

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 2016 Regular Session of the General Assembly.

SENATE ENROLLED ACT No. 515

AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-2.5-1-20.1 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: **Sec. 20.1. "Industrial processing service" means an activity performed on behalf of a manufacturer that would rise to the level of manufacturing or production if the activity were performed by the manufacturer as part of the manufacturer's integrated production process.**

SECTION 2. IC 6-2.5-1-20.2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: **Sec. 20.2. "Industrial processor" means a person that:**

- (1) acquires tangible personal property owned by another person;**
- (2) provides industrial processing services, including enameling or plating, on the property; and**
- (3) transfers the property back to the owner to be sold by that owner either in the same form or as a part of other tangible personal property produced by that owner in the owner's business of manufacturing, assembling, constructing, refining, or processing.**

SECTION 3. IC 6-2.5-5-1 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 1. Transactions involving animals, feed, seed, plants, fertilizer, ~~insecticides~~, **pesticides**, fungicides, and other tangible personal property are exempt from the state gross retail tax if:

- (1) the person acquiring the property acquires it for ~~his~~ **the person's** direct use in the direct production of food and food ingredients or commodities for sale or for further use in the production of food and food ingredients or commodities for sale; and
- (2) the person acquiring the property is occupationally engaged in the production of food and food ingredients or commodities which ~~he~~ **the person** sells for human or animal consumption or uses for further food and food ingredient or commodity production.

SECTION 4. IC 6-2.5-5-2, AS AMENDED BY P.L.250-2015, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 2. (a) Transactions involving agricultural machinery, tools, and equipment, **including material handling equipment purchased for the purpose of transporting materials into activities described in this subsection from an onsite location**, are exempt from the state gross retail tax if the person acquiring that property acquires it for the person's direct use in the direct production, extraction, harvesting, or processing of agricultural commodities. ~~and including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.~~

(b) Transactions involving agricultural machinery or equipment are exempt from the state gross retail tax if:

- (1) the person acquiring the property acquires it for use in conjunction with the production of food and food ingredients or commodities for sale;
- (2) the person acquiring the property is occupationally engaged in the production of food or commodities which the person sells for human or animal consumption or uses for further food and food ingredients or commodity production; and
- (3) the machinery or equipment is designed for use in gathering, moving, or spreading animal waste.

(c) Transactions involving agricultural machinery or equipment, including material handling equipment purchased for the purpose of transporting materials into activities described in this subsection from an onsite location, are exempt from the state gross retail tax if the person acquiring the property:

- (1) acquires it for the person's direct use in:**
 - (A) the direct application of fertilizers, pesticides,**



- fungicides, seeds, and other tangible personal property; or
(B) the direct extraction, harvesting, or processing of agricultural commodities;
for consideration; and
(2) is occupationally engaged in providing the services described in subdivision (1) on property that is:
(A) owned or rented by another person occupationally engaged in agricultural production; and
(B) used for agricultural production.

SECTION 5. IC 6-2.5-5-3, AS AMENDED BY P.L.181-2016, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 3. (a) For purposes of this section:

(1) the:

(A) retreading of tires; and

(B) felling of trees for further use in production or for sale in the ordinary course of business;

shall be treated as the processing of tangible personal property; and

(2) commercial printing shall be treated as the production and manufacture of tangible personal property.

(b) Except as provided in subsection ~~(e)~~, **(d)**, transactions involving manufacturing machinery, tools, and equipment, **including material handling equipment purchased for the purpose of transporting materials into activities described in this subsection from an onsite location**, are exempt from the state gross retail tax if the person acquiring that property acquires it for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property. ~~including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.~~

(c) Except as provided in subsection **(d)**, transactions involving manufacturing machinery, tools, and equipment, **including material handling equipment purchased for the purpose of transporting materials into an industrial process from an onsite location**, are exempt from the state gross retail tax if the person acquiring that property:

(1) acquires it for the person's direct use in an industrial processing service; and

(2) is an industrial processor.

~~(e)~~ **(d)** The ~~exemption~~ **exemptions** provided in ~~subsection~~ **subsections (b) and (c)** ~~does do~~ not apply to transactions involving distribution equipment or transmission equipment acquired by a public



utility engaged in generating electricity.

SECTION 6. IC 6-2.5-5-4, AS AMENDED BY P.L.250-2015, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 4. Transactions involving tangible personal property, **including material handling equipment purchased for the purpose of transporting materials into activities described in this section from an onsite location**, are exempt from the state gross retail tax if the person acquiring the property acquires it for the person's direct use in the direct production of the machinery, tools, or equipment described in section 2 or 3 of this chapter. ~~including material handling equipment purchased for the purpose of transporting materials into such activities from an onsite location.~~

SECTION 7. IC 6-2.5-5-5.1, AS AMENDED BY P.L.242-2015, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 5.1. (a) As used in this section, "tangible personal property" includes electrical energy, natural or artificial gas, water, steam, and steam heat.

