deduction or deductions allowed
 17 or allowable pursuant to Section 170 of the Internal Revenue
 18 Code.

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

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

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

34 (6) Add an amount equal to any deduction allowed under Section
 35 172 of the Internal Revenue Code.

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



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



1 179C of the Internal Revenue Code to expense costs for qualified
 2 refinery property equal to the amount of adjusted gross income
 3 that would have been computed had an election for federal
 4 income tax purposes not been made for the year.

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

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

14 (A) the Federal National Mortgage Association, established
 15 under the Federal National Mortgage Association Charter Act
 16 (12 U.S.C. 1716 et seq.); or

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

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

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

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

41 ~~(c)~~ (d) In the case of life insurance companies (as defined in Section
 42 816(a) of the Internal Revenue Code) that are organized under Indiana



1 law, the same as "life insurance company taxable income" "**adjusted**
 2 **gross income"** means **life insurance company income** (as defined in
 3 Section 801 of the Internal Revenue Code), adjusted as follows:

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

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

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

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

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

23 (6) Add an amount equal to any deduction allowed under Section
 24 172 or Section 810 of the Internal Revenue Code.

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

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

39 (9) Subtract income that is:

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

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



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

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

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

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

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

35 (A) the Federal National Mortgage Association, established
 36 under the Federal National Mortgage Association Charter Act
 37 (12 U.S.C. 1716 et seq.); or

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

41 as an ordinary loss under Section 301 of the Emergency
 42 Economic Stabilization Act of 2008 in the current taxable year or



- 1 in an earlier taxable year equal to the amount of adjusted gross
 2 income that would have been computed had the loss not been
 3 treated as an ordinary loss.
- 4 (15) Add an amount equal to any exempt insurance income under
 5 Section 953(e) of the Internal Revenue Code that is active
 6 financing income under Subpart F of Subtitle A, Chapter 1,
 7 Subchapter N of the Internal Revenue Code.
- 8 (16) This subdivision does not apply to payments made for
 9 services provided to a business that was enrolled and participated
 10 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 11 time the taxpayer conducted business in Indiana in the taxable
 12 year. For a taxable year beginning after June 30, 2011, add the
 13 amount of any trade or business deduction allowed under the
 14 Internal Revenue Code for wages, reimbursements, or other
 15 payments made for services provided in Indiana by an individual
 16 for services as an employee, if the individual was, during the
 17 period of service, prohibited from being hired as an employee
 18 under 8 U.S.C. 1324a.
- 19 (17) Add the amount excluded from federal gross income under
 20 Section 103 of the Internal Revenue Code for interest received on
 21 an obligation of a state other than Indiana, or a political
 22 subdivision of such a state, that is acquired by the taxpayer after
 23 December 31, 2011.
- 24 (d) (e) In the case of insurance companies subject to tax under
 25 Section 831 of the Internal Revenue Code and organized under Indiana
 26 law, the same as "taxable income" "**adjusted gross income**" means
 27 **taxable income** (as defined in Section 832 of the Internal Revenue
 28 Code), adjusted as follows:
- 29 (1) Subtract income that is exempt from taxation under this article
 30 by the Constitution and statutes of the United States.
- 31 (2) Add an amount equal to any deduction allowed or allowable
 32 under Section 170 of the Internal Revenue Code.
- 33 (3) Add an amount equal to a deduction allowed or allowable
 34 under Section 805 or Section 831(c) of the Internal Revenue Code
 35 for taxes based on or measured by income and levied at the state
 36 level by any state.
- 37 (4) Subtract an amount equal to the amount included in the
 38 company's taxable income under Section 78 of the Internal
 39 Revenue Code.
- 40 (5) Add or subtract the amount necessary to make the adjusted
 41 gross 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 income
2 that would have been computed had an election not been made
3 under Section 168(k) of the Internal Revenue Code to apply bonus
4 depreciation to the property in the year that it was placed in
5 service.
- 6 (6) Add an amount equal to any deduction allowed under Section
7 172 of the Internal Revenue Code.
- 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 an amount equal to the amount that a taxpayer claimed as
19 a deduction for domestic production activities for the taxable year
20 under Section 199 of the Internal Revenue Code for federal
21 income tax purposes.
- 22 (9) Subtract income that is:
- 23 (A) exempt from taxation under IC 6-3-2-21.7; and
24 (B) included in the insurance company's taxable income under
25 the Internal Revenue Code.
- 26 (10) Add an amount equal to any income not included in gross
27 income as a result of the deferral of income arising from business
28 indebtedness discharged in connection with the reacquisition after
29 December 31, 2008, and before January 1, 2011, of an applicable
30 debt instrument, as provided in Section 108(i) of the Internal
31 Revenue Code. Subtract from the adjusted gross income of any
32 taxpayer that added an amount to adjusted gross income in a
33 previous year the amount necessary to offset the amount included
34 in federal gross income as a result of the deferral of income
35 arising from business indebtedness discharged in connection with
36 the reacquisition after December 31, 2008, and before January 1,
37 2011, of an applicable debt instrument, as provided in Section
38 108(i) of the Internal Revenue Code.
- 39 (11) Add or subtract the amount necessary to make the adjusted
40 gross income of any taxpayer that claimed the special allowance
41 for qualified disaster assistance property under Section 168(n) of
42 the Internal Revenue Code equal to the amount of adjusted gross



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



1 under 8 U.S.C. 1324a.

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

7 ~~(e)~~ **(f)** In the case of trusts and estates, "~~taxable income~~" "**adjusted**
8 **gross income**" **means taxable income** (as defined for trusts and
9 estates in Section 641(b) of the Internal Revenue Code), adjusted as
10 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. IC 6-3-1-14 IS AMENDED TO READ AS FOLLOWS
 27 [EFFECTIVE JULY 1, 2014]: Sec. 14. **(a) This subsection does not**
 28 **apply to a taxable year beginning after December 31, 2015.** The
 29 term "person" means an individual, trust or estate: Provided, That no
 30 corporation shall be considered to be a person.
- 31 **(b) This subsection applies to a taxable year beginning after**
 32 **December 31, 2015. "Person" means a trust or estate. The term**
 33 **does not include an individual or a corporation.**
- 34 SECTION 3. IC 6-3-2-1, AS AMENDED BY P.L.205-2013,
 35 SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 36 JULY 1, 2014]: Sec. 1. (a) ~~Each taxable year,~~ **Except as provided in**
 37 **subsection (d),** a tax at the following rate of adjusted gross income is
 38 imposed **each taxable year** upon the adjusted gross income of every
 39 resident person, and on that part of the adjusted gross income derived
 40 from sources within Indiana of every nonresident person:
- 41 (1) For taxable years beginning before January 1, 2015, three and
 42 four-tenths percent (3.4%).



