



Reprinted  
January 29, 2014

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## SENATE BILL No. 1

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DIGEST OF SB 1 (Updated January 28, 2014 3:33 pm - DI 73)

**Citations Affected:** IC 6-1.1; IC 6-2.5; IC 6-3; IC 6-3.1; IC 6-5.5; IC 36-7; noncode.

**Synopsis:** State and local taxation. Provides that if the value of a taxpayer's business personal property in a county that would otherwise be subject to taxation is less than \$25,000 for a particular assessment date: (1) the taxpayer is not required to file a personal property return for the taxpayer's business personal property in the county for that assessment date; and (2) the taxpayer's business personal property in the county is exempt from taxation for that assessment date. Requires the taxpayer to file an annual certification with the county assessor. Provides that the tax rate for certain tax increment financing areas shall be calculated as if this exemption were not in effect. Provides that if a county or municipality receives a reimbursement, repayment, or penalty from a taxpayer on account of the taxpayer's failure to comply  
(Continued next page)

**Effective:** Upon passage; July 1, 2014; January 1, 2015.

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**Hershman, Kenley, Holdman,  
Smith J, Landske**

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January 14, 2014, read first time and referred to Committee on Tax and Fiscal Policy.  
January 23, 2014, amended, reported favorably — Do Pass.  
January 28, 2014, read second time, amended, ordered engrossed.

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SB 1—LS 7115/DI 73



## Digest Continued

with the statement of benefits provided by the taxpayer as part of a property tax abatement or on account of the taxpayer's failure to comply with any other requirement to receive a property tax abatement, the county or municipal fiscal officer shall distribute the amount of the reimbursement, repayment, or penalty on a pro rata basis to each taxing unit that contains the property that was subject to the abatement deduction. Phases down the corporate income tax rate from 6.5% in 2015 to 4.9% in 2019. Phases down the financial institutions tax rate to 4.9% in 2022. Reduces the research and development tax credit percentage by half for qualified research expense incurred after 2014. Provides that a taxpayer is not entitled to: (1) a college contribution tax credit for contributions made in a taxable year beginning after 2014; (2) a riverboat building tax credit for qualified investments made in a taxable year beginning after 2014; (3) a biodiesel tax credit for the production or distribution of biodiesel or blended biodiesel in a taxable year beginning after 2014; (4) an ethanol production tax credit for the production of ethanol in a taxable year beginning after 2014; and (5) a new employer tax credit for wages paid in a taxable year beginning after 2014. Repeals the voluntary remediation tax credit statute. (Under current law, tax credits may not be awarded for taxable years after 2007, and the carryforward period has expired.) Repeals the energy savings tax credit. (Under current law, the tax credit may not be awarded for costs incurred after December 31, 2011, and may not be carried forward.) Provides that a retail merchant engaged in selling bulk propane at retail in Indiana shall claim a credit in April of 2014 equal to the sales tax paid by the retail merchant's customers after December 31, 2013, and before April 1, 2014, on that portion of the price of bulk propane that exceeded \$2.50 per gallon. Requires such a retail merchant to provide a credit to customers of the retail merchant on their next purchases of bulk propane occurring after March 31, 2014. Establishes the commission on business personal property and business taxation to study certain issues during the 2014 legislative interim. Requires the commission on state tax and financing policy to study income tax deductions and exemptions during the 2014 and 2015 legislative interims.

**SB 1—LS 7115/DI 73**



Reprinted  
January 29, 2014

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.

## SENATE BILL No. 1

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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 6-1.1-3-7.2 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2014]: **Sec. 7.2. (a) This section applies to assessment dates after**  
4 **February 28, 2015.**  
5           **(b) As used in this section, "business personal property" means**  
6 **personal property that:**  
7           **(1) is otherwise subject to assessment and taxation under this**  
8 **article; and**  
9           **(2) is used in a trade or business or otherwise held, used, or**  
10 **consumed in connection with the production of income.**  
11 **The term does not include mobile homes assessed under IC 6-1.1-7**  
12 **or personal property held as an investment.**  
13           **(c) Notwithstanding section 7 of this chapter, if the value of a**  
14 **taxpayer's business personal property as determined under**  
15 **subsection (e):**

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1 (1) in a county; and

2 (2) that otherwise would be subject to taxation under this  
3 article;

4 is less than twenty-five thousand dollars (\$25,000) for a particular  
5 assessment date, the taxpayer's business personal property in the  
6 county for that assessment date is exempt from taxation.

7 (d) A taxpayer that is eligible for the exemption under this  
8 section is not required to file a personal property return for the  
9 taxpayer's business personal property in the county for that  
10 assessment date. However, the taxpayer must, before the end of the  
11 calendar year containing the assessment date, file with the county  
12 assessor an annual certification stating that the taxpayer's business  
13 personal property in the county is exempt from taxation under this  
14 section for that assessment date. If a taxpayer that is required to  
15 file an annual certification under this subsection does not file the  
16 annual certification by the due date for the annual certification, the  
17 taxpayer must pay to the county assessor a penalty of fifty dollars  
18 (\$50). The county assessor shall deposit any such penalty collected  
19 into the county general fund.

20 (e) For the purposes of subsection (c), the value of a taxpayer's  
21 business personal property shall be determined based on the value  
22 of that property as reflected on the books and records of the  
23 taxpayer at the adjusted cost reported by the taxpayer for federal  
24 income tax purposes.

