Indiana Department of Revenue

2006

IT-40 PNR

(Index is found on Pages 56 and 57.)

Indiana Income Tax Return

for

Part-Year Indiana Residents

or

Full-Year Indiana Nonresidents

STATE of INDIANA

DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH
100 N. SENATE AVE

INDIANAPOLIS, IN 46204-2253

Dear Taxpayer:

Over the past year, the Indiana Department of Revenue has initiated a number of efforts to better serve taxpayers. We've made customer-service training and standards mandatory for all those employees that interact with taxpayers daily. In addition, we've taken steps toward an agency structure that better combines our expertise so you get knowledgeable, timely answers to your questions.

The Department also has been busy gathering feedback from taxpayers throughout the state, particularly on the use of our electronic tools, such as I-File, a free Web program that makes it faster and easier to file your state individual income taxes. We asked for feedback from taxpayers that used I-File to file their 2005 tax returns to determine how this service measured up, and more than 1,000 responded to our survey. We learned that:

- 94 percent were satisfied with their I-File experience.
- 95 percent indicated they would likely use I-File again.
- 96 percent said they would recommend I-File to someone else.

On average, Hoosiers that use I-File get their refunds in 14 days, compared to six to eight weeks if filed with a paper return. Electronic filing in general also helps the state save money through reduced processing and printing costs. For example, it costs about $1 to process a paper return, but only around 4 cents to process an electronic return.

Providing services like I-File is essential in our efforts to provide better overall customer service to the citizens of Indiana. They are also essential in providing more efficient and effective use of government resources – resources that your tax dollars support.

I look forward to our continued effort to bring you improved services. If you have any comments about how we're doing in this endeavor, please share those with me at feedback@dor.in.gov. Your input is very valuable in helping us move forward in the right direction.

Sincerely,

John Eckart

John Eckart, Commissioner
Indiana Department of Revenue

File your 2006 Indiana individual income taxes with I-File, Indiana's free online tax filing service. I-File offers many user-friendly features that make it faster and easier to file your taxes. These features include:

I-File
fast · friendly · free
Indiana Department of Revenue

- **Question-and-answer** format that walks you through each step of completing your 2006 tax return.*
- **Personal information pre-filled** (i.e. name, address and employer) to save you time when filing.
- **Resume** function that allows you to save your work and finish at another time.
- **Help links** referencing exact text within information booklets.
- **Refund** received, on average, within 7 to 14 days.
- **Payment** accepted online.
- **Filing** time for average user is just 30 minutes.
- **Reprinting** of completed forms available for up to one year.

To take advantage of this free service visit www.ifile.in.gov

**Please note you cannot file the Form SC-40, Unified Tax Credit for the Elderly form, using the I-File program.*

Which Indiana Tax Form Should I File?

Indiana has four different individual income tax returns. Read the following to find the right one for you.

Indiana Full-Year Residents

Use Form IT-40EZ:

If you (and your spouse, if filing jointly) were a full-year Indiana resident and all of the following are true:

- You filed a federal Form 1040EZ,
- You are claiming only the renter's deduction and/or unemployment compensation deduction, and
- You have only Indiana state and county tax withholding credits and/or an Indiana earned income credit.

Use Form IT-40:

If you (and your spouse, if filing jointly) were a full-year Indiana resident and you do not qualify to file Form IT-40EZ.

All Other Individuals

Use Form IT-40RNR:

If you (and your spouse, if filing jointly) were:

- A full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and
- Your only type of income from Indiana was from wage, tip, salary or other compensation.*

*If you have any other kind of Indiana-source income, you are required to file Form IT-40PNR (see below).

Note: If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state. A listing of other states' tax forms can be found at www.taxadmin.org/fta/link/forms.html

Use Form IT-40PNR:

If you (and/or your spouse, if filing jointly) were an Indiana resident for less than a full year (or not at all) and you do not qualify to file Form IT-40RNR.

Military Personnel

See the instructions on page 7 to determine which form to file. Military personnel stationed in a combat zone should see the instructions on page 7 for extensions of time to file procedures.

2006 Changes

Where to Mail Your Tax Return – New Labels for Envelope

Mailing labels are included in this booklet. You must choose one and place it on the enclosed envelope. Tax returns with attached payments have a different post office box number for mailing purposes. See page 16 for details.

Posey County Adopts County Income Tax

Posey County residents should see page 27 for information on how to figure county income tax.

Homeowner's Property Tax Deduction Catch-up

Did you pay Indiana property tax in **2005** for the 2002 (payable in 2003) and/or 2003 (payable in 2004) assessment periods? If so, see page 21 to see if you qualify for a deduction.

Individual Taxpayer Identification Number (ITIN)

See instructions on page 5 if you have, or are applying for, an ITIN.

Human Services Deduction Update

More individuals may qualify for the deduction. See page 26 for more information.

Partnership and S Corporation Disclosure Requirement

Complete the new Schedules F and F1 if you receive income (loss) from a partnership(s) and/or S corporation(s). See page 40 for more information.

Coal Gasification Technology Investment Credit

A credit is available for qualified investments in a coal gasification power plant. See page 36 for more information.

Economic Development for a Growing Economy (EDGE) Credit

See page 12 to see if you qualify for this job retention credit.

Enterprise Zones Update

The Indiana Army Ammo enterprise zone has been renamed River Ridge Development; the Gary and Terre Haute zones have expired. See page 26 for a complete listing.

Headquarters Relocation Credit

A business with annual worldwide revenue of $100 million that relocates its corporate headquarters to Indiana may be eligible for a credit. See page 37 for more information.

Hoosier Business Investment Credit

The Hoosier Business Investment credit has been extended until Dec. 31, 2011. See page 37 for more information.

Need Tax Forms or Information Bulletins?

Use Your Personal Computer

Visit our Web site and download the forms you need. Our address is www.in.gov/dor

Use Your Telephone

Call the Forms Order Request Line (317) 615-2581 to get forms by mail. Have the following information ready to leave on the voice mail system.

- Name of form or form number needed
- Number of copies needed
- Contact person's name
- Daytime phone number
- A complete mailing address (including city, state and zip code)

For hearing impaired taxpayers, call our **Telephone Device for the Deaf** (TDD) Number, (317) 232-4952. Call during regular business hours of 8 a.m. to 4:30 p.m., Monday – Friday, for assistance.

Need Help With Your Return?

Local Help

For help, visit any of the district offices listed on page 45 or take advantage of the IRS Volunteer Return Preparation Program (VRPP). This program offers free tax return help to low income, elderly and special needs individuals. Volunteers will fill out federal and state forms for those who qualify. Call the IRS at 1-800-829-1040 to find the nearest VRPP location. Be sure to take your W-2s, 1099s and/or WH-18s with you. If you are going to a district office, also take a copy of your completed federal tax return.

Automated Information Line

Call the automated information line at (317) 233-4018 to get the status of your refund, billing information and prerecorded tax topics. These topics include collection procedures, business registration requirements, payment plan procedures, estimated tax procedures, underpayment of estimated tax penalty, use tax, county tax, and 2006 tax year highlights. If you wish to check billing information, be sure to have a copy of your tax notice. The system will ask you to enter the tax identification number or Social Security number shown on the notice.

If you have a rotary phone, please call (317) 232-2240 between the hours of 8 a.m. to 4:30 p.m., Monday - Friday, and a representative will help you.

Internet

If you need help deciding which form to file, or to get information bulletins or policy directives on specific topics, visit our Web site at www.in.gov/dor

Telephone

Call us at (317) 232-2240 Monday - Friday, between the hours of 8 a.m. to 4:30 p.m., for help with basic tax questions.

Ready To File Your Return?

Use the Electronic Filing Program

Over 1.3 million Hoosier taxpayers used the Electronic Filing Program to file their 2005 state and federal individual income tax returns. Electronic filing provides Indiana taxpayers the opportunity to file their federal and state tax returns immediately and receive their Indiana refunds in about half the time it takes to process a paper return. It takes even less time if you use direct deposit, which deposits your refund directly into your bank account. Even if there is an amount due on either return, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue. Contact your tax preparer to see if he/she provides this service.

I-File

This fast, friendly and free electronic program allows taxpayers to prepare and file state tax returns using the Internet. A user-friendly program, I-File features a question-and-answer format and help links to guide users through filing. For more information and to take advantage of this free service, please visit our Web site at www.ifile.in.gov

Our Web Site

Our Web site contains tax filing options, a Spanish version of the IT-40 booklet with forms, downloadable blank forms and instructions, information bulletins, commissioner's directives, an online helpdesk, helpful e-mail links and a calendar with filing due dates. Visit the Department's Web site at www.in.gov/dor

Where's Your Refund?

There are several ways to check the status of your refund. You will need to know the exact whole-dollar amount of your refund, and a Social Security number entered on your tax return. Then, do one of the following.

- Call (317) 233-4018 for automated refund information.
- Go to www.in.gov/dor/individual/maintenance.html and click on the word 'Online'.
- Call (317) 232-2240 from 8 a.m. to 4:30 p.m. Monday - Friday, and a representative will help you.

A refund **directly deposited** to your bank account may be listed on your bank statement as a credit, deposit, etc. If you have received information from the Department that your refund has been issued, and you are not sure if it has been deposited in your bank account, call the ACH Section of your bank or financial institution for clarification.

Note: A refund deposited directly to your Hoosier MasterCard Account will appear on your account monthly statement.

Moving?

If you move to a new address after filing your tax return and do not have a forwarding address on file with the post office, the Department needs to know where to send your refund check.

Change your address with us by doing one of the following:

- Go to www.in.gov/dor/individual/maintenance.html and click on the words 'change your mailing address'.

- Call the Department at 317-232-2240.
- Call or visit a district office near you (see list on page 45).

Public Hearing - June 11, 2007

The Department will hold a public hearing on June 11, 2007. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9 a.m. in Conference Room 6 of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. You may also submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, IN, 46204.

Before You Begin

Important: Complete your federal tax return first.

Name and Address

The first IT-40PNR in this booklet may have your name(s) and address already filled in. If this information is accurate, the Department encourages you to use it. However, if any information is incorrect, don't use that form; instead, print the corrected information on the second IT-40PNR in the booklet and file it. If you didn't receive a preaddressed booklet please print your letters and numbers neatly in ink.

Filling in the Boxes

If you are filling out the form by hand, please use black or blue ink and print your letters and numbers neatly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Social Security Number (SSN)

Be sure to enter your SSN in the boxes at the top of the form. If filing a joint return, enter your SSN in the first set of boxes and your spouse's SSN in the second set of boxes. An incorrect or missing SSN can increase your tax due, reduce your refund or delay timely processing of your filing.

Individual Taxpayer Identification Number (ITIN)

If you already have an ITIN, enter it wherever your Social Security number is requested on your tax return. If you are in the process of applying for an ITIN, check the box located directly beneath the SSN area at the top of the form . For information on how to get an ITIN, contact the Internal Revenue Service at 1-800-829-3676 and request federal Form W-7, or find it online at www.irs.ustreas.gov/pub/irs-pdf/fw7.pdf

Married Filing Separately

If you file your federal income tax return as married filing separately, you must also file married filing separately with Indiana. Enter both of your Social Security numbers in the boxes on the top of the form **and check the box directly to the right of those boxes**. Enter the name of the person filing the return on the top line, but do not enter the spouse's name on the second name line.

Married Persons Who Live Apart Filing Status

If you were not divorced or legally separated in 2006, you may have qualified for and filed as 'head of household' on your federal income tax return. If you did, don't check the married filing separately box. Also, do not enter either your spouse's name or Social Security number.

P.O. Box

Enter your box number instead of your street address only if your post office does not deliver mail to your home.

School Corporation Number

Enter the four-digit school corporation number (found on pages 41 or 42) for where the primary taxpayer lived on January 1, 2006. The primary taxpayer is the first name listed at the top of the tax return. If the primary taxpayer did not live in Indiana on January 1, 2006, enter the code number "9999". Contact a local school or your county auditor's office if you're not sure which school corporation you live in.

It is important that you enter the correct school corporation number. This information is used for statistical tracking purposes to determine possible school funding needs and changes.

Note: If the school corporation number is not entered, the processing of your return will be delayed.

Foreign or Military Addresses

The U.S. Post Office requires that the full foreign-country name appear in all addresses. Standard two-character abbreviations for Canadian provinces and territories should be entered in the "State" area on the tax return.

Overseas military addresses must contain the APO, FPO designation in the "city field" along with a two-character "state" abbreviation of AE, AP, or AA and the zip code. Place these two- and three-letter designations in the city name area.

County Information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on January 1, 2006. You can find these code numbers on the chart on page 23 in the column titled ***County Code #***. See the instructions beginning on page 27 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, homemakers, unemployed individuals, out-of-state filers, etc.

Please round your amounts to the nearest whole dollar.

To do this, drop amounts of less than $0.50.

- *Example.* $432.49 rounds down to $432.00.

Increase amounts of $0.50 or more to the next higher dollar.

- *Example.* $432.50 rounds up to $433.00.

Losses or Negative Entries

Put brackets around any losses or negative entries. *Example.* (1.00).

Attaching W-2s and Enclosing Checks and Forms

Staple your W-2s, 1099s, and/or WH-18s under line 1 on the front of Form IT-40PNR. To help us process your form please make sure these attachments don't cover the county box information above line 1 or the boxes at the bottom of the form under line 26.

Do not staple your check or money order to the form as this will delay processing your return. Paperclip the payment to the bottom left-hand side of the front of the return. If you don't have a paperclip, just include it loose in the envelope.

Attaching Schedules

When assembling your tax return, schedules should be attached to the back of Form IT-40PNR in an attachment sequence order. This attachment sequence number is located in the upper right-hand corner of the schedule. For example, attach Schedule A (attachment sequence No. 1) first and then Schedules D & E (attachment sequence No. 03) next. Attach by placing one staple in the upper left-hand corner.

If you have a schedule on which you've made no entry, do not attach it unless you have completed information on the back of it.

Who Should File/Filing Status

You may need to file an Indiana income tax return if:

- You lived in Indiana and received income, or
- You lived outside Indiana and had any income from Indiana.

Note: If you and your spouse file a joint federal return, you must file a joint return with Indiana. If you and your spouse file separate federal returns, you must file separate returns with Indiana.

There are four types of returns available. The type you need to file is generally based on your residency status. Read the following to decide if you are a full-year resident, part-year resident, or nonresident of Indiana, and which type of return you should file.

Part-Year Residents and Full-Year Nonresidents

If you were a part-year resident and received income while you lived in Indiana, you must file Indiana Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return.

If you were a legal resident of another state (exception: see next paragraph) and had income from Indiana (except certain interest, dividends, or retirement income), you must file Form IT-40PNR.

Full-Year Residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin

If you were a full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and your only income from Indiana was from wages, salaries, tips or commissions, then you need to file Form IT-40RNR, Indiana Reciprocal Nonresident Individual Income Tax Return.

Full-Year Residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax Return or Form IT-40EZ for Full-Year Indiana Resident Filers with No Dependents. If you filed a 2006 federal Form 1040EZ, were a full-year resident of Indiana, claim only the renter's deduction and/or unemployment compensation deduction, and have only Indiana state and county tax withholding credits or an earned income credit, then you should file the simplified Form IT-40EZ. If you are not eligible to file Form IT-40EZ, or have any other deductions or credits, you must file Form IT-40.

You are a full-year Indiana resident if you maintain your legal residence in Indiana from Jan. 1 – Dec. 31 of the tax year. You do not have to be physically present in Indiana the entire year to be considered a full-year resident. Residents, including military personnel, who leave Indiana for a temporary stay, are considered residents during their absence.

Retired persons spending the winter months in another state may still be full-year residents if:

- They maintain their legal residence in Indiana and intend to return to Indiana during part of the taxable year,
- They retain their Indiana driver's license,
- They retain their Indiana voting rights, and/or
- They claim a homestead deduction on their Indiana home for property tax purposes.

Indiana allows $1,000 for each exemption claimed on your federal return, plus an additional $1,500 for certain dependent children (see instructions on page 8 for more information). If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you are eligible to claim.

If you were a full-year resident of Indiana and your gross income (the total of all your income before deductions) was greater than your total exemptions, you must file Indiana Form IT-40 or IT-40EZ.

If your gross income is less than your total exemptions, you are not required to file. However, you may want to file a return to get a refund of any state and/or county tax withheld by your employer, or other refundable credits, such as an earned income credit.

Deceased Taxpayers

If an individual died during 2006, or died after Dec. 31, 2006, but before filing his/her tax return, the executor, administrator or surviving spouse must file a tax return for the individual if:

- The deceased was under the age of 65 and had gross income over $1,000,
- The deceased was age 65 or older and had gross income over $2,000, or
- The deceased was a nonresident and had gross income from Indiana.

Make sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on the back of the IT-40PNR. For example, a date of death of Jan. 9, 2006, would be entered as

01/09/2006. **Note:** The date of death should not be entered here if the individual died after Dec. 31, 2006, but before filing the tax return. The date of death information will be shown on the individual's 2007 tax return.

Signing the deceased individual's tax return

If a joint return is filed by the surviving spouse, the surviving spouse should sign his or her own name and after the signature write: **"Filing as Surviving Spouse."**

An executor or administrator appointed to the deceased's estate must file and sign the return (even if this isn't the final return), indicating their relationship after their signature (e.g. administrator).

If there is no executor, or if an administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew"). Only one tax return should be filed on behalf of the person who died.

Note: The Department may ask for a copy of the death certificate, so make sure to keep a copy with your records.

A refund check for a deceased individual

If you (the surviving spouse, administrator, executor or other) have received a refund check and cannot cash it, contact the Department to get a widow's affidavit (www.in.gov/dor/taxforms/99pdfs/poa30.pdf or a distributee's affidavit (www.in.gov/dor/taxforms/99pdfs/poa20.pdf). Send the completed affidavit, the refund check can be issued to you.

Military Personnel - Residency

If you were an Indiana resident when you enlisted, you remain an Indiana resident no matter where you are stationed. You must report all your income to Indiana on Form IT-40.

If you changed your legal residence (military home of record) during 2006, you are a part-year resident and should file Form IT-40PNR. You must also attach a copy of Military Form DD-2058 to the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, plus any income from Indiana sources.

If you are stationed in Indiana and you are a resident of another state, you won't need to file with Indiana unless you have non-military income from Indiana sources.

Example. Annie, who is a Kansas resident, is stationed in Indiana. She earned $1,300 from her Indiana part-time job. She'll need to report that income to Indiana on Form IT-40PNR.

If you are a full-year Indiana resident in the military, your spouse is a legal resident of another state and you filed a joint federal return, you will need to file Form IT-40PNR.

Important: Refer to the instructions on page 28 for an explanation of county of residence for military personnel.

When Should You File?

Your tax return is due April 16, 2007. If you file after this date, you may have to pay interest and penalty. See page 14 for more information.

Fiscal year tax returns are due by the fifteenth (15) day of the fourth (4th) month after the close of the fiscal year. You must complete the fiscal year filing period information at the top of the form.

Penalty for Late Payment

If you do not file your tax return and pay the amount of tax owed by the due date, Indiana law requires you to pay penalty and interest on the late payment. See page 14 for instructions on penalty and interest.

What if You Can't File on Time?

If you can't file by the due date and you don't think you will need to make a payment when you file your return, you are not required to file for an extension of time to file. However, if you are expecting a refund, you might need an **extension of time to file** if you are claiming the unified tax credit for the elderly. See page 10 for instructions on the unified tax credit for the elderly.

If you can't file on time, and expect to owe when you file, you may need to apply for an extension of time to file. The extension allows additional time to complete and file your income tax return; however, the extension does not provide additional time to pay the amount of tax owed.

To make the extension valid, you will need to estimate 90 percent of your expected tax, subtract the credits you expect to have, and pay any remaining amount due by April 16, 2007.

Get Indiana's extension Form IT-9, and mail it (including your payment) by April 16, 2007. This extends the filing date to June 16, 2007. Form IT-9 is located on page 43. You may also file for an extension and make an extension payment online at www.in.gov/dor/epay/index.html

Indiana also recognizes valid federal extension dates plus 30 days. If you have a federal extension, attach a copy of Form 4868 to your Indiana return when filing. Make sure you file no later than Nov. 16, 2007. **Note:** Remember that 90 percent of the tax due to Indiana must still be paid by April 16, 2007, in order to escape a penalty charge. Interest will be due on any tax that remains unpaid during the extension period.

