

HOUSE BILL No. 1347

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3; IC 6-5.5-1-2.

Synopsis: Definition of adjusted gross income. Eliminates the adjustment based on the federal deduction for amounts spent on certain depreciable property under Section 179 of the Internal Revenue Code in the definition of "adjusted gross income" for purposes of the Indiana adjusted gross income tax and the financial institutions tax. Eliminates the add back of the federal deduction for domestic production activities under Section 199 of the Internal Revenue Code in the definition of "adjusted gross income" for purposes of the Indiana adjusted gross income tax and the financial institutions tax.

Effective: January 1, 2015 (retroactive).

Leonard

January 13, 2015, read first time and referred to Committee on Ways and Means.



First Regular Session of the 119th General Assembly (2015)

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 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1347



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 P.L.205-2013,
2 SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2015 (RETROACTIVE)]: Sec. 3.5. When used in this
4 article, the term "adjusted gross income" shall mean the following:
5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:
8 (1) Subtract income that is exempt from taxation under this article
9 by the Constitution and statutes of the United States.
10 (2) Add an amount equal to any deduction or deductions allowed
11 or allowable pursuant to Section 62 of the Internal Revenue Code
12 for taxes based on or measured by income and levied at the state
13 level by any state of the United States.
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a
15 joint return filed by a husband and wife, subtract for each spouse



- 1 one thousand dollars (\$1,000).
2 (4) Subtract one thousand dollars (\$1,000) for:
3 (A) each of the exemptions provided by Section 151(c) of the
4 Internal Revenue Code;
5 (B) each additional amount allowable under Section 63(f) of
6 the Internal Revenue Code; and
7 (C) the spouse of the taxpayer if a separate return is made by
8 the taxpayer and if the spouse, for the calendar year in which
9 the taxable year of the taxpayer begins, has no gross income
10 and is not the dependent of another taxpayer.
11 (5) Subtract:
12 (A) one thousand five hundred dollars (\$1,500) for each of the
13 exemptions allowed under Section 151(c)(1)(B) of the Internal
14 Revenue Code (as effective January 1, 2004); and
15 (B) five hundred dollars (\$500) for each additional amount
16 allowable under Section 63(f)(1) of the Internal Revenue Code
17 if the adjusted gross income of the taxpayer, or the taxpayer
18 and the taxpayer's spouse in the case of a joint return, is less
19 than forty thousand dollars (\$40,000).
20 This amount is in addition to the amount subtracted under
21 subdivision (4).
22 (6) Subtract an amount equal to the lesser of:
23 (A) that part of the individual's adjusted gross income (as
24 defined in Section 62 of the Internal Revenue Code) for that
25 taxable year that is subject to a tax that is imposed by a
26 political subdivision of another state and that is imposed on or
27 measured by income; or
28 (B) two thousand dollars (\$2,000).
29 (7) Add an amount equal to the total capital gain portion of a
30 lump sum distribution (as defined in Section 402(e)(4)(D) of the
31 Internal Revenue Code) if the lump sum distribution is received
32 by the individual during the taxable year and if the capital gain
33 portion of the distribution is taxed in the manner provided in
34 Section 402 of the Internal Revenue Code.
35 (8) Subtract any amounts included in federal adjusted gross
36 income under Section 111 of the Internal Revenue Code as a
37 recovery of items previously deducted as an itemized deduction
38 from adjusted gross income.
39 (9) Subtract any amounts included in federal adjusted gross
40 income under the Internal Revenue Code which amounts were
41 received by the individual as supplemental railroad retirement
42 annuities under 45 U.S.C. 231 and which are not deductible under



- 1 subdivision (1).
2 (10) Subtract an amount equal to the amount of federal Social
3 Security and Railroad Retirement benefits included in a taxpayer's
4 federal gross income by Section 86 of the Internal Revenue Code.
5 (11) In the case of a nonresident taxpayer or a resident taxpayer
6 residing in Indiana for a period of less than the taxpayer's entire
7 taxable year, the total amount of the deductions allowed pursuant
8 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
9 which bears the same ratio to the total as the taxpayer's income
10 taxable in Indiana bears to the taxpayer's total income.
11 (12) In the case of an individual who is a recipient of assistance
12 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
13 subtract an amount equal to that portion of the individual's
14 adjusted gross income with respect to which the individual is not
15 allowed under federal law to retain an amount to pay state and
16 local income taxes.
17 (13) In the case of an eligible individual, subtract the amount of
18 a Holocaust victim's settlement payment included in the
19 individual's federal adjusted gross income.
20 (14) Subtract an amount equal to the portion of any premiums
21 paid during the taxable year by the taxpayer for a qualified long
22 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
23 or the taxpayer's spouse, or both.
24 (15) Subtract an amount equal to the lesser of:
25 (A) two thousand five hundred dollars (\$2,500); or
26 (B) the amount of property taxes that are paid during the
27 taxable year in Indiana by the individual on the individual's
28 principal place of residence.
29 (16) Subtract an amount equal to the amount of a September 11
30 terrorist attack settlement payment included in the individual's
31 federal adjusted gross income.
32 (17) Add or subtract the amount necessary to make the adjusted
33 gross income of any taxpayer that owns property for which bonus
34 depreciation was allowed in the current taxable year or in an
35 earlier taxable year equal to the amount of adjusted gross income
36 that would have been computed had an election not been made
37 under Section 168(k) of the Internal Revenue Code to apply bonus
38 depreciation to the property in the year that it was placed in
39 service.
40 (18) Add an amount equal to any deduction allowed under
41 Section 172 of the Internal Revenue Code.
42 ~~(19) Add or subtract the amount necessary to make the adjusted~~



