

# SENATE BILL No. 289

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3; IC 6-3.1-20-4.

**Synopsis:** Exemption and adoption tax credit. Establishes the personal and dependents exemption amount for state income tax purposes, and requires that it must be adjusted according to changes in the Consumer Price Index. Increases the maximum amount of the credit for adoptions from \$1,000 to \$2,500.

**Effective:** July 1, 2018; January 1, 2019.

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January 4, 2018, read first time and referred to Committee on Tax and Fiscal Policy.

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Second Regular Session 120th General Assembly (2018)

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 2017 Regular Session of the General Assembly.

# SENATE BILL No. 289



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 THE TECHNICAL  
2 CORRECTIONS BILL OF THE 2018 GENERAL ASSEMBLY, IS  
3 AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1,  
4 2019]: Sec. 3.5. When used in this article, the term "adjusted gross  
5 income" shall mean the following:  
6 (a) In the case of all individuals, "adjusted gross income" (as  
7 defined in Section 62 of the Internal Revenue Code), modified as  
8 follows:  
9 (1) Subtract income that is exempt from taxation under this article  
10 by the Constitution and statutes of the United States.  
11 (2) *Except as provided in subsection (c)*, add an amount equal to  
12 any deduction or deductions allowed or allowable pursuant to  
13 Section 62 of the Internal Revenue Code for taxes based on or  
14 measured by income and levied at the state level by any state of  
15 the United States.  
16 (3) Subtract ~~one thousand dollars (\$1,000)~~, **the personal and**  
17 **dependent exemption amount, as determined under**



1 **IC 6-3-7-6**, or in the case of a joint return filed by a husband and  
 2 wife, subtract for each spouse ~~one thousand dollars (\$1,000): the~~  
 3 **personal and dependent exemption amount, as determined**  
 4 **under IC 6-3-7-6.**

5 (4) Subtract one thousand dollars (\$1,000) for  
 6 (A) ~~each of the exemptions provided by Section 151(c) of the~~  
 7 ~~Internal Revenue Code;~~  
 8 (B) ~~each additional amount allowable under Section 63(f) of~~  
 9 ~~the Internal Revenue Code. and~~  
 10 (C) ~~the spouse of the taxpayer if a separate return is made by~~  
 11 ~~the taxpayer and if the spouse, for the calendar year in which~~  
 12 ~~the taxable year of the taxpayer begins, has no gross income~~  
 13 ~~and is not the dependent of another taxpayer.~~

14 **(5) Subtract the personal and dependent exemption amount,**  
 15 **as determined under IC 6-3-7-6, for:**

16 (A) **each of the exemptions provided by Section 151(c) of**  
 17 **the Internal Revenue Code; and**

18 (B) **the spouse of the taxpayer if a separate return is made**  
 19 **by the taxpayer and if the spouse, for the calendar year in**  
 20 **which the taxable year of the taxpayer begins, has no gross**  
 21 **income and is not the dependent of another taxpayer.**

22 ~~(6)~~ **(6) Subtract:**

23 (A) one thousand five hundred dollars (\$1,500) for each of the  
 24 exemptions allowed under Section 151(c)(1)(B) of the Internal  
 25 Revenue Code (as effective January 1, 2004);

26 (B) for taxable years beginning after December 31, 2017, one  
 27 thousand five hundred dollars (\$1,500) for each exemption  
 28 allowed under Section 151(c) of the Internal Revenue Code for  
 29 an individual:

30 (i) who is less than nineteen (19) years of age or is a  
 31 full-time student who is less than twenty-four (24) years of  
 32 age;

33 (ii) for whom the taxpayer is the legal guardian; and

34 (iii) for whom the taxpayer does not claim an exemption  
 35 under clause (A); and

36 (C) five hundred dollars (\$500) for each additional amount  
 37 allowable under Section 63(f)(1) of the Internal Revenue Code  
 38 if the adjusted gross income of the taxpayer, or the taxpayer  
 39 and the taxpayer's spouse in the case of a joint return, is less  
 40 than forty thousand dollars (\$40,000).