Military personnel on duty outside of the U.S. and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be attached to the return verifying that you were outside of the U.S. or Puerto Rico on April 16, 2007.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. Also, if they are hospitalized outside the United States as a result of such service, the 180 day extension period begins after being released from the hospital. The spouse of such service member must use the same method of filing for both federal and Indiana (e.g. single or

joint). When filing the return, write "Combat Zone" across the top of the form (above your Social Security number).

Note: Valid extensions are only for filing purposes. Interest will be due on any tax that remains unpaid during the extension period.

Nonresidency and Income Taxable to Indiana

A part-year resident owes tax on taxable income received from all sources while being a resident of Indiana. A part-year or full-year nonresident also owes tax on income from Indiana sources as listed below while a legal resident of another state.

Indiana income includes income from the following sources:

1. Winnings from Indiana riverboats;

2. Labor or services performed in Indiana, including salaries, wages, commissions, tips etc.;

3. A farm, business, trade or profession doing business in Indiana;

4. Any personal property located in Indiana;

5. A partnership or an S corporation doing business in Indiana;

6. Stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other property where earnings are a part of an Indiana business;

7. Trusts and estates given to nonresident heirs; and

8. Pensions and most interest and dividends are taxed by your state of esidence when you receive them.

Note: If you were a full-year nonresident and your only income from Indiana sources was from pensions, interest and/or dividends (which were not a basic part of the business in Indiana), you are not required to file an Indiana income tax return.

Reciprocal States: Special Filing and Income Reporting Instructions

If you are a resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and:

- You received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this is the only type of income you received from Indiana, you should file Form IT-40RNR, Reciprocal Nonresident Indiana Individual Income Tax Return. See the "Need Tax Forms...?" section on page 3 for options; or
- You received other types of Indiana-source income besides wages tips, salaries or commissions (see items 1 through 8 above), you must file Form IT-40PNR instead of Form IT40RNR; or
- You received both Indiana-source income (see items 1 through 8 above) and wage income from Indiana, you must file form IT-40PNR. The wage income will not be subject to Indiana adjusted gross income tax. However, see the county tax instructions on page 30 if these wages were earned in an Indiana county that has a county tax.

Example. Fred and Deanna are full-year residents of Michigan, and file a 2006 joint federal income tax return. During 2006 Fred received $10,000 winnings from an Indiana riverboat, and Deanna earned $25,000 wage income from an Elkhart, Indiana employer.

Fred's riverboat winnings will be taxed by Indiana. Enter Fred's $10,000 winnings on Indiana Schedule A, line 20, Columns A and B.

Deanna's wage income is not subject to Indiana adjusted gross income tax. Therefore, enter Deanna's wage income in Column A only.

Note: See county tax instructions on page 30 to determine if county tax is due on her wage income.

When Not to Fill In a Line

If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Completing Form IT-40PNR

Line 1 – Income Taxed by Indiana

Complete Indiana Schedule A. Instructions for Schedule A begin on page 16. Carry the line 42B amount to line 1 on the front of Form IT-40PNR.

Line 2 – Indiana Deductions

Use Schedule D to figure your Indiana deductions. Instructions for Schedule D begin on page 20. Carry the line 12 amount to line 2 on the front of the IT-40PNR.

Indiana Exemptions: Lines 4 - 10

Important: Keep detailed information about the exemption(s) you are claiming, such as full name(s), age(s), Social Security number(s), etc., as the Department can require you to provide this information.

Line 4 - Exemptions

You are allowed $1,000 for each exemption claimed on your federal return. Enter in the box the total number of exemptions claimed on your federal return. Multiply $1,000 by that number, and enter the answer here.

Example. John and Lisa have a 12-year-old daughter. On John and Lisa's joint federal return they claim themselves and their daughter as exemptions. They'll enter 3 in the box on line 4 for a total of $3,000 exemptions.

If you do not have to file a federal return, you will need to complete a "sample" federal return to see how many federal exemptions you are allowed to claim.

Important: If no exemption is claimed on your federal return, you can still claim yourself (even if you are claimed on a parent's or guardian's return).

Line 5 - Additional Exemption for Dependent Child

An additional $1,500 exemption is allowed for certain dependent children. Carefully read the following *Dependent Child Definition* to see if you are eligible for this additional exemption(s).

Dependent Child Definition: According to state statute, a dependent child must be a son, stepson, daughter, stepdaughter and/or foster child (and/or your spouse's child if filing a joint return). He/she must be either under the age of 19 by Dec. 31, 2006, or be a full-time student who is under the age of 24 by Dec. 31, 2006.

If any dependent(s) you are eligible to claim on your federal return also meets the Dependent Child Definition above, enter that number in the box on line 5.

Example. John and Lisa claimed their 12-year-old daughter as an exemption on their federal return. Since their daughter is under the age of 19, John and Lisa will claim one exemption on line 5 for a total of $1,500.

Example. Jessie's elderly father and her nine-year-old daughter lived with her the entire year. She claimed both as dependents on her federal return. Jessie will claim her daughter for the additional exemption on line 5. She is not allowed to claim the additional exemption for her father.

Note: Not all dependent children are eligible for this additional exemption. For instance, if you claimed a grandson or nephew as an exemption on your federal return, you should also claim an exemption for him on line 4. However, since he doesn't qualify under the Dependent Child Definition above, you will not be able to claim the additional exemption for him on line 5.

Line 6 - Age 65 or Older or Blind

If you and/or your spouse (if filing a joint return) are age 65 or older, you and /or your spouse can take an additional $1,000 exemption. If you and/or your spouse (if filing a joint return) are legally blind, you and/or your spouse can take an additional $1,000 exemption. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by $1,000.

Line 7 - Additional Exemption for Age 65 or Older

An additional $500 exemption is available for you and/or your spouse (if filing a joint return) if you are age 65 or older and the amount on Indiana Schedule A, line 41A (your federal adjusted gross income) is less than $40,000. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by $500.

Line 9 - Proration Amount

At the bottom of Indiana Schedule A is the Proration Section. The number in Box 21D represents the percentage of your total income being taxed by Indiana. For example, .450 means that Indiana is taxing 45 percent (.45) of your total income.

On line 8 on the front of the IT-40PNR you've figured the gross exemption amount available to you. On line 9 you'll multiply that exemption total by the percent from Box 21D.

For example, if line 8 is $1,000 and line 9 is .450 (45%), your line 10 total exemption will be $450. Since Indiana is taxing 45 percent (.45) of your total income, you're allowed to deduct 45 percent of your total exemptions.

Enter the amount from Box 21D located at the bottom of Indiana Schedule A, Section 1.

See instructions for the *Proration Section* on page 18 for more information.

Sales/Use Tax Worksheet

List all purchases made during 2006 from out-of-state companies.

Column A Description of personal property purchased from out-of-state	**Column B** Date of Purchase(s)	**Column C** Purchase Price of Property(s)
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		

1. Total purchase price of property subject to the sales/use tax: enter total of Column C	1	
2. Sales/use tax: Multiply line 1 by .06 (6%)	2	
3. Sales tax previously paid on the above items (up to 6% per item)	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40PNR, line 14. If the amount is negative, enter zero and put no entry on line 14 of the IT-40PNR	4	

Note: Be sure this number is rounded to a decimal followed by three numbers. Example: $3,100 ÷ $8,000 = .3875, which rounds to .388.

Line 10 - Total Exemptions

Multiply the exemption subtotal on line 8 by the amount on line 9. Enter the total here.

Line 13 – County Tax

To figure your county tax, complete Schedule CT-40PNR. Instructions for Schedule CT-40PNR begin on page 27.

Line 14 - Use Tax on Out-of-State Purchases

If, while a resident of Indiana, you made purchases while you were outside Indiana, through the mail (for instance, by catalog or offer through the mail), through radio or television advertising and/or over the Internet, these purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called "use" tax, is figured at 6 percent (.06).

When you make purchases from a company in Indiana, that company is responsible for collecting the Indiana sales tax from you. When you make purchases from an out-of-state company, **YOU** are responsible for making sure the use tax is paid. Either the out-of-state company collects the tax from you or you must pay the tax directly to the State of Indiana.

Complete the worksheet on page 9 to figure your tax. If you paid sales tax to the state where the item was originally purchased, you are allowed a credit against your Indiana use tax for an amount up to 6 percent (.06).

Line 15 - Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 2006 to an individual who is **not**

- Your spouse.
- Your child under age 21.
- Your parent.
- An employee under age 18.

and the individual worked in and around your home as a baby-sitter, nanny, health aide, private nurse, maid, caretaker, yard worker or someone who does similar domestic duties, then that individual may be defined as your employee.

For more information on defining an employee get Federal Publication 926, Household Employer's Tax Guide, by visiting www.irs.gov/publications/p926/index.html or calling the IRS at 1-800-829-1040.

If you paid cash wages over $1,500 to a household worker who is your employee, or total cash wages of $1,000 or more in any calendar quarter of 2005 or 2006 to all household employees, you should have withheld state and county income taxes. To pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H, or download one from our Web site at www.in.gov/dor/taxforms

Line 16 - Indiana Advance Earned Income Credit Payment (from W-2s)

Enter the total amount of Indiana advance earned income credit payments you received. This amount is shown on your W-2 form in the box directly beneath box 19 ('INADV' should be in the box directly beneath box 20).

Indiana Credits

Lines 18 and 19 - Indiana State and County Tax Withheld

The amount of Indiana state tax withheld is usually shown on box 17 and the amount of Indiana county tax withheld is usually shown on box 19 of the W-2s.

Note: Do not claim credit for taxes withheld for states other than Indiana or for localities outside Indiana.

You **must** attach your W-2s, WH-18s and/or Form 1099s to your tax return to verify the amount withheld.

If you had more than one job, a W-2 form for each job must be attached to the tax return so you can get credit for all Indiana state and county tax withheld.

If you had Indiana state tax and/or county tax withheld on any other federal forms, such as a W-2G or 1099R, you must attach them to the tax return to get credit for the amount withheld.

If you are filing a joint return, be sure to include your spouse's W2s, WH-18s and/or Form 1099s if they show Indiana state and/or county withholding amounts.

Use of substitute W-2s will delay the processing of your return and/or refund.

Line 20 - 2006 Estimated Tax Paid

If you made estimated tax payments, enter the total paid for 2006 on this line. Also include any **extension payment** made with Form IT-9 "Extension of Time to File" for tax year 2006.

Note: Do not include on this line any estimated tax paid for tax year 2007.

Line 21 - Unified Tax Credit for the Elderly

You may be able to claim a credit if you or your spouse meet all the following requirements.

- You and/or your spouse must have been age 65 or older by Dec. 31, 2006,
- If married and living together at any time during the year, you must file a joint return,
- You must have been a resident of Indiana for six months or more during 2006,
- The amount on Indiana Schedule A, Section 3, line 41A must be less than $10,000, and
- You must not have been in prison for 180 days or more in 2006.

Note: Disabled persons under age 65 do not qualify for this credit.

Important:

- If your spouse died after Jan. 1, 2006, you can claim this credit by filing a joint return.

- If a person dies and does not have a surviving spouse, then no one can claim the credit on behalf of the deceased person.

The deadline for claiming this credit is July 2, 2007. The only exception to this rule is if you have a valid extension of time to file your tax return.

To figure your Unified Tax Credit for the Elderly:

Use Table A if:

You meet all the requirements listed above, **and**

- You are filing a joint return, lived with your spouse during 2006 and both of you were age 65 or older by Dec. 31, 2006, or
- Both you and your spouse met all the requirements, and your spouse died after Jan. 1, 2006.

Table A
Joint Filers Both Age 65 or Older

If the income on Line 41A of Indiana Schedule A, Section 3 is:	**Your Allowable Credit*** is:
less than $1,000	$140
between $1,000 and $2,999	$90
between $3,000 and $9,999	$80

Use Table B if:

You meet all the requirements listed above, and

- You are age 65 or older and are single or widowed,
- You are filing a joint return and only one of you is age 65 or older, or
- You are married but did not live with your spouse during 2006, are age 65 or older and are married filing separately.

Table B
Only One Person Age 65 or Older

If the income on Line 41A of Indiana Schedule A, Section 3 is:	**Your Allowable Credit*** is:
less than $1,000	$100
between $1,000 and $2,999	$50
between $3,000 and $9,999	$40

*Once you have located your credit on Table A or Table B, enter that amount on line 21.

Line 22 - Indiana's Earned Income Credit: Schedule IN-EIC

Indiana's earned income credit is based on your federal earned income credit. If your federal earned income credit is $9 or more, you may be eligible for Indiana's earned income credit.

The earned income credit will lower the tax you owe and may give you a refund even if you don't owe any tax.

To claim the credit you must meet the following requirements:

- You must have claimed an earned income credit on your federal income tax return;
- You must have income (loss) reported on line 1 of the front page of the IT-40PNR; and
- You must complete and attach Indiana's Schedule IN-EIC.

Get Information Bulletin #92 at www.in.gov/dor/reference/bulletins/income/pdf/ib92.pdf for additional information.

Line 23 - Lake County (Indiana) Residential Income Tax Credit

You may be eligible to claim a Lake County (Indiana) residential income tax credit if you meet all three of the following requirements.

1. You paid property tax to Lake County (Indiana) during 2006 on your residence. Your "residence" is your principal dwelling. You must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.

2. Your earned income must be less than $18,600. Earned income is the combination of your (and your spouse's, if filing a joint return) wages, salaries, tips and other compensation, plus net earnings from self-employment (income on which you are required to pay self-employment tax on federal Schedule SE). NOTE: Income from pensions, interest, dividends, Social Security, etc., are not classified as earned income.

Example. Sue has $17,000 wage income, $300 interest income and $7,000 pension income. Even though her total income is $24,300, Sue will qualify for the credit because her earned income is less than $18,600 (it is $17,000).

Important: You are not required to have earned income to be eligible for this credit.

Example. Dale receives $17,000 pension income, $3,000 Social Security income, and $100 interest income. He meets the income eligibility requirement because his earned income is less than $18,600 (it is zero).

3. You are not claiming the homeowner's residential property tax deduction for the 2006 assessment period on Indiana Schedule D, line 2, Box A.

How do I figure my credit?

Step 1 Did you pay property tax to Lake County (Indiana) on your residence for 2006? ❒ Yes ❒ No

If yes, continue to Step 2.
If no, **STOP**. You do not get this credit.

Step 2 Enter your earned income. This will include your (and your spouses, if filing a joint return) wage, salary, tip other compensation, plus net earnings from self-employment.
$_____

Step 3 If the amount in Step 2 is greater than $18,600, **STOP**. You do not get this credit.

If the Step 2 amount is **less than** $18,000, skip to Worksheet A.

If the Step 2 amount is between $18,000 and $18,600, skip to Worksheet B.

Worksheet A:

Complete if your earned income is **less than** $18,000.

A1 Enter the amount of Indiana property tax you paid for the 2006 assessment period on your Lake County residence.....**A1 $** _____

A2 Maximum credit .....**A2 $** 300.00

A3 Enter the **smaller** of A1 or A2. This is your credit. Enter here and on IT-40PNR, line 23.....**A3 $**_____

Worksheet B: Earned Income Phaseout

Complete if your earned income is between $18,000 and $18,600.

B1 Allowable maximum earned income....**B1 $** 18,600.00

B2 Enter your earned income from Step 2 above).....**B2 $** _____

B3 Subtract B2 from B1 (if answer is zero or a (negative amount,) **STOP**. You do not get this credit).....**B3 $** _____

B4 Multiply the amount on B3 by .5.....**B4 $** _____

B5 Enter the amount of Indiana property tax you paid for the 2006 assessment period on your Lake County residence.....**B5 $** _____

B6 Enter the **smaller** of B4 or B5. This is your credit. Enter here and on IT-40PNR, line 23.....**B6 $** _____

Important: Remember, you can claim either this credit OR the homeowner's residential property tax deduction on Schedule D, line 2, Box A, but not both.

Line 24 – Economic Development for a Growing Economy Credit (EDGE Credit)

If you have business income (including partnership or S corporation income) you may be eligible for the EDGE credit. This credit is available to businesses who conduct certain activities which are designed to foster job creation or job retention in Indiana.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indpls., IN 46204, for eligibility requirements, visit www.in.gov/iedc/incentives/edge/html for additional information.

Note: The approved credit agreement letter from the IEDC must be attached or this credit will not be allowed.

Line 25 – Indiana Credits

To figure your Indiana credits, complete Schedule E. Instructions for Schedule E begin on page 31.

Line 29

If the line 28 total credits are more than the line 27 total tax, you have an overpayment. Enter the difference between those two amounts here.

A note about refund offsets:
Indiana law requires that money you owe to the state, its agencies and certain federal agencies be deducted from your refund or credit before a refund is issued. This includes money owed for past-due taxes, student loans, child support, food stamps or an IRS levy. If the Department applies your refund to any of these debts, you will receive a letter explaining the situation.

Line 30 - Contribution to Indiana Nongame Wildlife Fund

The Indiana Wildlife Diversity Section offers you the opportunity to play an active role in conserving Indiana's nongame and endangered wildlife. This program is funded through public donations to Indiana's Nongame Fund. The money you donate goes directly to the protection and management of more than 750 wildlife species in Indiana - from songbirds and river otters to state-endangered bald eagles and spotted turtles.

Enter the amount of your refund you wish to donate to the Nongame Wildlife Fund on line 30. You can donate all or a part of your refund. Donations must be a minimum of $1.

If you are not receiving a refund, but want to support the Wildlife Diversity Section, do not change your tax return. You can send a donation directly to the Nongame Fund by completing the form on the back of this booklet.

Read more about Indiana's Wildlife Diversity Section and how donations have helped Indiana's endangered wildlife at www.in.gov/dnr/fishwild/endangered/fund.htm

Note: The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame Wildlife Fund and wish to apply a payment to your 2007 estimated tax account, the overpayment will be applied first to the wildlife fund and then to the estimated tax payment. Any amount left will be refunded to you.

Line 32 - Amount to be Applied as a 2007 Estimated Tax Installment Payment

If you expect to have income during the 2007 tax year that:

- Will not have Indiana income taxes withheld, or
- If you think the amount withheld will not be enough to pay your tax liability, and
- You expect to owe more than $400 when you file your tax return, then you should pay estimated tax.

There are several ways you can make estimated tax payments. First, use the worksheet on page 44 to see how much you will owe. Then, if you want to make an estimated tax installment payment on this tax return, carry the amount from line I of the worksheet to line 32 of Form IT-40PNR.

You may use some or all of your line 31 overpayment as an installment payment. You may also send a payment with your tax return to make or to increase an installment payment.

Example. You have an $80 overpayment on line 29. Instead of getting a refund, you want to apply the $80 towards your estimated tax account. You also want to make an additional $20 payment, bringing the total amount paid up to $100. Enter $100 on line 32, and enter the $20 additional amount due on line 39.

Important: Any installment payment amount entered on line 32 will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 16, 2007, will be considered to be a 2007 first installment payment; June 3, 2007, will be considered to be a 2007 second installment payment; and July 22, 2007, will be considered to be a 2007 third installment payment. **Note:** If you are filing this return after Jan. 15, 2008, you will not be able to make an installment payment on this line.

If you do not want to make an estimated payment on this tax return, you may use Form ES-40 on page 44 of this booklet to make the payment. Also, you may already have received a coupon booklet if you made estimated tax payments to the Department last year. Payment may also be made online, via credit card or check, at www.in.gov/dor/epay. See line 39 instructions on page 14 for details about using IN-ePay.

Regardless of which payment option you choose, please use only one method to make an installment payment (i.e. don't put an entry on line 32 and, at the same time, enclose an ES-40).

Note: An entry on this line will reduce your refund or increase the amount you owe.

For additional information about estimated taxes see Information Bulletin #3. You may access the bulletin at www.in.gov/dor/reference/bulletins/income/pdf/ib03.pdf

Line 33 - Penalty for Underpayment of Estimated Tax

You might owe a penalty for underpayment of estimated tax if you did not have taxes withheld from your income and/or you did not pay enough estimated tax throughout the year.