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

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

14 ~~(21)~~ **(19)** Subtract an amount equal to the amount of the taxpayer's
 15 qualified military income that was not excluded from the
 16 taxpayer's gross income for federal income tax purposes under
 17 Section 112 of the Internal Revenue Code.

18 ~~(22)~~ **(20)** Subtract income that is:

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

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

22 ~~(23)~~ **(21)** Subtract any amount of a credit (including an advance
 23 refund of the credit) that is provided to an individual under 26
 24 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and
 25 included in the individual's federal adjusted gross income.

26 ~~(24)~~ **(22)** Add any amount of unemployment compensation
 27 excluded from federal gross income, as defined in Section 61 of
 28 the Internal Revenue Code, under Section 85(c) of the Internal
 29 Revenue Code.

30 ~~(25)~~ **(23)** Add the amount excluded from gross income under
 31 Section 108(a)(1)(e) of the Internal Revenue Code for the
 32 discharge of debt on a qualified principal residence.

33 ~~(26)~~ **(24)** Add an amount equal to any income not included in
 34 gross income as a result of the deferral of income arising from
 35 business indebtedness discharged in connection with the
 36 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. Subtract the amount
 39 necessary from the adjusted gross income of any taxpayer that
 40 added an amount to adjusted gross income in a previous year to
 41 offset the amount included in federal gross income as a result of
 42 the deferral of income arising from business indebtedness



1 discharged in connection with the reacquisition after December
 2 31, 2008, and before January 1, 2011, of an applicable debt
 3 instrument, as provided in Section 108(i) of the Internal Revenue
 4 Code.

5 ~~(27)~~ **(25)** Add or subtract the amount necessary to make the
 6 adjusted gross income of any taxpayer that claimed the special
 7 allowance for qualified disaster assistance property under Section
 8 168(n) of the Internal Revenue Code equal to the amount of
 9 adjusted gross income that would have been computed had the
 10 special allowance not been claimed for the property.

11 ~~(28)~~ **(26)** Add or subtract the amount necessary to make the
 12 adjusted gross income of any taxpayer that made an election
 13 under Section 179C of the Internal Revenue Code to expense
 14 costs for qualified refinery property equal to the amount of
 15 adjusted gross income that would have been computed had an
 16 election for federal income tax purposes not been made for the
 17 year.

18 ~~(29)~~ **(27)** Add or subtract the amount necessary to make the
 19 adjusted gross income of any taxpayer that made an election
 20 under Section 181 of the Internal Revenue Code to expense costs
 21 for a qualified film or television production equal to the amount
 22 of adjusted gross income that would have been computed had an
 23 election for federal income tax purposes not been made for the
 24 year.

25 ~~(30)~~ **(28)** Add or subtract the amount necessary to make the
 26 adjusted gross income of any taxpayer that treated a loss from the
 27 sale or exchange of preferred stock in:

28 (A) the Federal National Mortgage Association, established
 29 under the Federal National Mortgage Association Charter Act
 30 (12 U.S.C. 1716 et seq.); or
 31 (B) the Federal Home Loan Mortgage Corporation, established
 32 under the Federal Home Loan Mortgage Corporation Act (12
 33 U.S.C. 1451 et seq.);

34 as an ordinary loss under Section 301 of the Emergency
 35 Economic Stabilization Act of 2008 in the current taxable year or
 36 in an earlier taxable year equal to the amount of adjusted gross
 37 income that would have been computed had the loss not been
 38 treated as an ordinary loss.

39 ~~(31)~~ **(29)** Add the amount excluded from federal gross income
 40 under Section 103 of the Internal Revenue Code for interest
 41 received on an obligation of a state other than Indiana, or a
 42 political subdivision of such a state, that is acquired by the



1 taxpayer after December 31, 2011.

2 ~~(32)~~ **(30)** This subdivision does not apply to payments made for
 3 services provided to a business that was enrolled and participated
 4 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 5 time the taxpayer conducted business in Indiana in the taxable
 6 year. For a taxable year beginning after June 30, 2011, add the
 7 amount of any trade or business deduction allowed under the
 8 Internal Revenue Code for wages, reimbursements, or other
 9 payments made for services provided in Indiana by an individual
 10 for services as an employee, if the individual was, during the
 11 period of service, prohibited from being hired as an employee
 12 under 8 U.S.C. 1324a.