41 This amount is in addition to the amount subtracted under  
 42 subdivision (4).



- 1           ~~(6)~~ **(7)** Subtract any amounts included in federal adjusted gross  
2 income under Section 111 of the Internal Revenue Code as a  
3 recovery of items previously deducted as an itemized deduction  
4 from adjusted gross income.
- 5           ~~(7)~~ **(8)** Subtract any amounts included in federal adjusted gross  
6 income under the Internal Revenue Code which amounts were  
7 received by the individual as supplemental railroad retirement  
8 annuities under 45 U.S.C. 231 and which are not deductible under  
9 subdivision (1).
- 10          ~~(8)~~ **(9)** Subtract an amount equal to the amount of federal Social  
11 Security and Railroad Retirement benefits included in a taxpayer's  
12 federal gross income by Section 86 of the Internal Revenue Code.
- 13          ~~(9)~~ **(10)** In the case of a nonresident taxpayer or a resident  
14 taxpayer residing in Indiana for a period of less than the taxpayer's  
15 entire taxable year, the total amount of the deductions allowed  
16 pursuant to subdivisions (3), (4), ~~and~~ (5), ~~and~~ (6), shall be  
17 reduced to an amount which bears the same ratio to the total as  
18 the taxpayer's income taxable in Indiana bears to the taxpayer's  
19 total income.
- 20          ~~(10)~~ **(11)** In the case of an individual who is a recipient of  
21 assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or  
22 IC 12-15-7, subtract an amount equal to that portion of the  
23 individual's adjusted gross income with respect to which the  
24 individual is not allowed under federal law to retain an amount to  
25 pay state and local income taxes.
- 26          ~~(11)~~ **(12)** In the case of an eligible individual, subtract the amount  
27 of a Holocaust victim's settlement payment included in the  
28 individual's federal adjusted gross income.
- 29          ~~(12)~~ **(13)** Subtract an amount equal to the portion of any  
30 premiums paid during the taxable year by the taxpayer for a  
31 qualified long term care policy (as defined in IC 12-15-39.6-5) for  
32 the taxpayer or the taxpayer's spouse, or both.
- 33          ~~(13)~~ **(14)** Subtract an amount equal to the lesser of:  
34           (A) two thousand five hundred dollars (\$2,500); or  
35           (B) the amount of property taxes that are paid during the  
36 taxable year in Indiana by the individual on the individual's  
37 principal place of residence.
- 38          ~~(14)~~ **(15)** Subtract an amount equal to the amount of a September  
39 11 terrorist attack settlement payment included in the individual's  
40 federal adjusted gross income.
- 41          ~~(15)~~ **(16)** Add or subtract the amount necessary to make the  
42 adjusted gross income of any taxpayer that owns property for



1 which bonus depreciation was allowed in the current taxable year  
 2 or in an earlier taxable year equal to the amount of adjusted gross  
 3 income that would have been computed had an election not been  
 4 made under Section 168(k) of the Internal Revenue Code to apply  
 5 bonus depreciation to the property in the year that it was placed  
 6 in service.

7 ~~(+6)~~ **(17)** Add an amount equal to any deduction allowed under  
 8 Section 172 of the Internal Revenue Code.

9 ~~(+7)~~ **(18)** Add or subtract the amount necessary to make the  
 10 adjusted gross income of any taxpayer that placed Section 179  
 11 property (as defined in Section 179 of the Internal Revenue Code)  
 12 in service in the current taxable year or in an earlier taxable year  
 13 equal to the amount of adjusted gross income that would have  
 14 been computed had an election for federal income tax purposes  
 15 not been made for the year in which the property was placed in  
 16 service to take deductions under Section 179 of the Internal  
 17 Revenue Code in a total amount exceeding twenty-five thousand  
 18 dollars (\$25,000).

19 ~~(+8)~~ **(19)** Add an amount equal to the amount that a taxpayer  
 20 claimed as a deduction for domestic production activities for the  
 21 taxable year under Section 199 of the Internal Revenue Code for  
 22 federal income tax purposes.

23 ~~(+9)~~ **(20)** Subtract an amount equal to the amount of the taxpayer's  
 24 qualified military income that was not excluded from the  
 25 taxpayer's gross income for federal income tax purposes under  
 26 Section 112 of the Internal Revenue Code.

27 ~~(+20)~~ **(21)** Subtract income that is:

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

29 (B) included in the individual's federal adjusted gross income  
 30 under the Internal Revenue Code.

31 ~~(+21)~~ **(22)** Add an amount equal to any income not included in  
 32 gross income as a result of the deferral of income arising from  
 33 business indebtedness discharged in connection with the  
 34 reacquisition after December 31, 2008, and before January 1,  
 35 2011, of an applicable debt instrument, as provided in Section  
 36 108(i) of the Internal Revenue Code. Subtract the amount  
 37 necessary from the adjusted gross income of any taxpayer that  
 38 added an amount to adjusted gross income in a previous year to  
 39 offset the amount included in federal gross income as a result of  
 40 the deferral of income arising from business indebtedness  
 41 discharged in connection with the reacquisition after December  
 42 31, 2008, and before January 1, 2011, of an applicable debt



- 1 instrument, as provided in Section 108(i) of the Internal Revenue  
 2 Code.
- 3 ~~(22)~~ **(23)** Add the amount excluded from federal gross income  
 4 under Section 103 of the Internal Revenue Code for interest  
 5 received on an obligation of a state other than Indiana, or a  
 6 political subdivision of such a state, that is acquired by the  
 7 taxpayer after December 31, 2011.
- 8 ~~(23)~~ **(24)** *Subtract an amount as described in Section 1341(a)(2)*  
 9 *of the Internal Revenue Code to the extent, if any, that the amount*  
 10 *was previously included in the taxpayer's adjusted gross income*  
 11 *for a prior taxable year.*
- 12 ~~(24)~~ **(25)** *Subtract any other amounts the taxpayer is entitled to*  
 13 *deduct under IC 6-3-2.*
- 14 (b) In the case of corporations, the same as "taxable income" (as  
 15 defined in Section 63 of the Internal Revenue Code) adjusted as  
 16 follows:
- 17 (1) Subtract income that is exempt from taxation under this article  
 18 by the Constitution and statutes of the United States.
- 19 (2) Add an amount equal to any deduction or deductions allowed  
 20 or allowable pursuant to Section 170 of the Internal Revenue  
 21 Code.
- 22 (3) *Except as provided in subsection (c)*, add an amount equal to  
 23 any deduction or deductions allowed or allowable pursuant to  
 24 Section 63 of the Internal Revenue Code for taxes based on or  
 25 measured by income and levied at the state level by any state of  
 26 the United States.
- 27 (4) Subtract an amount equal to the amount included in the  
 28 corporation's taxable income under Section 78 of the Internal  
 29 Revenue Code.
- 30 (5) Add or subtract the amount necessary to make the adjusted  
 31 gross income of any taxpayer that owns property for which bonus  
 32 depreciation was allowed in the current taxable year or in an  
 33 earlier taxable year equal to the amount of adjusted gross income  
 34 that would have been computed had an election not been made  
 35 under Section 168(k) of the Internal Revenue Code to apply bonus  
 36 depreciation to the property in the year that it was placed in  
 37 service.
- 38 (6) Add an amount equal to any deduction allowed under Section  
 39 172 of the Internal Revenue Code.
- 40 (7) Add or subtract the amount necessary to make the adjusted  
 41 gross income of any taxpayer that placed Section 179 property (as  
 42 defined in Section 179 of the Internal Revenue Code) in service