1 (2) For taxable years beginning after December 31, 2014, and
2 before January 1, 2017, three and three-tenths percent (3.3%).

3 (3) For taxable years beginning after December 31, 2016, three
4 and twenty-three hundredths percent (3.23%).

5 (b) Except as provided in section 1.5 of this chapter, each taxable
6 year, a tax at the following rate of adjusted gross income is imposed on
7 that part of the adjusted gross income derived from sources within
8 Indiana of every corporation:

9 (1) Before July 1, 2012, eight and five-tenths percent (8.5%).

10 (2) After June 30, 2012, and before July 1, 2013, eight percent
11 (8.0%).

12 (3) After June 30, 2013, and before July 1, 2014, seven and
13 five-tenths percent (7.5%).

14 (4) After June 30, 2014, and before July 1, 2015, seven percent
15 (7.0%).

16 (5) After June 30, 2015, six and five-tenths percent (6.5%).

17 (c) If for any taxable year a taxpayer is subject to different tax rates
18 under subsection (b), the taxpayer's tax rate for that taxable year is the
19 rate determined in the last STEP of the following STEPS:

20 STEP ONE: Multiply the number of months in the taxpayer's
21 taxable year that precede the month the rate changed by the rate
22 in effect before the rate change.

23 STEP TWO: Multiply the number of months in the taxpayer's
24 taxable year that follow the month before the rate changed by the
25 rate in effect after the rate change.

26 STEP THREE: Divide the sum of the amounts determined under
27 STEPS ONE and TWO by twelve (12).

28 However, the rate determined under this subsection shall be rounded
29 to the nearest one-hundredth of one percent (0.01%).

30 **(d) For a taxable year beginning after December 31, 2015, no**
31 **adjusted gross income tax is imposed upon the adjusted gross**
32 **income of:**

33 **(1) an individual residing in Indiana; or**

34 **(2) that part of the adjusted gross income derived from**
35 **sources within Indiana of an individual residing outside**
36 **Indiana.**

37 SECTION 4. IC 6-3-2-4, AS AMENDED BY P.L.6-2012,
38 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
39 JULY 1, 2014]: Sec. 4. (a) Each taxable year, an individual, or the
40 individual's surviving spouse, is entitled to an adjusted gross income
41 tax deduction for the first five thousand dollars (\$5,000) of income,
42 including retirement or survivor's benefits, received during the taxable



1 year by the individual, or the individual's surviving spouse, for the
 2 individual's service in an active or reserve component of the armed
 3 forces of the United States, including the army, navy, air force, coast
 4 guard, marine corps, merchant marine, Indiana army national guard, or
 5 Indiana air national guard. However, a person who is less than sixty
 6 (60) years of age on the last day of the person's taxable year, is not, for
 7 that taxable year, entitled to a deduction under this section for
 8 retirement or survivor's benefits.

9 (b) An individual whose qualified military income is subtracted
 10 from the individual's federal adjusted gross income under
 11 ~~IC 6-3-1-3.5(a)(2)~~ **IC 6-3-1-3.5(b)(21)** for Indiana individual income
 12 tax purposes is not, for that taxable year, entitled to a deduction under
 13 this section for the individual's qualified military income.

14 SECTION 5. IC 6-3-2-6, AS AMENDED BY P.L.146-2008,
 15 SECTION 318, IS AMENDED TO READ AS FOLLOWS
 16 [EFFECTIVE JULY 1, 2014]: Sec. 6. (a) Each taxable year, an
 17 individual who rents a dwelling for use as the individual's principal
 18 place of residence may deduct from the individual's adjusted gross
 19 income (as defined in ~~IC 6-3-1-3.5(a)~~; **IC 6-3-1-3.5(b)**), the lesser of:

- 20 (1) the amount of rent paid by the individual with respect to the
 21 dwelling during the taxable year; or
 22 (2) three thousand dollars (\$3,000).

23 (b) Notwithstanding subsection (a), a husband and wife filing a joint
 24 adjusted gross income tax return for a particular taxable year may not
 25 claim a deduction under this section of more than three thousand
 26 dollars (\$3,000).

27 (c) The deduction provided by this section does not apply to an
 28 individual who rents a dwelling that is exempt from Indiana property
 29 tax.

30 (d) For purposes of this section, a "dwelling" includes a single
 31 family dwelling and unit of a multi-family dwelling.

32 SECTION 6. IC 6-3-2-20, AS AMENDED BY P.L.211-2007,
 33 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 34 JULY 1, 2014]: Sec. 20. (a) The following definitions apply throughout
 35 this section:

- 36 (1) "Affiliated group" has the meaning provided in Section 1504
 37 of the Internal Revenue Code, except that the ownership
 38 percentage in Section 1504(a)(2) of the Internal Revenue Code
 39 shall be determined using fifty percent (50%) instead of eighty
 40 percent (80%).
 41 (2) "Directly related intangible interest expenses" means interest
 42 expenses that are paid to, or accrued or incurred as a liability to,



- 1 a recipient if:
- 2 (A) the amounts represent, in the hands of the recipient,
- 3 income from making one (1) or more loans; and
- 4 (B) the funds loaned were originally received by the recipient
- 5 from the payment of intangible expenses by any of the
- 6 following:
- 7 (i) The taxpayer.
- 8 (ii) A member of the same affiliated group as the taxpayer.
- 9 (iii) A foreign corporation.
- 10 (3) "Foreign corporation" means a corporation that is organized
- 11 under the laws of a country other than the United States and
- 12 would be a member of the same affiliated group as the taxpayer
- 13 if the corporation were organized under the laws of the United
- 14 States.
- 15 (4) "Intangible expenses" means the following amounts to the
- 16 extent these amounts are allowed as deductions in determining
- 17 taxable income under Section 63 of the Internal Revenue Code
- 18 before the application of any net operating loss deduction and
- 19 special deductions for the taxable year:
- 20 (A) Expenses, losses, and costs directly for, related to, or in
- 21 connection with the acquisition, use, maintenance,
- 22 management, ownership, sale, exchange, or any other
- 23 disposition of intangible property.
- 24 (B) Royalty, patent, technical, and copyright fees.
- 25 (C) Licensing fees.
- 26 (D) Other substantially similar expenses and costs.
- 27 (5) "Intangible property" means patents, patent applications, trade
- 28 names, trademarks, service marks, copyrights, trade secrets, and
- 29 substantially similar types of intangible assets.
- 30 (6) "Interest expenses" means amounts that are allowed as
- 31 deductions under Section 163 of the Internal Revenue Code in
- 32 determining taxable income under Section 63 of the Internal
- 33 Revenue Code before the application of any net operating loss
- 34 deductions and special deductions for the taxable year.
- 35 (7) "Makes a disclosure" means a taxpayer provides the following
- 36 information regarding a transaction with a member of the same
- 37 affiliated group or a foreign corporation involving an intangible
- 38 expense and any directly related intangible interest expense with
- 39 the taxpayer's tax return on the forms prescribed by the
- 40 department:
- 41 (A) The name of the recipient.
- 42 (B) The state or country of domicile of the recipient.



