

HOUSE BILL No. 1571

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-36.

Synopsis: Tax credit for employer provided disability plan. Provides a state income tax credit for employers that establish a group disability income protection plan for their employees.

Effective: January 1, 2020.

Carbaugh

January 17, 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. 1571

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 6-3.1-36 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2020]:
- 4 **Chapter 36. Employer Establishment of Group Disability**
- 5 **Income Protection Plan Tax Credit**
- 6 **Sec. 1. As used in this chapter, "credit" refers to a credit**
- 7 **granted under this chapter.**
- 8 **Sec. 2. As used in this chapter, "employee" means "employee"**
- 9 **as defined in Section 3401(c) of the Internal Revenue Code.**
- 10 **Sec. 3. As used in this chapter, "employer" means "employer"**
- 11 **as defined in Section 3401(d) of the Internal Revenue Code.**
- 12 **Sec. 4. As used in this chapter, "group disability income**
- 13 **protection plan" means a plan that satisfies the requirements of**
- 14 **section 8 of this chapter.**
- 15 **Sec. 5. As used in this chapter, "pass through entity" has the**
- 16 **meaning set forth in IC 6-3-1-35.**
- 17 **Sec. 6. As used in this chapter, "state tax liability" means a**



1 taxpayer's total tax liability that is incurred under:

2 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

3 (2) IC 6-5.5 (the financial institutions tax); and

4 (3) IC 27-1-18-2 (the insurance premiums tax);

5 as computed after the application of the credits that under
6 IC 6-3.1-1-2 are to be applied before the credit provided by this
7 chapter.

8 Sec. 7. As used in this chapter, "taxpayer" means an individual
9 or entity that has any state tax liability.

10 Sec. 8. To obtain a tax credit under this chapter, a group
11 disability income protection plan must be a group disability income
12 insurance policy instituted by an employer to provide income
13 benefits to employees unable to work for an extended period of
14 time due to illness or accident. The plan must also satisfy the
15 following requirements:

16 (1) For a group disability income long term insurance policy,
17 the plan must:

18 (A) have an elimination period of not more than one
19 hundred eighty (180) days;

20 (B) replace at least fifty percent (50%) of predisability
21 earnings before any applicable offsets; and

22 (C) offer benefits for at least twenty-four (24) months.

23 (2) For a group disability income short term insurance policy,
24 the plan must:

25 (A) have an elimination period of not more than thirty (30)
26 days;

27 (B) replace at least two hundred dollars (\$200) of earnings
28 before any applicable offsets; and

29 (C) offer benefits for at least six (6) months.

30 Sec. 9. A taxpayer that establishes a group disability income
31 protection plan is entitled to a credit against the taxpayer's state
32 tax liability in the taxable year in which the taxpayer makes
33 payments for the plan.

34 Sec. 10. The amount of a taxpayer's credit is equal to the sum of
35 the following:

36 (1) Twenty-five percent (25%) of the costs of establishing and
37 administering a group disability income protection plan for
38 employees. Payments made by an employer to defray
39 disability income protection plan premiums are not to be
40 included in costs when calculating the amount of the tax credit
41 allowed.

42 (2) One hundred dollars (\$100) for each employee enrolled in



1 a group disability income protection plan for the entire
2 taxable year and for each employee hired after the beginning
3 of a taxable year who newly enrolls in the group disability
4 income protection plan and remains enrolled through the end
5 of the taxable year. The total amount allowed as a credit
6 under this subdivision may not exceed ten thousand dollars
7 (\$10,000).

8 **Sec. 11.** An employer that has established a group disability
9 income protection plan for employees may claim a tax credit under
10 this chapter for not more than three (3) taxable years.

11 **Sec. 12.** If a pass through entity is entitled to a credit under
12 section 8 of this chapter but does not have state tax liability against
13 which the tax credit may be applied, a shareholder, partner, or
14 member of the pass through entity is entitled to a tax credit equal
15 to:

- 16 (1) the tax credit determined for the pass through entity for
17 the taxable year; multiplied by
- 18 (2) the percentage of the pass through entity's distributive
19 income to which the shareholder, partner, or member is
20 entitled.

21 **Sec. 13.** To apply a credit against the taxpayer's state tax
22 liability, a taxpayer must claim the credit on the taxpayer's annual
23 state tax return or returns in the manner prescribed by the
24 department. The taxpayer shall submit to the department the
25 information that the department determines is necessary for the
26 department to determine whether the taxpayer is eligible for the
27 credit.

28 **Sec. 14. (a)** The credit provided by this chapter may be carried
29 forward and applied to succeeding taxable years following the
30 unused credit year.

31 **(b)** A taxpayer is not entitled to any carryback or refund of any
32 unused credit.