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

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

12 (9) Add to the extent required by IC 6-3-2-20 the amount of  
13 intangible expenses (as defined in IC 6-3-2-20) and any directly  
14 related interest expenses (as defined in IC 6-3-2-20) for the  
15 taxable year that reduced the corporation's taxable income (as  
16 defined in Section 63 of the Internal Revenue Code) for federal  
17 income tax purposes.

18 (10) Add an amount equal to any deduction for dividends paid (as  
19 defined in Section 561 of the Internal Revenue Code) to  
20 shareholders of a captive real estate investment trust (as defined  
21 in section 34.5 of this chapter).

22 (11) Subtract income that is:

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

24 (B) included in the corporation's taxable income under the  
25 Internal Revenue Code.

26 (12) 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 (13) Add the amount excluded from federal gross income under  
40 Section 103 of the Internal Revenue Code for interest received on  
41 an obligation of a state other than Indiana, or a political  
42 subdivision of such a state, that is acquired by the taxpayer after



- 1 December 31, 2011.
- 2 (14) Add or subtract any other amounts the taxpayer is:
- 3 (A) required to add or subtract; or
- 4 (B) entitled to deduct;
- 5 under IC 6-3-2.
- 6 (c) The following apply to taxable years beginning after December
- 7 31, 2018, for purposes of the add back of any deduction allowed on the
- 8 taxpayer's federal income tax return for wagering taxes, as provided
- 9 in subsection (a)(2) if the taxpayer is an individual or subsection (b)(3)
- 10 if the taxpayer is a corporation:
- 11 (1) For taxable years beginning after December 31, 2018, and
- 12 before January 1, 2020, a taxpayer is required to add back under
- 13 this section eighty-seven and five-tenths percent (87.5%) of any
- 14 deduction allowed on the taxpayer's federal income tax return for
- 15 wagering taxes.
- 16 (2) For taxable years beginning after December 31, 2019, and
- 17 before January 1, 2021, a taxpayer is required to add back under
- 18 this section seventy-five percent (75%) of any deduction allowed
- 19 on the taxpayer's federal income tax return for wagering taxes.
- 20 (3) For taxable years beginning after December 31, 2020, and
- 21 before January 1, 2022, a taxpayer is required to add back under
- 22 this section sixty-two and five-tenths percent (62.5%) of any
- 23 deduction allowed on the taxpayer's federal income tax return for
- 24 wagering taxes.
- 25 (4) For taxable years beginning after December 31, 2021, and
- 26 before January 1, 2023, a taxpayer is required to add back under
- 27 this section fifty percent (50%) of any deduction allowed on the
- 28 taxpayer's federal income tax return for wagering taxes.
- 29 (5) For taxable years beginning after December 31, 2022, and
- 30 before January 1, 2024, a taxpayer is required to add back under
- 31 this section thirty-seven and five-tenths percent (37.5%) of any
- 32 deduction allowed on the taxpayer's federal income tax return for
- 33 wagering taxes.
- 34 (6) For taxable years beginning after December 31, 2023, and
- 35 before January 1, 2025, a taxpayer is required to add back under
- 36 this section twenty-five percent (25%) of any deduction allowed
- 37 on the taxpayer's federal income tax return for wagering taxes.
- 38 (7) For taxable years beginning after December 31, 2024, and
- 39 before January 1, 2026, a taxpayer is required to add back under
- 40 this section twelve and five-tenths percent (12.5%) of any
- 41 deduction allowed on the taxpayer's federal income tax return for
- 42 wagering taxes.