- 1 (C) The amount paid to the recipient.
- 2 (D) A copy of federal Form 851, Affiliation Schedule, as filed
- 3 with the taxpayer's federal consolidated tax return.
- 4 (E) The information needed to determine the taxpayer's status
- 5 under the exceptions listed in subsection (c).
- 6 (8) "Recipient" means:
- 7 (A) a member of the same affiliated group as the taxpayer; or
- 8 (B) a foreign corporation;
- 9 to which is paid an item of income that corresponds to an
- 10 intangible expense or any directly related intangible interest
- 11 expense.
- 12 (9) "Unrelated party" means a person that, with respect to the
- 13 taxpayer, is not a member of the same affiliated group or a foreign
- 14 corporation.
- 15 (b) Except as provided in subsection (c), in determining its adjusted
- 16 gross income under ~~IC 6-3-1-3.5(b)~~, **IC 6-3-1-3.5(c)**, a corporation
- 17 subject to the tax imposed by IC 6-3-2-1 shall add to its taxable income
- 18 under Section 63 of the Internal Revenue Code:
- 19 (1) intangible expenses; and
- 20 (2) any directly related intangible interest expenses;
- 21 paid, accrued, or incurred with one (1) or more members of the same
- 22 affiliated group or with one (1) or more foreign corporations.
- 23 (c) The addition of intangible expenses or any directly related
- 24 intangible interest expenses otherwise required in a taxable year under
- 25 subsection (b) is not required if one (1) or more of the following apply
- 26 to the taxable year:
- 27 (1) The taxpayer and the recipient are both included in the same
- 28 consolidated tax return filed under IC 6-3-4-14 or in the same
- 29 combined return filed under IC 6-3-2-2(q) for the taxable year.
- 30 (2) The taxpayer makes a disclosure and, at the request of the
- 31 department, can establish by a preponderance of the evidence
- 32 that:
- 33 (A) the item of income corresponding to the intangible
- 34 expenses and any directly related intangible interest expenses
- 35 was included within the recipient's income that is subject to
- 36 tax in:
- 37 (i) a state or possession of the United States; or
- 38 (ii) a country other than the United States;
- 39 that is the recipient's commercial domicile and that imposes a
- 40 net income tax, a franchise tax measured, in whole or in part,
- 41 by net income, or a value added tax;
- 42 (B) the transaction giving rise to the intangible expenses and



- 1 any directly related intangible interest expenses between the
2 taxpayer and the recipient was made at a commercially
3 reasonable rate and at terms comparable to an arm's length
4 transaction; and
5 (C) the transactions giving rise to the intangible expenses and
6 any directly related intangible interest expenses between the
7 taxpayer and the recipient did not have Indiana tax avoidance
8 as a principal purpose.
- 9 (3) The taxpayer makes a disclosure and, at the request of the
10 department, can establish by a preponderance of the evidence
11 that:
12 (A) the recipient regularly engages in transactions involving
13 intangible property with one (1) or more unrelated parties on
14 terms substantially similar to those of the subject transaction;
15 and
16 (B) the transaction giving rise to the intangible expenses and
17 any directly related intangible interest expenses between the
18 taxpayer and the recipient did not have Indiana tax avoidance
19 as a principal purpose.
- 20 (4) The taxpayer makes a disclosure and, at the request of the
21 department, can establish by a preponderance of the evidence
22 that:
23 (A) the payment was received from a person or entity that is an
24 unrelated party, and on behalf of that unrelated party, paid that
25 amount to the recipient in an arm's length transaction; and
26 (B) the transaction giving rise to the intangible expenses and
27 any directly related intangible interest expenses between the
28 taxpayer and the recipient did not have Indiana tax avoidance
29 as a principal purpose.
- 30 (5) The taxpayer makes a disclosure and, at the request of the
31 department, can establish by a preponderance of the evidence
32 that:
33 (A) the recipient paid, accrued, or incurred a liability to an
34 unrelated party during the taxable year for an equal or greater
35 amount that was directly for, related to, or in connection with
36 the same intangible property giving rise to the intangible
37 expenses; and
38 (B) the transactions giving rise to the intangible expenses and
39 any directly related intangible interest expenses between the
40 taxpayer and the recipient did not have Indiana tax avoidance
41 as a principal purpose.
- 42 (6) The taxpayer makes a disclosure and, at the request of the



1 department, can establish by a preponderance of the evidence
2 that:

3 (A) the recipient is engaged in:

4 (i) substantial business activities from the acquisition, use,
5 licensing, maintenance, management, ownership, sale,
6 exchange, or any other disposition of intangible property; or

7 (ii) other substantial business activities separate and apart
8 from the business activities described in item (i);

9 as evidenced by the maintenance of a permanent office space
10 and an adequate number of full-time, experienced employees;

11 (B) the transactions giving rise to the intangible expenses and
12 any directly related intangible interest expenses between the
13 taxpayer and the recipient did not have Indiana tax avoidance
14 as a principal purpose; and

15 (C) the transactions were made at a commercially reasonable
16 rate and at terms comparable to an arm's length transaction.

17 (7) The taxpayer and the department agree, in writing, to the
18 application or use of an alternative method of allocation or
19 apportionment under section 2(l) or 2(m) of this chapter.

20 (8) Upon request by the taxpayer, the department determines that
21 the adjustment otherwise required by this section is unreasonable.

22 (d) For purposes of this section, intangible expenses or directly
23 related intangible interest expenses shall be considered to be at a
24 commercially reasonable rate or at terms comparable to an arm's length
25 transaction if the intangible expenses or directly related intangible
26 interest expenses meet the arm's length standards of United States
27 Treasury Regulation 1.482-1(b).

28 (e) If intangible expenses or directly related intangible expenses are
29 determined not to be at a commercially reasonable rate or at terms
30 comparable to an arm's length transaction for purposes of this section,
31 the adjustment required by subsection (b) shall be made only to the
32 extent necessary to cause the intangible expenses or directly related
33 intangible interest expenses to be at a commercially reasonable rate and
34 at terms comparable to an arm's length transaction.