(b) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property acquires it for direct consumption as a material to be consumed in the direct production of other tangible personal property in the person's business of manufacturing, processing, refining, repairing, mining, agriculture, horticulture, floriculture, or arboriculture. This exemption includes transactions involving acquisitions of tangible personal property used in commercial printing.

(c) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring that property:

- (1) acquires it for the person's direct consumption as a material to be consumed in an industrial processing service; and**
- (2) is an industrial processor.**

(d) Transactions involving tangible personal property are exempt from the state gross retail tax if the person acquiring the property:

- (1) acquires it for the person's direct consumption as a material to be consumed in:**
 - (A) the direct application of fertilizers, pesticides, fungicides, seeds, and other tangible personal property; or**
 - (B) the direct extraction, harvesting, or processing of agricultural commodities;**
- for consideration; and**



(2) is occupationally engaged in providing the services described in subdivision (1) on property that is:

(A) owned or rented by another person occupationally engaged in agricultural production; and

(B) used for agricultural production.

SECTION 8. IC 6-2.5-5-18, AS AMENDED BY P.L.242-2015, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 18. (a) As used in this section, "legend drug" means a drug (as defined in IC 6-2.5-1-17) that is also a legend drug for purposes of IC 16-18-2-199.

(b) As used in this section, "nonlegend drug" means a drug (as defined in IC 6-2.5-1-17) that is not a legend drug.

(c) Transactions involving the following are exempt from the state gross retail tax if the end user acquires the property upon a prescription or drug order (as defined in IC 16-42-19-3) ~~that is required by law for the transaction~~ from a licensed practitioner:

(1) Durable medical equipment. ~~(including a repair or a replacement part).~~

(2) Mobility enhancing equipment. ~~(including a repair or replacement part).~~

(3) Prosthetic devices, including artificial limbs, orthopedic devices, dental prosthetic devices, eyeglasses, and contact lenses. ~~(and including a repair or a replacement part).~~

(4) Other medical supplies or devices that are used exclusively for medical treatment of a medically diagnosed condition, including a medically diagnosed condition due to:

(A) injury;

(B) bodily dysfunction; or

(C) surgery.

(5) Hearing aid devices that are worn on the body and designed to aid, improve, or correct defective human hearing, including:

(A) parts;

(B) attachments;

(C) batteries; or

(D) accessories;

reasonably necessary for use of a hearing aid device.

(6) Legend drugs and nonlegend drugs, if:

(A) a registered pharmacist makes the sale to a patient upon the prescription of a licensed practitioner; or

(B) a licensed practitioner makes the sale to a patient.

(7) A nonlegend drug, if:

(A) the nonlegend drug is dispensed upon an original



prescription or a drug order (as defined in IC 16-42-19-3); and
 (B) the ultimate user of the drug is a person confined to a hospital or health care facility.

(8) Food, food ingredients, and dietary supplements that are sold by a licensed practitioner or pharmacist.

(d) Transactions involving the following are exempt from the state gross retail tax if the patient acquires the property for the patient's own use without a prescription or drug order:

(1) Hearing aid devices that are:

(A) worn on the body and designed to aid, improve, or correct defective human hearing, including:

- (i) parts;
- (ii) attachments;
- (iii) batteries; or
- (iv) accessories;

reasonably necessary for the use of a hearing aid device; and

(B) fitted or dispensed by a person licensed or registered for that purpose.

(2) Prosthetic devices, including artificial limbs, orthopedic devices, dental prosthetic devices, eyeglasses, and contact lenses, that are:

(A) used to aid, improve, or correct human movement and operation; and

(B) fitted or dispensed by a person licensed or registered for that purpose.

~~(3)~~ **(3)** Colostomy bags, ileostomy bags, and the medical equipment, supplies, and devices used in conjunction with those bags.

~~(4)~~ **(4)** Devices and equipment used to administer insulin.

~~(5)~~ **(5)** Insulin, oxygen, blood, and blood plasma, if purchased for medical purposes.

SECTION 9. IC 6-2.5-5-47, AS ADDED BY P.L.195-2016, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016 (RETROACTIVE)]: Sec. 47. Transactions involving the sale of or the lease or rental of storage for:

(1) coins that are permitted investments by an individual retirement account or by an individually-directed account under 26 U.S.C. 408(m);

(2) bullion that ~~is~~ **would be** a permitted investment by an individual retirement account or by an individually-directed account under 26 U.S.C. 408(m) **if the bullion was in the physical possession of a trustee;** or



(3) legal tender;
are exempt from the state gross retail tax.