25 SECTION 2. IC 6-1.1-12.1-12.5 IS ADDED TO THE INDIANA  
26 CODE AS A NEW SECTION TO READ AS FOLLOWS  
27 [EFFECTIVE JULY 1, 2014]: Sec. 12.5. Except as provided in  
28 section 12(f) of this chapter, if a county or municipality receives a  
29 reimbursement, repayment, or penalty from a taxpayer on account  
30 of the taxpayer's failure to comply with the statement of benefits  
31 provided by the taxpayer or on account of the taxpayer's failure to  
32 comply with any other requirement to receive a deduction under  
33 this chapter, the county or municipal fiscal officer shall distribute  
34 the amount of the reimbursement, repayment, or penalty on a pro  
35 rata basis to each taxing unit that contains the property that was  
36 subject to the deduction. The amount to be distributed to each  
37 taxing unit that contains the property that was subject to the  
38 deduction shall be determined according to the following formula:

39 STEP ONE: Determine the total aggregate property tax rate  
40 imposed in the preceding year by the taxing unit.

41 STEP TWO: Determine the sum of the STEP ONE amounts  
42 for all taxing units that contain the property that was subject



1 to the deduction.

2 **STEP THREE: Divide the STEP ONE amount by the sum**  
 3 **determined under STEP TWO.**

4 **STEP FOUR: Multiply the amount of the reimbursement,**  
 5 **repayment, or penalty by the STEP THREE quotient.**

6 SECTION 3. IC 6-2.5-5-49.5 IS ADDED TO THE INDIANA  
 7 CODE AS A NEW SECTION TO READ AS FOLLOWS  
 8 [EFFECTIVE UPON PASSAGE]: **Sec. 49.5. (a) This section applies**  
 9 **to a retail merchant engaged in selling bulk propane at retail in**  
 10 **Indiana.**

11 **(b) A retail merchant shall claim a credit against the state gross**  
 12 **retail or use tax on the retail merchant's return filed in April of**  
 13 **2014 under IC 6-2.5-6-1 for March of 2014.**

14 **(c) The amount of the credit is equal the result determined**  
 15 **under the following STEPS:**

16 **STEP ONE: Determine (for each customer to whom the retail**  
 17 **merchant sold bulk propane after December 31, 2013, and**  
 18 **before April 1, 2014) the greater of zero (0) or the result of:**

19 **(A) the amount of state gross retail tax collected by the**  
 20 **retail merchant after December 31, 2013, and before April**  
 21 **1, 2014, on the retail sale of bulk propane to the customer;**  
 22 **minus**

23 **(B) the amount of state gross retail tax that would have**  
 24 **been collected by the retail merchant after December 31,**  
 25 **2013, and before April 1, 2014, on the retail sale of bulk**  
 26 **propane to the customer if the cost of that bulk propane**  
 27 **had been two dollars and fifty cents (\$2.50) per gallon.**

28 **STEP TWO: Determine the sum of the STEP ONE amounts**  
 29 **for all customers of the retail merchants.**

30 **(d) A retail merchant that claims a credit under subsection (c)**  
 31 **shall provide a credit to each customer of the retail merchant for**  
 32 **whom an amount was determined under STEP ONE of subsection**  
 33 **(c). The credit is equal to the amount determined under STEP ONE**  
 34 **of subsection (c) for that customer. The credit under this**  
 35 **subsection shall be applied to the next purchase of bulk propane by**  
 36 **the customer from the retail merchant occurring after March 31,**  
 37 **2014.**

38 **(e) The department may audit credits claimed by a retail**  
 39 **merchant under subsection (c) and the credits provided by a retail**  
 40 **merchant under subsection (d).**

41 **(f) This section expires December 31, 2017.**

42 SECTION 4. IC 6-3-2-1, AS AMENDED BY P.L.205-2013,



1 SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
2 JANUARY 1, 2015]: Sec. 1. (a) Each taxable year, a tax at the  
3 following rate of adjusted gross income is imposed upon the adjusted  
4 gross income of every resident person, and on that part of the adjusted  
5 gross income derived from sources within Indiana of every nonresident  
6 person:

7 (1) For taxable years beginning before January 1, 2015, three and  
8 four-tenths percent (3.4%).

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

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

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

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

18 (2) After June 30, 2012, and before July 1, 2013, eight percent  
19 (8.0%).

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

22 (4) After June 30, 2014, and before July 1, 2015, seven percent  
23 (7.0%).

24 (5) After June 30, 2015, **and before July 1, 2016**, six and  
25 five-tenths percent (6.5%).

26 **(6) After June 30, 2016, and before July 1, 2017, six percent**  
27 **(6.0%).**

28 **(7) After June 30, 2017, and before July 1, 2018, five and**  
29 **five-tenths percent (5.5%).**

30 **(8) After June 30, 2018, and before July 1, 2019, five percent**  
31 **(5.0%).**

32 **(9) After June 30, 2019, four and nine-tenths percent (4.9%).**

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

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

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

42 STEP THREE: Divide the sum of the amounts determined under



1           STEPS ONE and TWO by twelve (12).  
 2           However, the rate determined under this subsection shall be rounded  
 3           to the nearest one-hundredth of one percent (0.01%).