In fact, not properly paying estimated tax is one of the most common errors made in filing Indiana tax returns.

Generally, if you owe $400 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

You might owe this penalty if:

- The total of your credits, including timely estimated tax payments, is less than 90 percent of this year's tax due or 100 percent* of last year's tax due, ** or
- You underpaid the minimum amount due for one or more of the installment periods.

If either of these cases apply to you, you must complete Schedule IT-2210 or IT-2210A to see if you owe a penalty or if you meet an exception. If you owe this penalty, attach Schedule IT-2210 or IT-2210A to your tax return and write the penalty amount on Form IT-40PNR, line 33.

*You must have timely paid 100 percent of lines 12 and 13 of your 2005 IT-40PNR or lines 16 and 17 of your 2005 Form IT-40. **Note:** If last year's Indiana **adjusted gross income** was more than $150,000 ($75,000 for married filing separately), you must pay 110 percent of last year's tax (instead of 100 percent).

**Farmers and fishermen should see the special instructions on page 15.

Important:
If it looks like you owe a penalty for the underpayment of estimated tax, and

- You didn't report a penalty amount on line 33, and
- You didn't attach Schedule IT-2210 or Schedule IT-2210A showing you meet an exception to owing a penalty, the Department will automatically figure a penalty for you.

Should I use Schedule IT-2210 or IT-2210A?

Schedule IT-2210 should be used by individuals who receive income (not subject to withholding tax) on a fairly even basis throughout the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Jim and Sarah together received $1,000 pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception to the penalty.

Schedule IT-2210A should be used by individuals who receive income (not subject to withholding tax) unevenly throughout the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Bill's income is from selling fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 16, 2007, first installment due date.

Example. Rachael received a sizeable lump sum distribution in December of 2006. She figured how much estimated tax was due, and paid it by the January 16, 2007, fourth period installment due date. By completing Schedule IT-2210A, she shows she owes no penalty for the first three installment periods, and that a proper payment was made for the fourth installment period. She will owe no penalty.

Visit our Web site at www.in.gov/dor/taxforms/individual06.html to get Schedule IT-2210 or IT-2210A.

Line 34 - You have a refund if line 31 is greater than the combined amounts entered on lines 32 and 33. However, if the combination of line 32 plus line 33 is greater than the line 31 amount, no refund is due. Instead, you will have an amount due to the Department. Enter the amount on line 36 and leave line 34 blank.

Please wait twelve (12) weeks before you contact the Department about your refund.

Note: There is a **statute of limitations** on filing refund claims. When filing your 2006 tax return, a claim for refund of excess withholding credits must be made no later than April 16, 2009. A claim for refund of all other excess payments and refundable credits must be made by April 16, 2010. (The claim is considered to be made on the day your return is postmarked.)

Line 35 - Direct Deposit

You may choose to have your refund deposited in your checking, savings or Hoosier Works Master Card account. See below for instructions on how to do this.

If you want your refund directed into your checking or savings account, complete lines 35a, b and c.

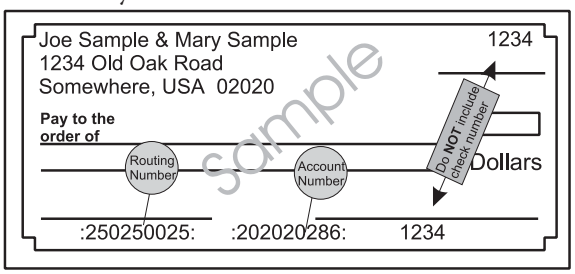
a) The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number. The sample check below has the routing number identified.

b) The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank. The account number is identified on the sample check below.

c) Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.

Note: The routing and account numbers may appear in different places on your checks.

If you currently have a Hoosier Works MasterCard and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 35b, where it says "Account Number" (do not write anything on line 35a "Routing Number"). You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.



Note: DO NOT use your MasterCard 16-digit number.

Make sure to check the "Hoosier Works MC" box on line 35c.

For more information on direct deposit, please see "Where's Your Refund" on page 4.

Line 36 -

- If line 34 is less than zero, you have an amount due. Enter here as a positive number and skip to line 37.

OR

- If line 27 is greater than line 28, complete the following steps:

A. Subtract line 28 from line 27 and enter the total here .....A _____

B. Enter any amount from line 32..... B _____

C. Enter any amount from line 33 ..... C _____

D. Add lines A + B + C. Enter total here and on line 36 ..... D _____

Line 37 - Penalty

If your tax return is filed after the April 16, 2007, due date and you have an amount due, you will probably owe a penalty. Penalty is 10 percent of the amount due (line 36 minus lines 32 and 33) or $5, whichever is greater. Exception: If you have an extension of time to file, are filing by the extended filing due date and have prepaid at least 90 percent of the amount due April 16, 2007, then no penalty is due.

Line 38 - Interest

If your tax return is filed after the April 16, 2007, due date and you have an amount due, you will owe interest (even if you have a valid extension of time to file). Interest should be figured on the sum of line 36 minus lines 32 and 33. Contact the Department for the current interest rate by calling (317) 232-2240 or visit our Web site at http://www.in.gov/dor/reference/notices/pdfs/dn03.pdf to get Departmental Notice #3.

Line 39 - Amount You Owe - Payment Options

There are several ways to pay the amount you owe. Make your check, money order or cashiers check payable to: Indiana Department of Revenue. Paperclip the payment to the bottom of the front of the return. If you don't have a paperclip, just include it loose in the envelope. **Do not** staple it to the return. **Do not** send cash.

Note: All payments made to the Indiana Department of Revenue must be made with U.S. funds.

You may pay the amount you owe on line 39 with a major credit card, over the Internet or by phone. Log on to **www.in.gov/dor/epay** or call 1-888-829-3746 toll free, and use your American Express, Discover, MasterCard, or Visa to make a payment.

A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction.

You may also pay using the **eCheck** payment method. This service uses a paperless check and may be used to pay the tax due with your Indiana individual income tax return, as well as any billings issued

by the Indiana Department of Revenue for any tax type. Go to www.in.gov/dor/epay and follow the step-by-step instructions to make your payment. You will receive a confirmation number and should keep this with your tax filing records. The fee for using this service is $1.

Note: No payment is due if you owe less than $1.

Returned Checks

If your check is returned unpaid by your banking institution, you will be charged a 10 percent penalty on the amount due or $5, whichever is greater, plus interest. The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not received immediately, the penalty will be increased to the face value of the check or 100 percent of the unpaid tax, whichever is smaller. Also, any permits and/or licenses issued by the Department may be revoked if the assessed amount is not paid immediately.

Taxpayer and Spouse's Information

Tell us where you were a resident during 2006 by completing this area. Enter the 2-letter name for the other state(s) where you lived. Also, complete the area asking for the time period you lived in Indiana and/or other state(s). If you lived in more than one state other than Indiana, let us know where and when on an attachment.

Note: If you were a resident of a foreign country during all or a part of 2006, enter the 2-letter code "OC" for other country.

Additional Information

Deceased Individual Information

If the taxpayer and/or spouse died during 2006, and this return is being filed with his/her name on it, make sure to enter the month and day of death in the appropriate box located on the back of the IT-40PNR. For example, a date of death of Jan. 9, 2006, would be entered as 01/09. See instructions on page 6 for more information.

Note: If the taxpayer and/or spouse died before 2006, or after Dec. 31, 2006, but before filing their tax return, do not enter his/her date of death in this box.

Farmers and Fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- Paying all your estimated tax on or by Jan. 16, 2007, and filing your Form IT-40PNR by April 16, 2007, or
- Filing your Form IT-40PNR by March 1, 2007, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

Important: If you have checked the box you <u>must</u> attach the completed Schedule IT-2210 or IT-2210A to support your claim.

See page 13 for more information about these schedules.

Are You Filing a Federal Income Tax Return?

You must check the yes or no box to answer the question: "Are you filing a federal income tax return for 2006?"

E-Mail Address

Enter your e-mail address if you would like us to be able to contact you by e-mail.

Authorization Section

If someone other than you completed this tax return, you can give the Department permission to discuss your tax return with that person. Place a checkmark in the appropriate box on the back of the tax return. Also, you must enter that person's identification number in the boxes provided at the end of this section. Enter the person's Social Security number, federal identification number or PTIN if completed by a professional preparer. If someone other than you completed this return, and you do not want the Department to discuss your return with that person, check the "No" box.

Signature Section

If this is a joint return, both you and your spouse must sign and date the tax return. Also, give us your daytime telephone number so we can call you if we have any questions about your tax return.

If a paid preparer completed this tax return for you, he/she must complete the paid preparer's signature section. The paid preparer must provide the name and address of the firm that he/she represents. Also, the preparer must sign and date the back of the tax return and provide his/her identification number (in the area below your signature). We also ask for the daytime telephone number of the preparer if you authorize us to discuss your tax return with the preparer.

Signing a tax return for a deceased individual

If a joint return is filed by the surviving spouse, the surviving spouse should sign his/her name and after the signature write: "Filing as Surviving Spouse".

If filing a return for a deceased individual, an executor or administrator appointed for the deceased's estate must file and sign the return (even if this isn't the <u>final</u> return), indicating their relationship after their signature (e.g. administrator).

If an executor or administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew").

Make sure you keep a copy of your completed return.

Unresolved Problems?

Use the Taxpayer Advocate

As prescribed by the Taxpayer Bill of Rights, the Department has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of taxpayer complaints and complex tax issues. If you have a complex tax issue you must first pursue resolution through normal channels, such as contacting the Taxpayer Services Division (317-232-2240), Collection Division (317-232-2165), etc. If you are still unable to resolve your tax issue, or a tax assessment places an undue hardship on you, you may receive assistance from the Office of the Taxpayer Advocate.

For more information, and to get required schedules if filing for an offer in compromise or a hardship case, visit on Web site at www.in.gov/dor/taxforms/fsl.html You may also contact the Taxpayer Advocate's Office directly at this e-mail address: taxpayeradvocate@dor.in.gov, or by telephone at (317) 232-4692. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, IN 46206-6155.

Where to Mail Your Tax Return – New Labels for Envelope

You will find mailing labels next to the envelope enclosed in this booklet. Beginning this year, returns with payments enclosed have a different post office box number for mailing purposes.

If you are enclosing a payment, please mail your tax return with all attachments to:
Indiana Department of Revenue
P.O. Box 7224
Indianapolis, IN 46207-7224

For all other filings, please mail your tax return with all attachments to:
Indiana Department of Revenue
P.O. Box 40
Indianapolis, IN 46206-0040

Indiana Schedule A

Sections 1, 2 and 3 Instructions

Sections 1, 2 and 3 will help you to separate the income to be taxed and adjustments to be allowed by Indiana from your entire income.

General Information

Income received from Indiana sources should be reported as Indiana income by nonresidents, except certain types of Indiana income that are subject to tax only by your state of residence at the time you receive it.

For part-year residents, the portion of the following types of income received while a nonresident would not be reported as Indiana income: interest, dividends, royalties and gains from the sale of capital assets, unless such income results from the conduct of a trade or business. For example, dividends received from an S corporation doing business in Indiana would be reported by nonresidents as income taxable in Indiana.

The portion of the following types of income received while a nonresident would not be reported as Indiana income: interest, dividends, royalties and gains from the sale of capital assets, unless such income results from the conduct of trade or business.

Example. Dividends received from an S corporation doing business in Indiana would be reported by nonresidents as income taxable in Indiana.

Example. Interest income received by an Illinois resident from a personal Indiana savings account is not income taxable to Indiana.

When reporting a loss or negative entry, put brackets around the number. *Example.* (1.00)

Read the following line-by-line instructions for more information. Also, get Income Tax Bulletin #28 at www.in.gov/dor/reference/bulletins/income/pdf/ib28.pdf for more information.

Section 1: Income or Loss Line-by-Line Instructions

You must complete your federal income tax return first. The instructions for lines 1, 2, 3 and 4 do not reference a particular federal form: these amounts will be taken from the federal Form 1040, 1040A or 1040EZ. The remaining Indiana Schedule A instructions generally reference certain federal forms and specific line numbers. For example, the line 7 'Business Income or Loss' instruction references the line on federal Form 1040, line 12.

Unless otherwise stated:

- Enter in Column A your income as it appears on your federal return; and
- Enter in Column B the portion of your income that is subject to Indiana income tax.

Lines 1 and 2 — Wages, Salaries, Tips, etc.

Enter wages, salaries, tips and/or other compensation received as an employee. You should report your income on line 1 and your spouse's income on line 2. Enter in Column B income received while you were an Indiana resident, and income from Indiana sources received while you were not an Indiana resident.

Note for part-year or full-year nonresidents: do not enter that portion of your Indiana source wage, salary, tip or commission income in Column B earned while you were a resident of a reciprocal agreement state (see *Reciprocal States: Special Filing and Income Reporting Instructions* on page 8).

Lines 3 and 4 — Interest and Dividend Income

Enter in Column A your taxable interest and dividend income as reported on your federal return, and report the interest and dividend income attributable to Indiana in Column B. Interest earned from U.S. government obligations is not taxed by Indiana, but still must be reported on this line. If any of the interest reported in Column B is from U.S. savings bonds, Treasury notes, T-Bills, etc., you may

deduct these amounts on Form IT-40PNR, Schedule D, line 4.

Note: Municipal bond interest income is not taxed on your federal return, it will not be taxed on the Indiana return.

Line 5 — Taxable Refunds, Credits or Offsets

Enter in Column A the amount of taxable refunds, credits or offsets of state and local income taxes that was reported on your federal Form 1040, line 10. Enter in Column B that portion received while you were an Indiana resident.

Line 6 — Alimony Received

Enter in Column A the amount of alimony reported on your federal Form 1040, line 11. Enter in Column B that portion you received while you were an Indiana resident.

Important: The amounts on line 7 and lines 12 through 16 should reflect the amounts reported on your federal Form 1040 (after any application of passive activity loss limitations from federal Form 8582).

Line 7 — Business Income or Loss

Enter in Column A the business income from Schedules C or C-EZ that is reported on federal Form 1040, line 12. Enter in Column B that portion of business income subject to tax in Indiana. Also, see the instructions for:

- Tax add-back on Section 1, line 23;
- Apportionment on line 19 if this income is from a business doing business both within and outside Indiana; and
- Other income on line 20.

Line 8 — Capital Gain or Loss from Sale or Exchange of Property

Enter in Column A the capital gain or loss from federal Schedule D that is reported on federal Form 1040, line 13 or Form 1040A, line 10. Enter in Column B that portion received while you were an Indiana resident and/or or from the sale or exchange of property located in Indiana.

Note: Any capital loss claimed is subject to the same capital loss limitations that apply for federal tax purposes.

Example. Jessica had a $4,000 long term capital loss while living in Indiana from Jan. 1, 2006, through Sep. 30, 2006. She moved to Utah on Oct. 1, and lived there the rest of the year. She realized a $5,000 long term capital gain while she was a resident of Utah. She reported $1,000 capital gain income on her federal Form 1040. She will report a $3,000 loss to Indiana. The remaining $1,000 loss will be available to offset income on Indiana tax return(s) for other years.

Line 9 — Other Gains or Losses from Form 4797

Enter the gain or loss from the sale or exchange of property as reported for federal tax purposes on Form 1040, line 14. Enter in Column B that portion received:

- If the property was Indiana property, and/or
- While you were an Indiana resident, regardless of the source.

Line 10 — IRA Distributions

Enter in Column A the taxable portion of the IRA distribution reported on your federal Form 1040, line 15b, or Form 1040A, line 11b. Enter in Column B that portion received while you were an Indiana resident.

Line 11 — Pensions and Annuities

Enter in Column A the taxable portion of all pensions, annuities and other retirement income as reported on your federal Form 1040, line 16b, or Form 1040A, line 12b. Enter in Column B that portion received while you were an Indiana resident.

Line 12 — Net Rent or Royalty Income or Loss

Enter in Column A the net rent and royalty income or loss included in the total on federal Form 1040, line 17.

Enter in Column B the net royalty income/loss:

- Received while you were an Indiana resident; and
- Received while you were an Indiana nonresident if the income/loss results from the conduct of a trade or business conducted in Indiana.

Enter in Column B the net rental income/loss:

- Received while you were an Indiana resident; or
- From real property located in Indiana received while you were a nonresident; and,
- In general, from personal property located in Indiana.

Also, see the instructions for tax add-back on Section 1, line 23.

Lines 13, 14 and 15 — Partnership, Trust and Estates, and S Corporation Income or Loss

Enter in Column A the income or loss from partnerships, trusts and estates, and S corporations, that is included in the total on federal Form 1040, line 17. Enter in Column B that portion of income received from these sources while you were an Indiana resident.

If you are a nonresident, the Indiana partnership, S corporation and fiduciaries doing business both within and outside Indiana should provide to you an apportioned amount to be taxed by Indiana. If those Indiana entities do not apportion their income, then enter in Column B the same amount from those entities as you entered in Column A.

Also, see the instructions for tax add-back on Section 1, line 23.

Line 16 — Farm Income or Loss

Enter in Column A the farm income/loss from federal Form 1040, line 18. Enter in Column B that portion of farm income/loss subject to tax in Indiana.

Also, see the instructions for:

- Apportionment on Section 1, line 19 if this income is from a farm doing business both within and outside Indiana, and
- Tax add-back on Section 1, line 23.

Line 17 — Unemployment Compensation

Enter in Column A the unemployment income from federal Forms

1040, line 19, 1040A, line 13, or 1040EZ, line 3. Enter in Column B that portion of unemployment income received while you were an Indiana resident.

Line 18 — Social Security and Railroad Retirement Benefits

Enter in Column A the portion of Social Security and/or railroad retirement benefits that are taxed on your federal Forms 1040 or 1040A. Enter in Column B the portion received while you were an Indiana resident.

Note: Indiana will not tax Social Security benefits or railroad retirement benefits (issued by the U.S. Railroad Retirement Board). Therefore, look at Indiana Schedule D, lines 5 and 6. You'll be able to take a deduction for any of these amounts on that schedule.

Line 19 — Indiana Apportioned Income

Apportioned business income from Schedule IT-40PNRA is reported on this line. The apportionment schedule is used only by nonresidents with income or losses from a business that does business both within and outside Indiana. Report the amount from Schedule(s) IT-40PNRA, Part 3, line 6. Contact the Department to get Schedule IT-40PNRA.

Note: If you are apportioning business income, you will:

- Report the full amount from your federal return onto Indiana Schedule A, Section 1, Column A, and
- Not report any of that income in the corresponding Column B.

Instead, you will report the amount to be taxed by Indiana in Column B on this line.

Example. Mark is a full-year nonresident of Indiana. His company did business both within Indiana and in other states. On Indiana Schedule A, Section 1, line 7, Column A, he reported the same amount of business income as he reported on his federal Form 1040. He left line 7, Column B blank. He entered the amount apportioned to Indiana on Section 1, line 19, Column B.

Line 20 — Other Income

Enter any other income or loss for which there is no line provided on the IT-40PNR return. Other income or loss would include riverboat winnings, prizes, awards, amounts recovered from bad debts, gross lottery and other gambling winnings, director's fees, excluded income/housing from federal Form 2555 (report as a loss), etc., as reported on your federal return. List the sources of the income or loss reported on this line.

Bonus Depreciation – Bonus depreciation is the additional first-year special depreciation deduction allowed under Section 168(k) of the Internal Revenue Code for property placed in service after Sept. 11, 2001. If this depreciation method affects any income (loss) reported in Column B, an adjustment is necessary.

Figure the net income (or loss) which would have been included in the Column B portion of federal adjusted gross income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount, on line 20B.

Example. Mack used the bonus depreciation method for federal income tax purposes. After refiguring the depreciation without using the bonus method, he has to add back $1,500 on his Indiana tax return.

Note: After making an initial adjustment for bonus depreciation you will need to refigure the amount of depreciation available for state purposes for subsequent years.

Example. Ann made an initial adjustment for bonus depreciation on last year's Indiana tax return. This year she figures she is entitled to a $150 additional depreciation amount for state tax purposes. She should enter that amount as a negative entry, or ($150), on line 20B.

Get Commissioner's Directive #19 at www.in.gov/dor/reference/comdir/pdfs/cd19.pdf for additional information.