SECTION 10. IC 6-2.5-5-48 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: **Sec. 48. (a) As used in this section, "drainage water management system" means a subsurface system of drainage tubing, drainage tiles, water flowgates, control valves, and related control systems designed to facilitate controlled water drainage from agricultural land used for crop production.**

(b) A transaction involving a component of a drainage water management system intended for use as described in subsection (a) is exempt from the state gross retail tax if the person acquiring the component is engaged in the business of agriculture.

SECTION 11. IC 6-3-1-3.5, AS AMENDED BY P.L.181-2016, SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: **Sec. 3.5.** When used in this article, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

- (1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.
- (2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.
- (3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).
- (4) Subtract one thousand dollars (\$1,000) for:
 - (A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;
 - (B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and
 - (C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.
- (5) Subtract:
 - (A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code (as effective January 1, 2004);



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

- (i) who is less than nineteen (19) years of age or is a full-time student who is less than twenty-four (24) years of age;
- (ii) for whom the taxpayer is the legal guardian; and
- (iii) for whom the taxpayer does not claim an exemption under clause (A); and

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

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

(6) Subtract any amounts included in federal adjusted gross income under Section 111 of the Internal Revenue Code as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(7) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(8) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(9) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), and (5) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(10) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(11) In the case of an eligible individual, subtract the amount of



a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(12) Subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(13) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(14) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the individual's federal adjusted gross income.

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

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

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

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

(19) Subtract an amount equal to the amount of the taxpayer's qualified military income that was not excluded from the taxpayer's gross income for federal income tax purposes under Section 112 of the Internal Revenue Code.



(20) Subtract income that is:

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

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

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

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

(23) Subtract an amount as described in Section 1341(a)(2) of the Internal Revenue Code to the extent, if any, that the amount was previously included in the taxpayer's adjusted gross income for a prior taxable year.

(24) Subtract any other amounts the taxpayer is entitled to deduct under IC 6-3-2.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

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

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

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

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal



Revenue Code.

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

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

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

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

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

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

(11) Subtract income that is:

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

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

(12) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after



December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

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

(14) Add or subtract any other amounts the taxpayer is:

(A) required to add or subtract; or

(B) entitled to deduct;

under IC 6-3-2.

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

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

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

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

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

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



- (6) Add an amount equal to any deduction allowed under Section 172 or Section 810 of the Internal Revenue Code.
- (7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).
- (8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.
- (9) Subtract income that is:
- (A) exempt from taxation under IC 6-3-2-21.7; and
 - (B) included in the insurance company's taxable income under the Internal Revenue Code.
- (10) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.
- (11) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.
- (12) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.



**(13) Add or subtract any other amounts the taxpayer is:
 (A) required to add or subtract; or
 (B) entitled to deduct;
 under IC 6-3-2.**

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 of the Internal Revenue Code), adjusted as follows:

- (1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.
- (2) Add an amount equal to any deduction allowed or allowable under Section 170 of the Internal Revenue Code.
- (3) Add an amount equal to a deduction allowed or allowable under Section 805 or Section 832(c) of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state.
- (4) Subtract an amount equal to the amount included in the company's taxable income under Section 78 of the Internal Revenue Code.
- (5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.
- (6) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.
- (7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).
- (8) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal



income tax purposes.

(9) Subtract income that is:

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

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

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

(11) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

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

(13) Add or subtract any other amounts the taxpayer is:

(A) required to add or subtract; or

(B) entitled to deduct;

under IC 6-3-2.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code) adjusted as follows:

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

(2) Subtract an amount equal to the amount of a September 11 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.

(3) Add or subtract the amount necessary to make the adjusted



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

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

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

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

(7) Subtract income that is:

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

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

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

(9) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on



an obligation of a state other than Indiana, or a political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.

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

(A) required to add or subtract; or

(B) entitled to deduct;

under IC 6-3-2.

SECTION 12. IC 6-3-2-2.5, AS AMENDED BY P.L.172-2011, SECTION 56, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 2.5. (a) This section applies to a resident person.

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

(c) An Indiana net operating loss equals the taxpayer's federal net operating loss for a taxable year as calculated under Section 172 of the Internal Revenue Code, adjusted for ~~the~~ **certain** modifications required by IC 6-3-1-3.5 **as set forth in subsection (d)(1)**.

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

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

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

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

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

(D) IC 6-3-1-3.5(a)(24); and

(E) IC 6-3-1-3.5(e)(10).

(2) An Indiana net operating loss includes a net operating loss that arises when the **applicable** modifications required by IC 6-3-1-3.5 **as set forth in subdivision (1)** exceed the taxpayer's federal adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for the taxable year in which the Indiana net operating loss is determined.

(e) Subject to the limitations contained in subsection (g), an Indiana net operating loss carryover shall be available as a deduction from the taxpayer's adjusted gross income (as defined in IC 6-3-1-3.5) in the carryover year provided in subsection (f).

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

(1) An Indiana net operating loss shall be an Indiana net operating



loss carryover to each of the carryover years following the taxable year of the loss.