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

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

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

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

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

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

36 (6) Add an amount equal to any deduction allowed under Section
 37 172 of the Internal Revenue Code.

38 ~~(7) Add or subtract the amount necessary to make the adjusted~~
 39 ~~gross income of any taxpayer that placed Section 179 property (as~~
 40 ~~defined in Section 179 of the Internal Revenue Code) in service~~
 41 ~~in the current taxable year or in an earlier taxable year equal to~~
 42 ~~the amount of adjusted gross income that would have been~~



- 1 computed had an election for federal income tax purposes not
2 been made for the year in which the property was placed in
3 service to take deductions under Section 179 of the Internal
4 Revenue Code in a total amount exceeding twenty-five thousand
5 dollars (\$25,000):
- 6 (8) Add an amount equal to the amount that a taxpayer claimed as
7 a deduction for domestic production activities for the taxable year
8 under Section 199 of the Internal Revenue Code for federal
9 income tax purposes.
- 10 (9) (7) Add to the extent required by IC 6-3-2-20 the amount of
11 intangible expenses (as defined in IC 6-3-2-20) and any directly
12 related intangible interest expenses (as defined in IC 6-3-2-20) for
13 the taxable year that reduced the corporation's taxable income (as
14 defined in Section 63 of the Internal Revenue Code) for federal
15 income tax purposes.
- 16 (10) (8) Add an amount equal to any deduction for dividends paid
17 (as defined in Section 561 of the Internal Revenue Code) to
18 shareholders of a captive real estate investment trust (as defined
19 in section 34.5 of this chapter).
- 20 (11) (9) Subtract income that is:
- 21 (A) exempt from taxation under IC 6-3-2-21.7; and
- 22 (B) included in the corporation's taxable income under the
23 Internal Revenue Code.
- 24 (12) (10) Add an amount equal to any income not included in
25 gross income as a result of the deferral of income arising from
26 business indebtedness discharged in connection with the
27 reacquisition after December 31, 2008, and before January 1,
28 2011, of an applicable debt instrument, as provided in Section
29 108(i) of the Internal Revenue Code. Subtract from the adjusted
30 gross income of any taxpayer that added an amount to adjusted
31 gross income in a previous year the amount necessary to offset the
32 amount included in federal gross income as a result of the deferral
33 of income arising from business indebtedness discharged in
34 connection with the reacquisition after December 31, 2008, and
35 before January 1, 2011, of an applicable debt instrument, as
36 provided in Section 108(i) of the Internal Revenue Code.
- 37 (13) (11) Add or subtract the amount necessary to make the
38 adjusted gross income of any taxpayer that claimed the special
39 allowance for qualified disaster assistance property under Section
40 168(n) of the Internal Revenue Code equal to the amount of
41 adjusted gross income that would have been computed had the
42 special allowance not been claimed for the property.



- 1 ~~(14)~~ **(12)** Add or subtract the amount necessary to make the
 2 adjusted gross income of any taxpayer that made an election
 3 under Section 179C of the Internal Revenue Code to expense
 4 costs for qualified refinery property equal to the amount of
 5 adjusted gross income that would have been computed had an
 6 election for federal income tax purposes not been made for the
 7 year.
- 8 ~~(15)~~ **(13)** Add or subtract the amount necessary to make the
 9 adjusted gross income of any taxpayer that made an election
 10 under Section 181 of the Internal Revenue Code to expense costs
 11 for a qualified film or television production equal to the amount
 12 of adjusted gross income that would have been computed had an
 13 election for federal income tax purposes not been made for the
 14 year.
- 15 ~~(16)~~ **(14)** Add or subtract the amount necessary to make the
 16 adjusted gross income of any taxpayer that treated a loss from the
 17 sale or exchange of preferred stock in:
- 18 (A) the Federal National Mortgage Association, established
 19 under the Federal National Mortgage Association Charter Act
 20 (12 U.S.C. 1716 et seq.); or
- 21 (B) the Federal Home Loan Mortgage Corporation, established
 22 under the Federal Home Loan Mortgage Corporation Act (12
 23 U.S.C. 1451 et seq.);
- 24 as an ordinary loss under Section 301 of the Emergency
 25 Economic Stabilization Act of 2008 in the current taxable year or
 26 in an earlier taxable year equal to the amount of adjusted gross
 27 income that would have been computed had the loss not been
 28 treated as an ordinary loss.
- 29 ~~(17)~~ **(15)** This subdivision does not apply to payments made for
 30 services provided to a business that was enrolled and participated
 31 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 32 time the taxpayer conducted business in Indiana in the taxable
 33 year. For a taxable year beginning after June 30, 2011, add the
 34 amount of any trade or business deduction allowed under the
 35 Internal Revenue Code for wages, reimbursements, or other
 36 payments made for services provided in Indiana by an individual
 37 for services as an employee, if the individual was, during the
 38 period of service, prohibited from being hired as an employee
 39 under 8 U.S.C. 1324a.
- 40 ~~(18)~~ **(16)** Add the amount excluded from federal gross income
 41 under Section 103 of the Internal Revenue Code for interest
 42 received on an obligation of a state other than Indiana, or a