Section 179 Depreciation

You must make an exception (when figuring Indiana adjusted gross income) for the IRC Section 179 deduction claimed for federal tax purposes that exceeds the amount allowed for state tax purposes. Indiana adopted the former expensing limit provided by the Jobs Creation and Workers Assistance Act of 2002, which allows a deduction up to $25,000. The increase to $100,000 allowed by 2003 federal legislation is not allowed for purposes of figuring Indiana adjusted gross income.

If any income (or loss) reported in Column B reflects a Section 179 deduction (excluding any entry on line 19B), add-back on line 20B your share of the deduction claimed for federal tax purposes that exceeds the amount allowed for state tax purposes.

Federal Net Operating Loss (NOL)

Report any NOL from your federal Form 1040, line 21 as a negative amount in Column A only.

You will show the Indiana portion of your Indiana net operating loss deduction on Schedule D under line 11.

Line 21 — Total Income

Add lines 1 through 20 for Columns A and B and enter totals on this line. Also, enter these amounts on line 22 on the back of the schedule.

Proration Section

Non-Indiana **military personnel** - see special instructions below.

The purpose of this section is to compare the Indiana Schedule A, Section 1, line 21A income taxed on your federal return to the line 21B income taxed by Indiana. To do this, divide the amount on line 21B by the amount on line 21A. Please round your answer to a decimal followed by three numbers.

Example. $3,100 ÷ $8,000 = .3875, which rounds to .388. Enter the result here and on line 9 on the front of Form IT-40PNR.

If you are in the military and Indiana is not your home of record, your military income will not be used to reduce your Indiana exemptions. Complete the following worksheet.

Step 1 Enter the amount from Schedule A, line 21A..... **1**_____

Step 2 Enter any non-Indiana service member's military income included on Schedule A, lines 1A and/or 2A..... **2**_____

Step 3 Subtract Step 2 from Step 1. **Enter result here and in Box 21C** on Schedule A, Proration Section on Schedule A ..... **3** _____

Step 4 Enter the amount from Schedule A, line 21B..... **4** _____

Step 5 Divide Step 4 by Step 3. Round the result to a decimal followed by three numbers. **Enter result here and in Box 21D** of the Proration Section on Schedule A ..... **5** _____

Note: If line 21B is a loss, enter zero (0) in Box 21D and on line 9 on the IT-40PNR. If line 21A (or Box 21C) is a loss, and line 21B is a positive amount, enter 1.00 (100 percent) in Box 21D and on line 9 on the IT-40PNR.

Line 23 - Tax Add-Back

If you did not complete **Federal Schedules C, C-EZ, E, or F,** which includes sole proprietorship income, farm income, rental, partnership, S corporation, and trust and estate income (or loss), then do not complete this line.

On those schedules you are allowed to claim a deduction for taxes paid which are

- based on or
- measured by income, and
- levied at a state level by any state in the United States.

If you claimed this kind of deduction on any of these schedules, then you must add it back to your Indiana income.

Do not add back property taxes on this line.

Note: Income, losses and/or expenses from other schedules and forms may flow through to federal Schedules C, E and F.

For example, partnership income from federal Schedule K-1 (Form 1065) may be included on federal Schedule E, while expenses from federal Form 8829 may be included on federal Schedule C.

Make sure to check the other forms and schedules to see if they also include deductions for any taxes based on or measured by income and levied at any state level from which your pro rata share must be added back here.

Line 24 — Lump Sum Distribution

Enter in Column B the capital gains and ordinary income reported on federal Form 4972 that you received while you were an Indiana resident.

Indiana Schedule A, Section 2

Adjustments to Income from federal Form 1040, 1040A or 1040EZ.

List the adjustments used in arriving at your federal adjusted gross income.

Unless otherwise stated:

- Enter in Column A your adjustments as they appear on your federal return; and
- Enter in Column B the portion of your adjustments which are subject to Indiana income tax.

Line 26 — Archer MSA Deduction

Enter in Column A the Archer MSA deduction reported on your federal Form 1040, line 23 or from Form 1040A if applicable.* Enter in Column B the portion of the deduction that is directly related to the reported Income in Section 1, Column B.

***Note:** The draft of the 2006 federal Form 1040A was not available at the time this instruction booklet went to print. If the Archer MSA deduction is allowed on Form 1040A, include it as a deduction on this line.

Line 27 — Certain business expenses of reservists, performing artists, etc.

Enter in Column A the adjustment claimed for certain business expenses of reservists, performing artists and fee-based government officials claimed on your federal Form 1040, line 24. Enter in Column B that portion of the deduction that is directly related to the reported income (in Section 1, Column B) produced in conjunction with those expenses.

Line 28 — Health Savings Account Deduction

If you are eligible to take this adjustment on your federal Form 1040, line 25, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

Line 29 — Moving Expenses

Enter in Column A the amount of moving expense deduction reported on your federal Form 1040, line 26. If you moved to or within Indiana, report this amount in Column B. If you moved from Indiana to another state, do not report this amount in Column B.

Line 30 — One-half of Self-Employment Tax Deduction

Enter the amount claimed on federal Form 1040, line 27, in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B. To figure your adjustment for Column B use the formula below:

$$\frac{\text{Indiana self-employment income}}{\text{Federal self-employment income}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Deduction (Column B)}$$

Line 31 — Payments to Self-Employed, SEP, SIMPLE, and qualified retirement plans

Enter in Column A the deduction reported on your federal Form 1040, line 28. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to qualified self-employment retirement plans to the extent allowed in arriving at your federal adjusted gross income.

If you have self-employment income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A between the other states and Indiana. Therefore, the allowable Indiana adjustment to be reported in Column B is limited to the percent of your federal adjustment which your Indiana self-employment income bears to your total self-employment income. Use the formula below:

$$\frac{\text{Indiana self-employment income}}{\text{Federal self-employment income}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Deduction (Column B)}$$

If both you and your spouse have Indiana self-employment income and qualify for the deduction on the federal return, you both are allowed a deduction on the Indiana tax return.

Line 32 — Self-Employed Health Insurance Deduction

Enter in Column A the deduction claimed on your federal Form 1040, line 29. If some or all of the income on which this deduction is based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self-employment income and certain income from partnerships and/or S corporations. To figure your adjustment for Column B use the formula below:

$$\frac{\text{Indiana source: self-employment income/certain income from partnerships and/or S corporations}}{\text{Federal self-employment income/certain income from partnerships and/or S corporations}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Adjustment (Column B)}$$

Line 33 — Penalty on Early Withdrawal of Savings

Enter in Column A the penalty on early withdrawal of savings reported on your federal Form 1040, line 30. Enter in Column B that portion that was forfeited while you were an Indiana resident (provided it is included on Section 1, line 3, Column B).

Line 34 — Alimony paid

Enter in Column A the alimony claimed as a deduction on your federal Form 1040, line 31a. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 35 — Individual Retirement Account Deduction

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal 1040, line 32, or 1040A, line 17. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA (provided you qualify for the deduction for federal tax purposes). Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services. To figure the IRA adjustment for Column B, you must use the percentage that your Indiana compensation bears to your federal compensation.

Use the following formula:

$$\frac{\text{Indiana Compensation}}{\text{Federal Compensation}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Deduction (Column B)}$$

Line 36 — Student Loan Interest Deduction

Enter in Column A the student loan interest deduction reported on your federal Forms 1040, line 33 or 1040A, line 18. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 37 — Jury Duty Pay you Gave to your Employer

Enter in Column A the jury duty pay deducted on your federal Form 1040, line 34 or from Form 1040 A if applicable.* Enter in Column B the jury duty pay turned over to your employer that is in direct relation to the salary being taxed by Indiana (included in the line 21, Column B total).

***Note:** The draft of the 2006 federal Form 1040A was not available at the time this instruction booklet went to print. If the jury duty pay you gave to your employer deduction is allowed on Form 1040A, include it as a deduction on this line.

Line 38 — Domestic Production Activities Deduction

Enter in Column A the domestic production activities deduction reported on your federal Form 1040, line 35. **Do not** report any of the domestic production activities deduction in Column B as Indiana does not allow this deduction.

Line 39 - Other Adjustments

Enter in Column A any adjustment claimed for **scholarship and fellowship grants** excluded on federal Form 1040NR. Enter in Column B the portion excluded while residing in Indiana, or while being an Indiana resident, and attach a copy of your 1040NR.

Note: There was pending federal legislation at the time this instruction booklet went to print. A number of expired federal tax provisions, including the **educator expense** and the **tuition and fees deduction**, were under consideration to be extended. If they were extended, then deduct them on this line. For the educator expense, enter in Column B the portion of the expense that was spent while you were an Indiana resident. For the higher education tuition deduction, enter in Column B the amount that was paid while you were an Indiana resident.

Do not claim itemized deductions on this line.

Section 3: Totals

Line 41A — Column A Total

Subtract line 40A from line 25A and enter total here.

Line 42B — Column B Total

Subtract line 40B from line 25B. Enter total here and on the front of form IT-40PNR, line 1.

Indiana Deductions: Schedule D – Line-by-Line Instructions

Line 1 - Renter's Deduction

You may be able to take the renter's deduction if:

- You paid rent on your principal place of residence, and
- The place you rented was located in Indiana and subject to Indiana property tax.

Your "principal place of residence" is the place where you have your true, fixed, permanent home and where you intend to return after being absent.

If you rented a manufactured home in Indiana or paid rent for your manufactured home lot, you may claim the renter's deduction if the above requirements are met.

Rent paid for summer homes or vacation homes is not deductible.

You cannot claim the renter's deduction if the rental property was not subject to Indiana property tax. Examples of this type of property are:
- Government owned housing.
- Property owned by a nonprofit organization.
- Student housing.
- Property owned by a cooperative association.
- Property located outside of Indiana.

How do I report my deduction? First, complete the information area by entering:
- The address where rented if it's different from the address on the front of the return (leave blank if it is not different).
- The landlord's name and address.
- The total amount of rent paid.
- The number of months you lived there.

If you moved during the year or had more than one landlord, you must list the same information for each place that you rented. Attach additional pages if necessary.

How much rent can I deduct? You can deduct up to $2,500 or the amount of rent paid, whichever is less.

Important: Keep copies of your rental receipts, landlord identifying information and lease agreements as the Department can require you to provide this information.

For more information about this deduction, visit www.in.gov/dor/reference/bulletins/income/pdf/ib38.pdf to get Income Tax Information Bulletin #38, or contact the Department at (317) 232-2240.

Line 2 - Homeowner's Residential Property Tax Deduction

You may be able to take a deduction of up to $2,500 of the Indiana property taxes (residential real estate taxes) paid on your principal place of residence.

Your "principal place of residence" is the place where you have your true, fixed home and where you intend to return after being absent.

Catch-up deduction
Did you make a delayed property tax payment for your Indiana home in 2005 for Indiana property taxes assessed for the 2002 (payable 2003) and/or 2003 (payable 2004) assessment years? If you did, you may be eligible for a deduction. See Catch-up deduction on page 22 for details.

Note: Property tax paid for summer homes or vacation homes is not deductible.

Important: You cannot claim this deduction for property tax paid in 2006 if you are claiming the Lake County residential income tax credit on line 23.

How do I claim my deduction? First, complete the information area on Schedule D, line 2. Then, enter your allowable deduction for property taxes paid in 2006 in Box A.

- Enter the address of your principal residence where the Indiana property tax was paid if it's different from the address on the front of the return. If you had more than one principal residence during the year, and you paid Indiana property tax on both residences, list the additional residence on a separate piece of paper.

  Example. Sue and Mack married in 2006. They sold both of their homes during the year and began renting. They are eligible to claim a property tax deduction on the combined property taxes paid on both homes if they are filing a joint return (limited to $2,500 altogether).

- Enter the number of months you lived there. If you claim more than one residence, enter the number of months lived at the other residence(s) on a separate sheet of paper.
- Enter the amount of Indiana property tax paid. If you lived in more than one residence during the year, enter the combined amount of Indiana property tax paid on all principal residences.
- Enter in **Box A** the smaller of $2,500 or the amount of Indiana property tax paid.

No double benefit allowed. If any portion of property taxes paid on your principal residence was deducted as an expense on federal Schedule C, C-EZ, E or F, then do not deduct that amount on this line. See the following example.

Example. Jean paid $1,200 in Indiana property tax on her home. She used one room of her Indiana home for her business, and deducted $200 Indiana property tax as an expense on her federal Schedule

C. Jean is allowed a deduction of $1,000 ($1,200 minus the $200 deduction already taken on federal Schedule C).

How do I find out how much I paid in Indiana property tax on my principal residence? Indiana counties annually send statements to homeowners showing how much property tax is due on their property. Add together the 2006 spring and fall installments if you paid both of them.

Sometimes mortgage companies pay the Indiana property tax from an escrow account. If your mortgage company pays it, they should send you a Form 1098 (or its equivalent) showing the amount of property tax paid.

If you can't locate the information, contact your local county treasurer's office or your mortgage company.

Important: You must maintain copies of proof that you paid your Indiana property tax as the Department can require you to provide this information. This could include the Form 1098, the property tax statement from your local assessor's office, cancelled checks, etc.

Catch-up deduction
As a result of the 2002 statewide property tax reassessment, several Indiana counties did not issue property tax statements for the 2002 (payable in 2003) and/or 2003 (payable in 2004) assessment years until 2005. If you paid Indiana property taxes on your principal residence **during 2005** for these assessment years, you may be eligible for a deduction. For more information, read 2002 Property Taxes Payable in 2003 and 2003 Property Taxes payable in 2004 found below.

Note: You cannot take a deduction
- for any payments that already have been claimed on your 2003 or 2004 Indiana tax returns,
- or if you claimed the Lake County (Indiana) residential income tax credit on your 2003 or 2004 tax returns.

Important: This catch-up deduction is available only if your payments were late because of the delay in receiving the property tax statement(s).

Example. Sam did not pay his 2002 Indiana property taxes (which were payable in 2003) until he got the property tax statement in 2005. He owed $1,200, and paid it in 2005. He is eligible for a $1,200 catch-up deduction.

Example. Jake did not get his property tax statement for his 2002 Indiana property taxes which were payable in 2003. He thought he would owe around $3,000, so he went ahead and paid that amount in 2003, and claimed the maximum $2,500 deduction on his 2003 tax return. When he finally got the property tax statement during 2005, he actually owed $150 more ($3,150 was due altogether). He paid the $150 remaining property tax due in 2005. Since he had already claimed the maximum deduction ($2,500) on his 2003 income tax return, he can't claim the additional $150 amount paid in 2005.

Example. Maggie did not get a statement for her 2003 Indiana property taxes due (payable in 2004) until 2005. Meanwhile, she went ahead and paid $300 in 2004, and claimed a $300 Lake County residential income tax credit on her 2004 tax return. After getting the property tax statement in 2005, she paid the $1,700 remaining balance due. Maggie's not eligible for a catch-up deduction because she claimed the Lake County residential income tax credit on her 2004 tax return.

2002 Property Taxes Payable in 2003
During 2005 did you pay some or all of the 2002 Indiana property taxes due on your home (which normally would have been payable in 2003)? If no, stop. You are not eligible for a catch-up deduction for this year. If yes, continue.

Did you claim the Lake County (Indiana) residential income tax credit on your 2003 tax return? If yes, stop. You are not eligible for a catch-up deduction. If no, go on to Step 1.

Step 1	Maximum deduction	$ 2,500
Step 2	Enter any property tax deduction already claimed on Schedule D, line 2 of your 2003 Indiana tax return	$ _____
Step 3	Subtract Step 2 from Step 1 (if zero, STOP. You do not get a deduction.)	$ _____
Step 4	Enter the amount of property tax paid for 2003 in 2005	$ _____
Step 5	Enter the smaller of Step 3 or Step 4 here and on Schedule D, line 2, Box B	$ _____

2003 Property Taxes Payable in 2004
During 2005 did you pay some or all of the 2003 Indiana property taxes due on your home (which normally would have been payable in 2004)? If no, stop. You are not eligible for a catch-up deduction for this year. If yes, continue.

Did you claim the Lake County (Indiana) residential income tax credit on your 2004 tax return? If yes, stop. You are not eligible for a catch-up deduction. If no, go on to Step 6.

Step 6	Maximum deduction	$ 2,500
Step 7	Enter any property tax deduction already claimed on Schedule D, line 2, Box B of your 2004 Indiana tax return	$ _____
Step 8	Subtract Step 7 from Step 6 (if zero or less, STOP. You do not get a deduction.)	$ _____
Step 9	Enter the amount of property tax paid for 2004 in 2005	$ _____
Step 10	Enter the smaller of Step 8 or Step 9 here and on Schedule D, line 2, Box C	$ _____

Line 3 - State Tax Refund Reported on Federal Return
If you entered a state tax refund amount on line 10 of your federal Form 1040, and you reported it on Indiana Schedule A, Section 1, lines 5A and 5B, then deduct here the amount from line 5B.

Line 4 - Interest on U.S. Government Obligations Deduction
If you reported interest income on Indiana Schedule A, Section 1, line 3B, you may be able to take a deduction. If any part of this interest income is from a direct obligation of the U.S. government, you can deduct it.

Examples of U.S. government obligations include U.S. savings bonds, U.S. Treasury bills and U.S. government certificates. This interest is usually reported on federal Schedule B.

R4/ 8-06

2006 Indiana County Income Tax Rates and County Codes

*These rates have changed from last year's chart.

County Code #	County Name	Resident Rate	Nonresident Rate
01	Adams	.01124	.00674
02	Allen	.01	.0055
03	Bartholomew	.01	.0025
04	Benton	.0129	.0054
05	Blackford	.0136	.0061
06	Boone	.01	.0025
07	Brown	.0125	.005
08	Carroll	.011	.0035
09	Cass	.015	.0075
10	Clark	.015	.0075
11	Clay	.0125	.0025
12	Clinton	.015	.0075
13	Crawford	.01	.005
14	Daviess	.0175*	.0075*
15	Dearborn	.006	.0015
16	Decatur	.0133	.0058
17	DeKalb	.015	.0075
18	Delaware	.0105	.006
19	Dubois	.01	.0055
20	Elkhart	.015	.005
21	Fayette	.0137	.0062
22	Floyd	.0115	.0065
23	Fountain	.011	.0035
24	Franklin	.0125	.005
25	Fulton	.0143	.0068
26	Gibson	.005	.005
27	Grant	.0125	.005
28	Greene	.01	.0025
29	Hamilton	.01	.0025
30	Hancock	.0115	.004
31	Harrison	.01	.005
32	Hendricks	.014	.0065
33	Henry	.01125*	.00375*
34	Howard	.009	.00375
35	Huntington	.0125	.005
36	Jackson	.016*	.0075*
37	Jasper	.01375*	.005*
38	Jay	.015*	.0075*
39	Jefferson	.0035	.0035
40	Jennings	.0125	.005
41	Johnson	.01	.0025
42	Knox	.0105*	.006375*
43	Kosciusko	.01	.00475
44	LaGrange	.014	.0065
45	Lake	NA	NA
46	LaPorte	.0095	.007
47	Lawrence	.01	.0025
48	Madison	.0125	.005
49	Marion	.0085*	.002125*
50	Marshall	.0125	.0025
51	Martin	.01	.004
52	Miami	.01165*	.0062125*
53	Monroe	.01	.0025
54	Montgomery	.0105*	.003*
55	Morgan	.0127	.0052
56	Newton	.01	.0025
57	Noble	.015	.0075
58	Ohio	.01	.0025
59	Orange	.0125	.005
60	Owen	.013*	.0055*
61	Parke	.015	.0075
62	Perry	.0103*	.00655*
63	Pike	.004	.004
64	Porter	.005*	.005*
65	Posey	.001*	.00025*
66	Pulaski	.0173	.0068
67	Putnam	.01375*	.00625*
68	Randolph	.015	.0075
69	Ripley	.0138	.0063
70	Rush	.015*	.0075*
71	St. Joseph	.008	.0035
72	Scott	.0116	.0041
73	Shelby	.0125	.005
74	Spencer	.008	.00575
75	Starke	.0103*	.0078*
76	Steuben	.0129	.0054
77	Sullivan	NA	NA
78	Switzerland	.01	.0025
79	Tippecanoe	.0105*	.006*
80	Tipton	.0133	.0058
81	Union	.015	.005
82	Vanderburgh	.01	.0025
83	Vermillion	.001	.001
84	Vigo	.0125	.0075
85	Wabash	.015	.0075
86	Warren	.01285*	.00535*
87	Warrick	.005	.005
88	Washington	.015	.0075
89	Wayne	.015	.005
90	Wells	.0145	.007
91	White	.01285*	.00535*
92	Whitley	.012329*	.004829*

00 All Other States except the following:

94	Illinois
95	Kentucky
96	Michigan
97	Ohio
98	Pennsylvania
99	Wisconsin

Interest income reported from a trust, estate, partnership or S corporation that is from U.S. government obligations is also deducted on this line.