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

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

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

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

SECTION 13. IC 6-3-2-2.6, AS AMENDED BY P.L.172-2011, SECTION 57, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 2.6. (a) This section applies to a corporation or a nonresident person.

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

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

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

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

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

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

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



- (D) IC 6-3-1-3.5(a)(24);
 (E) IC 6-3-1-3.5(b)(14);
 (F) IC 6-3-1-3.5(c)(13);
 (G) IC 6-3-1-3.5(d)(13); and
 (H) IC 6-3-1-3.5(e)(10).

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

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

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

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

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

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

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



following:

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

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

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

(1) a life insurance company (as defined in Section 816(a) of the Internal Revenue Code); or

(2) an insurance company subject to tax under Section 831 of the Internal Revenue Code.

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

(1) substituting the corresponding provisions of Section 810 of the Internal Revenue Code in place of references to Section 172 of the Internal Revenue Code; and

(2) substituting life insurance company taxable income (as defined in Section 801 the Internal Revenue Code) in place of references to taxable income (as defined in Section 63 of the Internal Revenue Code).

SECTION 14. IC 6-3.6-2-2, AS ADDED BY P.L.243-2015, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 2. "Adjusted gross income" has the meaning set forth in IC 6-3-1-3.5. However:

(1) **except as provided in subdivision (3)**, in the case of a local taxpayer who is not treated as a resident local taxpayer of a county, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment; **and**

(2) in the case of a resident local taxpayer of Perry County, the term does not include adjusted gross income described in IC 6-3.6-8-7; **and**

(3) in the case of a local taxpayer described in section 13(3) of this chapter, the term includes only that part of the individual's total income that:

(A) is apportioned to Indiana under IC 6-3-2-2.7 or IC 6-3-2-3.2; and

(B) is paid to the individual as compensation for services



rendered in the county as a team member or race team member.

SECTION 15. IC 6-3.6-2-13, AS ADDED BY P.L.243-2015, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 13. "Local taxpayer", as it relates to a particular county, means any ~~individual who~~ **of the following:**

- (1) **An individual who** resides in that county on the date specified in IC 6-3.6-8-3. ~~or~~
- (2) **An individual who** maintains the taxpayer's principal place of business or employment in that county on the date specified in IC 6-3.6-8-3 and who does not reside on that same date in another county in Indiana in which a tax under this article is in effect.
- (3) **An individual who:**
 - (A) **has income apportioned to Indiana as:**
 - (i) **a team member under IC 6-3-2-2.7; or**
 - (ii) **a race team member under IC 6-3-2-3.2;**
 - for services rendered in the county; and**
 - (B) **is not described in subdivision (1) or (2).**

SECTION 16. IC 6-3.6-9-10, AS AMENDED BY P.L.180-2016, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 10. The budget agency shall also certify information concerning the part of the certified distribution that is attributable to each of the following:

- (1) The tax rate imposed under IC 6-3.6-5.
- (2) The tax rate imposed under IC 6-3.6-6, separately stating the part of the distribution attributable to a tax rate imposed under IC 6-3.6-6-2.5.
- (3) Each tax rate imposed under IC 6-3.6-7.
- (4) **In the case of Marion County, the local income taxes paid by local taxpayers described in IC 6-3.6-2-13(3).**

The amount certified shall be adjusted to reflect any adjustment in the certified distribution under this chapter.

SECTION 17. IC 6-3.6-11-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: **Sec. 1.5. (a) This section applies only to Marion County.**

(b) If the capital improvement board established under IC 36-10-9 has established a bid fund described in IC 5-13-10.5-18(g), the county auditor shall transfer to the bid fund an amount equal to the part of the county's certified distribution that is certified under IC 6-3.6-9-10(4).

SECTION 18. IC 6-5.5-6-2 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 2. Annual returns required by this chapter shall be filed with the department on or before **the later of the following:**

- (1) The fifteenth day of the fourth month following the close of the taxpayer's taxable year.
- (2) **For a taxpayer whose federal tax return is due on or after the date set forth in subdivision (1), as determined without regard to any extensions, weekends, or holidays, the fifteenth day of the month following the due date of the federal tax return.**

However, if a taxpayer receives an extension of time from the United States Internal Revenue Service for the filing of its federal income tax return for a taxable year, the department shall grant a similar extension of time to the taxpayer for the filing of a return required by this chapter for that taxable year. In addition, the department may grant an additional reasonable extension of time for filing a return required by this chapter.