- 1 political subdivision of such a state, that is acquired by the
 2 taxpayer after December 31, 2011.
- 3 (c) In the case of life insurance companies (as defined in Section
 4 816(a) of the Internal Revenue Code) that are organized under Indiana
 5 law, the same as "life insurance company taxable income" (as defined
 6 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 7 (1) Subtract income that is exempt from taxation under this article
 8 by the Constitution and statutes of the United States.
- 9 (2) Add an amount equal to any deduction allowed or allowable
 10 under Section 170 of the Internal Revenue Code.
- 11 (3) Add an amount equal to a deduction allowed or allowable
 12 under Section 805 or Section 831(c) of the Internal Revenue Code
 13 for taxes based on or measured by income and levied at the state
 14 level by any state.
- 15 (4) Subtract an amount equal to the amount included in the
 16 company's taxable income under Section 78 of the Internal
 17 Revenue Code.
- 18 (5) Add or subtract the amount necessary to make the adjusted
 19 gross income of any taxpayer that owns property for which bonus
 20 depreciation was allowed in the current taxable year or in an
 21 earlier taxable year equal to the amount of adjusted gross income
 22 that would have been computed had an election not been made
 23 under Section 168(k) of the Internal Revenue Code to apply bonus
 24 depreciation to the property in the year that it was placed in
 25 service.
- 26 (6) Add an amount equal to any deduction allowed under Section
 27 172 or Section 810 of the Internal Revenue Code.
- 28 (7) Add or subtract the amount necessary to make the adjusted
 29 gross income of any taxpayer that placed Section 179 property (as
 30 defined in Section 179 of the Internal Revenue Code) in service
 31 in the current taxable year or in an earlier taxable year equal to
 32 the amount of adjusted gross income that would have been
 33 computed had an election for federal income tax purposes not
 34 been made for the year in which the property was placed in
 35 service to take deductions under Section 179 of the Internal
 36 Revenue Code in a total amount exceeding twenty-five thousand
 37 dollars (\$25,000):
- 38 (8) Add an amount equal to the amount that a taxpayer claimed as
 39 a deduction for domestic production activities for the taxable year
 40 under Section 199 of the Internal Revenue Code for federal
 41 income tax purposes.
- 42 (9) (7) Subtract income that is:



- 1 (A) exempt from taxation under IC 6-3-2-21.7; and
 2 (B) included in the insurance company's taxable income under
 3 the Internal Revenue Code.
- 4 ~~(10)~~ **(8)** Add an amount equal to any income not included in gross
 5 income as a result of the deferral of income arising from business
 6 indebtedness discharged in connection with the reacquisition after
 7 December 31, 2008, and before January 1, 2011, of an applicable
 8 debt instrument, as provided in Section 108(i) of the Internal
 9 Revenue Code. Subtract from the adjusted gross income of any
 10 taxpayer that added an amount to adjusted gross income in a
 11 previous year the amount necessary to offset the amount included
 12 in federal gross income as a result of the deferral of income
 13 arising from business indebtedness discharged in connection with
 14 the reacquisition after December 31, 2008, and before January 1,
 15 2011, of an applicable debt instrument, as provided in Section
 16 108(i) of the Internal Revenue Code.
- 17 ~~(11)~~ **(9)** Add or subtract the amount necessary to make the
 18 adjusted gross income of any taxpayer that claimed the special
 19 allowance for qualified disaster assistance property under Section
 20 168(n) of the Internal Revenue Code equal to the amount of
 21 adjusted gross income that would have been computed had the
 22 special allowance not been claimed for the property.
- 23 ~~(12)~~ **(10)** Add or subtract the amount necessary to make the
 24 adjusted gross income of any taxpayer that made an election
 25 under Section 179C of the Internal Revenue Code to expense
 26 costs for qualified refinery property equal to the amount of
 27 adjusted gross income that would have been computed had an
 28 election for federal income tax purposes not been made for the
 29 year.
- 30 ~~(13)~~ **(11)** Add or subtract the amount necessary to make the
 31 adjusted gross income of any taxpayer that made an election
 32 under Section 181 of the Internal Revenue Code to expense costs
 33 for a qualified film or television production equal to the amount
 34 of adjusted gross income that would have been computed had an
 35 election for federal income tax purposes not been made for the
 36 year.
- 37 ~~(14)~~ **(12)** Add or subtract the amount necessary to make the
 38 adjusted gross income of any taxpayer that treated a loss from the
 39 sale or exchange of preferred stock in:
 40 (A) the Federal National Mortgage Association, established
 41 under the Federal National Mortgage Association Charter Act
 42 (12 U.S.C. 1716 et seq.); or