Note: When certain U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from federal adjusted gross income. Therefore, do not enter any interest from U.S. savings bonds that is shown on your federal Schedule B, line 3 (because it has already been excluded from income).

Get the Department's Income Tax Information Bulletin #19 at www.in.gov/dor/reference/bulletins/income/pdf/ib19.pdf for more information about this deduction.

Lines 5 and 6 - Taxable Social Security and/or Railroad Retirement Benefits Deduction

- If you have an amount on Indiana Schedule A, Section 1, line 18B, deduct it on this line. Indiana does not tax Social Security income.
- If you have included railroad retirement benefits that are issued by the Railroad Retirement Board on Indiana Schedule A, Section 1, line 11B, deduct them on this line. Indiana does not tax this type of income.

Note: Do not enter any other types of pension or retirement income on these lines.

Line 7 - Military Service Deduction

If the income on Indiana Schedule A, lines 1B and/or 2B includes active or reserve military pay you've received, you will be eligible to claim a deduction (regardless of your age).

Also, if you are retired from the military or are the surviving spouse of a person who was in the military, and you included military retirement income on Indiana Schedule A, line 11B, you may be able to take this deduction if:

- You were at least 60 years of age by December 31, 2006,
- You were receiving military retirement or survivor's benefits in 2006, and
- The benefits received as retirement income were reported on your federal return.

Your deduction will be the actual amount of military income received (i.e. military pay, retirement pay and/or survivor's benefits) or $2,000, whichever is less. If both you and your spouse received military income, you may each claim the deduction for a maximum of $4,000.

Note: Military income earned while in a combat zone is not taxable on your federal or state income tax returns. Since Indiana isn't taxing this income, your combat zone income is not eligible for a deduction.

Example. Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form shows regular military wage income of $950, and $19,000 income earned while being stationed in a combat zone. Only $950 of his income is taxed on his federal return; likewise, Indiana will only tax $950. Jim should claim a $950 military deduction (the lesser of the income being taxed [$950] or $2,000).

Note: If you received a combination of military pay, retirement pay and/or survivor's benefits during the tax year, the total deduction cannot be greater than $2,000 per qualifying person. For example, if you earned $3,000 in military pay and $1,500 in retirement pay, you can deduct only $2,000 of your military income.

Important: You must attach your military W-2 form, retirement pay statement and/or survivor's benefit statement to the tax return if you are claiming this deduction.

Get Income Tax Information Bulletins #6 and #27 from www.in.gov/dor/reference/notices/index.html for more information about this deduction.

Line 8 - Non-Indiana Locality Earnings Deduction

If you received income subject to both Indiana state income tax and a local tax in another state, and this income is reported on Indiana Schedule A (lines 1B and/or 2B), you may be allowed to deduct up to $2,000.

Example. While an Indiana resident you earned $8,000 in Louisville, KY. Your employer withheld a Louisville city (locality) tax from your wages. Since your wages were taxed by a non-Indiana locality

Unemployment Compensation Worksheet

Note: If you were married but filing separately, and you lived with your spouse at any time during 2006, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter $12,000 on line 3.

1.	Unemployment compensation included on Indiana Schedule A, Section 1, line 17B	1	
2.	Federal "adjusted gross income" from Form 1040, Form 1040A, or Form 1040EZ	2	
3.	Enter $12,000 if single, or $18,000 if married filing a joint return	3	
4.	Subtract line 3 from line 2. If zero or less, enter -0-	4	
5.	Enter one-half ($^1/_2$) of the amount on line 4	5	
6.	Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6	
7.	Subtract line 6 from line 1. Carry this amount to Schedule D, line 10	7	

Form
IT-40PNR
State Form 472
R5/ 8-06

Indiana Part-Year or Full-Year Nonresident Individual Income Tax Return

Due April 16, 2007

2006

If you are **not** filing for the calendar year January 1 through December 31, 2006, enter period from: _____ to: _____

Your Social Security Number A ☐☐☐ ☐☐ ☐☐☐☐
☐ Check if applying for ITIN ZU

Spouse's Social Security Number B ☐☐☐ ☐☐ ☐☐☐☐
☐ Check if applying for ITIN ZT

Check the box if you are married filing separately. C ☐

Your first name D	Initial E	Last name F
If filing a joint return, spouse's first name G	Initial H	Last name I

Present address (number and street or rural route) (If you have a P.O. box, see instructions on page 5.) J

School Corporation Number (see pages 41 and 42) N ☐☐☐☐

City K	State L	Zip code + 4 M	Foreign Country (if applicable) O

Enter the **2-digit county code** numbers (found on page 23 in the instruction booklet) for the county where you lived and worked on January 1, 2006.

Yourself
P County where you lived ☐☐ Q County where you worked ☐☐

Spouse
R County where spouse lived ☐☐ S County where spouse worked ☐☐

If you have a loss (or negative entry), please indicate so by placing it in a bracket. Example: (1.00)

Please round all entries to the nearest whole dollar (see instructions on page 5).

1. Complete Indiana Schedule A first. Enter here the amount from line 42B of Section 3 from that schedule (you must attach Indiana Schedule A)	1		
2. Indiana deductions. Enter the amount from line 12, Schedule D (attach schedule)	2		
3. Line 1 minus line 2 ... **Indiana Adjusted Income** ▶	3		
4. Number of exemptions claimed on your federal return ☐ x $1,000	4		00
5. Additional exemption for certain dependent children (see instructions on page 9.) Enter number claimed in box ☐ x $1,500	5		00
6. Check box(es) below for additional exemptions if, by December 31, 2006: You were: 65 or older ☐ or blind ☐ Spouse was: 65 or older ☐ or blind ☐. Number of boxes checked ☐ x $1,000	6		00
7. Check box(es) below for additional exemptions if, by December 31, 2006: You were: ☐ 65 or older and line 41A from Indiana Schedule A is less than $40,000. Spouse was: ☐ 65 or older and line 41A from Indiana Schedule A is less than $40,000. Total the number of boxes checked ☐ x $500	7		00
8. Add Lines 4, 5, 6 and 7 ... **Exemption Subtotal** ▶	8		00
9. Enter amount from **Box 21D** of the Proration Section located at the bottom of the first page of Indiana Schedule A, Section 1 (you must attach Schedule A)	9		
10. Multiply line 8 by the number on line 9 ... **Total Exemptions** ▶	10		
11. Line 3 minus line 10 (if less than zero, leave blank) ... **State Taxable Income** ▶	11		
12. State adjusted gross income tax: multiply line 11 by 3.4% (.034)	12		
13. County income tax. See if you need to complete Schedule CT-40PNR (go to page 27)	13		
14. Use tax due on out-of-state purchases (see instructions on page 10)	14		
15. Household employment taxes: attach Schedule IN-H	15		
16. Indiana advance earned income payments from W-2(s) (see instructions on page 10)	16		
17. Add lines 12 through 16. Enter here and on line 27 on the back ... **Total Tax** ▶	17		
18. Indiana state tax withheld. Don't include any withholding amounts for other states' taxes. Attach W-2s, WH-18s, 1099s	18		
19. Indiana county tax withheld. Don't include any withholding amounts for localities located **outside** Indiana. Attach W-2s, WH-18s, 1099s	19		
20. Estimated tax paid for 2006. Include any extension payment made with Form IT-9	20		
21. Unified tax credit for the elderly (You must be age 65 or older and an Indiana resident for at least 6 months to qualify. See instructions on page 10.)	21		
22. Earned income credit: Attach Schedule IN-EIC	22		
23. Lake County residential income tax credit	23		
24. Economic development for a growing economy credit (see instructions on page 12)	24		
25. Indiana credits: Enter the amount from Schedule E, line 7 (attach schedule)	25		
26. Add lines 18 through 25. Enter here and on line 28 on the back ... **Total Credits** ▶			

AA ☐ BB ☐ CC ☐ DD ☐
VN

Staple W-2 forms on the front of this page only between lines 1 and 26

Paperclip check or money order here

Turn the page

27. Enter the Total Tax from line 17 on the front of this form ▶	27		
28. Enter the Total Credits from line 26 on the front of this form ▶	28		
29. If line 28 is more than line 27, subtract line 27 from line 28 (if smaller, skip to line 36)	29		
30. Amount of line 29 to be donated to the Indiana Nongame Wildlife Fund	30		
31. Subtract line 30 from line 29 ..... **SUBTOTAL**	31		
32. Amount to be applied to your 2007 estimated tax account (see instructions on page 12)	32		
33. Penalty for underpayment of estimated tax for 2006. Attach Sch. IT-2210 or IT-2210A	33		
34. Line 31 minus lines 32 and 33 (if less than zero see instructions on page 14) ... **Your Refund** ▶	34		

Direct Deposit

35a. Routing Number

b. Account Number

c. Type of Account ☐ Checking ☐ Savings ☐ Hoosier Works MC

If you want to **DIRECT DEPOSIT** see instructions on page 14.

36. If line 27 is more than line 28, subtract line 28 from line 27. **Add this to any amounts from lines 32 and 33, and enter total here** (see instructions on page 14) ..... **SUBTOTAL**	36		
37. Penalty (if filed after the due date, see instructions on page 14)	37		
38. Interest (if filed after the due date, see instructions on page 14)	38		
39. **Amount Due:** Add lines 36, 37 and 38 ..... **Amount You Owe** ▶	39		

▶ No payment is due if you owe less than $1. **Do Not Send Cash.** Make your check or money order payable to: **Indiana Department of Revenue.** Credit Card payers must see page 14 for details.

Your Information

T • Were you a **full-year** resident of another state? If so, enter the 2 letter name for that state. ☐

U • Were you a **part-year** resident of another state? If so, enter the 2 letter name for that state. ☐

• Enter the time period you lived in Indiana during 2006.

W From: m m d d 2006 To: m m d d 2006 X

• Enter the time period you lived in the other state.

Y From: m m d d 2006 To: m m d d 2006 Z

Spouse's Information

EE • Were you a **full-year** resident of another state? If so, enter the 2 letter name for that state. ☐

FF • Were you a **part-year** resident of another state? If so, enter the 2 letter name for that state. ☐

• Enter the time period you lived in Indiana during 2006.

GG From: m m d d 2006 To: m m d d 2006 HH

• Enter the time period you lived in the other state.

II From: m m d d 2006 To: m m d d 2006 JJ

MM • If two-thirds of your gross income was made from farming or fishing, please check here. ☐
Important: If you checked the box, you must attach Schedule IT-2210 or IT-2210A.

ZW **Are you filing a federal income tax return for 2006? Yes ☐ No ☐**

RR **I authorize the Department to discuss my return with my tax preparer. Yes ☐ No ☐**

If any individual listed at the top of the IT-40PNR died during 2006, enter date of death below.

PP Taxpayer's date of death m m d d 2006

QQ Spouse's date of death m m d d 2006

OO **Authorization**

Under penalty of perjury, I have examined this return and all attachments and to the best of my knowledge and belief, it is true, complete and correct. I understand that if this is a joint return, any refund will be made payable to us jointly and each of us is liable for all taxes due under this return. Also, my request for direct deposit of my refund includes my authorization to the Indiana Department of Revenue to furnish my financial institution with my routing number, account number, account type, and Social Security number to ensure my refund is properly deposited. I give permission to the Department to contact the Social Security Administration in order to confirm the Social Security number(s) used on this return are correct.

Your Signature Date

Spouse's Signature Date

Your Daytime Telephone Number SS

Spouse's Daytime Telephone Number TT

E-mail address where we can reach you ZV

Paid Preparer's name WW

UU ☐ Federal I.D. Number, ☐ PTIN **OR** ☐ Social Security Number VV

Address XX

Preparer's Daytime Telephone Number ZY

City YY

State ZZ Zip Code + 4 ZX

Preparer's Signature Date

Enclosing payment? Mail to: Indiana Department of Revenue, P.O. Box 7224, Indianapolis, IN 46207-7224.

Mail all other returns to: Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

(Keep a copy for your records.)

Attach to IT-40PNR
State Form 48719 R5 / 8-06

Indiana Schedule A

Section 1: Income or Loss, Proration Section

(Complete Section 2 Adjustments and Section 3 Totals on back)

Attachment Sequence No. **01**

Enter your first name, middle initial and last name and spouse's full name if filing a joint return

A Your Social Security Number

Section 1: Income or (Loss)

Enter in Column A, lines 1 through 20, the same income or loss you reported on your 2006 federal income tax return, Form 1040, 1040A or 1040EZ (except for line 19B and/or a net operating loss carryforward on line 20B; see instructions). If you have a loss (or negative entry), please Indicate so by placing it in a bracket. Example: (1.00)

Line-by-line instructions begin on page 16.

		Column A Income from Federal Return	Column B Income Taxed by Indiana
1. Your wages, salaries, tips, commissions, etc .	1A		1B
2. Spouse's wages, salaries, tips, commissions, etc	2A		2B
3. Taxable interest income	3A		3B
4. Dividend income	4A		4B
5. Taxable refunds, credits, or offsets of state and local taxes from your federal return	5A		5B
6. Alimony received	6A		6B
7. Business income or loss from federal Schedule C or C-EZ	7A		7B
8. Capital gain or loss from sale or exchange of property from your federal return	8A		8B
9. Other gains or (losses) from Form 4797	9A		9B
10. Total IRA distribution	10A		10B
11. Total pensions and annuities	11A		11B
12. Net rent or royalty income or loss reported on federal Schedule E	12A		12B
13. Income or loss from partnerships	13A		13B
14. Income or loss from trusts and estates	14A		14B
15. Income or loss from S corporations	15A		15B
16. Farm income or loss from federal Schedule F	16A		16B
17. Unemployment compensation	17A		17B
18. Taxable Social Security benefits	18A		18B
19. Indiana apportioned income from attached Schedule IT-40PNRA	19A		19B
20. Other income reported on your federal return	20A		20B

List source(s). (**Do not** include federal net operating loss in Column B. See instructions on page 18.) _____

21. Subtotal: add lines 1 through 20. Enter result here and on line 22 on the back of this schedule	21A		21B

Note: Make sure to complete the 'Proration Section' below before continuing on to the back page.

Proration Section

See instructions on page 18.

Note: Nonresident military personnel see special instructions on page 18 and complete **BOX 21C** $

For all other individuals, divide the amount on line 21B by the amount on line 21A (see instructions if either line 21A and/or 21B are less than zero). Please round your answer to a decimal followed by three numbers. Example: $3,100 ÷ $8,000 = .3875, which rounds to .388 (do not enter a number greater than 1.00). Enter result here and on line 9 on the front page of Form IT-40PNR ..... **BOX 21D** .

Attach to IT-40PNR R5/ 8-06

Indiana Schedule A cont'd.

Section 2: Adjustments; Section 3: Totals

(Complete the other side first)

Attachment Sequence No. **02**

Section 1: Income or (loss) cont'd from front page

If you have a loss (or negative) entry, please indicate so by placing it in a bracket. Example: (1.00)

Line-by-line instructions continue on page 19.

		Column A Income from Federal Return			Column B Income Taxed by Indiana	
22. Enter amounts from line 21 on the previous page	22A			22B		
23 Tax add-back: if entries are in column B, lines 7,12,13,14,15, and/or 16, see instructions on page 19	23A			23B		
24. Lump sum distribution taxed on federal Form 4972	24A			24B		
Total Income or Loss - 25. Add lines 22 through 24	**25A**			**25B**		

Section 2: Adjustments to Income

Note: Enter in Column A only those deductions claimed on your 2006 federal income tax return, Form 1040, 1040A or 1040EZ. (See instructions on page 20 for any other federal adjustments to income.)

Line-by-line instructions continue on page 19.

		Column A Federal Adjustments			Column B Indiana Adjustments	
26. Archer MSA deduction	26A			26B		
27. Certain business expenses of reservists, performing artists, etc	27A			27B		
28. Health savings account deduction	28A			28B		
29. Moving expenses (see instructions on page 19)	29A			29B		
30. One-half of self-employment tax	30A			30B		
31. Self-employed, SEP, SIMPLE, and qualified plans	31A			31B		
32. Self-employed health insurance deduction	32A			32B		
33. Penalty on early withdrawal of savings	33A			33B		
34. Alimony paid	34A			34B		
35. IRA deduction	35A			35B		
36. Student loan interest deduction	36A			36B		
37. Jury duty pay you gave to your employer	37A			37B		
38. Domestic production activities deduction	38A			38B		
39. Other (see instructions on page 20)	39A			39B		
Total Adjustments - 40. Add lines 26 through 39	40A			40B		

Section 3: Totals

		Column A Federal Adjusted Gross Income			Column B Income Taxed by Indiana	
41A. Subtract line 40A from line 25A	**41A**					
42B. Subtract line 40B from line 25B. Enter total here and on Form IT-40PNR, line 1				**42B**		

Schedules D & E
Form IT-40PNR, State Form 48722 R5 / 8-06

Schedule D: Indiana Deductions

(Schedule E begins after line 12 below)

Attachment Sequence No. **03**

Enter your first name, middle initial and last name and spouse's full name if filing a joint return

A Your Social Security Number

Instructions for Schedule D begin on page 20.

Please round all entries to the nearest whole dollar (see instructions on page 5).

1. Renter's deduction: Address where rented if different from the one on the front page (enter below)

   B _____ Landlord's name and address (enter on next line)

   C _____ Amount of rent paid $ D _____

   Number of months rented E _____ Enter the lesser of $2,500 or amount of rent paid ..... | 1 |

2. Homeowner's residential property tax deduction: enter address where property tax was paid if different from front page F _____

   Enter the lesser of $2,500 or the actual amount of property tax paid for 2006 Box A $

   Catch-Up Deduction

   - Enter the amount of 2002 property taxes paid **during** 2005 (if any) from Step 5 of the worksheet on page 22 ..... Box B $
   - Enter the amount of 2003 property taxes paid **during** 2005 (if any) from Step 10 of the worksheet on page 22 ..... Box C $

   Did you pay **2002** and/or **2003** property taxes in **2005**?

   If yes, see instructions for line 2 on page 21.

   Add boxes A, B and C, enter the total here **(combined deduction cannot be more than $7,500)** ..... | 2 |

3. State tax refund reported on federal return (see page 22) ..... | 3 |
4. Interest on U.S. government obligations (see page 22) ..... | 4 |
5. Taxable Social Security benefits (see page 24) ..... | 5 |
6. Taxable railroad retirement benefits (see page 24) ..... | 6 |
7. Military service deduction: $2,000 maximum for qualifying person (see page 24) ..... | 7 |
8. Non-Indiana locality earnings deduction: $2,000 maximum per qualifying person (see page 24) | 8 |
9. Insulation deduction: $1,000 maximum: attach verification (see page 25) ..... | 9 |
10. Nontaxable portion of unemployment compensation (see page 25) ..... | 10 |
11. **Other Deductions:** See instructions beginning on page 25 (attach additional sheets if necessary)
    a. Enter deduction name _____ I code no. __ __ __ | 11a |
    b. Enter deduction name _____ J code no. __ __ __ | 11b |
    c. Enter deduction name _____ K code no. __ __ __ | 11c |
    d. Enter deduction name _____ L code no. __ __ __ | 11d |
12. Add lines 1 through 11 and enter total on line 2 of Form IT-40PNR..... **Total Deductions** ▶ | 12 |

Schedule E: Indiana Credits

1. Credit for local taxes paid outside Indiana (see page 31) ..... | 1 |
2. County credit for the elderly: attach federal Schedule R (see page 32) ..... | 2 |
3. **Other Local Credits:** See instructions on page 32 (attach additional sheets if necessary)
   a. Enter credit name _____ A code no. __ __ __ | 3a |
   b. Enter credit name _____ B code no. __ __ __ | 3b |

   Important: Lines 1 through 3 cannot be greater than the county tax due on IT-40PNR line 13 (see page 33)
4. College credit: attach Schedule CC-40 (see page 33) ..... | 4 |
5. Credit for taxes paid to other states: attach other state's return (see page 33) ..... | 5 |
6. **Other Credits:** See instructions on page 34 (attach additional sheets if necessary)
   a. Enter credit name _____ C code no. __ __ __ | 6a |
   b. Enter credit name _____ D code no. __ __ __ | 6b |
   c. Enter credit name _____ E code no. __ __ __ | 6c |
   d. Enter credit name _____ F code no. __ __ __ | 6d |

   Important: Lines 4 through 6 added together cannot be greater than the state adjusted gross income tax due on IT-40PNR line 12 (see *Additional Limitations* on page 40)
7. Add lines 1 through 6 and enter total on line 25 of Form IT-40PNR ..... **Total Credits** . ▶ | 7 |

Schedule CT-40PNR
Form IT-40 PNR
State Form 47906
R5 / 8-06

County Tax Schedule for Part-Year and Full-Year Indiana Nonresidents

◀ See instructions on page 27 ▶

Attachment Sequence No. **04**

Enter your first name, middle initial and last name and spouse's full name if filing a joint return	A Your Social Security Number

SECTION 1: To be completed if you were a resident of an Indiana county that had adopted a county income tax.