SECTION 19. IC 6-6-6.5-25, AS ADDED BY P.L.113-2010, SECTION 68, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 25. An aircraft may be registered under this chapter without the payment of the state use tax under IC 6-2.5-3 if:

- (1) the aircraft was registered in another state as of January 1, ~~2010~~, **2017**, and any sales or use tax due in the registration state was paid and ownership of the aircraft has not changed after December 31, ~~2009~~, **2016**;
- (2) there is no outstanding tax liability in the registration state that directly relates to the aircraft; and
- (3) an application for the registration of the aircraft under this chapter is filed after June 30, ~~2010~~, **2017**, and **on or** before September 30, ~~2010~~, **2017**, and the registration fee under section 3 of this chapter and the aircraft excise tax under section 13 of this chapter are paid.

SECTION 20. IC 6-8-12-1, AS AMENDED BY P.L.131-2008, SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 1. As used in this chapter, "eligible entity" means:

- (1) the National Football League and its affiliates; ~~and~~
 - (2) the National Collegiate Athletic Association and its affiliates;
- and**

(3) the National Basketball Association and its affiliates.

SECTION 21. IC 6-8-12-2, AS AMENDED BY P.L.131-2008, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 2. As used in this chapter, "eligible event" means:



(1) an event known as the Super Bowl that is conducted after December 31, 2011, by an eligible entity described in section 1(1) of this chapter; ~~or~~

(2) an event known as the Men's Final Four or the Women's Final Four, including the ancillary events associated with the Men's Final Four or the Women's Final Four, that is conducted after December 31, 2011, by an eligible entity described in section 1(2) of this chapter; **or**

(3) an event comprising NBA All-Star Weekend conducted by an eligible entity described in section 1(3) of this chapter, including the NBA All-Star Game, All-Star Saturday Night, Rising Stars Challenge, Celebrity Game, D-League All-Star Game, and additional events as the NBA may establish.

SECTION 22. IC 6-8-12-3, AS AMENDED BY P.L.197-2016, SECTION 73, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 3. (a) Except as provided in ~~subsection~~ **subsections (b) and (c)**, all property owned by an eligible entity, revenues of an eligible entity, and expenditures and transactions of an eligible entity:

- (1) in connection with an eligible event; and
- (2) resulting from holding an eligible event in Indiana or making preparatory advance visits to Indiana in connection with an eligible event;

are exempt from taxation in Indiana for all purposes.

(b) Salaries and wages paid to employees of the National Collegiate Athletic Association and its affiliates that are ordinarily subject to taxation under:

- (1) IC 6-3-1 through IC 6-3-7; and
- (2) IC 6-3.6;

are subject to income taxation regardless of whether the salaries and wages are paid in connection with an eligible event, holding an eligible event in Indiana, or making a preparatory advance visit to Indiana in connection with an eligible event.

(c) Salaries and wages paid to employees of the National Basketball Association and its affiliates that are ordinarily subject to taxation under:

- (1) IC 6-3-1 through IC 6-3-7; and**
- (2) IC 6-3.6;**

are subject to income taxation regardless of whether the salaries and wages are paid in connection with an eligible event, holding an eligible event in Indiana, or making a preparatory advance visit to Indiana in connection with an eligible event.



SECTION 23. IC 6-8.1-9-14, AS AMENDED BY P.L.103-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 14. (a) Except as provided in subsection (n), the department shall establish, administer, and make available a centralized debt collection program for use by state agencies to collect delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to or being collected by state agencies. The department's collection facilities shall be available for use by other state agencies only when resources are available to the department.

(b) The commissioner shall prescribe the appropriate form and manner in which collection information is to be submitted to the department.

(c) The debt must be delinquent and not subject to litigation, claim, appeal, or review under the appropriate remedies of a state agency.

(d) The department has the authority to collect for the state or claimant agency (as defined in IC 6-8.1-9.5-1) delinquent accounts, charges, fees, loans, taxes, or other indebtedness due:

- (1) the state; ~~or~~
- (2) a claimant agency that has a formal agreement with the department for central debt collection; ~~or~~
- (3) a claimant agency described in IC 6-8.1-9.5-1(1)(B) that has an interlocal agreement with a clearinghouse that:**
 - (A) is established under IC 6-8.1-9.5-3.5; and**
 - (B) has a formal agreement with the department for central debt collection.**

(e) The formal agreement must provide that the information provided to the department be sufficient to establish the obligation in court and to render the agreement as a legal judgment on behalf of the state. After transferring a file for collection to the department for collection, the claimant agency shall terminate all collection procedures and be available to provide assistance to the department. Upon receipt of a file for collection, the department shall comply with all applicable state and federal laws governing collection of the debt.

(f) The department may use a claimant agency's statutory authority to collect the claimant agency's delinquent accounts, charges, fees, loans, taxes, or other indebtedness owed to the claimant agency.

(g) The department's right to credit against taxes due may not be impaired by any right granted the department or other state agency under this section.

(h) The department of state revenue may charge ~~the claimant agency~~ **a debtor** a fee not to exceed fifteen percent (15%) of any funds the department collects for a claimant agency. Notwithstanding any law



concerning delinquent accounts, charges, fees, loans, taxes, or other indebtedness, the fifteen percent (15%) fee shall be added to the amount due to the state or claimant agency when the collection is made.