- 1 (B) the Federal Home Loan Mortgage Corporation, established
 2 under the Federal Home Loan Mortgage Corporation Act (12
 3 U.S.C. 1451 et seq.);
 4 as an ordinary loss under Section 301 of the Emergency
 5 Economic Stabilization Act of 2008 in the current taxable year or
 6 in an earlier taxable year equal to the amount of adjusted gross
 7 income that would have been computed had the loss not been
 8 treated as an ordinary loss.
- 9 ~~(15)~~ **(13)** Add an amount equal to any exempt insurance income
 10 under Section 953(e) of the Internal Revenue Code that is active
 11 financing income under Subpart F of Subtitle A, Chapter 1,
 12 Subchapter N of the Internal Revenue Code.
- 13 ~~(16)~~ **(14)** This subdivision does not apply to payments made for
 14 services provided to a business that was enrolled and participated
 15 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 16 time the taxpayer conducted business in Indiana in the taxable
 17 year. For a taxable year beginning after June 30, 2011, add the
 18 amount of any trade or business deduction allowed under the
 19 Internal Revenue Code for wages, reimbursements, or other
 20 payments made for services provided in Indiana by an individual
 21 for services as an employee, if the individual was, during the
 22 period of service, prohibited from being hired as an employee
 23 under 8 U.S.C. 1324a.
- 24 ~~(17)~~ **(15)** Add the amount excluded from federal gross income
 25 under Section 103 of the Internal Revenue Code for interest
 26 received on an obligation of a state other than Indiana, or a
 27 political subdivision of such a state, that is acquired by the
 28 taxpayer after December 31, 2011.
- 29 (d) In the case of insurance companies subject to tax under Section
 30 831 of the Internal Revenue Code and organized under Indiana law, the
 31 same as "taxable income" (as defined in Section 832 of the Internal
 32 Revenue Code), adjusted as follows:
- 33 (1) Subtract income that is exempt from taxation under this article
 34 by the Constitution and statutes of the United States.
- 35 (2) Add an amount equal to any deduction allowed or allowable
 36 under Section 170 of the Internal Revenue Code.
- 37 (3) Add an amount equal to a deduction allowed or allowable
 38 under Section 805 or Section 831(c) of the Internal Revenue Code
 39 for taxes based on or measured by income and levied at the state
 40 level by any state.
- 41 (4) Subtract an amount equal to the amount included in the
 42 company's taxable income under Section 78 of the Internal



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



- 1 ~~(+1)~~ **(9)** Add or subtract the amount necessary to make the
 2 adjusted gross income of any taxpayer that claimed the special
 3 allowance for qualified disaster assistance property under Section
 4 168(n) of the Internal Revenue Code equal to the amount of
 5 adjusted gross income that would have been computed had the
 6 special allowance not been claimed for the property.
- 7 ~~(+2)~~ **(10)** Add or subtract the amount necessary to make the
 8 adjusted gross income of any taxpayer that made an election
 9 under Section 179C of the Internal Revenue Code to expense
 10 costs for qualified refinery property equal to the amount of
 11 adjusted gross income that would have been computed had an
 12 election for federal income tax purposes not been made for the
 13 year.
- 14 ~~(+3)~~ **(11)** Add or subtract the amount necessary to make the
 15 adjusted gross income of any taxpayer that made an election
 16 under Section 181 of the Internal Revenue Code to expense costs
 17 for a qualified film or television production equal to the amount
 18 of adjusted gross income that would have been computed had an
 19 election for federal income tax purposes not been made for the
 20 year.
- 21 ~~(+4)~~ **(12)** Add or subtract the amount necessary to make the
 22 adjusted gross income of any taxpayer that treated a loss from the
 23 sale or exchange of preferred stock in:
 24 (A) the Federal National Mortgage Association, established
 25 under the Federal National Mortgage Association Charter Act
 26 (12 U.S.C. 1716 et seq.); or
 27 (B) the Federal Home Loan Mortgage Corporation, established
 28 under the Federal Home Loan Mortgage Corporation Act (12
 29 U.S.C. 1451 et seq.);
- 30 as an ordinary loss under Section 301 of the Emergency
 31 Economic Stabilization Act of 2008 in the current taxable year or
 32 in an earlier taxable year equal to the amount of adjusted gross
 33 income that would have been computed had the loss not been
 34 treated as an ordinary loss.
- 35 ~~(+5)~~ **(13)** Add an amount equal to any exempt insurance income
 36 under Section 953(e) of the Internal Revenue Code that is active
 37 financing income under Subpart F of Subtitle A, Chapter 1,
 38 Subchapter N of the Internal Revenue Code.
- 39 ~~(+6)~~ **(14)** This subdivision does not apply to payments made for
 40 services provided to a business that was enrolled and participated
 41 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 42 time the taxpayer conducted business in Indiana in the taxable



1 year. For a taxable year beginning after June 30, 2011, add the
 2 amount of any trade or business deduction allowed under the
 3 Internal Revenue Code for wages, reimbursements, or other
 4 payments made for services provided in Indiana by an individual
 5 for services as an employee, if the individual was, during the
 6 period of service, prohibited from being hired as an employee
 7 under 8 U.S.C. 1324a.