1           (8) *For taxable years beginning after December 31, 2025, a*  
 2           *taxpayer is not required to add back under this section any*  
 3           *amount of a deduction allowed on the taxpayer's federal income*  
 4           *tax return for wagering taxes.*

5           ~~(c)~~ (d) *In the case of life insurance companies (as defined in Section*  
 6           *816(a) of the Internal Revenue Code) that are organized under Indiana*  
 7           *law, the same as "life insurance company taxable income" (as defined*  
 8           *in Section 801 of the Internal Revenue Code), adjusted as follows:*

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

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

13           (3) *Add an amount equal to a deduction allowed or allowable*  
 14           *under Section 805 or Section 832(c) of the Internal Revenue Code*  
 15           *for taxes based on or measured by income and levied at the state*  
 16           *level by any state.*

17           (4) *Subtract an amount equal to the amount included in the*  
 18           *company's taxable income under Section 78 of the Internal*  
 19           *Revenue Code.*

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

28           (6) *Add an amount equal to any deduction allowed under Section*  
 29           *172 or Section 810 of the Internal Revenue Code.*

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

40           (8) *Add an amount equal to the amount that a taxpayer claimed as*  
 41           *a deduction for domestic production activities for the taxable year*  
 42           *under Section 199 of the Internal Revenue Code for federal*



- 1 income tax purposes.
- 2 (9) Subtract income that is:
- 3 (A) exempt from taxation under IC 6-3-2-21.7; and
- 4 (B) included in the insurance company's taxable income under
- 5 the Internal Revenue Code.
- 6 (10) Add an amount equal to any income not included in gross
- 7 income as a result of the deferral of income arising from business
- 8 indebtedness discharged in connection with the reacquisition after
- 9 December 31, 2008, and before January 1, 2011, of an applicable
- 10 debt instrument, as provided in Section 108(i) of the Internal
- 11 Revenue Code. Subtract from the adjusted gross income of any
- 12 taxpayer that added an amount to adjusted gross income in a
- 13 previous year the amount necessary to offset the amount included
- 14 in federal gross income as a result of the deferral of income
- 15 arising from business indebtedness discharged in connection with
- 16 the reacquisition after December 31, 2008, and before January 1,
- 17 2011, of an applicable debt instrument, as provided in Section
- 18 108(i) of the Internal Revenue Code.
- 19 (11) Add an amount equal to any exempt insurance income under
- 20 Section 953(e) of the Internal Revenue Code that is active
- 21 financing income under Subpart F of Subtitle A, Chapter 1,
- 22 Subchapter N of the Internal Revenue Code.
- 23 (12) Add the amount excluded from federal gross income under
- 24 Section 103 of the Internal Revenue Code for interest received on
- 25 an obligation of a state other than Indiana, or a political
- 26 subdivision of such a state, that is acquired by the taxpayer after
- 27 December 31, 2011.
- 28 (13) *Add or subtract any other amounts the taxpayer is:*
- 29 *(A) required to add or subtract; or*
- 30 *(B) entitled to deduct;*
- 31 *under IC 6-3-2.*
- 32 ~~(d)~~ (e) In the case of insurance companies subject to tax under
- 33 Section 831 of the Internal Revenue Code and organized under Indiana
- 34 law, the same as "taxable income" (as defined in Section 832 of the
- 35 Internal Revenue Code), adjusted as follows:
- 36 (1) Subtract income that is exempt from taxation under this article
- 37 by the Constitution and statutes of the United States.
- 38 (2) Add an amount equal to any deduction allowed or allowable
- 39 under Section 170 of the Internal Revenue Code.
- 40 (3) Add an amount equal to a deduction allowed or allowable
- 41 under Section 805 or Section 832(c) of the Internal Revenue Code
- 42 for taxes based on or measured by income and levied at the state



- 1 level by any state.
- 2 (4) Subtract an amount equal to the amount included in the  
3 company's taxable income under Section 78 of the Internal  
4 Revenue Code.
- 5 (5) Add or subtract the amount necessary to make the adjusted  
6 gross income of any taxpayer that owns property for which bonus  
7 depreciation was allowed in the current taxable year or in an  
8 earlier taxable year equal to the amount of adjusted gross income  
9 that would have been computed had an election not been made  
10 under Section 168(k) of the Internal Revenue Code to apply bonus  
11 depreciation to the property in the year that it was placed in  
12 service.
- 13 (6) Add an amount equal to any deduction allowed under Section  
14 172 of the Internal Revenue Code.
- 15 (7) Add or subtract the amount necessary to make the adjusted  
16 gross income of any taxpayer that placed Section 179 property (as  
17 defined in Section 179 of the Internal Revenue Code) in service  
18 in the current taxable year or in an earlier taxable year equal to  
19 the amount of adjusted gross income that would have been  
20 computed had an election for federal income tax purposes not  
21 been made for the year in which the property was placed in  
22 service to take deductions under Section 179 of the Internal  
23 Revenue Code in a total amount exceeding twenty-five thousand  
24 dollars (\$25,000).
- 25 (8) Add an amount equal to the amount that a taxpayer claimed as  
26 a deduction for domestic production activities for the taxable year  
27 under Section 199 of the Internal Revenue Code for federal  
28 income tax purposes.
- 29 (9) Subtract income that is:
- 30 (A) exempt from taxation under IC 6-3-2-21.7; and
- 31 (B) included in the insurance company's taxable income under  
32 the Internal Revenue Code.
- 33 (10) Add an amount equal to any income not included in gross  
34 income as a result of the deferral of income arising from business  
35 indebtedness discharged in connection with the reacquisition after  
36 December 31, 2008, and before January 1, 2011, of an applicable  
37 debt instrument, as provided in Section 108(i) of the Internal  
38 Revenue Code. Subtract from the adjusted gross income of any  
39 taxpayer that added an amount to adjusted gross income in a  
40 previous year the amount necessary to offset the amount included  
41 in federal gross income as a result of the deferral of income  
42 arising from business indebtedness discharged in connection with