(i) Fees collected under subsection (h) shall be retained by the department after the debt is collected for the claimant agency and are appropriated to the department for use by the department in administering this section.

(j) The department shall transfer any funds collected from a debtor to the claimant agency within thirty (30) days after the end of the month in which the funds were collected.

(k) When a claimant agency requests collection by the department, the claimant agency shall provide the department with:

- (1) the full name;
- (2) the Social Security number or federal identification number, or both;
- (3) the last known mailing address; and
- (4) additional information that the department may request;

concerning the debtor.

(l) The department shall establish a minimum amount that the department will attempt to collect for the claimant agency.

(m) The commissioner shall report, not later than March 1 for the previous calendar year, to the governor, the budget director, and the legislative council concerning the implementation of the centralized debt collection program, the number of debts, the dollar amounts of debts collected, and an estimate of the future costs and benefits that may be associated with the collection program. A report to the legislative council under this subsection must be in an electronic format under IC 5-14-6.

(n) The department may not assess a fee to a state agency or a custodial parent for seeking a ~~setoff~~ **set off** to a state or federal income tax refund for past due child support.

SECTION 24. IC 6-8.1-9.5-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 1. ~~For purposes of~~ **The following definitions apply throughout** this chapter:

- (1) "Claimant agency" means:
 - (A) any state department, institution, commission, committee, board, division, bureau, authority, officer, official, or clerk of a circuit court; **or**
 - (B) **a unit of local government that has an interlocal agreement with a clearinghouse established under section 3.5 of this chapter.**



(2) "Debtor" means any person or legal entity that is delinquent in paying a debt to a claimant agency that has not been adjudicated, satisfied by court order, set aside by court order, or discharged in bankruptcy.

(3) "Debt" means any liquidated amount owed and due to a Title IV-D agency of another state, or to any claimant agency which has accrued through contract, subrogation, assignment for purposes of collection, tort, operation of law, or any other legal theory, regardless of whether there is an outstanding judgment for that sum.

(4) "Unit of local government" means a county, city, town, township, and any other political subdivision, commission, or agency created under Indiana law. The term includes a school corporation under IC 20.

SECTION 25. IC 6-8.1-9.5-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 3. (a) To obtain a set off by the department, a claimant agency must:

(1) in the case of a claimant agency described in section 1(1)(A) of this chapter, file an application for the set off; or

(2) in the case of a claimant agency described in section 1(1)(B) of this chapter, direct the clearinghouse with which the claimant agency has an interlocal agreement under section 3.5(d) of this chapter to file an application for the set off on behalf of the claimant agency;

with the department before November 30 of the year preceding the calendar year in which a tax refund is payable by the department. The department shall prescribe the form of and the contents of the application.

(b) An application filed pursuant to this section is effective only for the purpose of set off of tax refunds that are payable in the calendar year that succeeds the calendar year in which an application is filed.

SECTION 26. IC 6-8.1-9.5-3.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 3.5. (a) As used in this section, "claimant agency" refers only to a claimant agency described in section 1(1)(B) of this chapter.

(b) The department may enter into a contract with a nonprofit entity organized in Indiana that represents units of local government exclusively in Indiana to establish a clearinghouse for the following purposes:

(1) To compile and consolidate debts of claimant agencies in a format that is consistent with the department's



requirements for the set off of tax refunds under this chapter.

(2) To act as an intermediary on behalf of a claimant agency with respect to the department for purposes of this chapter.

(3) To submit an application for the set off of tax refunds with the department on behalf of a claimant agency under section 3(a)(2) of this chapter.

(4) To provide any other assistance to a claimant agency or the department that the department considers appropriate. Assistance under this subdivision may include authorization for the clearinghouse to establish and maintain a toll free telephone number that enables a debtor to make inquiries concerning a tax refund set off under this chapter.

(c) A clearinghouse established under subsection (b) must register with the department. Only one (1) clearinghouse may be registered to represent units of local government at any given time.

(d) A unit of local government may enter into an interlocal agreement under IC 36-1-7 with a clearinghouse established under subsection (b) to carry out activities on behalf of the unit of local government as authorized in a contract under subsection (b).

(e) The department may adopt rules under IC 4-22-2 that set forth the procedures and format requirements that must be included in an interlocal agreement entered into under subsection (d).

SECTION 27. IC 6-8.1-9.5-3.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 3.7. (a) A unit of local government may not submit a debt for a set off of a tax refund under section 3(a)(2) of this chapter unless the unit of local government first complies with the requirements of this section.

(b) A unit of local government must send written notice to a debtor that the unit of local government intends to submit the debt owed by the debtor for the tax refund set off under this chapter. The notice must state substantially the following:

(1) The unit of local government's basis for the claim to the debt and set off.