8 ~~(17)~~ **(15)** Add the amount excluded from federal gross income
 9 under Section 103 of the Internal Revenue Code for interest
 10 received on an obligation of a state other than Indiana, or a
 11 political subdivision of such a state, that is acquired by the
 12 taxpayer after December 31, 2011.

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

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

18 (2) Subtract an amount equal to the amount of a September 11
 19 terrorist attack settlement payment included in the federal
 20 adjusted gross income of the estate of a victim of the September
 21 11 terrorist attack or a trust to the extent the trust benefits a victim
 22 of the September 11 terrorist attack.

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

31 (4) Add an amount equal to any deduction allowed under Section
 32 172 of the Internal Revenue Code.

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



- 1 ~~(6)~~ **(6)** Add an amount equal to the amount that a taxpayer claimed as
 2 a deduction for domestic production activities for the taxable year
 3 under Section 199 of the Internal Revenue Code for federal
 4 income tax purposes.
- 5 ~~(7)~~ **(5)** Subtract income that is:
- 6 (A) exempt from taxation under IC 6-3-2-21.7; and
 7 (B) included in the taxpayer's taxable income under the
 8 Internal Revenue Code.
- 9 ~~(8)~~ **(6)** Add an amount equal to any income not included in gross
 10 income as a result of the deferral of income arising from business
 11 indebtedness discharged in connection with the reacquisition after
 12 December 31, 2008, and before January 1, 2011, of an applicable
 13 debt instrument, as provided in Section 108(i) of the Internal
 14 Revenue Code. Subtract from the adjusted gross income of any
 15 taxpayer that added an amount to adjusted gross income in a
 16 previous year the amount necessary to offset the amount included
 17 in federal gross income as a result of the deferral of income
 18 arising from business indebtedness discharged in connection with
 19 the reacquisition after December 31, 2008, and before January 1,
 20 2011, of an applicable debt instrument, as provided in Section
 21 108(i) of the Internal Revenue Code.
- 22 ~~(9)~~ **(7)** Add or subtract the amount necessary to make the adjusted
 23 gross income of any taxpayer that claimed the special allowance
 24 for qualified disaster assistance property under Section 168(n) of
 25 the Internal Revenue Code equal to the amount of adjusted gross
 26 income that would have been computed had the special allowance
 27 not been claimed for the property.
- 28 ~~(10)~~ **(8)** Add or subtract the amount necessary to make the
 29 adjusted gross income of any taxpayer that made an election
 30 under Section 179C of the Internal Revenue Code to expense
 31 costs for qualified refinery property equal to the amount of
 32 adjusted gross income that would have been computed had an
 33 election for federal income tax purposes not been made for the
 34 year.
- 35 ~~(11)~~ **(9)** Add or subtract the amount necessary to make the
 36 adjusted gross income of any taxpayer that made an election
 37 under Section 181 of the Internal Revenue Code to expense costs
 38 for a qualified film or television production equal to the amount
 39 of adjusted gross income that would have been computed had an
 40 election for federal income tax purposes not been made for the
 41 year.
- 42 ~~(12)~~ **(10)** Add or subtract the amount necessary to make the



1 adjusted gross income of any taxpayer that treated a loss from the
2 sale or exchange of preferred stock in:

3 (A) the Federal National Mortgage Association, established
4 under the Federal National Mortgage Association Charter Act
5 (12 U.S.C. 1716 et seq.); or

6 (B) the Federal Home Loan Mortgage Corporation, established
7 under the Federal Home Loan Mortgage Corporation Act (12
8 U.S.C. 1451 et seq.);

9 as an ordinary loss under Section 301 of the Emergency
10 Economic Stabilization Act of 2008 in the current taxable year or
11 in an earlier taxable year equal to the amount of adjusted gross
12 income that would have been computed had the loss not been
13 treated as an ordinary loss.

14 ~~(13)~~ **(11)** Add the amount excluded from gross income under
15 Section 108(a)(1)(e) of the Internal Revenue Code for the
16 discharge of debt on a qualified principal residence.

17 ~~(14)~~ **(12)** This subdivision does not apply to payments made for
18 services provided to a business that was enrolled and participated
19 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
20 time the taxpayer conducted business in Indiana in the taxable
21 year. For a taxable year beginning after June 30, 2011, add the
22 amount of any trade or business deduction allowed under the
23 Internal Revenue Code for wages, reimbursements, or other
24 payments made for services provided in Indiana by an individual
25 for services as an employee, if the individual was, during the
26 period of service, prohibited from being hired as an employee
27 under 8 U.S.C. 1324a.

28 ~~(15)~~ **(13)** Add the amount excluded from federal gross income
29 under Section 103 of the Internal Revenue Code for interest
30 received on an obligation of a state other than Indiana, or a
31 political subdivision of such a state, that is acquired by the
32 taxpayer after December 31, 2011.