35 (f) For purposes of this section, transactions giving rise to intangible
36 expenses and any directly related intangible interest expenses between
37 the taxpayer and the recipient shall be considered as having Indiana tax
38 avoidance as the principal purpose if:

39 (1) there is not one (1) or more valid business purposes that
40 independently sustain the transaction notwithstanding any tax
41 benefits associated with the transaction; and

42 (2) the principal purpose of tax avoidance exceeds any other valid



- 1 business purpose.
- 2 SECTION 7. IC 6-3-2-25 IS REPEALED [EFFECTIVE JULY 1,
- 3 2014]. Sec. 25: (a) This section applies only to an individual who in
- 4 2008 paid property taxes that:
- 5 (1) were imposed on the individual's principal place of residence
- 6 for the March 1, 2006; assessment date or the January 15, 2007;
- 7 assessment date;
- 8 (2) are due after December 31, 2007; and
- 9 (3) are paid on or before the due date for the property taxes.
- 10 (b) As used in this section, "adjusted gross income" has the meaning
- 11 set forth in IC 6-3-1-3.5.
- 12 (c) An individual described in subsection (a) is entitled to a
- 13 deduction from the individual's adjusted gross income for a taxable
- 14 year beginning after December 31, 2007, and before January 1, 2009;
- 15 in an amount equal to the amount determined in the following STEPS:
- 16 STEP ONE: Determine the lesser of:
- 17 (A) two thousand five hundred dollars (\$2,500); or
- 18 (B) the total amount of property taxes imposed on the
- 19 individual's principal place of residence for the March 1, 2006;
- 20 assessment date or the January 15, 2007, assessment date and
- 21 paid in 2007 or 2008.
- 22 STEP TWO: Determine the greater of zero (0) or the result of:
- 23 (A) the STEP ONE result; minus
- 24 (B) the total amount of property taxes that:
- 25 (i) were imposed on the individual's principal place of
- 26 residence for the March 1, 2006; assessment date or the
- 27 January 15, 2007, assessment date;
- 28 (ii) were paid in 2007; and
- 29 (iii) were deducted from the individual's adjusted gross
- 30 income under IC 6-3-1-3.5(a)(15) by the individual on the
- 31 individual's state income tax return for a taxable year
- 32 beginning before January 1, 2008.
- 33 (d) The deduction under this section is in addition to any deduction
- 34 that an individual is otherwise entitled to claim under
- 35 IC 6-3-1-3.5(a)(15). However, an individual may not deduct under
- 36 IC 6-3-1-3.5(a)(15) any property taxes deducted under this section.
- 37 SECTION 8. IC 6-3-4-1, AS AMENDED BY P.L.137-2012,
- 38 SECTION 54, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 39 JULY 1, 2014]: Sec. 1. Returns with respect to taxes imposed by this
- 40 act shall be made by the following:
- 41 (1) Every resident individual having for the taxable year gross
- 42 income in an amount greater than the modifications provided



1 under ~~IC 6-3-1-3.5(a)(3)~~ **IC 6-3-1-3.5(b)(3)** and
 2 ~~IC 6-3-1-3.5(a)(4)~~ **IC 6-3-1-3.5(b)(4)**.

3 (2) Every nonresident individual having for the taxable year any
 4 gross income from sources within the state of Indiana, except for
 5 a team member (as defined in IC 6-3-2-2.7) who is covered by a
 6 composite return filed under IC 6-3-2-2.7.

7 (3) Every corporation having for the taxable year any gross
 8 income from sources within the state of Indiana.

9 (4) For taxable years beginning after December 31, 2012, every
 10 resident estate having for the taxable year any gross income from
 11 sources within the state of Indiana exceeding the amount provided
 12 in Section 6012(a)(3) of the Internal Revenue Code.

13 (5) For taxable years beginning after December 31, 2012, every
 14 resident trust having for the taxable year any gross income from
 15 sources within the state of Indiana exceeding the amount provided
 16 in Section 6012(a)(4) of the Internal Revenue Code.

17 (6) For taxable years beginning after December 31, 2012, every
 18 nonresident estate having for the taxable year any gross income
 19 from sources within the state of Indiana exceeding the amount
 20 provided in Section 6012(a)(3) of the Internal Revenue Code.

21 (7) For taxable years beginning after December 31, 2012, every
 22 nonresident trust having for the taxable year any gross income
 23 from sources within the state of Indiana exceeding the amount
 24 provided in Section 6012(a)(4) of the Internal Revenue Code.

25 SECTION 9. IC 6-3-4-4.1, AS AMENDED BY P.L.1-2009,
 26 SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JULY 1, 2014]: Sec. 4.1. (a) Any individual required by the Internal
 28 Revenue Code to file estimated tax returns and to make payments on
 29 account of such estimated tax shall file estimated tax returns and make
 30 payments of the tax imposed by this article to the department at the
 31 time or times and in the installments as provided by Section 6654 of the
 32 Internal Revenue Code. However, the following apply to estimated tax
 33 returns filed and payments made under this subsection:

34 (1) In applying Section 6654 of the Internal Revenue Code for the
 35 purposes of this article, "estimated tax" means the amount which
 36 the individual estimates as the amount of the adjusted gross
 37 income tax imposed by this article for the taxable year, minus the
 38 amount which the individual estimates as the sum of any credits
 39 against the tax provided by IC 6-3-3.

40 (2) Estimated tax for a nonresident alien (as defined in Section
 41 7701 of the Internal Revenue Code) must be computed by
 42 applying not more than one (1) exclusion under ~~IC 6-3-1-3.5(a)(3)~~



1 **IC 6-3-1-3.5(b)(3)** and ~~IC 6-3-1-3.5(a)(4)~~; **IC 6-3-1-3.5(b)(4)**,
 2 regardless of the total number of exclusions that
 3 ~~IC 6-3-1-3.5(a)(3)~~ **IC 6-3-1-3.5(b)(3)** and ~~IC 6-3-1-3.5(a)(4)~~
 4 **IC 6-3-1-3.5(b)(4)** permit the taxpayer to apply on the taxpayer's
 5 final return for the taxable year.

6 (b) Every individual who has adjusted gross income subject to the
 7 tax imposed by this article and from which tax is not withheld under
 8 the requirements of section 8 of this chapter shall make a declaration
 9 of estimated tax for the taxable year. However, no such declaration
 10 shall be required if the estimated tax can reasonably be expected to be
 11 less than one thousand dollars (\$1,000). In the case of an underpayment
 12 of the estimated tax as provided in Section 6654 of the Internal
 13 Revenue Code, there shall be added to the tax a penalty in an amount
 14 prescribed by IC 6-8.1-10-2.1(b).