- 1 the reacquisition after December 31, 2008, and before January 1,  
 2 2011, of an applicable debt instrument, as provided in Section  
 3 108(i) of the Internal Revenue Code.
- 4 (11) 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 (12) Add the amount excluded from federal gross income under  
 9 Section 103 of the Internal Revenue Code for interest received on  
 10 an obligation of a state other than Indiana, or a political  
 11 subdivision of such a state, that is acquired by the taxpayer after  
 12 December 31, 2011.
- 13 *(13) Add or subtract any other amounts the taxpayer is:*  
 14 *(A) required to add or subtract; or*  
 15 *(B) entitled to deduct;*  
 16 *under IC 6-3-2.*
- 17 ~~(e)~~ (f) In the case of trusts and estates, "taxable income" (as defined  
 18 for trusts and estates in Section 641(b) of the Internal Revenue Code)  
 19 adjusted as follows:
- 20 (1) Subtract income that is exempt from taxation under this article  
 21 by the Constitution and statutes of the United States.
- 22 (2) Subtract an amount equal to the amount of a September 11  
 23 terrorist attack settlement payment included in the federal  
 24 adjusted gross income of the estate of a victim of the September  
 25 11 terrorist attack or a trust to the extent the trust benefits a victim  
 26 of the September 11 terrorist attack.
- 27 (3) Add or subtract the amount necessary to make the adjusted  
 28 gross income of any taxpayer that owns property for which bonus  
 29 depreciation was allowed in the current taxable year or in an  
 30 earlier taxable year equal to the amount of adjusted gross income  
 31 that would have been computed had an election not been made  
 32 under Section 168(k) of the Internal Revenue Code to apply bonus  
 33 depreciation to the property in the year that it was placed in  
 34 service.
- 35 (4) Add an amount equal to any deduction allowed under Section  
 36 172 of the Internal Revenue Code.
- 37 (5) Add or subtract the amount necessary to make the adjusted  
 38 gross income of any taxpayer that placed Section 179 property (as  
 39 defined in Section 179 of the Internal Revenue Code) in service  
 40 in the current taxable year or in an earlier taxable year equal to  
 41 the amount of adjusted gross income that would have been  
 42 computed had an election for federal income tax purposes not



1           been made for the year in which the property was placed in  
2           service to take deductions under Section 179 of the Internal  
3           Revenue Code in a total amount exceeding twenty-five thousand  
4           dollars (\$25,000).

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

9           (7) Subtract income that is:

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

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

13           (8) Add an amount equal to any income not included in gross  
14           income as a result of the deferral of income arising from business  
15           indebtedness discharged in connection with the reacquisition after  
16           December 31, 2008, and before January 1, 2011, of an applicable  
17           debt instrument, as provided in Section 108(i) of the Internal  
18           Revenue Code. Subtract from the adjusted gross income of any  
19           taxpayer that added an amount to adjusted gross income in a  
20           previous year the amount necessary to offset the amount included  
21           in federal gross income as a result of the deferral of income  
22           arising from business indebtedness discharged in connection with  
23           the reacquisition after December 31, 2008, and before January 1,  
24           2011, of an applicable debt instrument, as provided in Section  
25           108(i) of the Internal Revenue Code.

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

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

32           (A) *required to add or subtract; or*

33           (B) *entitled to deduct;*

34           *under IC 6-3-2.*

35           SECTION 2. IC 6-3-1-37 IS ADDED TO THE INDIANA CODE  
36           AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE  
37           JANUARY 1, 2019]: **Sec. 37. As used in this article, "personal and**  
38           **dependent exemption amount" means the exemption amount**  
39           **determined under IC 6-3-7-6.**

40           SECTION 3. IC 6-3-2-2.5, AS AMENDED BY THE TECHNICAL  
41           CORRECTIONS BILL OF THE 2018 GENERAL ASSEMBLY, IS  
42           AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1,



- 1 2019]: Sec. 2.5. (a) This section applies to a resident person.
- 2 (b) Resident persons are entitled to a net operating loss deduction.
- 3 The amount of the deduction taken in a taxable year may not exceed
- 4 the taxpayer's unused Indiana net operating losses carried over to that
- 5 year. A taxpayer is not entitled to carryback any net operating losses
- 6 after December 31, 2011.
- 7 (c) An Indiana net operating loss equals the taxpayer's federal net
- 8 operating loss for a taxable year as calculated under Section 172 of the
- 9 Internal Revenue Code, adjusted for certain modifications required by
- 10 IC 6-3-1-3.5 as set forth in subsection (d)(1).
- 11 (d) The following provisions apply for purposes of subsection (c):
- 12 (1) The modifications that are to be applied are those
- 13 modifications required under IC 6-3-1-3.5 for the same taxable
- 14 year in which each net operating loss was incurred, except that the
- 15 modifications do not include the modifications required under:
- 16 (A) IC 6-3-1-3.5(a)(3);
- 17 (B) IC 6-3-1-3.5(a)(4);
- 18 (C) IC 6-3-1-3.5(a)(5);
- 19 (D) ~~IC 6-3-1-3.5(a)(24)~~; **IC 6-3-1-3.5(a)(25)**; and
- 20 (E) ~~IC 6-3-1-3.5(e)(10)~~; **IC 6-3-1-3.5(f)(10)**.
- 21 (2) An Indiana net operating loss includes a net operating loss that
- 22 arises when the applicable modifications required by IC 6-3-1-3.5
- 23 as set forth in subdivision (1) exceed the taxpayer's federal
- 24 adjusted gross income (as defined in Section 62 of the Internal
- 25 Revenue Code) for the taxable year in which the Indiana net
- 26 operating loss is determined.
- 27 (e) Subject to the limitations contained in subsection (g), an Indiana
- 28 net operating loss carryover shall be available as a deduction from the
- 29 taxpayer's adjusted gross income (as defined in IC 6-3-1-3.5) in the
- 30 carryover year provided in subsection (f).
- 31 (f) Carryovers shall be determined under this subsection as follows:
- 32 (1) An Indiana net operating loss shall be an Indiana net operating
- 33 loss carryover to each of the carryover years following the taxable
- 34 year of the loss.
- 35 (2) Carryover years shall be determined by reference to the
- 36 number of years allowed for carrying over net operating losses
- 37 under Section 172(b) of the Internal Revenue Code.
- 38 (g) The entire amount of the Indiana net operating loss for any
- 39 taxable year shall be carried to the earliest of the taxable years to which
- 40 (as determined under subsection (f)) the loss may be carried. The
- 41 amount of the Indiana net operating loss remaining after the deduction
- 42 is taken under this section in a taxable year may be carried over as