33 SECTION 2. IC 6-3-2-4, AS AMENDED BY P.L.6-2012,
34 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
35 JANUARY 1, 2015 (RETROACTIVE)]: Sec. 4. (a) Each taxable year,
36 an individual, or the individual's surviving spouse, is entitled to an
37 adjusted gross income tax deduction for the first five thousand dollars
38 (\$5,000) of income, including retirement or survivor's benefits,
39 received during the taxable year by the individual, or the individual's
40 surviving spouse, for the individual's service in an active or reserve
41 component of the armed forces of the United States, including the
42 army, navy, air force, coast guard, marine corps, merchant marine,



1 Indiana army national guard, or Indiana air national guard. However,
 2 a person who is less than sixty (60) years of age on the last day of the
 3 person's taxable year, is not, for that taxable year, entitled to a
 4 deduction under this section for retirement or survivor's benefits.

5 (b) An individual whose qualified military income is subtracted
 6 from the individual's federal adjusted gross income under
 7 ~~IC 6-3-1-3.5(a)(2)~~ **IC 6-3-1-3.5(a)(19)** for Indiana individual income
 8 tax purposes is not, for that taxable year, entitled to a deduction under
 9 this section for the individual's qualified military income.

10 SECTION 3. IC 6-5.5-1-2, AS AMENDED BY P.L.205-2013,
 11 SECTION 124, IS AMENDED TO READ AS FOLLOWS
 12 [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]: Sec. 2. (a)
 13 Except as provided in subsections (b) through (d), "adjusted gross
 14 income" means taxable income as defined in Section 63 of the Internal
 15 Revenue Code, adjusted as follows:

16 (1) Add the following amounts:

17 (A) An amount equal to a deduction allowed or allowable
 18 under Section 166, Section 585, or Section 593 of the Internal
 19 Revenue Code.

20 (B) An amount equal to a deduction allowed or allowable
 21 under Section 170 of the Internal Revenue Code.

22 (C) An amount equal to a deduction or deductions allowed or
 23 allowable under Section 63 of the Internal Revenue Code for
 24 taxes based on or measured by income and levied at the state
 25 level by a state of the United States or levied at the local level
 26 by any subdivision of a state of the United States.

27 (D) The amount of interest excluded under Section 103 of the
 28 Internal Revenue Code or under any other federal law, minus
 29 the associated expenses disallowed in the computation of
 30 taxable income under Section 265 of the Internal Revenue
 31 Code.

32 (E) An amount equal to the deduction allowed under Section
 33 172 or 1212 of the Internal Revenue Code for net operating
 34 losses or net capital losses.

35 (F) For a taxpayer that is not a large bank (as defined in
 36 Section 585(c)(2) of the Internal Revenue Code), an amount
 37 equal to the recovery of a debt, or part of a debt, that becomes
 38 worthless to the extent a deduction was allowed from gross
 39 income in a prior taxable year under Section 166(a) of the
 40 Internal Revenue Code.

41 (G) Add the amount necessary to make the adjusted gross
 42 income of any taxpayer that owns property for which bonus



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

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

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

21 ~~(J)~~ **(H)** Add an amount equal to any income not included in
 22 gross income as a result of the deferral of income arising from
 23 business indebtedness discharged in connection with the
 24 reacquisition after December 31, 2008, and before January 1,
 25 2011, of an applicable debt instrument, as provided in Section
 26 108(i) of the Internal Revenue Code. Subtract from the
 27 adjusted gross income of any taxpayer that added an amount
 28 to adjusted gross income in a previous year the amount
 29 necessary to offset the amount included in federal gross
 30 income as a result of the deferral of income arising from
 31 business indebtedness discharged in connection with the
 32 reacquisition after December 31, 2008, and before January 1,
 33 2011, of an applicable debt instrument, as provided in Section
 34 108(i) of the Internal Revenue Code.

35 ~~(K)~~ **(I)** Add or subtract the amount necessary to make the
 36 adjusted gross income of any taxpayer that claimed the special
 37 allowance for qualified disaster assistance property under
 38 Section 168(n) of the Internal Revenue Code equal to the
 39 amount of adjusted gross income that would have been
 40 computed had the special allowance not been claimed for the
 41 property.

42 ~~(L)~~ **(J)** Add or subtract the amount necessary to make the



1 adjusted gross income of any taxpayer that made an election
 2 under Section 179C of the Internal Revenue Code to expense
 3 costs for qualified refinery property equal to the amount of
 4 adjusted gross income that would have been computed had an
 5 election for federal income tax purposes not been made for the
 6 year.

7 ~~(M)~~ **(K)** Add or subtract the amount necessary to make the
 8 adjusted gross income of any taxpayer that made an election
 9 under Section 181 of the Internal Revenue Code to expense
 10 costs for a qualified film or television production equal to the
 11 amount of adjusted gross income that would have been
 12 computed had an election for federal income tax purposes not
 13 been made for the year.

14 ~~(N)~~ **(L)** Add or subtract the amount necessary to make the
 15 adjusted gross income of any taxpayer that treated a loss from
 16 the sale or exchange of preferred stock in:

17 (i) the Federal National Mortgage Association, established
 18 under the Federal National Mortgage Association Charter
 19 Act (12 U.S.C. 1716 et seq.); or

20 (ii) the Federal Home Loan Mortgage Corporation,
 21 established under the Federal Home Loan Mortgage
 22 Corporation Act (12 U.S.C. 1451 et seq.);

23 as an ordinary loss under Section 301 of the Emergency
 24 Economic Stabilization Act of 2008 in the current taxable year
 25 or in an earlier taxable year equal to the amount of adjusted
 26 gross income that would have been computed had the loss not
 27 been treated as an ordinary loss.

