



February 5, 2025

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## SENATE BILL No. 316

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DIGEST OF SB 316 (Updated February 4, 2025 1:09 pm - DI 129)

**Citations Affected:** IC 6-3.

**Synopsis:** Investment partnership tax. Provides certain sourcing rules for the adjusted gross income of an investment partnership. Defines "investment partnership".

**Effective:** January 1, 2026.

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**Baldwin, Holdman**

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January 13, 2025, read first time and referred to Committee on Tax and Fiscal Policy.  
February 4, 2025, amended, reported favorably — Do Pass.

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SB 316—LS 7436/DI 120





February 5, 2025

First Regular Session of the 124th General Assembly (2025)

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 2024 Regular Session of the General Assembly.

## SENATE BILL No. 316

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 6-3-1-41 IS ADDED TO THE INDIANA CODE  
2       AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE  
3       JANUARY 1, 2026]: **Sec. 41. The term "investment partnership"**  
4       **means a partnership for federal income tax purposes that meets**  
5       **the following requirements:**

6               (1) **Not less than ninety percent (90%) of the partnership's**  
7               **cost of its total assets consists of qualifying investment**  
8               **securities, deposits at banks or other financial institutions,**  
9               **and office space and equipment reasonably necessary to carry**  
10              **on its activities as an investment partnership.**

11              (2) **Not less than ninety percent (90%) of the partnership's**  
12              **gross income consists of interest, dividends, gains from the**  
13              **sale or exchange of qualifying investment securities, and the**  
14              **distributive share of partnership income from lower-tier**  
15              **partnership interests meeting the definition of qualifying**  
16              **investment security. For purposes of this subdivision, gross**  
17              **income does not include income from partnerships that are**

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operating at a federal taxable loss. For purposes of this subdivision, a partnership shall be treated as meeting the percentage test set forth in this subdivision if the partnership met the percentage test in three (3) of the five (5) most recent taxable years, including the current taxable year.

(3) The partnership is not a dealer in qualifying investment securities.

SECTION 2. IC 6-3-1-42 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026]: Sec. 42. The term "qualifying investment securities" means the following:

(1) Common stock, including preferred or debt securities convertible into common stock, and preferred stock.

(2) Bonds, debentures, and other debt securities.

(3) Foreign and domestic currency deposits secured by federal, state, or local governmental agencies.

(4) Mortgage or asset-backed securities secured by federal, state, or local governmental agencies.

(5) Repurchase agreements and loan participations.

(6) Foreign currency exchange contracts and forward and futures contracts on foreign currencies.

(7) Stock and bond index securities and futures contracts and other similar financial securities and futures contracts on those securities.

(8) Options for the purchase or sale of any of the securities, currencies, contracts, or financial instruments described in subdivisions (1) through (7).

(9) Regulated futures contracts.

(10) Commodities (not described in Section 1221(a)(1) of the Internal Revenue Code) or futures, forwards, and options with respect to such commodities, provided, however, that any item of a physical commodity to which title is actually acquired in the partnership's capacity as a dealer in such commodity shall not be a qualifying investment security.

(11) Derivatives.

(12) A partnership interest in another partnership that is an investment partnership.

(13) A partnership interest that, in the hands of the partnership, qualifies as a security within the meaning of 15 U.S.C. 77b(a)(1).

SECTION 3. IC 6-3-1-43 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE



JANUARY 1, 2026]: Sec. 43. The term "qualifying investment partnership income" means the adjusted gross income from qualifying investment securities, excluding any income or loss from an asset described in section 42(13) of this chapter.

SECTION 4. IC 6-3-2-3.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026]: Sec. 3.3. (a) As used in this section, "nonresident partner" has the meaning set forth in IC 6-3-4-12(n).

(b) For all taxable years beginning after December 31, 2025, in the case of an investment partnership:

(1) any qualifying investment partnership income that is distributable to a nonresident partner shall be allocated to the partner's state of residence (in the case of an individual, estate, or trust) or commercial domicile (in the case of any corporation or other entity) for purposes of section 2 of this chapter; and

(2) any qualifying investment partnership income that is distributable to a nonresident partner shall be treated as business income and apportioned as if such income had been received directly by the partner if such income is from investment activity:

(A) that is directly or integrally related to any other business activity conducted in this state by the nonresident partner (or another corporation or entity that is unitary with the partner);

(B) that serves an operational function to any other business activity of the nonresident partner (or another corporation or entity that is unitary with the partner); or

(C) where assets of the investment partnership were acquired with working capital from a trade or business activity conducted in this state in which the nonresident partner (or another corporation or entity that is unitary with the partner) owns an interest.