4           SECTION 5. IC 6-3-3-5, AS AMENDED BY P.L.2-2007,  
 5           SECTION 121, IS AMENDED TO READ AS FOLLOWS  
 6           [EFFECTIVE JULY 1, 2014]: Sec. 5. (a) At the election of the  
 7           taxpayer, there shall be allowed, as a credit against the adjusted gross  
 8           income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year,  
 9           an amount (subject to the applicable limitations provided by this  
 10          section) equal to fifty percent (50%) of the aggregate amount of  
 11          charitable contributions made by such taxpayer during such year to  
 12          postsecondary educational institutions located within Indiana  
 13          (including any of its associated colleges in Indiana) or to any  
 14          corporation or foundation organized and operated solely for the benefit  
 15          of any postsecondary educational institution.

16          (b) In the case of a taxpayer other than a corporation, the amount  
 17          allowable as a credit under this section for any taxable year shall not  
 18          exceed one hundred dollars (\$100) in the case of a single return or two  
 19          hundred dollars (\$200) in the case of a joint return.

20          (c) In the case of a corporation, the amount allowable as a credit  
 21          under this section for any taxable year shall not exceed:

- 22                  (1) ten percent (10%) of such corporation's total adjusted gross  
 23                  income tax under IC 6-3-1 through IC 6-3-7 for such year (as  
 24                  determined without regard to any credits against that tax); or  
 25                  (2) one thousand dollars (\$1,000);

26          whichever is less.

27          (d) A charitable contribution in Indiana qualifies for a credit under  
 28          this section only if the charitable contribution is made to a  
 29          postsecondary educational institution or a corporation or foundation  
 30          organized for the benefit of a postsecondary educational institution  
 31          that:

- 32                  (1) normally maintains a regular faculty and curriculum and  
 33                  normally has a regularly organized body of students in attendance  
 34                  at the place where its educational activities are carried on;  
 35                  (2) regularly offers education at a level above the twelfth grade;  
 36                  (3) regularly awards either associate, bachelors, masters, or  
 37                  doctoral degrees, or any combination thereof; and  
 38                  (4) is duly accredited by the North Central Association of  
 39                  Colleges and Schools, the Indiana state board of education, or the  
 40                  American Association of Theological Schools.

41          (e) The credit allowed by this section shall not exceed the amount  
 42          of the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7



1 for the taxable year, reduced by the sum of all credits (as determined  
2 without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

3 **(f) A taxpayer is not entitled to a credit under this section for**  
4 **contributions made in a taxable year beginning after December 31,**  
5 **2014.**

6 **(g) This section expires January 1, 2015.**

7 SECTION 6. IC 6-3.1-4-2, AS AMENDED BY P.L.182-2009(ss),  
8 SECTION 201, IS AMENDED TO READ AS FOLLOWS  
9 [EFFECTIVE JANUARY 1, 2015]: Sec. 2. (a) A taxpayer who incurs  
10 Indiana qualified research expense in a particular taxable year is  
11 entitled to a research expense tax credit for the taxable year.

12 (b) For Indiana qualified research expense incurred before January  
13 1, 2008, the amount of the research expense tax credit is equal to the  
14 product of ten percent (10%) multiplied by the remainder of:

15 (1) the taxpayer's Indiana qualified research expenses for the  
16 taxable year; minus

17 (2) the taxpayer's base amount.

18 (c) Except as provided in subsection (d), for Indiana qualified  
19 research expense incurred after December 31, 2007, the amount of the  
20 research expense tax credit is determined under STEP FOUR of the  
21 following formula:

22 STEP ONE: Subtract the taxpayer's base amount from the  
23 taxpayer's Indiana qualified research expense for the taxable year.

24 STEP TWO: Multiply the lesser of:

25 (A) one million dollars (\$1,000,000); or

26 (B) the STEP ONE remainder;

27 by fifteen percent (15%), **for Indiana qualified research**  
28 **expense incurred before January 1, 2015, or seven and**  
29 **five-tenths percent (7.5%), for Indiana qualified research**  
30 **expense incurred after December 31, 2014.**

31 STEP THREE: If the STEP ONE remainder exceeds one million  
32 dollars (\$1,000,000), multiply the amount of that excess by:

33 (A) ten percent (10%), **for Indiana qualified research**  
34 **expense incurred before January 1, 2015; or**

35 (B) **five percent (5%), for Indiana qualified research**  
36 **expense incurred after December 31, 2014.**

37 STEP FOUR: Add the STEP TWO and STEP THREE products.

38 (d) For Indiana qualified research expense incurred after December  
39 31, 2009, a taxpayer may choose to have the amount of the research  
40 expense tax credit determined under this subsection rather than under  
41 subsection (c). At the election of the taxpayer, the amount of the  
42 taxpayer's research expense tax credit is equal to:





1           **(1) ten percent (10%), for Indiana qualified research expense**  
 2           **incurred before January 1, 2015; or**

3           **(2) five percent (5%), for Indiana qualified research expense**  
 4           **incurred after December 31, 2014;**

5 of the part of the taxpayer's Indiana qualified research expense for the  
 6 taxable year that exceeds fifty percent (50%) of the taxpayer's average  
 7 Indiana qualified research expense for the three (3) taxable years  
 8 preceding the taxable year for which the credit is being determined.  
 9 However, if the taxpayer did not have Indiana qualified research  
 10 expense in any one (1) of the three (3) taxable years preceding the  
 11 taxable year for which the credit is being determined, the amount of the  
 12 research expense tax credit is equal to five percent (5%) of the  
 13 taxpayer's Indiana qualified research expense for the taxable year.