15 (c) Every corporation subject to the adjusted gross income tax
 16 liability imposed by this article shall be required to report and pay an
 17 estimated tax equal to the lesser of:

- 18 (1) twenty-five percent (25%) of such corporation's estimated
 19 adjusted gross income tax liability for the taxable year; or
- 20 (2) the annualized income installment calculated in the manner
 21 provided by Section 6655(e) of the Internal Revenue Code as
 22 applied to the corporation's liability for adjusted gross income tax.

23 A taxpayer who uses a taxable year that ends on December 31 shall file
 24 the taxpayer's estimated adjusted gross income tax returns and pay the
 25 tax to the department on or before April 20, June 20, September 20,
 26 and December 20 of the taxable year. If a taxpayer uses a taxable year
 27 that does not end on December 31, the due dates for filing estimated
 28 adjusted gross income tax returns and paying the tax are on or before
 29 the twentieth day of the fourth, sixth, ninth, and twelfth months of the
 30 taxpayer's taxable year. The department shall prescribe the manner and
 31 forms for such reporting and payment.

32 (d) The penalty prescribed by IC 6-8.1-10-2.1(b) shall be assessed
 33 by the department on corporations failing to make payments as required
 34 in subsection (c) or (f). However, no penalty shall be assessed as to any
 35 estimated payments of adjusted gross income tax which equal or
 36 exceed:

- 37 (1) the annualized income installment calculated under subsection
 38 (c); or
- 39 (2) twenty-five percent (25%) of the final tax liability for the
 40 taxpayer's previous taxable year.

41 In addition, the penalty as to any underpayment of tax on an estimated
 42 return shall only be assessed on the difference between the actual



1 amount paid by the corporation on such estimated return and
 2 twenty-five percent (25%) of the corporation's final adjusted gross
 3 income tax liability for such taxable year.

4 (e) The provisions of subsection (c) requiring the reporting and
 5 estimated payment of adjusted gross income tax shall be applicable
 6 only to corporations having an adjusted gross income tax liability
 7 which, after application of the credit allowed by IC 6-3-3-2 (repealed),
 8 shall exceed two thousand five hundred dollars (\$2,500) for its taxable
 9 year.

10 (f) If the department determines that a corporation's:

11 (1) estimated quarterly adjusted gross income tax liability for the
 12 current year; or

13 (2) average estimated quarterly adjusted gross income tax liability
 14 for the preceding year;

15 exceeds five thousand dollars (\$5,000), after the credit allowed by
 16 IC 6-3-3-2 (repealed), the corporation shall pay the estimated adjusted
 17 gross income taxes due by electronic funds transfer (as defined in
 18 IC 4-8.1-2-7) or by delivering in person or overnight by courier a
 19 payment by cashier's check, certified check, or money order to the
 20 department. The transfer or payment shall be made on or before the
 21 date the tax is due.

22 (g) If a corporation's adjusted gross income tax payment is made by
 23 electronic funds transfer, the corporation is not required to file an
 24 estimated adjusted gross income tax return.

25 (h) An individual filing an estimated tax return and making an
 26 estimated tax payment under this section must designate:

27 (1) the portion of the estimated tax payment that represents
 28 estimated state adjusted gross income tax liability; and

29 (2) the portion of the estimated tax payment that represents
 30 estimated local income tax liability under IC 6-3.5.

31 The department shall adopt guidelines and issue instructions as
 32 necessary to assist individuals in making the designations required by
 33 this subsection.

34 SECTION 10. IC 6-3-4-8, AS AMENDED BY P.L.158-2013,
 35 SECTION 86, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 36 JULY 1, 2014]: Sec. 8. (a) Except as provided in subsection (d), every
 37 employer making payments of wages subject to tax under this article,
 38 regardless of the place where such payment is made, who is required
 39 under the provisions of the Internal Revenue Code to withhold, collect,
 40 and pay over income tax on wages paid by such employer to such
 41 employee, shall, at the time of payment of such wages, deduct and
 42 retain therefrom the amount prescribed in withholding instructions



1 issued by the department. The department shall base its withholding
 2 instructions on the adjusted gross income tax rate for persons, on the
 3 total rates of any income taxes that the taxpayer is subject to under
 4 IC 6-3.5, and on the total amount of exclusions the taxpayer is entitled
 5 to under ~~IC 6-3-1-3.5(a)(3)~~ **IC 6-3-1-3.5(b)(3)** and ~~IC 6-3-1-3.5(a)(4)~~
 6 **IC 6-3-1-3.5(b)(4)**. However, the withholding instructions on the
 7 adjusted gross income of a nonresident alien (as defined in Section
 8 7701 of the Internal Revenue Code) are to be based on applying not
 9 more than one (1) withholding exclusion, regardless of the total number
 10 of exclusions that ~~IC 6-3-1-3.5(a)(3)~~ **IC 6-3-1-3.5(b)(3)** and
 11 ~~IC 6-3-1-3.5(a)(4)~~ **IC 6-3-1-3.5(b)(4)** permit the taxpayer to apply on
 12 the taxpayer's final return for the taxable year. Such employer making
 13 payments of any wages:

14 (1) shall be liable to the state of Indiana for the payment of the tax
 15 required to be deducted and withheld under this section and shall
 16 not be liable to any individual for the amount deducted from the
 17 individual's wages and paid over in compliance or intended
 18 compliance with this section; and

19 (2) shall make return of and payment to the department monthly
 20 of the amount of tax which under this article and IC 6-3.5 the
 21 employer is required to withhold.

22 (b) An employer shall pay taxes withheld under subsection (a)
 23 during a particular month to the department no later than thirty (30)
 24 days after the end of that month. However, in place of monthly
 25 reporting periods, the department may permit an employer to report and
 26 pay the tax for a calendar year reporting period, if the average monthly
 27 amount of all tax required to be withheld by the employer in the
 28 previous calendar year does not exceed one thousand dollars (\$1,000).
 29 An employer using a reporting period (other than a monthly reporting
 30 period) must file the employer's return and pay the tax for a reporting
 31 period no later than the last day of the month immediately following
 32 the close of the reporting period.

33 (c) For purposes of determining whether an employee is subject to
 34 taxation under IC 6-3.5, an employer is entitled to rely on the statement
 35 of an employee as to the employee's county of residence as represented
 36 by the statement of address in forms claiming exemptions for purposes
 37 of withholding, regardless of when the employee supplied the forms.
 38 Every employee shall notify the employee's employer within five (5)
 39 days after any change in the employee's county of residence.