P **Your** county of **residence** as of January 1, 2006. Enter 2-digit county code # from the chart on page 23.)

R **Spouse's** county of **residence** as of January 1, 2006. (Enter 2-digit county code # from the chart on page 23.)

	Column A - Yourself	Column B - Spouse's
1. **Enter the amount from IT-40PNR, line 11.** Note: If both you and your spouse lived in the same county on January 1, enter the entire amount from Form IT-40PNR, line 11 on line 1A only. See instructions beginning on page 28	1A	1B
2. If you claimed a non-Indiana locality earnings deduction on Schedule D, line 8, enter the amount here. If not, leave blank	2A	2B
3. Add lines 1 and 2 ▶	3A	3B
4. Enter the resident rate from the county tax chart on page 23 for the county code number shown above	4A	4B
5. Multiply line 3 by the rate on line 4 (if less than zero, enter zero)	5A	5B
6. Add lines 5A and 5B. Enter the total here. **Note: Perry County residents: If you live in Perry County and worked in the Kentucky counties of Breckinridge, Hancock or Meade, you must complete lines 7 and 8.** Otherwise, enter the total here and on line 9 below (see page 29) ▶		6
7. Enter the amount of income that was taxed by any of the Kentucky counties listed on line 6 above		7
8. Multiply line 7 by .0053 and enter total here		8
9. Line 6 minus line 8. Enter the total here and on line 13 of Form IT-40PNR ▶		9

SECTION 2: To be completed if, on January 1, 2006, you were an out-of-state resident or were a resident of a county that had not adopted a county income tax, but *worked* in an Indiana county that *had* adopted a county income tax.

Q **Your** Indiana county of **principal employment** as of January 1, 2006. (Enter 2-digit county code # from the chart on page 23.)

S **Spouse's** Indiana county of **principal employment** as of January 1, 2006. (Enter 2-digit county code # from the chart on page 23.)

	Column A - Yourself	Column B - Spouse's
1. Enter your principal employment income by entering the total income from your W-2s and/or net self-employment income (from federal Schedule C or C-EZ; federal Form 1065, Schedule K-1; and/or farm income from federal Schedule F). If you worked two or more jobs *at the same time,* enter the portion you earned from your main job. See page 29 for further instructions	1A	1B
2. Enter certain deductions to income. See page 30 for the complete list of allowable deductions and further instructions	2A	2B
3. Subtract line 2 from line 1 ▶	3A	3B
4. Enter some or all of the exemptions from line 10 of Form IT-40PNR (see instructions on page 30)	4A	4B
5. Subtract line 4 from line 3 ▶	5A	5B
6. Enter the nonresident rate from the county tax rate chart on page 23 for the county number shown above under the Section 2 heading	6A	6B
7. Multiply the income on line 5 by the rate on line 6 (if less than zero, enter zero)	7A	7B
8. Enter total of 7A plus 7B. Add to any Section 1, line 9 amount, and carry to line 13 of Form IT-40PNR. ▶		8

Schedule IN-EIC
Form IT-40/IT-40PNR
State Form 49469 R5/ 8-06

Schedule IN-EIC: Indiana's Earned Income Credit

Attach only if claiming this credit on Forms IT-40 or IT-40PNR

Attachment Sequence No. **05**

Enter your first name, middle initial and last name and spouse's full name if filing a joint return

A Your Social Security Number

Section A: Figure Your Indiana Earned Income Credit

A-1 Enter the earned income credit from your federal income tax return Form 1040 line 66a, Form 1040A line 40a, or Form 1040EZ line 8a (must be $9.00 or more: see instructions)..... **A-1**$_____

A-2 Multiply line A-1 by .06 and enter here. Carry this total to Form IT-40, line 26, or Form IT-40PNR, line 22..... **Indiana Earned Income Credit** **A-2**$_____

▶ **If you did not complete Federal Schedule EIC (you did not claim children when figuring your federal earned income credit), you are finished with this schedule. Make sure to attach it to your Form IT-40 or IT-40PNR.**

▶ **If you claimed children on your Federal Schedule EIC**
Complete Section B if you claimed children (on Federal Schedule EIC) when you figured your earned income credit on federal Forms 1040 or 1040A. Enter information for up to four children even if only claiming two on federal Schedule EIC (see instructions for more information).

Section B: Qualifying Child (Read the instructions to explain the terms used below.)

Enter each child's name here / Enter each child's Social Security Number	1 First / Last / SSN - -	2 First / Last / SSN - -	3 First / Last / SSN - -	4 First / Last / SSN - -

Check only one box in each section for each child listed.

B-1	Your child	a ☐	a ☐	a ☐	a ☐
	Adopted child	b ☐	b ☐	b ☐	b ☐
	Grandchild	c ☐	c ☐	c ☐	c ☐
	Stepchild	d ☐	d ☐	d ☐	d ☐
	Foster child, (not related)	e ☐	e ☐	e ☐	e ☐
	Other (related foster child, or other related child - see instructions)	f ☐	f ☐	f ☐	f ☐
B-2	Under age 18	g ☐	g ☐	g ☐	g ☐
	Age 18	h ☐	h ☐	h ☐	h ☐
	Age 19 - 24 and a full-time student	i ☐	i ☐	i ☐	i ☐
	Age 19 or older and totally disabled	j ☐	j ☐	j ☐	j ☐
B-3	Child lived with you at least 1/2 of the year.	k ☐	k ☐	k ☐	k ☐
	Child was born or died in 2006, and lived with you while alive in 2006.	l ☐	l ☐	l ☐	l ☐

Important: You must complete and attach this schedule to your Form IT-40 or IT-40PNR when claiming the Indiana earned income credit. Note: Do not complete or attach this schedule if you are claiming this credit on the Form IT-40EZ (see the worksheet on Form IT-40EZ for instructions for how to claim the credit).

Indiana's Earned Income Credit Instructions

Generally, Indiana's earned income credit is 6% (.06) of the earned income credit allowed on your federal income tax return.

If, during 2006:

- you were an Indiana resident, and/or
- had income from Indiana sources, and
- you claimed the earned income credit on your federal income tax return (Form 1040, 1040A or 1040EZ),

then you are eligible to claim Indiana's Earned Income Credit.

Indiana's Earned Income Credit will lower the tax you owe and may give you a refund even if you don't owe any tax.

Note: Do not complete this schedule if filing Indiana's Form IT-40EZ. Instead, complete the worksheet on the back of Form IT-40EZ to claim your earned income credit.

Section A – Figure Your Credit

Enter on Line A-1 the amount of earned credit***** from your

- Federal Form 1040, line 66a or
- Federal Form 1040A, line 40a or
- Federal Form 1040EZ, line 8a.

*** Important:** This amount must be at least $9.00 or more (a smaller federal earned income credit will create an Indiana credit of less than $1).

Multiply the amount on Line A1 by .06 (6%) and enter the result on line A-2. This is your Indiana earned income credit. Enter this amount on your Form IT-40, line 26, or on Form IT-40PNR, line 22.

Section B - Qualifying Child

You must complete Section B if you filed the federal Schedule EIC, Earned Income Credit.

Enter in Column 1 (and Column 2) information for the same child (or children) you entered on your federal Schedule EIC.

Note: If you have more than two children who meet the requirements to be eligible to claim them for the federal earned income credit on federal Schedule EIC, please enter the additional child's information (up to two additional children) in Column 3 (and Column 4, if applicable). Note: This will not increase or decrease your Indiana earned income credit.

In **Section B-1**, the 'Other' box (box f) includes:

- a related foster child, or
- your brother, sister, stepbrother, stepsister, or
- a descendant of your brother and/or sister, etc. (for example, your niece or nephew), whom you cared for as your own child.

Note: In **Section B-2**, box i, the child must be under age 24.

Caution: You must know what your federal earned income credit is before you can figure your Indiana earned income credit. Some individuals ask the Internal Revenue Service (IRS) to figure their federal earned income credit for them. If you have chosen to do this, you must wait to claim Indiana's earned income credit until you find out what your earned income credit is from the IRS. Your Indiana income tax return, Form IT-40, IT-40PNR, or IT-40EZ, must be filed by April 16, 2007. If you don't know what your federal earned income credit is by Indiana's filing due date, go ahead and file your Indiana return without claiming the earned income credit. Then, when you find out what your federal earned income credit is, file an amended (corrected) Indiana tax return, Form IT-40X, to claim your Indiana earned income credit.

Schedule F
Form IT-40PNR
State Form 52765 R / 8-06

Schedule F: Partnership and S Corporation Disclosure

-- Attach to Form IT-40PNR --

Attachment Sequence No. 16

Enter your first name, middle initial and last name and spouse's full name if filing a joint return

A Your Social Security Number

Part 1: Schedule IN K-1 Totals

Enter in Box 1 the total number of Schedule IN K-1s received for the tax year from Indiana Form(s) IT-65 and/or Form(s) IT-20S. Include the number of spouse's Schedule IN K-1s if married filing jointly ..... **Box 1**

Note: You also must complete Schedule F1 if you have more than five IN K-1s entered in Box 1.

Part 2: Partnership and S Corporation Information

If you are reporting income (loss) on Schedule A (from Form IT-40PNR), lines 13B and/or 15B, complete Columns A through D below.

Column A – Enter the federal identification number (FIN) from each Indiana Schedule IN K-1.

Column B – Enter the ordinary business income (loss) from line 1 of each corresponding Indiana Schedule IN K-1.

Column C – Enter the Indiana state withholding amounts from all Forms WH-18, Box 8, issued by the corresponding entities listed in Column A, for the time periods that relate to your tax year.

Column D – Enter the Indiana county withholding amounts from all Forms WH-18, Box 9, issued by the corresponding entities listed in Column A, for the time periods that relate to your tax year.

	COLUMN A **Federal ID Number** **FIN** (from Schedule IN K-1)		**COLUMN B** **Line 1 Income (loss)** (from Schedule IN K-1)		**COLUMN C** **IN State Tax Withheld** Amount from WH-18, Box 8		**COLUMN D** **IN County Tax Withheld** Amount from WH-18, Box 9
1A		1B		1C		1D	
2A		2B		2C		2D	
3A		3B		3C		3D	
4A		4B		4C		4D	
5A		5B		5C		5D	

Schedule F1
Form IT-40PNR
State Form 52766 R / 8-06

Schedule F1: Continuation of Partnership and S Corporation Disclosure

Attachment Sequence No. 17

Enter your first name, middle initial and last name and spouse's full name if filing a joint return

A Your Social Security Number

Complete this schedule if you have information from additional Schedule IN K-1s to report after completing Schedule F. Use additional pages if necessary. Attach to Form IT-40PNR.

	COLUMN A **Federal ID Number** **FIN** (from Schedule IN K-1)		COLUMN B **Line 1 Income (loss)** (from Schedule IN K-1)		COLUMN C **IN State Tax Withheld** Amount from WH-18, Box 8		COLUMN D **IN County Tax Withheld** Amount from WH-18, Box 9
6A		6B		6C		6D	
7A		7B		7C		7D	
8A		8B		8C		8D	
9A		9B		9C		9D	
10A		10B		10C		10D	
11A		11B		11C		11D	
12A		12B		12C		12D	
13A		13B		13C		13D	
14A		14B		14C		14D	
15A		15B		15C		15D	
16A		16B		16C		16D	
17A		17B		17C		17D	
18A		18B		18C		18D	
19A		19B		19C		19D	
20A		20B		20C		20D	
21A		21B		21C		21D	
22A		22B		22C		22D	
23A		23B		23C		23D	
24A		24B		24C		24D	
25A		25B		25C		25D	
26A		26B		26C		26D	
27A		27B		27C		27D	
28A		28B		28C		28D	
29A		29B		29C		29D	
30A		30B		30C		30D	
31A		31B		31C		31D	
32A		32B		32C		32D	
33A		33B		33C		33D	
34A		34B		34C		34D	
35A		35B		35C		35D	
36A		36B		36C		36D	
37A		37B		37C		37D	
38A		38B		38C		38D	
39A		39B		39C		39D	
40A		40B		40C		40D	
41A		41B		41C		41D	
42A		42B		42C		42D	
43A		43B		43C		43D	

(Louisville), you are eligible to take a deduction.

The deduction is limited. You may deduct the amount of your income that was taxed by a non-Indiana locality or $2,000, whichever is less. If you and your spouse both qualify, you may each claim the deduction for a maximum of $4,000 (limited to no more than $2,000 per person).

You must attach proof the tax was paid to a locality outside Indiana in order to be allowed this deduction. A W-2 form is proof as long as the W-2 form shows a withholding amount and the name of the non-Indiana locality where the tax was paid. The name of the locality is usually found in box 20, Locality Name, on the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

Remember: You may take this deduction only if your wage income is taxed by both Indiana and a locality outside Indiana.

Line 9 - Insulation Deduction

You may be able to take this deduction if you installed new insulation in your Indiana home during 2006. Insulation includes weather stripping, double pane windows, storm doors and storm windows.

To take this deduction the following requirements must be met:

- The insulating items must have been installed in your principal place of residence located in Indiana,
- The part of your home where the insulating items were installed must have been built before January 1, 2003,
- The insulating items must be an upgrade and not a replacement or like-kind item (e.g., replacing a double pane window with a new double pane window won't qualify, but replacing a double pane window with a triple pane window will qualify), and
- The deduction must be taken in the year the insulating items were installed.

You are allowed to deduct the actual cost of the qualifying items and labor up to a maximum of $1,000. (You cannot include the cost of labor that you did yourself.)

When claiming the deduction, attach a separate sheet with the following information.

- Item(s) purchased.
- Purchase price.
- Place of purchase.
- Date of purchase.
- Date of installation.
- Amount paid for labor.

Get Income Tax Information Bulletin #43 at www.in.gov/dor/reference/bulletins/income/pdf/ib43.pdf for more information about this deduction.

Line 10 - Nontaxable Portion of Unemployment Compensation

You may be eligible for a deduction if you reported unemployment compensation on Indiana Schedule A, Section 1, line 17B.

Complete the worksheet on page 24 to see if you are eligible.

Line 11 - Other Deductions

Each of the following deductions has been assigned a three-digit code number. When claiming the deduction on Schedule D under line 11, write the name of the deduction, the three-digit code number and the amount claimed.

Example. Enter the following information on line 11a to claim a $130 civil service annuity deduction and on 11b to claim a $5,200 NOL deduction:

11a.	Civil Service Annuity	6 0 1	11a	130
b.	Indiana Net Operating Loss	6 0 7	11b	5,200

Airport Development Zone Employee Deduction 600

Certain areas within Indiana have been designated as airport development zones. Currently, Allen County is eligible to designate zones. If you lived in an airport development zone and worked for a qualified employer in that zone you may be able to take this deduction.

Your employer will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or $7,500, whichever is less. You must attach Form IT-40QEC to the Form IT-40PNR to support any claimed deduction.

Enter **6 0 0** under line 11 if claiming this deduction.

Civil Service Annuity Deduction 601

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be eligible to take a deduction if you were at least 62 years of age by Dec. 31, 2006.

To figure your deduction, begin with the amount of annuity payments received or $2,000, whichever is less. Subtract from that amount any Social Security and railroad retirement benefits (issued by the Railroad Retirement Board) you received.

Example. Your civil service annuity is $6,000. Your Social Security income is $1,200. Here's how to figure your deduction:

Lesser of the amount of the annuity ($6,000) or $2,000	$2,000
Social Security benefits	- 1,200
Allowable deduction	$ 800

If you and your spouse both received civil service annuities, you may each take this deduction for a maximum of $4,000 (no more than $2,000 per qualifying person), provided you both meet the age requirement.

This deduction is available only to the annuitant and is not available to the annuitant's beneficiary. Get Income Tax Information Bulletin #6 at www.in.gov/dor/reference/bulletins/income/pdf/ib06.pdf for more information about this deduction.

Enter **6 0 1** under line 11 if claiming this deduction.

Disability Retirement Deduction 602

To take this deduction you must have:

- Been permanently and totally disabled at the time of retirement,
- Retired on disability before Dec. 31, 2006, and
- Received disability retirement income during 2006.

If you meet these qualifications, you must complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. Schedule IT-2440 must be attached to your tax return when claiming this deduction.

Get Income Tax Information Bulletin #70 and Schedule IT-2440 from the Department for more information about this deduction.

This deduction is limited to a maximum of $5,200 per qualifying individual.

Note: Social Security disability income does not qualify for this deduction because Indiana does not tax this income.

Enter **6 0 2** under line 11 if claiming this deduction.

Enterprise Zone Employee Deduction 603

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas.

Enterprise zones have been established in portions of the following cities/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Development
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

Your employer will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or $7,500, whichever is less. You must attach Form IT-40QEC to the Form IT-40PNR to support any claimed deduction.

Enter **6 0 3** under line 11 if claiming this deduction.

Human Services Deduction 605

The human services deduction is intended to alleviate any individual income tax burden which might be imposed on Medicaid recipients who are living in a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home or a certified Christian Science facility.* The goal of the human services deduction is to reduce the affected individual's adjusted gross income tax liability to zero.

*An eligible Christian Science facility must be listed with and certified by the Commission for Accreditation of Christian Science Nursing Organizations/Facilities, Inc.

Generally, the deduction should not be used in conjunction with most tax credits in order to create a refund.

If you are a Medicaid recipient and live in one of the facilities listed above, to determine whether you are eligible for the deduction you must first prepare your tax return without claiming a human services deduction. Generally, if a refund is due, you are not eligible for a deduction. File your return without claiming the deduction and a refund will be issued. However, if an amount is due, you are eligible to use a deduction.

Enter **6 0 5** under line 11 if claiming this deduction.

Indiana Lottery Winnings Deduction 606

If you win any prize money from the Indiana Hoosier Lottery Commission, either by winning an instant game, an online game such as Hoosier Lotto, Powerball, Lucky 5, Daily 3 & 4, Max 5, etc., you must report those winnings as income on your federal income tax return.

Most of these winnings are fully taxable by Indiana. However, some of the winnings may be exempt from Indiana tax. Also, annuity

Lottery Winnings Worksheet

A Enter the amount of winnings from the Hoosier Lottery Commission which you have reported on your federal Form 1040, line 21 ..... A $ _____

B Locate those W-2Gs (issued by the Hoosier Lottery Commission) showing Indiana state withholding in Box 14. Add the amounts from Box 1 of each of those W-2G's; enter total here ..... B $ _____

C Exemption ..... C $ 1,200.00

D How many W-2Gs did you locate in step B above (e.g. 1, 2, etc.)? ..... D X _____

E Multiply line C by line D; enter result here ..... E $ - _____

F Subtract line E from line B; enter result here ..... F $ - _____

G Subtract line F from line A. Enter here and on Schedule D under line 11 ..... G $ _____

payments received for drawings held before July 1, 2002, are exempt from Indiana tax.

Complete the worksheet on page 26 to see if you are eligible for a deduction.