14           SECTION 7. IC 6-3.1-17-9 IS AMENDED TO READ AS  
 15 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 9. (a) The amount of  
 16 tax credits allowed under this chapter may not exceed one million  
 17 dollars (\$1,000,000) in a state fiscal year.

18           (b) The department shall record the time of filing of each  
 19 application for allowance of a credit under section 8 of this chapter and  
 20 shall approve the applications, if they otherwise qualify for a tax credit  
 21 under this chapter, in the chronological order in which the applications  
 22 are filed in the state fiscal year.

23           (c) When the total credits approved under this section equal the  
 24 maximum amount allowable in a state fiscal year, no application  
 25 thereafter filed for that same fiscal year shall be approved. However,  
 26 if an applicant for whom a credit has been approved fails to file the  
 27 statement of proof of payment required under section 8 of this chapter,  
 28 an amount equal to the credit previously allowed or set aside for the  
 29 applicant may be allowed to any subsequent applicant in the year. In  
 30 addition, the department may, if the applicant so requests, approve a  
 31 credit application, in whole or in part, with respect to the next  
 32 succeeding state fiscal year.

33           **(d) A taxpayer is not entitled to a credit under this chapter for**  
 34 **a qualified investment made in a taxable year beginning after**  
 35 **December 31, 2014.**

36           **(e) This chapter expires January 1, 2024.**

37           SECTION 8. IC 6-3.1-23 IS REPEALED [EFFECTIVE JANUARY  
 38 1, 2015]. (Voluntary Remediation Tax Credit).

39           SECTION 9. IC 6-3.1-27-12, AS AMENDED BY P.L.191-2005,  
 40 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 41 JULY 1, 2014]: Sec. 12. (a) If the amount of the credit determined  
 42 under this chapter for a taxpayer in a taxable year exceeds the



1 taxpayer's state tax liability for that taxable year, the taxpayer may carry  
 2 over the excess to the following taxable years. The amount of the credit  
 3 carryover from a taxable year shall be reduced to the extent that the  
 4 carryover is used by the taxpayer to obtain a credit under this chapter  
 5 for any subsequent taxable year. A credit may not be carried forward  
 6 for more than six (6) taxable years following the taxable year in which  
 7 the taxpayer was first entitled to claim the credit.

8 (b) A taxpayer is not entitled to a carryback or refund of any unused  
 9 credit. A taxpayer may not sell, assign, convey, or otherwise transfer  
 10 the tax credit provided by this chapter.

11 **(c) A taxpayer is not entitled to a credit under this chapter for**  
 12 **the production or distribution of biodiesel or blended biodiesel in**  
 13 **a taxable year beginning after December 31, 2014.**

14 **(d) This chapter expires January 1, 2021.**

15 SECTION 10. IC 6-3.1-28-9, AS AMENDED BY P.L.175-2007,  
 16 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 17 JULY 1, 2014]: Sec. 9. (a) If the amount of the credit determined under  
 18 this chapter for a taxpayer in a taxable year exceeds the taxpayer's state  
 19 tax liability for that taxable year, the taxpayer may carry over the  
 20 excess to the following taxable years. The amount of the credit  
 21 carryover from a taxable year shall be reduced to the extent that the  
 22 carryover is used by the taxpayer to obtain a credit under this chapter  
 23 for any subsequent taxable year.

24 (b) A taxpayer is not entitled to a carryback or refund of any unused  
 25 credit. A taxpayer may not sell, assign, convey, or otherwise transfer  
 26 the tax credit provided by this chapter.

27 **(c) A taxpayer is not entitled to a credit under this chapter for**  
 28 **the production of ethanol in a taxable year beginning after**  
 29 **December 31, 2014.**

30 **(d) This chapter expires January 1, 2024.**

31 SECTION 11. IC 6-3.1-31.5 IS REPEALED [EFFECTIVE JULY 1,  
 32 2014]. (Energy Savings Tax Credit).

33 SECTION 12. IC 6-3.1-33-9, AS AMENDED BY P.L.137-2012,  
 34 SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 35 JULY 1, 2014]: Sec. 9. (a) Before January 1, ~~2017~~, **2015**, a corporation  
 36 or pass through entity that desires to qualify for the new employer  
 37 credit provided by this chapter may submit an application to the IEDC  
 38 in the form and manner specified by the IEDC.

39 (b) The IEDC shall promptly review all applications submitted to  
 40 the IEDC under this chapter.

41 (c) If the IEDC determines that an applicant for the tax credit  
 42 provided by this chapter has furnished reliable evidence, as determined



1 by the IEDC, that the applicant is reasonably capable of:

- 2 (1) employing at least ten (10) qualified employees in each month  
 3 of the period specified in section 10(b) of this chapter during the  
 4 taxable year; and  
 5 (2) meeting the requirements for the tax credit provided by this  
 6 chapter;

7 the IEDC may issue the applicant a certificate of approval. If a  
 8 certificate of approval is issued, the IEDC shall provide a copy of the  
 9 certificate to the department.