40 (d) A county that makes payments of wages subject to tax under this
 41 article:

42 (1) to a precinct election officer (as defined in IC 3-5-2-40.1); and



1 (2) for the performance of the duties of the precinct election
 2 officer imposed by IC 3 that are performed on election day;
 3 is not required, at the time of payment of the wages, to deduct and
 4 retain from the wages the amount prescribed in withholding
 5 instructions issued by the department.

6 (e) Every employer shall, at the time of each payment made by the
 7 employer to the department, deliver to the department a return upon the
 8 form prescribed by the department showing:

- 9 (1) the total amount of wages paid to the employer's employees;
 10 (2) the amount deducted therefrom in accordance with the
 11 provisions of the Internal Revenue Code;
 12 (3) the amount of adjusted gross income tax deducted therefrom
 13 in accordance with the provisions of this section;
 14 (4) the amount of income tax, if any, imposed under IC 6-3.5 and
 15 deducted therefrom in accordance with this section; and
 16 (5) any other information the department may require.

17 Every employer making a declaration of withholding as provided in this
 18 section shall furnish the employer's employees annually, but not later
 19 than thirty (30) days after the end of the calendar year, a record of the
 20 total amount of adjusted gross income tax and the amount of each
 21 income tax, if any, imposed under IC 6-3.5, withheld from the
 22 employees, on the forms prescribed by the department.

23 (f) All money deducted and withheld by an employer shall
 24 immediately upon such deduction be the money of the state, and every
 25 employer who deducts and retains any amount of money under the
 26 provisions of this article shall hold the same in trust for the state of
 27 Indiana and for payment thereof to the department in the manner and
 28 at the times provided in this article. Any employer may be required to
 29 post a surety bond in the sum the department determines to be
 30 appropriate to protect the state with respect to money withheld pursuant
 31 to this section.

32 (g) The provisions of IC 6-8.1 relating to additions to tax in case of
 33 delinquency and penalties shall apply to employers subject to the
 34 provisions of this section, and for these purposes any amount deducted
 35 or required to be deducted and remitted to the department under this
 36 section shall be considered to be the tax of the employer, and with
 37 respect to such amount the employer shall be considered the taxpayer.
 38 In the case of a corporate or partnership employer, every officer,
 39 employee, or member of such employer, who, as such officer,
 40 employee, or member is under a duty to deduct and remit such taxes,
 41 shall be personally liable for such taxes, penalties, and interest.

42 (h) Amounts deducted from wages of an employee during any



1 calendar year in accordance with the provisions of this section shall be
 2 considered to be in part payment of the tax imposed on such employee
 3 for the employee's taxable year which begins in such calendar year, and
 4 a return made by the employer under subsection (b) shall be accepted
 5 by the department as evidence in favor of the employee of the amount
 6 so deducted from the employee's wages. Where the total amount so
 7 deducted exceeds the amount of tax on the employee as computed
 8 under this article and IC 6-3.5, the department shall, after examining
 9 the return or returns filed by the employee in accordance with this
 10 article and IC 6-3.5, refund the amount of the excess deduction.
 11 However, under rules promulgated by the department, the excess or any
 12 part thereof may be applied to any taxes or other claim due from the
 13 taxpayer to the state of Indiana or any subdivision thereof. No refund
 14 shall be made to an employee who fails to file the employee's return or
 15 returns as required under this article and IC 6-3.5 within two (2) years
 16 from the due date of the return or returns. In the event that the excess
 17 tax deducted is less than one dollar (\$1), no refund shall be made.

18 (i) This section shall in no way relieve any taxpayer from the
 19 taxpayer's obligation of filing a return or returns at the time required
 20 under this article and IC 6-3.5, and, should the amount withheld under
 21 the provisions of this section be insufficient to pay the total tax of such
 22 taxpayer, such unpaid tax shall be paid at the time prescribed by
 23 section 5 of this chapter.

24 (j) Notwithstanding subsection (b), an employer of a domestic
 25 service employee that enters into an agreement with the domestic
 26 service employee to withhold federal income tax under Section 3402
 27 of the Internal Revenue Code may withhold Indiana income tax on the
 28 domestic service employee's wages on the employer's Indiana
 29 individual income tax return in the same manner as allowed by Section
 30 3510 of the Internal Revenue Code.

31 (k) To the extent allowed by Section 1137 of the Social Security
 32 Act, an employer of a domestic service employee may report and remit
 33 state unemployment insurance contributions on the employee's wages
 34 on the employer's Indiana individual income tax return in the same
 35 manner as allowed by Section 3510 of the Internal Revenue Code.

36 (l) A person who knowingly fails to remit trust fund money as set
 37 forth in this section commits a Level 6 felony.

38 SECTION 11. IC 6-3-4-14 IS AMENDED TO READ AS
 39 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 14. (a) An affiliated
 40 group of corporations shall have the privilege of making a consolidated
 41 return with respect to the taxes imposed by IC 6-3. The making of a
 42 consolidated return shall be upon the condition that all corporations



1 which at any time during the taxable year have been members of the
 2 affiliated group consent to all of the provisions of this section including
 3 all provisions of the consolidated return regulations prescribed
 4 pursuant to Section 1502 of the Internal Revenue Code and
 5 incorporated herein by reference and all regulations promulgated by the
 6 department implementing this section prior to the last day prescribed
 7 by law for the filing of such return. The making of a consolidated
 8 return shall be considered as such consent. In the case of a corporation
 9 which is a member of the affiliated group for a fractional part of the
 10 year, the consolidated return shall include the income of such
 11 corporation for such part of the year as it is a member of the affiliated
 12 group.

13 (b) For the purposes of this section the term "affiliated group" shall
 14 mean an "affiliated group" as defined in Section 1504 of the Internal
 15 Revenue Code with the exception that the affiliated group shall not
 16 include any corporation which does not have adjusted gross income
 17 derived from sources within the state of Indiana.

18 (c) For purposes of ~~IC 6-3-1-3.5(b)~~, **IC 6-3-1-3.5(c)**, the
 19 determination of "taxable income," as defined in Section 63 of the
 20 Internal Revenue Code, of any affiliated group of corporations making
 21 a consolidated return and of each corporation in the group, both during
 22 and after the period of affiliation, shall be determined pursuant to the
 23 regulations prescribed under Section 1502 of the Internal Revenue
 24 Code.

25 (d) Any credit against the taxes imposed by IC 6-3 which is
 26 available to any corporation which is a member of an affiliated group
 27 of corporations making a consolidated return shall be applied against
 28 the tax liability of the affiliated group.