1 provided in subsection (f). The amount of the Indiana net operating loss  
 2 carried over from year to year shall be reduced to the extent that the  
 3 Indiana net operating loss carryover is used by the taxpayer to obtain  
 4 a deduction in a taxable year until the occurrence of the earlier of the  
 5 following:

6 (1) The entire amount of the Indiana net operating loss has been  
 7 used as a deduction.

8 (2) The Indiana net operating loss has been carried over to each  
 9 of the carryover years provided by subsection (f).

10 SECTION 4. IC 6-3-2-2.6, AS AMENDED BY THE TECHNICAL  
 11 CORRECTIONS BILL OF THE 2018 GENERAL ASSEMBLY, IS  
 12 AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1,  
 13 2019]: Sec. 2.6. (a) This section applies to a corporation or a  
 14 nonresident person.

15 (b) Corporations and nonresident persons are entitled to a net  
 16 operating loss deduction. The amount of the deduction taken in a  
 17 taxable year may not exceed the taxpayer's unused Indiana net  
 18 operating losses carried over to that year. A taxpayer is not entitled to  
 19 carryback any net operating losses after December 31, 2011.

20 (c) An Indiana net operating loss equals the taxpayer's federal net  
 21 operating loss for a taxable year as calculated under Section 172 of the  
 22 Internal Revenue Code, derived from sources within Indiana and  
 23 adjusted for certain modifications required by IC 6-3-1-3.5 as set forth  
 24 in subsection (d)(1).

25 (d) The following provisions apply for purposes of subsection (c):

26 (1) The modifications that are to be applied are those  
 27 modifications required under IC 6-3-1-3.5 for the same taxable  
 28 year in which each net operating loss was incurred, except that the  
 29 modifications do not include the modifications required under:

30 (A) IC 6-3-1-3.5(a)(3);

31 (B) IC 6-3-1-3.5(a)(4);

32 (C) IC 6-3-1-3.5(a)(5);

33 (D) ~~IC 6-3-1-3.5(a)(24)~~; **IC 6-3-1-3.5(a)(25)**;

34 (E) IC 6-3-1-3.5(b)(14);

35 (F) ~~IC 6-3-1-3.5(e)(13)~~; **IC 6-3-1-3.5(d)(13)**;

36 (G) ~~IC 6-3-1-3.5(d)(13)~~; **IC 6-3-1-3.5(e)(13)**; and

37 (H) ~~IC 6-3-1-3.5(e)(10)~~; **IC 6-3-1-3.5(f)(10)**.

38 (2) The amount of the taxpayer's net operating loss that is derived  
 39 from sources within Indiana shall be determined in the same  
 40 manner that the amount of the taxpayer's adjusted income derived  
 41 from sources within Indiana is determined under section 2 of this  
 42 chapter for the same taxable year during which each loss was



1 incurred.

2 (3) An Indiana net operating loss includes a net operating loss that  
3 arises when the applicable modifications required by IC 6-3-1-3.5  
4 as set forth in subdivision (1) exceed the taxpayer's federal  
5 taxable income (as defined in Section 63 of the Internal Revenue  
6 Code), if the taxpayer is a corporation, or when the applicable  
7 modifications required by IC 6-3-1-3.5 as set forth in subdivision  
8 (1) exceed the taxpayer's federal adjusted gross income (as  
9 defined by Section 62 of the Internal Revenue Code), if the  
10 taxpayer is a nonresident person, for the taxable year in which the  
11 Indiana net operating loss is determined.

12 (e) Subject to the limitations contained in subsection (g), an Indiana  
13 net operating loss carryover shall be available as a deduction from the  
14 taxpayer's adjusted gross income derived from sources within Indiana  
15 (as defined in section 2 of this chapter) in the carryover year provided  
16 in subsection (f).

17 (f) Carryovers shall be determined under this subsection as follows:

18 (1) An Indiana net operating loss shall be an Indiana net operating  
19 loss carryover to each of the carryover years following the taxable  
20 year of the loss.