10 (d) In making a determination of whether an applicant is qualified  
 11 for a credit under this chapter, the IEDC may consider the following:

- 12 (1) The applicant's employment levels in previous years to  
 13 determine if the applicant is hiring new individuals or rehiring  
 14 individuals.  
 15 (2) Whether the applicant is the successor to part or all of the  
 16 assets or business operations of another corporation or pass  
 17 through entity that conducted business operations in Indiana in  
 18 the same line of business to determine if the applicant is a new  
 19 Indiana business under this chapter.

20 (e) If the IEDC determines that the applicant will not employ at least  
 21 ten (10) qualified employees in each month of the period specified in  
 22 section 10(b) of this chapter during the taxable year, is not a new  
 23 Indiana business, or does not meet, or is unlikely to meet, any other  
 24 requirements for the tax credit provided by this chapter, the IEDC shall  
 25 notify the applicant of the IEDC's determination.

26 (f) The IEDC may not issue a certificate of approval under this  
 27 chapter after December 31, ~~2016~~ **2014**.

28 SECTION 13. IC 6-3.1-33-13, AS ADDED BY P.L.110-2010,  
 29 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 30 JULY 1, 2014]: Sec. 13. (a) If the credit provided by this chapter  
 31 exceeds the taxpayer's state tax liability for the taxable year for which  
 32 the credit is first claimed, the excess may be carried forward to  
 33 succeeding taxable years and used as a credit against the taxpayer's  
 34 state tax liability during those taxable years. Each time that the credit  
 35 is carried forward to a succeeding taxable year, the credit is to be  
 36 reduced by the amount that was used as a credit during the immediately  
 37 preceding taxable year. The credit provided by this chapter may be  
 38 carried forward and applied to succeeding taxable years for not more  
 39 than nine (9) taxable years following the first year the credit is claimed.

40 (b) A taxpayer is not entitled to any carryback or refund of any  
 41 unused credit.

42 (c) **A taxpayer is not entitled to a credit under this chapter for**



1 **wages paid in a taxable year beginning after December 31, 2014.**

2 **(d) This chapter expires January 1, 2024.**

3 SECTION 14. IC 6-5.5-2-1, AS AMENDED BY P.L.93-2013,  
4 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
5 JULY 1, 2014]: Sec. 1. (a) There is imposed on each taxpayer a  
6 franchise tax measured by the taxpayer's apportioned income for the  
7 privilege of exercising its franchise or the corporate privilege of  
8 transacting the business of a financial institution in Indiana. The  
9 amount of the tax for a taxable year shall be determined by multiplying  
10 the applicable rate under subsection (b) times the remainder of:

11 (1) the taxpayer's apportioned income; minus

12 (2) the taxpayer's deductible Indiana net operating losses as  
13 determined under this section; minus

14 (3) the taxpayer's net capital losses minus the taxpayer's net  
15 capital gains computed under the Internal Revenue Code for each  
16 taxable year or part of a taxable year beginning after December  
17 31, 1989, multiplied by the apportionment percentage applicable  
18 to the taxpayer under this chapter for the taxable year of the loss.

19 A net capital loss for a taxable year is a net capital loss carryover to  
20 each of the five (5) taxable years that follow the taxable year in which  
21 the loss occurred.

22 (b) The following are the applicable tax rates to be used under  
23 subsection (a):

24 (1) For taxable years beginning before January 1, 2014, eight and  
25 five-tenths percent (8.5%).

26 (2) For taxable years beginning after December 31, 2013, and  
27 before January 1, 2015, eight percent (8.0%).

28 (3) For taxable years beginning after December 31, 2014, and  
29 before January 1, 2016, seven and five-tenths percent (7.5%).

30 (4) For taxable years beginning after December 31, 2015, and  
31 before January 1, 2017, seven percent (7.0%).

32 (5) For taxable years beginning after December 31, 2016, **and**  
33 **before January 1, 2019**, six and five-tenths percent (6.5%).

34 **(6) For taxable years beginning after December 31, 2018, and**  
35 **before January 1, 2020, six percent (6%).**

36 **(7) For taxable years beginning after December 31, 2019, and**  
37 **before January 1, 2021, five and five-tenths percent (5.5%).**

38 **(8) For taxable years beginning after December 31, 2020, and**  
39 **before January 1, 2022, five percent (5%).**

40 **(9) For taxable years beginning after December 31, 2021, four**  
41 **and nine-tenths percent (4.9%).**

42 (c) The amount of net operating losses deductible under subsection



1 (a) is an amount equal to the net operating losses computed under the  
 2 Internal Revenue Code, adjusted for the items set forth in IC 6-5.5-1-2,  
 3 that are:

- 4 (1) incurred in each taxable year, or part of a year, beginning after  
 5 December 31, 1989; and  
 6 (2) attributable to Indiana.

7 (d) The following apply to determining the amount of net operating  
 8 losses that may be deducted under subsection (a):

9 (1) The amount of net operating losses that is attributable to  
 10 Indiana is the taxpayer's total net operating losses under the  
 11 Internal Revenue Code for the taxable year of the loss, adjusted  
 12 for the items set forth in IC 6-5.5-1-2, multiplied by the  
 13 apportionment percentage applicable to the taxpayer under this  
 14 chapter for the taxable year of the loss.

15 (2) A net operating loss for any taxable year is a net operating loss  
 16 carryover to each of the fifteen (15) taxable years that follow the  
 17 taxable year in which the loss occurred.