(2) The unit of local government intends to submit the debt owed by the debtor for the tax refund set off under this chapter.

(3) The debtor has the right to contest the matter by filing a protest and request for hearing with the fiscal officer of the unit of local government.

(4) The time limits and procedures for protesting and



requesting the hearing.

(5) A statement that the failure to protest and request a hearing within the required time will result in the debt being submitted for the tax refund set off under this chapter.

(6) A statement that in addition to the amount of the debt owed by the debtor, the total amount of the set off of the debtor's tax refund may include the following fees for processing the set off of the debtor's tax refund, as applicable:

(A) The collection fee described in section 10(a) of this chapter.

(B) One (1) or more local collection assistance fees described in section 10(b) of this chapter.

The notice required under this subsection must be made in the same manner as set forth in IC 4-21.5-3-1 for adjudicative proceedings.

(c) A debtor may protest a proposed tax refund set off by submitting a written objection to the fiscal officer of the unit of local government not later than thirty (30) days after the notice under subsection (b) was served on the debtor. The rules for computing a period of time under IC 4-21.5-3-2 apply.

(d) The fiscal officer of the unit of local government shall hold a hearing on a debtor's protest that is timely filed under subsection (c). The hearing must be conducted in an informal manner without recourse to the technical, common law rules of evidence applicable to civil actions in the courts. The debtor must be afforded the opportunity to respond to the written notice provided under subsection (b), present evidence and argument, cross-examine witnesses, and submit rebuttal evidence. At the conclusion of a hearing, the fiscal officer of the unit of local government shall issue a written decision on the debtor's protest that includes findings of fact and conclusions of law for all aspects of the decision.

(e) A debtor that disagrees with a written decision of the fiscal officer of a unit of local government may file an action in the circuit or superior court of the county in which the unit of local government is located to stay the submission of the debt owed by the debtor for the tax refund set off under this chapter. The court has jurisdiction in such an action and shall determine the matter de novo, with the burden of proof on the unit of local government to sustain its written decision.

(f) A unit of local government that fails to comply with the requirements of this section before submitting a debt for a tax refund set off under this chapter is liable to the debtor for the



amount of any tax refund set off applied by the department for the debt to the claimant agency, including any collection fee.

SECTION 28. IC 6-8.1-9.5-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 7. **(a) This subsection applies to a claimant agency described in section 1(1)(A) of this chapter.** If a claimant agency receives written notice that a debtor intends to contest its claim to a debt and set off, the claimant agency shall hold a hearing under IC 4-21.5-3.

(b) This subsection applies to a claimant agency described in section 1(1)(B) of this chapter. If a claimant agency receives written notice that a debtor intends to contest the claim to a debt and set off following the notice provided under section 5 of this chapter, the claimant agency shall hold a hearing under section 3.7(d) of this chapter. If a hearing was previously held on the debtor's protest under section 3.7(d) of this chapter, the hearing under this subsection shall be conducted as a rehearing of the unit of local government's written decision.

SECTION 29. IC 6-8.1-9.5-10, AS AMENDED BY P.L.103-2007, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 10. **(a)** The department of state revenue may charge ~~the claimant agency a debtor~~ a fee of fifteen percent (15%) of any funds it sets off ~~debts collected~~ under this chapter as a collection fee for ~~its the~~ department's services, **not including any local collection assistance fees charged under subsection (b).** The department must bill the claimant agency in order to collect this fee. However, the department may not assess a fee to a state agency or custodial parent for seeking a setoff to a state or federal income tax refund for past due child support.

(b) This subsection applies to a debt collected for a claimant agency described in section 1(1)(B) of this chapter. A local collection assistance fee not to exceed twenty dollars (\$20) shall be imposed on each debt submitted by the claimant agency and collected through a set off under this chapter. The board of the nonprofit organization that operates the clearinghouse registered under section 3.5 of this chapter shall determine the amount of the fee by resolution. Notwithstanding any law concerning delinquent accounts, charges, fees, loans, taxes, or other indebtedness, the local collection assistance fee shall be added to the amount due the claimant agency when the collection is made, not including any fee charged by the department of state revenue under subsection (a). A fee collected under this subsection shall be distributed by the department to the nonprofit entity with which the department has



entered into a contract under section 3.5(b) of this chapter.

SECTION 30. IC 6-8.1-9.5-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 12. Priority in multiple claims to refunds allowed to be set off under this chapter shall be in the **following** order: in time which a claimant agency has filed a written notice with the department of its intention to effect collection through set off under this chapter.