29 SECTION 12. IC 6-3.1-20-4, AS AMENDED BY P.L.13-2013,
 30 SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 31 JULY 1, 2014]: Sec. 4. (a) Except as provided in subsection (b), an
 32 individual is entitled to a credit under this chapter if:

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

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

37 (A) the individual:

38 (i) owns; or

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



- 1 (B) is located in a county having a population of more than
 2 four hundred thousand (400,000) but less than seven hundred
 3 thousand (700,000).
- 4 (b) An individual is not entitled to a credit under this chapter for a
 5 taxable year for property taxes paid on the individual's homestead if the
 6 individual claims the deduction under ~~IC 6-3-1-3.5(a)(15)~~
 7 **IC 6-3-1-3.5(b)(15)** for the homestead for that same taxable year.
- 8 SECTION 13. IC 6-3.5-1.1-1, AS AMENDED BY P.L.146-2008,
 9 SECTION 326, IS AMENDED TO READ AS FOLLOWS
 10 [EFFECTIVE JULY 1, 2014]: Sec. 1. As used in this chapter:
- 11 "Adjusted gross income" has the same definition that the term is
 12 given in ~~IC 6-3-1-3.5(a)~~, **IC 6-3-1-3.5(b)**, except that in the case of a
 13 county taxpayer who is not a resident of a county that has imposed the
 14 county adjusted gross income tax, the term includes only adjusted gross
 15 income derived from the taxpayer's principal place of business or
 16 employment.
- 17 "Apartment complex" means real property consisting of at least five
 18 (5) units that are regularly used to rent or otherwise furnish residential
 19 accommodations for periods of at least thirty (30) days.
- 20 "Civil taxing unit" means any entity having the power to impose ad
 21 valorem property taxes except a school corporation. The term does not
 22 include a solid waste management district that is not entitled to a
 23 distribution under section 1.3 of this chapter. However, in the case of
 24 a consolidated city, the term "civil taxing unit" includes the
 25 consolidated city and all special taxing districts, all special service
 26 districts, and all entities whose budgets and property tax levies are
 27 subject to review under IC 36-3-6-9.
- 28 "County council" includes the city-county council of a consolidated
 29 city.
- 30 "County taxpayer" as it relates to a county for a year means any
 31 individual:
- 32 (1) who resides in that county on the date specified in section 16
 33 of this chapter; or
- 34 (2) who maintains the taxpayer's principal place of business or
 35 employment in that county on the date specified in section 16 of
 36 this chapter and who does not on that same date reside in another
 37 county in which the county adjusted gross income tax, the county
 38 option income tax, or the county economic development income
 39 tax is in effect.
- 40 "Department" refers to the Indiana department of state revenue.
- 41 "Homestead" has the meaning set forth in IC 6-1.1-12-37.
- 42 "Nonresident county taxpayer" as it relates to a county for a year



1 means any county taxpayer for that county for that year who is not a
2 resident county taxpayer of that county for that year.

3 "Qualified residential property" refers to any of the following:

- 4 (1) An apartment complex.
- 5 (2) A homestead.
- 6 (3) Residential rental property.

7 "Resident county taxpayer" as it relates to a county for a year means
8 any county taxpayer who resides in that county on the date specified in
9 section 16 of this chapter.

10 "Residential rental property" means real property consisting of not
11 more than four (4) units that are regularly used to rent or otherwise
12 furnish residential accommodations for periods of at least thirty (30)
13 days.

14 "School corporation" means any public school corporation
15 established under Indiana law.

16 SECTION 14. IC 6-3.5-1.1-18, AS AMENDED BY P.L.146-2008,
17 SECTION 330, IS AMENDED TO READ AS FOLLOWS
18 [EFFECTIVE JULY 1, 2014]: Sec. 18. (a) Except as otherwise
19 provided in this chapter, all provisions of the adjusted gross income tax
20 law (IC 6-3) concerning:

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

29 apply to the imposition, collection, and administration of the tax
30 imposed by this chapter.

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

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

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

40 SECTION 15. IC 6-3.5-6-22, AS AMENDED BY P.L.146-2008,
41 SECTION 340, IS AMENDED TO READ AS FOLLOWS
42 [EFFECTIVE JULY 1, 2014]: Sec. 22. (a) Except as otherwise



1 provided in subsection (b) and the other provisions of this chapter, all
 2 provisions of the adjusted gross income tax law (IC 6-3) concerning:

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

11 apply to the imposition, collection, and administration of the tax
 12 imposed by this chapter.

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

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

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

22 SECTION 16. IC 6-3.5-7-1, AS AMENDED BY P.L.119-2012,
 23 SECTION 46, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 24 JULY 1, 2014]: Sec. 1. (a) Except as otherwise provided in this section,
 25 as used in this chapter, "adjusted gross income" has the meaning set
 26 forth in ~~IC 6-3-1-3.5(a)~~: **IC 6-3-1-3.5(b)**.

27 (b) In the case of a county taxpayer who is not a resident of a county
 28 that has imposed the county economic development income tax, the
 29 term "adjusted gross income" includes only adjusted gross income
 30 derived from the taxpayer's principal place of business or employment.

31 (c) In the case of a county taxpayer who is a resident of Perry
 32 County, the term "adjusted gross income" does not include adjusted
 33 gross income that is:

- 34 (1) earned in a county that is:
 - 35 (A) located in another state; and
 - 36 (B) adjacent to the county in which the taxpayer resides; and
- 37 (2) subject to an income tax imposed by a county, city, town, or
 38 other local governmental entity in the other state.

39 SECTION 17. IC 6-3.5-7-18, AS AMENDED BY P.L.146-2008,
 40 SECTION 348, IS AMENDED TO READ AS FOLLOWS
 41 [EFFECTIVE JULY 1, 2014]: Sec. 18. (a) Except as otherwise
 42 provided in this chapter, all provisions of the adjusted gross income tax