(c) For purposes of this section, the following apply:

(1) If an entity is permitted to allocate qualifying investment partnership income under subsection (b)(1), the entity shall exclude the receipts derived from the investment partnership and attributable to the investment partnership income from the denominator of the sales factor in section 2(e) of this chapter.

(2) If an entity is required to treat qualifying investment partnership income as apportionable income, the entity's



1 share of receipts from the investment partnership and  
2 attributable to the investment partnership shall be included  
3 in the denominator of the sales factor and attributed to the  
4 entity's state of domicile for purposes of section 2(e) of this  
5 chapter.

6 (3) For purposes of subsection (b)(2), a corporation or other  
7 entity shall be treated as unitary with the partner if the  
8 partner and the corporation or other entity would be required  
9 to be included in a combined income tax return under this  
10 article, determined as if all relevant entities are subject to tax  
11 under this article as corporations and are not corporations  
12 described in section 2.4 of this chapter. However, in the case  
13 of a partner and a corporate partnership, a unitary  
14 relationship shall be determined without regard to the  
15 corporate partner's percentage of ownership of the  
16 partnership.

17 (4) Nothing in this section shall affect the apportionment and  
18 allocation of income and receipts derived from partnerships  
19 other than qualified investment partnership income from  
20 investment partnerships.

21 (5) If a nonresident person, corporation, or other entity  
22 reasonably determines that it received qualified investment  
23 partnership income from an investment partnership and the  
24 partnership is determined to not be an investment  
25 partnership, the person, corporation, or entity shall be  
26 relieved of any penalty under IC 6-3-4-4.1, IC 6-5.5-7-1, or  
27 IC 6-8.1-10-2.1(b) resulting from the underpayment.



## COMMITTEE REPORT

Mr. President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 316, 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 2, line 1, delete "loss." and insert **"loss. For purposes of this subdivision, a partnership shall be treated as meeting the percentage test set forth in this subdivision if the partnership met the percentage test in three (3) of the five (5) most recent taxable years, including the current taxable year."**

Page 2, line 7, delete "includes" and insert **"means"**.

Page 3, delete lines 1 through 4, begin a new paragraph and insert: **"SECTION 4. IC 6-3-2-3.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026]: Sec. 3.3. (a) As used in this section, "nonresident partner" has the meaning set forth in IC 6-3-4-12(n).**

**(b) For all taxable years beginning after December 31, 2025, in the case of an investment partnership:"**

Page 3, line 7, delete "individual)" and insert **"individual, estate, or trust)"**.

Page 3, line 8, delete "other person);" and insert **"corporation or other entity) for purposes of section 2 of this chapter;"**.

Page 3, line 16, delete "(or a member filing a combined return in this state" and insert **"(or another corporation or entity that is unitary with the partner);"**.

Page 3, delete line 17.

Page 3, line 19, delete "(or a member" and insert **"(or another corporation or entity that is unitary with the partner); or"**.

Page 3, delete lines 20 through 21.

Page 3, line 25, delete "(or a member filing a combined return in this state" and insert **"(or another corporation or entity that is unitary with the partner)"**.

Page 3, line 26, delete "that includes the partner)".

Page 3, after line 26, begin a new paragraph and insert:

**"(c) For purposes of this section, the following apply:**

**(1) If an entity is permitted to allocate qualifying investment partnership income under subsection (b)(1), the entity shall exclude the receipts derived from the investment partnership and attributable to the investment partnership income from the denominator of the sales factor in section 2(e) of this chapter.**



**(2) If an entity is required to treat qualifying investment partnership income as apportionable income, the entity's share of receipts from the investment partnership and attributable to the investment partnership shall be included in the denominator of the sales factor and attributed to the entity's state of domicile for purposes of section 2(e) of this chapter.**

**(3) For purposes of subsection (b)(2), a corporation or other entity shall be treated as unitary with the partner if the partner and the corporation or other entity would be required to be included in a combined income tax return under this article, determined as if all relevant entities are subject to tax under this article as corporations and are not corporations described in section 2.4 of this chapter. However, in the case of a partner and a corporate partnership, a unitary relationship shall be determined without regard to the corporate partner's percentage of ownership of the partnership.**

**(4) Nothing in this section shall affect the apportionment and allocation of income and receipts derived from partnerships other than qualified investment partnership income from investment partnerships.**

**(5) If a nonresident person, corporation, or other entity reasonably determines that it received qualified investment partnership income from an investment partnership and the partnership is determined to not be an investment partnership, the person, corporation, or entity shall be relieved of any penalty under IC 6-3-4-4.1, IC 6-5.5-7-1, or IC 6-8.1-10-2.1(b) resulting from the underpayment."**

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 316 as introduced.)

HOLDMAN, Chairperson

Committee Vote: Yeas 12, Nays 0.

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