- (1) Department of state revenue.**
- (2) Child support bureau.**
- (3) Department of workforce development.**
- (4) Family and social services administration for claims concerning the Temporary Assistance for Needy Families program (TANF).**
- (5) Family and social services administration for claims concerning the federal Supplemental Nutrition Assistance program (SNAP).**
- (6) Family and social services administration for claims concerning the Child Care and Development Fund (CCDF).**
- (7) Approved postsecondary educational institutions (as defined in IC 21-7-13-6).**
- (8) Office of judicial administration for claims concerning the judicial technology and automation project fund.**
- (9) A claimant agency described in section 1(1)(A) of this chapter:**
 - (A) that is not listed in subdivisions (1) through (8); and**
 - (B) that enters into a formal agreement with the department under IC 6-8.1-9-14(d) after December 31, 2017.**

The priority of multiple claims of claimant agencies in this subsection must be in the order in time that a claimant agency entered into a formal agreement with the department.

- (10) United States Internal Revenue Service.**
- (11) A claimant agency described in section 1(1)(A) of this chapter that is not identified in the order priority under subdivisions (1) through (9). The priority of multiple claims of claimant agencies in this subsection must be in the order in time that a claimant agency has filed a written notice with the department of its intention to effect collection through a set off under this chapter.**
- (12) A claimant agency described in section 1(1)(B) of this chapter. The priority of multiple claims of claimant agencies in this subsection must be in the order in time that the**



clearinghouse representing the claimant agency files an application on behalf of the claimant agency to effect collection through a set off under this chapter.

SECTION 31. IC 6-8.1-9.5-13, AS AMENDED BY P.L.145-2006, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 13. (a) Notwithstanding IC 6-8.1-7 or any other provision of law prohibiting disclosure of a taxpayer's records or information, all information exchanged among the department, the claimant agency, **a clearinghouse registered under section 3.5 of this chapter**, and the debtor necessary to accomplish the purpose of this chapter is lawful.

(b) Whenever the child support bureau of the department of child services seeks to enforce a child support obligation through a setoff against a debtor's tax refund, the department shall make the following information available to that agency and to any other state's Title IV-D agency that is enforcing the child support order against the debtor:

- (1) The debtor's Social Security account number (or numbers, if the debtor has more than one (1) number).
- (2) The debtor's home address.

SECTION 32. IC 36-7-31-6, AS AMENDED BY P.L.197-2016, SECTION 134, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2018]: Sec. 6. As used in this chapter, "covered taxes" means the following:

(1) With respect to the professional sports development area as it existed on December 31, 2008:

- (A) The state gross retail tax imposed under IC 6-2.5-2-1 or use tax imposed under IC 6-2.5-3-2.
- (B) An adjusted gross income tax imposed under IC 6-3-2-1 on an individual.
- (C) The local income tax imposed under IC 6-3.6, **other than local income taxes that are paid by local taxpayers described in IC 6-3.6-2-13(3).**
- (D) A food and beverage tax imposed under IC 6-9.

(2) With respect to an addition to the professional sports development area after December 31, 2008:

- (A) The state gross retail tax imposed under IC 6-2.5-2-1 or use tax imposed under IC 6-2.5-3-2.
- (B) An adjusted gross income tax imposed under IC 6-3-2-1 on an individual.
- (C) The local income tax imposed under IC 6-3.6, **other than local income taxes that are paid by local taxpayers described in IC 6-3.6-2-13(3).**



SECTION 33. [EFFECTIVE JANUARY 1, 2018] (a) IC 6-3.6-2-2 and IC 6-3.6-2-13, both as amended by this act, apply only to taxable years beginning after December 31, 2017.

(b) This SECTION expires July 1, 2021.

SECTION 34. [EFFECTIVE UPON PASSAGE] (a) The following definitions apply throughout this SECTION:

(1) "C corporation" means a corporation subject to Internal Revenue Code Subtitle A, Chapter 1, Subchapter C (Internal Revenue Code Section 301 et seq.) for federal income tax purposes.

(2) "Listed taxes" has the meaning set forth in IC 6-8.1-1-1.

(3) "Statutory tax relief" means the amount equal to:

(A) the best estimate of the sum of all listed taxes revenue and property tax revenue that would have been received from C corporations during the period 2011 through 2016 if the Indiana Code in effect on January 1, 2010, were effective throughout the calendar year; minus

(B) the best estimate of the sum of all listed taxes revenue and property tax revenue received from C corporations during the period 2011 through 2016.

(b) The legislative services agency shall conduct a study concerning the correlation between employment growth and the statutory tax relief realized by C corporations during the period 2011 through 2016.

(c) Not later than October 1, 2017, the legislative services agency shall submit a report of the study to the legislative council, the interim study committee on fiscal policy, and the chairperson and ranking minority member of the house committee on ways and means and the senate committee on tax and fiscal policy. The report to the legislative council must be in an electronic format under IC 5-14-6.

(d) This SECTION expires December 31, 2017.

SECTION 35. An emergency is declared for this act.



President of the Senate

President Pro Tempore

Speaker of the House of Representatives

Governor of the State of Indiana

Date: _____ Time: _____

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