18 (e) The following provisions apply to a combined return computing  
 19 the tax on the basis of the income of the unitary group when the return  
 20 is filed for more than one (1) taxpayer member of the unitary group for  
 21 any taxable year:

22 (1) Any net capital loss or net operating loss attributable to  
 23 Indiana in the combined return shall be prorated between each  
 24 taxpayer member of the unitary group by the quotient of:

25 (A) the receipts of that taxpayer member attributable to  
 26 Indiana under section 4 of this chapter; divided by

27 (B) the receipts of all taxpayer members of the unitary group  
 28 attributable to Indiana.

29 (2) The net capital loss or net operating loss for that year, if any,  
 30 to be carried forward to any subsequent year shall be limited to  
 31 the capital gains or apportioned income for the subsequent year  
 32 of that taxpayer, determined by the same receipts formula set out  
 33 in subdivision (1).

34 SECTION 15. IC 36-7-14.2 IS ADDED TO THE INDIANA CODE  
 35 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 36 JULY 1, 2014]:

37 **Chapter 14.2. Tax Rate Limitation**

38 **Sec. 1. As used in this chapter, "property taxes" means:**

39 **(1) property taxes, as described in:**

40 **(A) IC 6-1.1-39-5(g);**

41 **(B) IC 36-7-14-39(a);**

42 **(C) IC 36-7-14-39.2;**



- 1 (D) IC 36-7-14-39.3(c);  
 2 (E) IC 36-7-14.5-12.5;  
 3 (F) IC 36-7-15.1-26(a);  
 4 (G) IC 36-7-15.1-26.2(c);  
 5 (H) IC 36-7-15.1-53(a);  
 6 (I) IC 36-7-15.1-55(c);  
 7 (J) IC 36-7-30-25(a)(3);  
 8 (K) IC 36-7-30-26(c);  
 9 (L) IC 36-7-30.5-30; or  
 10 (M) IC 36-7-30.5-31; and  
 11 (2) for allocation areas created under IC 8-22-3.5, the taxes  
 12 assessed on taxable tangible property in the allocation area.  
 13 **Sec. 2. Notwithstanding any other law, for assessment dates on**  
 14 **or after March 1, 2015, a tax rate for property taxes described in**  
 15 **section 1 of this chapter must be calculated by including in the base**  
 16 **assessed value (for purposes of this section only) the amount of the**  
 17 **assessed value that would otherwise have been included in the base**  
 18 **assessed value if the exemption under IC 6-1.1-3-7.2 were not in**  
 19 **effect for the assessment date.**  
 20 SECTION 16. [EFFECTIVE UPON PASSAGE] (a) As used in this  
 21 SECTION, "commission" refers to the commission on business  
 22 personal property and business taxation established by subsection  
 23 (b).  
 24 (b) The commission on business personal property and business  
 25 taxation is established.  
 26 (c) The commission consists of the following members:  
 27 (1) Two (2) members of the senate appointed by the president  
 28 pro tempore of the senate.  
 29 (2) One (1) member of the senate appointed by the minority  
 30 leader of the senate.  
 31 (3) Two (2) members of the house of representatives  
 32 appointed by the speaker of the house of representatives.  
 33 (4) One (1) member of the house of representatives appointed  
 34 by the minority leader of the house of representatives.  
 35 (5) The governor or the governor's designee. An individual  
 36 designated by the governor under this subdivision must be a  
 37 state employee.  
 38 (6) One (1) member who is nominated by the Association of  
 39 Indiana Counties and is appointed jointly by the chairman  
 40 and the vice chairman of the legislative council.  
 41 (7) One (1) member who is nominated by the Indiana  
 42 Association of Cities and Towns and is appointed jointly by



1 the chairman and the vice chairman of the legislative council.

2 (8) One (1) member who is nominated by the Indiana State  
3 Chamber of Commerce and is appointed jointly by the  
4 chairman and the vice chairman of the legislative council.

5 (9) One (1) member who is nominated by the Indiana  
6 Manufacturers Association and is appointed jointly by the  
7 chairman and the vice chairman of the legislative council.

8 (d) The president pro tempore of the senate shall appoint a  
9 legislative member of the commission to serve as chairperson of the  
10 commission. The speaker of the house of representatives shall  
11 appoint a legislative member of the commission to serve as vice  
12 chairperson of the commission.

13 (e) If a vacancy occurs on the commission, the appointing  
14 authority who appointed the member whose position is vacant shall  
15 appoint an individual to fill the vacancy.

16 (f) The commission shall do the following:

17 (1) Study issues concerning the taxation of business personal  
18 property in Indiana and business taxation in general in  
19 Indiana.

20 (2) Study issues related to the share of the overall tax burden  
21 borne by businesses in Indiana,

22 (3) Study the competitive advantages and disadvantages for  
23 businesses in Indiana that result from the structure of state  
24 and local taxation of business.

25 (4) Study any special elements of the taxation of business  
26 personal property.

27 (5) Study issues related to property taxes paid by taxpayers  
28 (including individual taxpayers) other than business  
29 taxpayers, and the relative share of the overall tax burden  
30 borne by these taxpayers.

31 (6) Study the impact on local government of reducing business  
32 personal property taxes.

33 (7) Study any other topics assigned by the legislative council  
34 or as directed by the chair of the commission.