28 ~~(O)~~ **(M)** Add an amount equal to any exempt insurance income
 29 under Section 953(e) of the Internal Revenue Code for active
 30 financing income under Subpart F, Subtitle A, Chapter 1,
 31 Subchapter N of the Internal Revenue Code.

32 (2) Subtract the following amounts:

33 (A) Income that the United States Constitution or any statute
 34 of the United States prohibits from being used to measure the
 35 tax imposed by this chapter.

36 (B) Income that is derived from sources outside the United
 37 States, as defined by the Internal Revenue Code.

38 (C) An amount equal to a debt or part of a debt that becomes
 39 worthless, as permitted under Section 166(a) of the Internal
 40 Revenue Code.

41 (D) An amount equal to any bad debt reserves that are
 42 included in federal income because of accounting method



1 changes required by Section 585(c)(3)(A) or Section 593 of
2 the Internal Revenue Code.

3 (E) The amount necessary to make the adjusted gross income
4 of any taxpayer that owns property for which bonus
5 depreciation was allowed in the current taxable year or in an
6 earlier taxable year equal to the amount of adjusted gross
7 income that would have been computed had an election not
8 been made under Section 168(k) of the Internal Revenue Code
9 to apply bonus depreciation.

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

20 (G) (F) Income that is:

- 21 (i) exempt from taxation under IC 6-3-2-21.7; and
- 22 (ii) included in the taxpayer's taxable income under the
23 Internal Revenue Code.

24 (H) (G) This clause does not apply to payments made for
25 services provided to a business that was enrolled and
26 participated in the E-Verify program (as defined in
27 IC 22-5-1.7-3) during the time the taxpayer conducted
28 business in Indiana in the taxable year. For a taxable year
29 beginning after June 30, 2011, add the amount of any trade or
30 business deduction allowed under the Internal Revenue Code
31 for wages, reimbursements, or other payments made for
32 services provided in Indiana by an individual for services as an
33 employee, if the individual was, during the period of service,
34 prohibited from being hired as an employee under 8 U.S.C.
35 1324a.

36 (b) In the case of a credit union, "adjusted gross income" for a
37 taxable year means the total transfers to undivided earnings minus
38 dividends for that taxable year after statutory reserves are set aside
39 under IC 28-7-1-24.

40 (c) In the case of an investment company, "adjusted gross income"
41 means the company's federal taxable income plus the amount excluded
42 from federal gross income under Section 103 of the Internal Revenue



1 Code for interest received on an obligation of a state other than Indiana,
 2 or a political subdivision of such a state, that is acquired by the
 3 taxpayer after December 31, 2011, multiplied by the quotient of:

4 (1) the aggregate of the gross payments collected by the company
 5 during the taxable year from old and new business upon
 6 investment contracts issued by the company and held by residents
 7 of Indiana; divided by

8 (2) the total amount of gross payments collected during the
 9 taxable year by the company from the business upon investment
 10 contracts issued by the company and held by persons residing
 11 within Indiana and elsewhere.

12 (d) As used in subsection (c), "investment company" means a
 13 person, copartnership, association, limited liability company, or
 14 corporation, whether domestic or foreign, that:

15 (1) is registered under the Investment Company Act of 1940 (15
 16 U.S.C. 80a-1 et seq.); and

17 (2) solicits or receives a payment to be made to itself and issues
 18 in exchange for the payment:

19 (A) a so-called bond;

20 (B) a share;

21 (C) a coupon;

22 (D) a certificate of membership;

23 (E) an agreement;

24 (F) a pretended agreement; or

25 (G) other evidences of obligation;

26 entitling the holder to anything of value at some future date, if the
 27 gross payments received by the company during the taxable year
 28 on outstanding investment contracts, plus interest and dividends
 29 earned on those contracts (by prorating the interest and dividends
 30 earned on investment contracts by the same proportion that
 31 certificate reserves (as defined by the Investment Company Act
 32 of 1940) is to the company's total assets) is at least fifty percent
 33 (50%) of the company's gross payments upon investment
 34 contracts plus gross income from all other sources except
 35 dividends from subsidiaries for the taxable year. The term
 36 "investment contract" means an instrument listed in clauses (A)
 37 through (G).

38 SECTION 4. [EFFECTIVE JANUARY 1, 2015 (RETROACTIVE)]

39 (a) **IC 6-3-1-3.5, IC 6-3-2-4, and IC 6-5.5-1-2, all as amended by**
 40 **this act, apply only to taxable years beginning after December 31,**
 41 **2014.**

42 (b) **This SECTION expires January 1, 2019.**



1 **SECTION 5. An emergency is declared for this act.**