21 (2) Carryover years shall be determined by reference to the  
22 number of years allowed for carrying over net operating losses  
23 under Section 172(b) of the Internal Revenue Code.

24 (g) The entire amount of the Indiana net operating loss for any  
25 taxable year shall be carried to the earliest of the taxable years to which  
26 (as determined under subsection (f)) the loss may be carried. The  
27 amount of the Indiana net operating loss remaining after the deduction  
28 is taken under this section in a taxable year may be carried over as  
29 provided in subsection (f). The amount of the Indiana net operating loss  
30 carried over from year to year shall be reduced to the extent that the  
31 Indiana net operating loss carryover is used by the taxpayer to obtain  
32 a deduction in a taxable year until the occurrence of the earlier of the  
33 following:

34 (1) The entire amount of the Indiana net operating loss has been  
35 used as a deduction.

36 (2) The Indiana net operating loss has been carried over to each  
37 of the carryover years provided by subsection (f).

38 (h) An Indiana net operating loss deduction determined under this  
39 section shall be allowed notwithstanding the fact that in the year the  
40 taxpayer incurred the net operating loss the taxpayer was not subject to  
41 the tax imposed under section 1 of this chapter because the taxpayer  
42 was:





- 1 (1) a life insurance company (as defined in Section 816(a) of the
- 2 Internal Revenue Code); or
- 3 (2) an insurance company subject to tax under Section 831 of the
- 4 Internal Revenue Code.

5 (i) In the case of a life insurance company that claims an operations  
 6 loss deduction under Section 810 of the Internal Revenue Code, this  
 7 section shall be applied by:

- 8 (1) substituting the corresponding provisions of Section 810 of the
- 9 Internal Revenue Code in place of references to Section 172 of
- 10 the Internal Revenue Code; and
- 11 (2) substituting life insurance company taxable income (as
- 12 defined in Section 801 the Internal Revenue Code) in place of
- 13 references to taxable income (as defined in Section 63 of the
- 14 Internal Revenue Code).

15 SECTION 5. IC 6-3-2-4, AS AMENDED BY P.L.217-2017,  
 16 SECTION 64, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 17 JANUARY 1, 2019]: Sec. 4. (a) Each taxable year, an individual, or the  
 18 individual's surviving spouse, is entitled to the following:

- 19 (1) An adjusted gross income tax deduction for the first five
- 20 thousand dollars (\$5,000) of income, excluding adjusted gross
- 21 income described in subdivision (2), received during the taxable
- 22 year by the individual, or the individual's surviving spouse, for the
- 23 individual's service in an active or reserve component of the
- 24 armed forces of the United States, including the army, navy, air
- 25 force, coast guard, marine corps, merchant marine, Indiana army
- 26 national guard, or Indiana air national guard.
- 27 (2) An adjusted gross income tax deduction of six thousand two
- 28 hundred fifty dollars (\$6,250) for income from retirement or
- 29 survivor's benefits received during the taxable year by the
- 30 individual, or the individual's surviving spouse, for the
- 31 individual's service in an active or reserve component of the
- 32 armed forces of the United States, including the army, navy, air
- 33 force, coast guard, marine corps, merchant marine, Indiana army
- 34 national guard, or Indiana air national guard.

35 (b) An individual whose qualified military income is subtracted  
 36 from the individual's federal adjusted gross income under  
 37 ~~IC 6-3-1-3.5(a)(19)~~ **IC 6-3-1-3.5(a)(20)** for Indiana individual income  
 38 tax purposes is not, for that taxable year, entitled to a deduction under  
 39 this section for the same qualified military income that is deducted  
 40 under ~~IC 6-3-1-3.5(a)(19)~~ **IC 6-3-1-3.5(a)(20)**.

41 SECTION 6. IC 6-3-2-25, AS AMENDED BY P.L.250-2015,  
 42 SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



1 JANUARY 1, 2019]: Sec. 25. (a) This section applies only to an  
2 individual who in 2008 paid property taxes that:

- 3 (1) were imposed on the individual's principal place of residence  
4 for the March 1, 2006, assessment date or the January 15, 2007,  
5 assessment date;  
6 (2) are due after December 31, 2007; and  
7 (3) are paid on or before the due date for the property taxes.

8 (b) As used in this section, "adjusted gross income" has the meaning  
9 set forth in IC 6-3-1-3.5.

10 (c) An individual described in subsection (a) is entitled to a  
11 deduction from the individual's adjusted gross income for a taxable  
12 year beginning after December 31, 2007, and before January 1, 2009,  
13 in an amount equal to the amount determined in the following STEPS:

14 STEP ONE: Determine the lesser of:

- 15 (A) two thousand five hundred dollars (\$2,500); or  
16 (B) the total amount of property taxes imposed on the  
17 individual's principal place of residence for the March 1, 2006,  
18 assessment date or the January 15, 2007, assessment date and  
19 paid in 2007 or 2008.

20 STEP TWO: Determine the greater of zero (0) or the result of:

- 21 (A) the STEP ONE result; minus  
22 (B) the total amount of property taxes that:  
23 (i) were imposed on the individual's principal place of  
24 residence for the March 1, 2006, assessment date or the  
25 January 15, 2007, assessment date;  
26 (ii) were paid in 2007; and  
27 (iii) were deducted from the individual's adjusted gross  
28 income under ~~IC 6-3-1-3.5(a)(13)~~ **IC 6-3-1-3.5(a)(14)** by  
29 the individual on the individual's state income tax return for  
30 a taxable year beginning before January 1, 2008.