35 (g) The commission shall submit a final report of the results of  
36 its study and any recommendations to the legislative council before  
37 November 1, 2014. The report must be in an electronic format  
38 under IC 5-14-6.

39 (h) The legislative services agency shall provide staff support to  
40 the commission.

41 (i) The affirmative votes of a majority of the members  
42 appointed to the commission are required for the commission to



1 take action on any measure, including a final report.  
 2 (j) Except as otherwise specifically provided in this SECTION,  
 3 the commission shall operate under the rules of the legislative  
 4 council.  
 5 (k) This SECTION expires January 1, 2015.  
 6 SECTION 17. [EFFECTIVE UPON PASSAGE] (a) During the  
 7 2014 and 2015 legislative interims, the commission on state tax and  
 8 financing policy (IC 2-5-3) shall study all income tax deductions  
 9 and exemptions using a schedule that provides for approximately  
 10 one-half (1/2) of the deductions and exemptions to be studied each  
 11 year. The commission shall prepare a report that covers each  
 12 deduction and exemption and includes the following:  
 13 (1) A review of the original scope and purpose of the  
 14 deduction or exemption, and whether the scope or purpose  
 15 has changed since the enactment of the deduction or  
 16 exemption.  
 17 (2) The economic parameters of the deduction or exemption,  
 18 including the amounts, thresholds, percentages, and limits,  
 19 and whether these parameters have changed since the  
 20 enactment of the deduction or exemption.  
 21 (3) A description of the taxpayers that qualify for the  
 22 deduction or exemption, and how effective the deduction or  
 23 exemption has been in assisting these targeted taxpayers.  
 24 (4) The type of activities on which the deduction or exemption  
 25 is based, and how effective the deduction or exemption has  
 26 been in promoting these targeted activities.  
 27 (5) The amount of the deductions and exemptions granted  
 28 over time.  
 29 (6) A summary of audit findings for each deduction or  
 30 exemption, and whether there has been any misuse of the  
 31 deduction or exemption.  
 32 (7) Suggested changes in the law with regard to each  
 33 deduction and exemption, including whether or not the  
 34 deduction or exemption should be retained.  
 35 (8) Any other issues related to these deductions and  
 36 exemptions, as determined by the commission.  
 37 (b) This SECTION expires January 1, 2016.  
 38 SECTION 18. An emergency is declared for this act.





## COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 1, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 13, delete "assessed".

Page 1, line 14, after "property" delete ":" and insert "**as determined under subsection (e):**".

Page 2, line 9, delete "filing" and insert "**end of the calendar year containing the assessment date, file with the county assessor an annual certification stating that the taxpayer's business personal property in the county is exempt from taxation under this section for that assessment date. If a taxpayer that is required to file an annual certification under this subsection does not file the annual certification by the due date for the annual certification, the taxpayer must pay to the county assessor a penalty of fifty dollars (\$50). The county assessor shall deposit any such penalty collected into the county general fund.**

(e) For the purposes of subsection (c), the value of a taxpayer's business personal property shall be determined based on the value of that property as reflected on the books and records of the taxpayer at the adjusted cost reported by the taxpayer for federal income tax purposes.

SECTION 2. IC 6-1.1-12.1-12.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: **Sec. 12.5. Except as provided in section 12(f) of this chapter, if a county or municipality receives a reimbursement, repayment, or penalty from a taxpayer on account of the taxpayer's failure to comply with the statement of benefits provided by the taxpayer or on account of the taxpayer's failure to comply with any other requirement to receive a deduction under this chapter, the county or municipal fiscal officer shall distribute the amount of the reimbursement, repayment, or penalty on a pro rata basis to each taxing unit that contains the property that was subject to the deduction. The amount to be distributed to each taxing unit that contains the property that was subject to the deduction shall be determined according to the following formula:**

**STEP ONE: Determine the total aggregate property tax rate imposed in the preceding year by the taxing unit.**

**STEP TWO: Determine the sum of the STEP ONE amounts for all taxing units that contain the property that was subject to the deduction.**



**STEP THREE: Divide the STEP ONE amount by the sum determined under STEP TWO.**

**STEP FOUR: Multiply the amount of the reimbursement, repayment, or penalty by the STEP THREE quotient."**

Page 2, delete lines 10 through 12.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 1 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 7, Nays 2.

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SENATE MOTION

Madam President: I move that Senate Bill 1 be amended to read as follows:

Page 9, between lines 8 and 9, begin a new paragraph and insert:

"SECTION 13. IC 6-5.5-2-1, AS AMENDED BY P.L.93-2013, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 1. (a) There is imposed on each taxpayer a franchise tax measured by the taxpayer's apportioned income for the privilege of exercising its franchise or the corporate privilege of transacting the business of a financial institution in Indiana. The amount of the tax for a taxable year shall be determined by multiplying the applicable rate under subsection (b) times the remainder of:

- (1) the taxpayer's apportioned income; minus
- (2) the taxpayer's deductible Indiana net operating losses as determined under this section; minus
- (3) the taxpayer's net capital losses minus the taxpayer's net capital gains computed under the Internal Revenue Code for each taxable year or part of a taxable year beginning after December 31, 1989, multiplied by the apportionment percentage applicable to the taxpayer under this chapter for the taxable year of the loss.

A net capital loss for a taxable year is a net capital loss carryover to each of the five (5) taxable years that follow the taxable year in which the loss occurred.