Note: Winnings from other state lotteries, Indiana pari-mutuel horse races or out-of-state tracks, Indiana and out-of-state riverboats and other gambling winnings, are fully taxable in Indiana and should not be deducted from your taxable income.

Enter **6 0 6** under line 11 if claiming this deduction.

Indiana Net Operating Loss Deduction 607

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2006.) Write the amount you deduct as a positive figure. Attach the following to your tax return:

- Schedule A from federal Form 1045, and
- A completed Indiana Schedule IT-40NOL.

Important: The deduction will be denied if these schedules are not attached to your tax return.

Enter **6 0 7** under line 11 if claiming this deduction.

Indiana Partnership Long Term Care Policy Premiums Deduction 608

You may take a deduction for the amount of premiums paid for Indiana Partnership long term care insurance.

Important: The Indiana Partnership policy will have the following box of information on the outline of coverage, the application or on the front page of the policy:

This policy qualifies under the Indiana Long Term Care program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana Long Term Care program.

If the information shown in the box above is not located in a box on your policy, you do not have a qualifying policy, and are not eligible to take this deduction.

The deduction is the amount of premiums paid during the year on the policy for the taxpayer and/or spouse.

No double benefit allowed. Certain self-employed individuals will claim these premiums as a deduction on the front page of federal Form 1040 and on Indiana Schedule A under Section 2. The Indiana deduction will be the actual amount of these premiums paid minus any amount of these already reported on federal Form 1040.

Example. Sam paid $645 in Indiana Partnership long term care premiums. He deducted $400 of those premiums on Indiana Schedule A under Section 2. He'll be able to deduct the $245 difference ($645 - $400) on Indiana Schedule D under line 11.

More information about the Indiana Long Term Care Program is available at the following Web site: www.in.gov/fssa/iltcp

Important: Keep a copy of the premium statements as the Department can require you to provide this information.

Enter **6 0 8** under line 11 if claiming this deduction.

Law Enforcement Reward Deduction 611

If you reported an amount you received as a reward as "other income" on Indiana Schedule A, Section 1, line 20B, you may be eligible for this deduction.

If you received a reward for providing information to a law enforcement official or agency; if the information assisted in the arrest, indictment or the filing of charges against a person; and if you are not compensated for investigating crimes, the person convicted of the crime or the victim of the crime; then you can deduct the lesser of the amount received or $1,000.

Enter **6 1 1** under line 11 if claiming this deduction.

Medical Savings Account Deduction 612

You may be eligible for a deduction if your employer deposited funds in certain medical care savings accounts. If you received Form IN-MSA from the account provider you should deduct any medical withdrawals and exempt interest income reported in Box 2 and/or Box 7.

Note: You are not eligible to claim this deduction if you also claimed a medical savings account deduction on Indiana Schedule A under Section 2.

Make sure you attach Form IN-MSA or your claimed deduction will be denied.

Enter **6 1 2** under line 11 if claiming this deduction.

Recovery of Deductions 616

If you did not complete the "other income" line 20B on Indiana Schedule A, Section 1, then do not complete this line.

Generally, Indiana does not allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your federal Form 1040, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line.

Enter **6 1 6** under line 11 if claiming this deduction.

County Tax: Schedule CT-40PNR Line-by-Line Instructions

Complete Schedule CT-40PNR if, on Jan. 1, 2006, you and your spouse (if filing a joint return) lived and/or worked in an Indiana county that has a tax. As of Jan. 1, 2006, only two Indiana counties do not have a county tax. They are Lake County and Sullivan County.

When to attach the completed Schedule CT-40PNR to your state tax return. You must attach Schedule CT-40PNR to your return if,

on Jan. 1, 2006, you were:

- Single or married filing separately, you lived in a county that doesn't have a tax, but worked in a county that does have a tax,
- Married filing joint and each lived in different counties, or
- Married filing joint, you both lived in a county that doesn't have a tax, but one or both of you worked in a county that does have a tax.

You are not required to attach Schedule CT-40PNR if you use any other filing situation.

Note: It is OK to attach the Schedule CT-40PNR to your tax return even if it's not required. For instance, if you need to attach Schedules D and E, and the completed CT-40PNR is on the back of it, you may go ahead and send it in.

County Where You Lived Defined

The county where you lived is the county where you maintained your home on Jan. 1, 2006. If you had more than one home on this date, then your county of residence as of Jan. 1, 2006, was:

- Where you were registered to vote. If this did not apply, then your county of residence was
- Where your personal automobile was registered. If this did not apply, then your county of residence was
- Where you spent the majority of your time during 2006.

Did you move during the year? If you moved to another Indiana county after Jan. 1, 2006, the county where you lived for tax purposes will not change *until the next year.*

If, on Jan. 1, 2006, you lived in an Indiana county that has a tax, then you will owe county tax on all of your Indiana adjusted gross income.

If, on Jan. 1, 2006, you lived in a county that doesn't have a tax, then county tax will be figured on your income from your principal employment if the county where you worked on Jan. 1, 2006, has a tax (see definition below).

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on Jan. 1, 2006. If you began working in another county after Jan. 1, 2006, the county where you worked for tax purposes will not change until next year.

Example. Jessie worked in Marion County, Indiana, on Jan. 1, 2006. She quit that job and began a new one (in another state) on Feb. 10, 2006. She will enter the Marion County two-digit code (49) as the county where she worked even though she changed jobs (and states) during the year.

If you had more than one job on Jan. 1, 2006, your principal place of employment is the job where you worked the most hours and earned the most income.

If, on Jan. 1, 2006, your county of principal employment was not in Indiana, write county code "00" (out-of-state)* in the County Where You Worked box.

Exception: If you worked in any of the following states on Jan. 1, 2006, enter their two-digit code number (instead of 00):

State	Use Code #
Illinois	94
Kentucky	95
Michigan	96
Ohio	97
Pennsylvania	98
Wisconsin	99

Principal Employment Income

You must figure your principal employment income if, on Jan. 1, 2006, you lived in a county that did not have a tax, but worked in a county that did have a tax. Your principal employment income is income you earned from your main work activity (job) for the entire year. See instructions for Section 2, line 1 on page 29 for more information.

Military Personnel

If you were stationed in Indiana, your county of residence is the county where you lived on Jan. 1 of the year you entered the military service. If, on Jan. 1, 2006, you were stationed outside Indiana and your family was with you, write county code "00" (out-of-state) in all the county boxes (you won't owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and a family were still living in an Indiana county on Jan. 1, 2006, you are considered to be a resident of that county and will be subject to county tax.

Retired Persons, Homemakers or Unemployed

If you were retired, a homemaker, or were unemployed on Jan. 1, 2006, put your county of residence two-digit code number in both the Indiana County where you lived and Indiana County Where You Worked boxes. **Do not write the word "Retired," "Homemaker" or "Unemployed" over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return

- If you lived in different counties (or out-of-state) on Jan. 1, 2006, both of you need to figure your county tax separately on Section 1.
- If both of you lived in a county (or out-of-state) on Jan. 1, 2006, that had no tax, but worked in an Indiana county that did have a tax, you must figure your tax separately on Section 2.
- If only one of you is subject to county tax, then you may use all of the exemptions from Form IT-40PNR, line 10, except for your spouse's personal exemption, to figure your tax.*

* *Example.* On the front of the IT-40PNR Jack and Sue show three exemptions ($3,000) on line 4 and one exemption ($1,500) on line 5. The line 8 amount is $4,500. The line 9 amount is .40. Jack can use the $3,500 exemptions x .40 = $1,400 to figure his county tax.

County Tax Schedule CT-40PNR

Section 1: Line-by-Line Instructions

Where Did You Live?

- Did you live in a county on Jan. 1, 2006, that has a tax? If yes, complete Section 1 for yourself, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-by-Line Instructions.
- Did your spouse live in a county on Jan. 1, 2006, that has a tax? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-by-Line Instructions.

Line 1

- If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 11 of Form IT-40PNR.
- If you are filing a joint return and you both lived in the same county on Jan. 1, 2006, enter in Column A the state taxable income from line 11 of Form IT-40PNR. Leave Column B blank.

Example. On Jan. 1, 2006, Jack and Diane lived in the same county, and that county has a tax. They'll enter their Form IT-40PNR, line 11 combined state taxable income in Column A.

- If you are filing a joint return and you and your spouse lived in different counties on Jan. 1, 2006, enter each person's share of state taxable income from Form IT-40PNR, line 11, in the appropriate columns.

Example. Simon and Tina married in 2006 and are filing a joint return. On Jan. 1, 2006, Simon lived in Greene County (Indiana) and Tina lived in Clay County (Indiana). Their federal adjusted gross income is $55,400. Their Form IT-40PNR line 11 income of $29,300 includes the following breakdown:

Simon: $20,000 wages
+ 200 (1/2 joint interest income)
- 737 exemption*
$ 19,463 income for CT-40PNR Section 1, line 1 Column A

Tina: $10,000 wages
+ 200 (1/2 joint interest income)
- 363 exemption*
$ 17,150 income for CT-40 Section 1, line 1 Column B

* Exemptions. IT-40PNR line 10 is $2,000 x .55 = $1,100. A total of two-thirds or (.67)of the $30,400 Indiana income is Simon's, and one-third or (.33) is Jill's. Therefore, .67 x $1,100 = $737 exemption for Simon, and .33 x $1,100 = $363 exemption for Jill.

Example. The circumstances are the same as the example above except Tina lived in Sullivan County (Indiana), which does not have a county tax. Simon would still enter his $19,463 share of the Form IT-40PNR line 11 amount on CT-40PNR, Section 1, line 1, Column A. However, Column B will be left blank since Tina won't owe a county tax.

Line 2

If you claimed a non-Indiana locality earnings deduction on Schedule D, line 8, enter that amount on this line in Column A. If you are completing Column B instead, and your spouse is the one taking this deduction, then enter it in Column B.

Line 4

Find your county on the County Income Tax Chart on page 23. Find the rate from the Resident Rate column and enter it here. For example, if your county is Elkhart, enter .015.

Line 6

Add the amounts from line 5, Columns A and B. If you were a Perry County (Indiana) resident and worked in the Kentucky counties of Breckinridge, Hancock or Meade, complete lines 7 and 8. Otherwise, enter the total here and on line 9.

Line 7

Enter here the amount of income taxed by any of the Kentucky counties listed on line 6.

Line 9

Subtract the amount on line 8 from the amount on line 6. Enter that amount here or, if there were no entries on those lines, enter the amount from line 6. Also enter this amount on your IT-40PNR, line 13.

County Tax Schedule CT-40PNR Section 2: Line-by-Line Instructions

Complete Section 2 if, on Jan. 1, 2006, you were a resident of Lake County (Indiana) or Sullivan County (Indiana) or out-of-state and you worked in a county that does have a county tax.

Line 1

Enter your principal employment income that's included on Indiana Schedule A, Section 1, Column B*. This includes income from wages, tips, salaries and commissions; net self-employment income from federal Schedule C/C-EZ; federal Form 1065, Schedule K-1; and/or net farm income from federal Schedule F. Do not include passive-source income like nonbusiness interest and dividends, pension, capital gains, farm rental, etc. Also, do not include income from a part-time job if you hold it at the same time you have a full-time job.

Example. During 2006, Jake received income from the following sources (included on Indiana Schedule A, Section 1, Column B):

- $15,000 from his full-time job (held for the entire year)
- $1,850 from his part-time job
- $50 nonbusiness interest income
- $800 pension income

Jake will enter his $15,000 principal employment income on line 1.

If you had more than one job at different times during the year (not including part-time employment), and that income is taxed on Indiana Schedule A, Column B, add the income from those jobs and enter here.

Example. Sarah had two full-time jobs in Indiana during the year.

She earned $7,000 from her first job, which she held from January through April. She began a new job in May and worked through year's end, earning $11,000. She should enter the $18,000 combined amount here.

If you worked two or more jobs at the same time, enter the portion you earned from your main job.

Example. Daniel had two jobs at the same time. On Job #1 he worked 30 hours a week and earned $270 a week. On Job # 2 he worked 10 hours a week and earned $80 a week. Daniel should enter only the amount he earned from Job #1 ($270 per week) as his principal employment income.

***Reciprocal state residents** (see instructions on page 8) with Indiana-source income from wages, tips or other compensation may owe county tax on that income even though it's not taxed on Schedule A, Section 1, Column B.

Example. Fred and Deanna are full-year Michigan residents. Deanna earned $25,000 wage income from an Elkhart, Indiana employer, which is the county where she worked on Jan. 1, 2006. Fred received $10,000 winnings from an Indiana riverboat. Fred's gambling income is subject to Indiana state tax (he will report it on Schedule A, line 20, Column B); however, his winnings are not subject to Indiana county tax (he lived and worked in Michigan on Jan. 1, 2006).

Conversely, while Deanna's wage income is not subject to Indiana adjusted gross income tax, it is subject to county tax. Enter her wage income in on CT-40PNR, line 1B. Note: See the exception under line 4.

Line 2

You may use certain deductions to lower the amount of income to be taxed. **These deductions must have been claimed on Indiana Schedule A, Section 2, Column B, or Indiana Schedule D and <u>must</u> have a direct relationship to the income being taxed on line 1.**

Allowable deductions from your Indiana Schedule D can include

- Airport development zone employee deduction
- Enterprise zone employee deduction
- The active military pay deduction
- (Indiana) medical savings account deduction

Allowable deductions claimed on Indiana Schedule A, Section 2, Column B can include

- Archer MSA deduction
- Certain business expenses of reservists, performing artists and fee-based government officials
- Health savings account deduction
- Moving expenses*
- One-half self-employment tax
- SEP, SIMPLE and qualified plans
- Self-employed health insurance deduction
- IRA deduction
- The deduction for the jury duty pay you gave to your employer.

Note: Do not include any domestic production activities deduction.

*The moving expense deduction will be allowed only to the extent the income earned from that move is being taxed on Indiana Schedule A, Section 2, line 1.

Important: There was pending federal legislation at the time this instruction booklet went to print. A number of expired federal tax provisions, including the educator expense and the tuition and fees deduction, were under consideration to be extended. If they were extended, you reported some or all of these items on Indiana Schedule A, Section 2, Column B, and they are directly related to the income reported on line 1, then enter them on line 2.

Example. Ann's Indiana income was $21,000 in wage income, which she reported on line 1. She claimed a $2,000 IRA deduction on Indiana Schedule A, Section 2, line 35B. She should claim the $2,000 IRA deduction on line 2.

Example. Tim and Jane file a joint tax return and live in a county that does not have a tax. Jane does not owe county tax, but Tim does because his business is in an Indiana county that has a tax. She has a $21,000 wage income and a $1,400 moving expense. Tim has $23,000 net income from his photography shop and claimed a $700 self-employed SEP deduction. He will enter his $23,000 income on line 1 of Section 2 and the $700 SEP deduction on line 2 of Section 2. He is not eligible to take the moving expense deduction because the wage income that it is in relation to is not being taxed for county tax purposes.

Line 4

If you are filing a single or married filing separately tax return, enter your total exemptions from Form IT-40PNR, line 10. If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Form IT-40PNR, line 10. Note: You cannot claim your spouse's personal exemption. Exemptions for dependents can be claimed by either spouse, as long as the total of line 4, Columns A and B is not greater than line 10 on the Form IT-40PNR.

Example. On the front of the IT-40PNR Jack and Sue show three exemptions ($3,000) on line 4 and one exemption ($1,500) on line 5. The line 8 amount is $4,500. The line 9 amount is .40. Jack may use $3,500 exemptions x .40 = $1,400 to figure his county tax.

Exception. Reciprocal state residents (see instructions on page 8 and in the left hand column of this page) with Indiana-source income from wages, tips or other compensation may use some or all of the exemptions from line 8 on the front of the IT-40PNR. A single (or married filing separately) filer should use the full amount from line 8 minus the spouses' $1,000 personal exemption.

Line 6

Find your county on the County Income Tax Chart on page 23. Find the rate from the Nonresident Rate column (the second column of rates over) and enter it here. For example, if your county is Elkhart, enter .005.

Line 8

Add the amounts from line 7, Columns A and B. Enter the total here and on line 13 of Form IT-40PNR.

Note: If you have figured a tax in Section 1 and Section 2, add

R4/ 8-06

Rate Conversion Chart

County	A Resident	B Nonresident
Adams	.006	.0015
Allen	.006	.0015
Bartholomew	.01	.0025
Benton	.01	.0025
Blackford	.01	.0025
Boone	.01	.0025
Brown	.01	.0025
Carroll	.01	.0025
Cass	.01	.0025
Clark	.01	.0025
Clay	.0125	.0025
Clinton	.01	.0025
Crawford	.0075	.0025
Daviess	.0125	.0025
Dearborn	.006	.0015
Decatur	.01	.0025
DeKalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.0125	.0025
Fayette	.01	.0025
Floyd	.0075	.0025
Fountain	.01	.0025
Franklin	.01	.0025
Fulton	.01	.0025
Gibson	(Cannot take credit)**	
Grant	.01	.0025
Greene	.01	.0025
Hamilton	.01	.0025
Hancock	.01	.0025
Harrison	.0075	.0025
Hendricks	.01	.0025
Henry	.01	.0025
Howard	.007	.00175
Huntington	.01	.0025
Jackson	.011	.0025
Jasper	.01125*	.0025
Jay	.01	.0025
Jefferson	(Cannot take credit)**	
Jennings	.01	.0025
Johnson	.01	.0025
Knox	.0055*	.001375*
Kosciusko	.007	.00175
LaGrange	.01	.0025
Lake	NA	NA
LaPorte	.005	.0025
Lawrence	.01	.0025
Madison	.01	.0025
Marion	.0085*	.002125*
Marshall	.0125	.0025
Martin	.008	.002
Miami	.00725*	.0018125*
Monroe	.01	.0025
Montgomery	.01	.0025
Morgan	.01	.0025
Newton	.01	.0025
Noble	.01	.0025
Ohio	.01	.0025
Orange	.01	.0025
Owen	.01	.0025
Parke	.01	.0025
Perry	.005	.00125
Pike	(Cannot take credit)**	
Porter	(Cannot take credit)**	
Posey	.001*	.00025*
Pulaski	.013	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	.006	.0015
Scott	.01	.0025
Shelby	.01	.0025
Spencer	.003	.00075
Starke	.005	.0025
Steuben	.01	.0025
Sullivan	NA	NA
Switzerland	.01	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.0125	.0025
Vanderburgh	.01	.0025
Vermillion	(Cannot take credit)**	
Vigo	.0075	.0025
Wabash	.01	.0025
Warren	.01	.0025
Warrick	(Cannot take credit)**	
Washington	.01	.0025
Wayne	.0125	.0025
Wells	.01	.0025
White	.01	.0025
Whitley	.01	.0025

* These rates have changed since last year.

** Gibson, Jefferson, Pike, Porter, Vermillion, and Warrick counties have adopted CEDIT only, not CAGIT or COIT.

NA These counties have no county tax.

amounts from Section 1, line 9 and Section 2, line 8, and enter on form IT-40PNR, line 13.

Indiana Credits:
Schedule E – Line-by-Line Instructions

Note: The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax liabilities. See the limitation areas after the line 3 and line 6 instructions.

Line 1 - Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40PNR, line 13, and had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local governmental entity and they did not refund the tax or give you a credit for Indiana county tax.

The credit can be used to reduce your Indiana county tax if it is the County Adjusted Gross Income Tax or the County Option Income Tax. It cannot be used to reduce any County Economic Development Income Tax.

Step 1: Figuring your rate: If your Jan. 1, 2006, county of residence has a rate on the Rate Conversion Chart above, use the rate in Column A to figure your credit.