31 (d) The deduction under this section is in addition to any deduction  
32 that an individual is otherwise entitled to claim under  
33 ~~IC 6-3-1-3.5(a)(13)~~ **IC 6-3-1-3.5(a)(14)**. However, an individual may  
34 not deduct under ~~IC 6-3-1-3.5(a)(13)~~ **IC 6-3-1-3.5(a)(14)** any property  
35 taxes deducted under this section.

36 SECTION 7. IC 6-3-3-13, AS ADDED BY P.L.132-2014,  
37 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
38 JANUARY 1, 2019]: Sec. 13. (a) This section applies only to taxable  
39 years beginning after December 31, 2014.

40 (b) Each taxable year, an individual who is eligible to claim the  
41 credit provided by Section 23 of the Internal Revenue Code on the  
42 individual's federal return for the taxable year is entitled to a credit



1 against the individual's adjusted gross income tax liability for the  
2 taxable year equal to the lesser of:

3 (1) the amount of the credit allowable under Section 23 of the  
4 Internal Revenue Code for each eligible child on the individual's  
5 federal return for the taxable year multiplied by ten percent  
6 (10%); or

7 (2) ~~one two~~ thousand **five hundred** dollars (~~\$1,000~~) (**\$2,500**) for  
8 each eligible child.

9 (c) The credit provided by this section may not exceed the amount  
10 of the taxpayer's adjusted gross income tax liability for the taxable year,  
11 reduced by the sum of all credits for the taxable year that are applied  
12 before the application of the credit provided by this section. The  
13 amount of any unused credit under this section for a taxable year may  
14 not be carried forward to a succeeding taxable year, carried back to a  
15 preceding taxable year, or refunded.

16 (d) If all or part of the credit allowed under Section 23 of the  
17 Internal Revenue Code for a taxable year beginning after December 31,  
18 2014, is required to be claimed in, or carried forward to, a taxable year  
19 after the taxable year in which the credit is first allowed, the part  
20 carried forward and allowed to be claimed as a credit shall be treated  
21 as allowable under subsection (b). A credit first allowed under Section  
22 23 of the Internal Revenue Code for a taxable year beginning before  
23 January 1, 2015, and required to be claimed in, or carried forward to,  
24 a taxable year after the taxable year in which the credit is first allowed  
25 shall not be treated as allowable under subsection (b).

26 SECTION 8. IC 6-3-7-6 IS ADDED TO THE INDIANA CODE AS  
27 A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1,  
28 2018]: **Sec. 6. (a) The commissioner of the department of state  
29 revenue shall, before November 1, 2018, determine the personal  
30 and dependent exemption amount for the taxable year beginning  
31 after December 31, 2018, and before January 1, 2020, as follows:**

32 **STEP ONE: Determine the result of:**

33 **(A) one (1); plus**

34 **(B) the annual percentage change in the Consumer Price  
35 Index for All Urban Consumers published by the federal  
36 Bureau of Labor Statistics for 2018.**

37 **STEP TWO: Multiply the result of STEP ONE by one  
38 thousand dollars (\$1,000).**

39 **(b) For each taxable year beginning after December 31, 2019,  
40 the commissioner of the department of state revenue, before  
41 November 1 of the preceding taxable year, shall determine the  
42 personal and dependent exemption amount as follows:**



1           **STEP ONE: Determine the result of:**  
 2           **(A) one (1); plus**  
 3           **(B) the annual percentage change in the Consumer Price**  
 4           **Index for All Urban Consumers published by the federal**  
 5           **Bureau of Labor Statistics for the calendar year preceding**  
 6           **the calendar year in which the determination is made.**  
 7           **STEP TWO: Multiply the result of STEP ONE by the**  
 8           **personal and dependent exemption determined by the**  
 9           **commissioner of the department of state revenue for the**  
 10           **calendar year preceding the calendar year in which the**  
 11           **determination is made.**  
 12           SECTION 9. IC 6-3.1-20-4, AS AMENDED BY P.L.250-2015,  
 13           SECTION 29, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 14           JANUARY 1, 2019]: Sec. 4. (a) Except as provided in subsection (b),  
 15           an individual is entitled to a credit under this chapter if:  
 16           (1) the individual's Indiana income for the taxable year is less than  
 17           eighteen thousand six hundred dollars (\$18,600); and  
 18           (2) the individual pays property taxes in the taxable year on a  
 19           homestead that:  
 20           (A) the individual:  
 21           (i) owns; or  
 22           (ii) is buying under a contract that requires the individual to  
 23           pay property taxes on the homestead, if the contract or a  
 24           memorandum of the contract is recorded in the county  
 25           recorder's office; and  
 26           (B) is located in a county having a population of more than  
 27           four hundred thousand (400,000) but less than seven hundred  
 28           thousand (700,000).  
 29           (b) An individual is not entitled to a credit under this chapter for a  
 30           taxable year for property taxes paid on the individual's homestead if the  
 31           individual claims the deduction under ~~IC 6-3-1-3.5(a)(13)~~  
 32           **IC 6-3-1-3.5(a)(14)** for the homestead for that same taxable year.