(b) The following are the applicable tax rates to be used under subsection (a):

- (1) For taxable years beginning before January 1, 2014, eight and five-tenths percent (8.5%).

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(2) For taxable years beginning after December 31, 2013, and before January 1, 2015, eight percent (8.0%).

(3) For taxable years beginning after December 31, 2014, and before January 1, 2016, seven and five-tenths percent (7.5%).

(4) For taxable years beginning after December 31, 2015, and before January 1, 2017, seven percent (7.0%).

(5) For taxable years beginning after December 31, 2016, **and before January 1, 2019**, six and five-tenths percent (6.5%).

**(6) For taxable years beginning after December 31, 2018, and before January 1, 2020, six percent (6%).**

**(7) For taxable years beginning after December 31, 2019, and before January 1, 2021, five and five-tenths percent (5.5%).**

**(8) For taxable years beginning after December 31, 2020, and before January 1, 2022, five percent (5%).**

**(9) For taxable years beginning after December 31, 2021, four and nine-tenths percent (4.9%).**

(c) The amount of net operating losses deductible under subsection (a) is an amount equal to the net operating losses computed under the Internal Revenue Code, adjusted for the items set forth in IC 6-5.5-1-2, that are:

(1) incurred in each taxable year, or part of a year, beginning after December 31, 1989; and

(2) attributable to Indiana.

(d) The following apply to determining the amount of net operating losses that may be deducted under subsection (a):

(1) The amount of net operating losses that is attributable to Indiana is the taxpayer's total net operating losses under the Internal Revenue Code for the taxable year of the loss, adjusted for the items set forth in IC 6-5.5-1-2, multiplied by the apportionment percentage applicable to the taxpayer under this chapter for the taxable year of the loss.

(2) A net operating loss for any taxable year is a net operating loss carryover to each of the fifteen (15) taxable years that follow the taxable year in which the loss occurred.

(e) The following provisions apply to a combined return computing the tax on the basis of the income of the unitary group when the return is filed for more than one (1) taxpayer member of the unitary group for any taxable year:

(1) Any net capital loss or net operating loss attributable to Indiana in the combined return shall be prorated between each taxpayer member of the unitary group by the quotient of:

(A) the receipts of that taxpayer member attributable to



Indiana under section 4 of this chapter; divided by  
(B) the receipts of all taxpayer members of the unitary group  
attributable to Indiana.

(2) The net capital loss or net operating loss for that year, if any,  
to be carried forward to any subsequent year shall be limited to  
the capital gains or apportioned income for the subsequent year  
of that taxpayer, determined by the same receipts formula set out  
in subdivision (1)."

Renumber all SECTIONS consecutively.

(Reference is to SB 1 as printed January 24, 2014.)

HOLDMAN

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SENATE MOTION

Madam President: I move that Senate Bill 1 be amended to read as  
follows:

Page 11, between lines 1 and 2, begin a new line block indented and  
insert:

**"(5) Study issues related to property taxes paid by taxpayers  
(including individual taxpayers) other than business  
taxpayers, and the relative share of the overall tax burden  
borne by these taxpayers.**

**(6) Study the impact on local government of reducing business  
personal property taxes."**

Page 11, line 2, delete "(5)" and insert "(7)".

(Reference is to SB 1 as printed January 24, 2014.)

TALLIAN

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SENATE MOTION

Madam President: I move that Senate Bill 1 be amended to read as  
follows:

Page 3, between lines 5 and 6, begin a new paragraph and insert:

"SECTION 3. IC 6-2.5-5-49.5 IS ADDED TO THE INDIANA  
CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
[EFFECTIVE UPON PASSAGE]: **Sec. 49.5. (a) This section applies  
to a retail merchant engaged in selling bulk propane at retail in**

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**Indiana.**

**(b) A retail merchant shall claim a credit against the state gross retail or use tax on the retail merchant's return filed in April of 2014 under IC 6-2.5-6-1 for March of 2014.**

**(c) The amount of the credit is equal the result determined under the following STEPS:**

**STEP ONE: Determine (for each customer to whom the retail merchant sold bulk propane after December 31, 2013, and before April 1, 2014) the greater of zero (0) or the result of:**

**(A) the amount of state gross retail tax collected by the retail merchant after December 31, 2013, and before April 1, 2014, on the retail sale of bulk propane to the customer; minus**

**(B) the amount of state gross retail tax that would have been collected by the retail merchant after December 31, 2013, and before April 1, 2014, on the retail sale of bulk propane to the customer if the cost of that bulk propane had been two dollars and fifty cents (\$2.50) per gallon.**

**STEP TWO: Determine the sum of the STEP ONE amounts for all customers of the retail merchants.**

**(d) A retail merchant that claims a credit under subsection (c) shall provide a credit to each customer of the retail merchant for whom an amount was determined under STEP ONE of subsection (c). The credit is equal to the amount determined under STEP ONE of subsection (c) for that customer. The credit under this subsection shall be applied to the next purchase of bulk propane by the customer from the retail merchant occurring after March 31, 2014.**

**(e) The department may audit credits claimed by a retail merchant under subsection (c) and the credits provided by a retail merchant under subsection (d).**

**(f) This section expires December 31, 2017."**

Renumber all SECTIONS consecutively.

(Reference is to SB 1 as printed January 24, 2014.)

WATERMAN