- 1 law (IC 6-3) concerning:
 2 (1) definitions;
 3 (2) declarations of estimated tax;
 4 (3) filing of returns;
 5 (4) remittances;
 6 (5) incorporation of the provisions of the Internal Revenue Code;
 7 (6) penalties and interest;
 8 (7) exclusion of military pay credits for withholding; and
 9 (8) exemptions and deductions;
 10 apply to the imposition, collection, and administration of the tax
 11 imposed by this chapter.
 12 (b) The provisions of ~~IC 6-3-1-3.5(a)(6)~~, **IC 6-3-1-3.5(b)(6)**,
 13 IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the tax imposed
 14 by this chapter.
 15 (c) Notwithstanding subsections (a) and (b), each employer shall
 16 report to the department the amount of withholdings attributable to
 17 each county. This report shall be submitted to the department:
 18 (1) each time the employer remits to the department the tax that
 19 is withheld; and
 20 (2) annually along with the employer's annual withholding report.
 21 SECTION 18. IC 6-8.1-3-17, AS AMENDED BY P.L.236-2005,
 22 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 23 JULY 1, 2014]: Sec. 17. (a) Before an original tax appeal is filed with
 24 the tax court under IC 33-26, the commissioner may settle any tax
 25 liability dispute if a substantial doubt exists as to:
 26 (1) the constitutionality of the tax under the Constitution of the
 27 State of Indiana;
 28 (2) the right to impose the tax;
 29 (3) the correct amount of tax due;
 30 (4) the ~~collectibility~~ **collectability** of the tax; or
 31 (5) whether the taxpayer is a resident or nonresident of Indiana.
 32 (b) After an original tax appeal is filed with the tax court under
 33 IC 33-26, and notwithstanding IC 4-6-2-11, the commissioner may
 34 settle a tax liability dispute with an amount in contention of twenty-five
 35 thousand dollars (\$25,000) or less. Notwithstanding IC 6-8.1-7-1(a),
 36 the terms of a settlement under this subsection are available for public
 37 inspection.
 38 (c) The department shall establish an amnesty program for taxpayers
 39 having an unpaid tax liability for a listed tax that was due and payable
 40 for a tax period ending before July 1, 2004. A taxpayer is not eligible
 41 for the amnesty program for any tax liability resulting from the
 42 taxpayer's failure to comply with ~~IC 6-3-1-3.5(b)(3)~~ **IC 6-3-1-3.5(c)(3)**



1 with regard to the tax imposed by IC 4-33-13. The time in which a
 2 voluntary payment of tax liability may be made (or the taxpayer may
 3 enter into a payment program acceptable to the department for the
 4 payment of the unpaid listed taxes in full in the manner and time
 5 established in a written payment program agreement between the
 6 department and the taxpayer) under the amnesty program is limited to
 7 the period determined by the department, not to exceed eight (8)
 8 regular business weeks ending before the earlier of the date set by the
 9 department or July 1, 2006. The amnesty program must provide that,
 10 upon payment by a taxpayer to the department of all listed taxes due
 11 from the taxpayer for a tax period (or payment of the unpaid listed
 12 taxes in full in the manner and time established in a written payment
 13 program agreement between the department and the taxpayer), entry
 14 into an agreement that the taxpayer is not eligible for any other amnesty
 15 program that may be established and waives any part of interest and
 16 penalties on the same type of listed tax that is being granted amnesty
 17 in the current amnesty program, and compliance with all other amnesty
 18 conditions adopted under a rule of the department in effect on the date
 19 the voluntary payment is made, the department:

20 (1) shall abate and not seek to collect any interest, penalties,
 21 collection fees, or costs that would otherwise be applicable;

22 (2) shall release any liens imposed;

23 (3) shall not seek civil or criminal prosecution against any
 24 individual or entity; and

25 (4) shall not issue, or, if issued, shall withdraw, an assessment, a
 26 demand notice, or a warrant for payment under IC 6-8.1-5-3,
 27 IC 6-8.1-8-2, or another law against any individual or entity;

28 for listed taxes due from the taxpayer for the tax period for which
 29 amnesty has been granted to the taxpayer. Amnesty granted under this
 30 subsection is binding on the state and its agents. However, failure to
 31 pay to the department all listed taxes due for a tax period invalidates
 32 any amnesty granted under this subsection for that tax period. The
 33 department shall conduct an assessment of the impact of the tax
 34 amnesty program on tax collections and an analysis of the costs of
 35 administering the tax amnesty program. As soon as practicable after the
 36 end of the tax amnesty period, the department shall submit a copy of
 37 the assessment and analysis to the legislative council in an electronic
 38 format under IC 5-14-6. The department shall enforce an agreement
 39 with a taxpayer that prohibits the taxpayer from receiving amnesty in
 40 another amnesty program.

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



1 (1) the department has issued:

2 (A) an assessment of the listed tax and demand for payment
3 under IC 6-8.1-5-3; or

4 (B) a demand notice for payment of the listed tax under
5 IC 6-8.1-8-2;

6 (2) the taxpayer has filed a return or an amended return in which
7 the taxpayer has reported a liability for the listed tax; or

8 (3) the taxpayer has filed a written statement of liability for the
9 listed tax in a form that is satisfactory to the department.

10 SECTION 19. IC 8-24-1-3, AS ADDED BY P.L.182-2009(ss),
11 SECTION 282, IS AMENDED TO READ AS FOLLOWS
12 [EFFECTIVE JULY 1, 2014]: Sec. 3. "Adjusted gross income" has the
13 meaning set forth in ~~IC 6-3-1-3.5(a)~~; **IC 6-3-1-3.5(b)**.

14 SECTION 20. IC 8-24-17-14, AS ADDED BY P.L.182-2009(ss),
15 SECTION 282, IS AMENDED TO READ AS FOLLOWS
16 [EFFECTIVE JULY 1, 2014]: Sec. 14. (a) Except as otherwise
17 provided in this chapter, all provisions of the adjusted gross income tax
18 law (IC 6-3) concerning:

19 (1) definitions;

20 (2) declarations of estimated tax;

21 (3) filing of returns;

22 (4) remittances;

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

24 (6) penalties and interest;

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

26 (8) exemptions and deductions;

27 apply to the imposition, collection, and administration of the
28 improvement tax.

29 (b) ~~IC 6-3-1-3.5(a)(6)~~; **IC 6-3-1-3.5(b)(6)**, IC 6-3-3-3, IC 6-3-3-5,
30 and IC 6-3-5-1 do not apply to the improvement tax.

31 (c) Notwithstanding subsections (a) and (b), each employer shall
32 report to the department the amount of withholdings of the
33 improvement tax attributable to each county. This report shall be
34 submitted to the department:

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

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

38 SECTION 21. [EFFECTIVE JULY 1, 2014] **(a) The code revision**
39 **commission shall prepare legislation for introduction in 2015 to**
40 **conform the Indiana Code to IC 6-3-2-1, as amended by this act.**

41 **(b) The conforming legislation required by subsection (a) must**
42 **address income tax deductions, state tax liability credits, income**



1 tax administration, the continued application of local option
2 income taxes under IC 6-3.5, projects funded through captured
3 state adjusted gross income taxes, and any other topic considered
4 necessary by the code revision commission to implement
5 IC 6-3-2-1, as amended by this act.

6 (c) The code revision commission shall submit the legislation
7 required by subsection (a) to the legislative council in an electronic
8 format under IC 5-14-6 before December 15, 2014.

9 (d) This SECTION expires January 1, 2015.