If your Jan. 1, 2006, county of residence does not have a rate on the Rate Conversion Chart above, but the Jan. 1, 2006, county where you worked has a rate on the Rate Conversion Chart, use the rate in

County Credit for the Elderly Chart

If your **County Tax Rate** is:	Then your **Factor** is:	If your **County Tax Rate** is:	Then your **Factor** is:
.00025	.002	.0078	.052
.001	.007	.008	.053
.0015	.01	.0085	.057
.002125	.014	.009	.06
.0025	.017	.0095	.063
.003	.0.02	.01	.067
.0035	.023	.0103	.069
.00375	.025	.0105	.07
.004	.027	.011	.073
.0041	.027	.01124	.075
.00475	.032	.01125	.075
.004829	.032	.0115	.077
.005	.033	.0116	.077
.0052	.035	.01165	.078
.00535	.036	.012329	.082
.0054	.036	.0125	.083
.0055	.037	.0127	.085
.00575	.038	.01285	.086
.0058	.039	.0129	.086
.006	.04	.013	.087
.0061	.041	.0133	.089
.0062	.041	.0136	.091
.0062125	.041	.0137	.091
.00625	.042	.01375	.092
.0063	.042	.0138	.092
.006375	.043	.014	.093
.0065	.043	.0143	.095
.00655	.044	.0145	.097
.00674	.045	.015	.10
.0068	.045	.016	.107
.007	.047	.0173	.115
.0075	.05	.0175	.117

Column B to figure your credit.

Step 2: Figuring your credit. Complete lines A, B and C.

A. Enter the amount of tax paid to the non-Indiana locality .....**A** _____

B. Multiply the amount of income taxed by the non-Indiana locality by the rate from Step 1 .....**B** _____

C. Enter the amount of Indiana county income tax shown on Form IT-40PNR, line 13.....**C** _____

The amount of the credit is the **lesser** of the amounts on A, B or C.

Important: You must attach a copy of your W-2s showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

Remember, you can use this credit only if you have both:
- A county tax amount on Form IT-40PNR, line 13, and
- A local income tax that you had to pay outside Indiana.

Note: See the **Limitation** on page 33.

Line 2 - County Credit for the Elderly (Age 65 or Older) or Permanently Disabled

If you take a credit on federal Schedule R, Credit for the Elderly or the Disabled, and you owe county tax, you may be allowed a credit.

Use the following steps to figure your credit.

A. Enter your county tax rate (from Schedule CT-40PNR, Section 1 line 4A, or Section 2 line 6) ..... **A** _____

B. Enter credit from federal Schedule R .....**B** _____

C. Enter the factor from the *County Credit for the Elderly Chart* that corresponds to the rate on A above .....**C** _____

D. Multiply B times C and enter result here ...**D** _____

E. Enter the amount of Indiana county tax shown on Form IT-40PNR, line 13 .....**E** _____

The amount of the county credit for the elderly is the lesser of the amount on D or E. You must attach a copy of federal Schedule R.

Example. Melinda is 67 years old. She is entitled to a credit of $550 on federal Schedule R. Her county tax rate is .015, so her factor from the chart is .10. Her county tax due is $60. Melinda's county credit for the elderly is $55 (the lesser of [$550 x .10 = $55] or $60).

Note: See the **Limitation** on page 33.

Line 3 - Other Local Credits

Both of the following credits have been assigned a three-digit code number. When claiming the credit on Schedule E under line 3, enter the name of the credit, the three-digit code number and the amount claimed.

Example. Enter the following information on line 3a to claim a $200 community revitalization enhancement district credit and on line 3b to claim a $175 voluntary remediation credit:

3a.	Comm. Rev. Enhan. Dist. Cr.	8 0 8	3a	200
b.	Voluntary Remediation Cr.	8 3 6	3b	175

Community Revitalization Enhancement District Credit 808

A state and local income tax liability credit is available for a qualified investment made within a community revitalization enhancement district. The expenditure must be made under a plan adopted by an advisory commission on industrial development and approved by the Indiana Economic Development Corporation before it is made. The credit is equal to 25 percent of the qualified investment made by the taxpayer during the taxable year.

Pass-through entities (S corporations and partnerships) are eligible for this credit.

The credit is nonrefundable and cannot be carried back. You may

carry forward any excess credit to the next tax year.

The allowable credit is the lesser of the available credit or the county tax due on line 13 of Form IT-40PNR. Also, claim any unused amount (within certain limitations) on Schedule E under line 6 (see instructions for this credit on page 36).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information.

Enter **8 0 8** under line 3 if claiming this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** below for additional limitations.

Voluntary Remediation Credit 836

A voluntary remediation credit is available for qualified investments involving redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Development Finance Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments. Upon approval, the credit may be used to offset adjusted gross income tax, county tax, etc.

For additional information, contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, 100 N Senate Ave., Indianapolis, IN, 46204, or call (317) 232-8827.

See the voluntary remediation credit instructions for line 6 on page 40.

Note: See the **Limitation** below.

Enter **8 3 6** under line 3 if claiming this credit.

Restriction for Certain Tax Credits - Limited to One per Project

PL 199-2005 (IC 6-3.1-1-3) provides that a taxpayer may not be granted more than one credit for the same project. The credits that are included are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit.

Get Commissioner's Directive # 29 at www.in.gov/dor/reference/comdir/pdfs/cd29.pdf for more information.

Apply this restriction first when figuring your credits. Then apply the **Limitation** below.

Limitation: There is one final limitation if you have entries on lines 1, 2 and/or 3 of Schedule E. These credits, when combined, cannot be greater than the county tax shown on Form IT-40PNR line 13; if they are, adjust the amounts before you enter them. See the following example.

Example.

- A line 1 credit for local taxes paid outside of Indiana of $100 plus a line 2 county credit for the elderly of $20 equals $120.
- Your IT-40PNR line 13 county tax due is $115.
- Since your combined credits are $5 more than your county tax due, reduce your last entry (the $20 county credit for the elderly) by $5 to $15.
- Enter $15 on line 2, and attach an explanation showing your calculations.

Line 4 - College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to $100 on a single return or $200 on a joint return. To claim this credit you must complete and attach Schedule CC-40. Contact the Department to get more information and get Schedule CC-40 at www.in.gov/dor/taxforms/06pdfs/06-cc40.pdf

Important: You must maintain documentation of your contributions as the Department can require you to provide this information.

Note: Tuition paid to a college or university is not a contribution, and does not qualify for this credit.

Note: See the **Additional Limitation** on page 40.

Line 5 - Credit for Taxes Paid to Other States

If you received income from another state while you were an Indiana resident, you must report that income on your Indiana income tax return. You may be able to take a credit for taxes paid to another state. If you had income from another state and had to pay taxes to that state, read the following instructions carefully.

If you were an Indiana resident during part or all of 2006 and had income from any of the states listed in Group A below, you should first find out what the other state's rules are concerning the taxation of your income.

Group A

No Agreement (Credit taken on resident return)

Alabama	Maine	New York
Arkansas	Maryland	North Carolina
Colorado	Massachusetts	North Dakota
Connecticut	Minnesota	Oklahoma
Delaware	Mississippi	Rhode Island
Georgia	Missouri	South Carolina
Hawaii	Montana	Tennessee*
Idaho	Nebraska	Utah
Illinois	New Hampshire*	Vermont
Iowa	New Jersey	Virginia
Kansas	New Mexico	West Virginia
Louisiana		

Any foreign countries or U.S. possessions

*(Capital gain, interest, and dividends only)

Group A Worksheet

A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return) ..... A _____

B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.4% (.034) ..... B _____

C. Enter the amount of Indiana state income tax shown on Form IT-40PNR line 12 ..... C _____

The lesser of the amounts on A, B or C is your allowable credit for taxes paid to other states. You must attach a copy of the income tax return (not just the W-2 forms) you filed with the other state to claim this credit. If the other state's return is not attached, the credit will not be allowed. Likewise, if you have a foreign tax credit, complete the Group A Worksheet and attach federal Form 1116. If Form 1116 was not required, attach Forms 1099-INT and/or 1099-DIV (or a substitute statement) to verify the foreign tax and amount of income being taxed.

Exception: Gambling winnings from other states. If, during your Indiana residency, you had gambling winnings from another state, and you are not required to file a return with that state, attach the W-2G issued by that state. Use the amount of state tax withheld by that state on Line A of the Group A Worksheet.

Group B

Reciprocal Agreement (Wages, Salaries, Tips, and Commissions Only)

Kentucky Michigan Ohio
Pennsylvania Wisconsin

If you were an Indiana resident during 2006 and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

Normally, employers in these states will withhold Indiana state tax from your wages because of the reciprocal agreement. However, if the state tax they withheld is not for Indiana, you must file a claim for refund with that state. You still have to include this income on your Indiana return and pay the Indiana tax. You will get some or all of the other state's taxes back by filing a refund claim with them.

If you were a full-resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you will need to file form IT-40PNR.

Note: Winnings from Indiana riverboats are not eligible for the reciprocal agreement.

Caution: You may have to make estimated tax payments to Indiana. If the reciprocal state employer does not withhold Indiana withholding on your wage income, or does not withhold enough, see page 12 for information on how to figure and pay estimated tax.

If you were a full-year resident of one of the reciprocal states and your income from Indiana was from wages, salaries, tips, and commissions, you should file Form IT-40RNR, Reciprocal Nonresident Income Tax Return. If you were a resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you will need to file Form IT-40PNR.

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona Oregon California Washington D.C.

If you were an Indiana resident during 2006 and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid.

If you were a resident of a Group C state and had income from Indiana, you must file an Indiana nonresident return, figure your tax, and then claim a credit for taxes paid to other states on the Indiana nonresident return. Make sure to attach a copy of the other state's return to substantiate the credit.

Note: For taxpayers residing in Washington, D.C., please see the Department for Income Tax Information Bulletin 28 at www.in.gov/dor/reference/bulletins/income/pdf/ib28.pdf for more information. There is a special exception for this credit for Washington, D.C. residents that you must be aware of when calculating this credit.

Group D

No State Income Tax (No credit allowed)

Alaska Florida Nevada
South Dakota Texas Washington
Wyoming

If you were an Indiana resident during 2006 and had income from one of the states in Group D, you are not allowed to claim this credit. These states do not have an income tax. You must file an Indiana resident return and pay Indiana tax on all your income.

Note: See the **Additional Limitation** on page 40.

Line 6 - Other Credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule E under line 6, enter the name of the credit, the three-digit code number and the amount claimed.

Example. Enter the following information on line 6a to claim a $500 blended biodiesel credit and on line 6b to claim a $275 Capital Investment Credit:

6a.	Blended Biodiesel Credit	8 0 3	6a	500
6 b.	Capital Investment Credit	8 0 4	6b	275

About Airport Development Zone Credits

Certain areas within Indiana have been designated as airport development zones. These zones are established to encourage investment and job growth in distressed urban areas.

Currently, areas within Allen County are eligible to designate airport development zones.

Who is eligible to claim these credits? The following are eligible to claim the airport development zone employment expense credit and/or the airport development zone loan interest credit:

- Sole proprietors who operate and/or invest in a business located in a zone, and/or
- Businesses organized as partnerships, S corporations and fiduciaries (who may pass through airport development zone credits to their partners or shareholders).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about these credits.

Following are the three available airport development zone credits:

Airport Development Zone Employment Expense Credit 800

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or $1,500 per qualified employee, up to the amount of tax liability on income derived from the airport development zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/taxforms/pdfs/sch-ez123.pdf for more information and how to calculate this credit. **Note:** Schedule EZ must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 40.

Enter **8 0 0** under line 6 if claiming this credit.

Airport Development Zone Investment Cost Credit 801

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an airport development zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Additional Limitation** on page 40.

Enter **8 0 1** under line 6 if claiming this credit.

Airport Development Zone Loan Interest Credit 802

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana airport development zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule LIC at www.in.gov/dor/taxforms/pdfs/schlic.pdf for more information and how to calculate this credit. **Note:** Schedule LIC must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 40.

Enter **8 0 2** under line 6 if claiming this credit.

Blended Biodiesel Credit 803

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility, and for dealers who operate service stations that sell blended biodiesel at retail. Pass-through entities are eligible for this credit. An approved Form BD-100 must be attached to verify the claimed credit.

Contact the Indiana Economic Development Corporation, Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for more information. Also, get Information Bulletin 91 at http://www.in.gov/dor/reference/bulletins/income/pdf/ib91.pdf for additional information.

Note: See the **Additional Limitation** on page 40.

Enter **8 0 3** under line 6 if claiming this credit.

Capital Investment Credit 804

A pass-through entity is eligible for a capital investment cost credit. This credit is based on certain qualified capital investments made in Shelby County.

For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 0 4** under line 6 if claiming this credit.

Coal Combustion Product Credit 805

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components may be eligible for this credit. Pass-through entities are eligible for this credit.

An approved Form CCP-100 must be attached to verify the claimed

credit.

Note: A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN, 46204, or call (317) 232-2339.

Note: See the **Additional Limitation** on page 40.

Enter **8 0 5** under line 6 if claiming this credit.

Coal Gasification Technology Investment Credit 806

A credit may be available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology.

Pass-through entities are eligible for this credit.

You must file an application for certification with the Indiana Economic Development Corporation. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/

Note: See the **Additional Limitation** on page 40.

Enter **8 0 6** under line 6 if claiming this credit.

Community Revitalization Enhancement District Credit 808

See the Schedule E line 3 instructions for details about this credit. This credit is available to offset both your state and local tax liabilities, and any unused remainder is available to be carried forward. Pass-through entities are eligible for this credit.

If you did not use all of the available community revitalization enhancement district credit on Schedule E, line 3, the remaining credit should be claimed on this line.

Note: If you have not used all of the community revitalization enhancement district credit, the unused portion should be carried over to next year's tax return.

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 0 8** under line 6 if claiming this credit.

About Enterprise Zone Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Current enterprise zones are located in portions of the following cities/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Dev.
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

The following are eligible to claim the enterprise zone employment expense credit and/or the enterprise zone loan interest credit:

Sole proprietors who operate and/or invest in a business located in a zone, and businesses organized as partnerships, S corporations and fiduciaries may pass through enterprise zone credits to their partners or shareholders.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about these credits.

Enterprise Zone Employment Expense Credit 812

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or $1,500 per qualified employee, up to the amount of tax liability on income derived from the enterprise zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/taxforms/pdfs/sch-ez123.pdf for more information. Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: Schedule EZ must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 40.

Enter **8 1 2** under line 6 if claiming this credit.

Enterprise Zone Investment Cost Credit 813

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an enterprise zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 1 3** under line 6 if claiming this credit.

Enterprise Zone Loan Interest Credit 814

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone.

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule LIC at www.in.gov/dor/taxforms/pdfs/schlic.pdf for more information and how to calculate this credit. Note: Schedule LIC must be attached if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Additional Limitation** on page 40.

Enter **8 1 4** under line 6 if claiming this credit.

Ethanol Production Credit 815

An Indiana facility with a capacity to produce forty million gallons of ethanol per year may be eligible for this credit. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be attached to verify this credit.

Pass-through entities are eligible for this credit.

File Application for Ethanol Credit Certification, State Form 52302, with the Indiana Economic Development Corporation, Ethanol Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information. Also, get Department Bulletin # 93 at http://www.in.gov/dor/reference/bulletins/income/pdf/ib93.pdf for more information.

Note: See the **Additional Limitation** on page 40.

Enter **8 1 5** under line 6 if claiming this credit.

Headquarters Relocation Credit 818

A business with annual worldwide revenue of $100 million that relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters.

For more information, including limitations and the application process, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, visit their Web site at www.in.gov/iedc/ , and get Information Bulletin # 97 at www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf

Note: See the **Additional Limitation** on page 40.

Enter **8 1 8** under line 6 if claiming this credit.

Historic Building Rehabilitation Credit 819

An Historic Building Rehabilitation Credit is available for the rehabilitation or preservation of an historic building that is listed on the Indiana Register of Historic Sites and Structures, is at least 50 years old and is income-producing. The cost of rehabilitation or preservation must also exceed $10,000. A credit of 20 percent of the cost of the qualified rehabilitation or preservation expenses may be taken against your state income tax liability. Any unused balance of the credit may be carried forward for up to 15 years.

Those eligible to claim this credit include an individual, corporation, S corporation, partnership, limited liability company, limited-liability partnership, nonprofit organization or joint venture.

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. For additional information, you may call the Department of Natural Resources at (317) 232-1646, visit online at www.in.gov/dnr/historic , and get Department Bulletin # 87 at http://www.in.gov/dor/reference/bulletins/income/pdf/ib87.pdf

Note: See the **Additional Limitation** on page 40.

Enter **8 1 9** under line 6 if claiming this credit.

Hoosier Business Investment Credit 820

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment. Pass-through entities are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation, located at One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit their Web site at www.in.gov/iedc/incentives/hbitc.html or call them at (317) 233-3638 for additional information.

Also, get Information Bulletin # 95 at www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf for more information.

Note: See the **Restriction for Certain Tax Credits - Limited to One Per Project** on page 40 for additional limitations.

Enter **8 2 0** under line 6 if claiming this credit.

Indiana's Research Expense Credit 822

Indiana has a research expense credit that is very similar to the federal credit for research and experimental expenses paid in carrying on your trade or business in Indiana.

S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

Get Form IT-20 REC at www.in.gov/dor/taxforms/05pdfs/05-it20rec.pdf. This form must be completed and a copy attached to claim this credit. For more information, contact the Department.

Note: See the **Additional Limitation** on page 40.
Enter **8 2 2** under line 6 if claiming this credit.

Individual Development Account Credit 823

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills.

The organization must have an approved program number from the Housing Finance Authority before a contribution qualifies for pre-approval.

The credit is equal to 50 percent of the contribution, which must not be less than $100 and not more than $50,000. S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

Applications for the credit are filed through the community development corporation by using Form IDA-10/20. An approved Form IDA 20 must be attached to your return if claiming this credit.

To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact: Housing Finance Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 233-3638.

Note: See the **Additional Limitation** on page 40.

Enter **8 2 3** under line 6 if claiming this credit.

Industrial Recovery Credit 824

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If the enterprise zone board approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment".

Get additional information regarding procedures for obtaining this credit from the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/dinosaur.html

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 2 4** under line 6 if claiming this credit.

Maternity Home Credit 825

An income tax credit is allowed for maternity home owners who provide a temporary residence to at least one unrelated pregnant woman for at least 60 consecutive days during her pregnancy. The maternity home owner must file an application annually with the State Department of Health to be eligible to claim this credit. A copy of the approved application must be attached to your tax return before the credit can be taken.

Contact the Maternal and Child Health Division at (317) 233-1253 to obtain an application and more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 2 5** under line 6 if claiming this credit.

Military Base Investment Cost Credit 826

This credit is available for certain taxpayers who provide an income tax credit for a qualified investment in a business located in a military base, a military base reuse area, an economic development area, or a military base recovery site. The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment. The maximum amount of the credit may not exceed 30 percent of the investment.

Contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 600, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 2 6** under line 6 if claiming this credit.

Military Base Recovery Credit 827

A taxpayer who is an owner or developer of a military base recovery site may be eligible for a credit if investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the Enterprise Zone Board.

For more information about this credit contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 40 for additional limitations.

Enter **8 2 7** under line 6 if claiming this credit.

Neighborhood Assistance Credit 828

If you made a contribution or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777, for more information.

Form NC-20 must be attached to claim this credit.

S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

Note: Do not report fees paid to your neighborhood association on this line. They are not eligible for this credit.

For more information about this credit, get Form NC-10 at www.in.gov/dor/taxforms/pdfs/nc10.pdf and Income Tax Information Bulletin #22 at www.in.gov/dor/reference/bulletins/income/pdf/ib22.pdf

Note: See the **Additional Limitation** on page 40.

Enter **8 2 8** under line 6 if claiming this credit.

Prison Investment Credit 829

A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50 percent of the investment in a qualified project approved by the Department of Corrections, plus 25 percent of the wages paid to inmates. Pass-through entities are eligible for the credit.

Contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204, for additional information.

Note: See the **Additional Limitation** on page 40.

Enter **8 2 9** under line 6 if claiming this credit.

Rerefined Lubricated Oil Facility Credit 830

Effective Jan. 1, 2001, through Dec. 31, 2006, a pass-through entity may be eligible, as determined by the Indiana Economic Development Corporation, for a state tax offset credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil.

For information regarding the definitions, procedures, and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, visit their Web site at www.in.gov/iedc/ , and get Information Bulletin # 94 at http://www.in.gov/dor/reference/bulletins/income/pdf/ib94.pdf

Note: See the **Additional Limitation** on page 40.

Enter **8 3 0** under line 6 if claiming this credit.

Residential Historic Rehabilitation Credit 831

A credit is available for the repair and rehabilitation of historic residential property that is at least 50 years old and will be used as your primary residence.

For more information about this credit, get Information Bulletin #87A at www.in.gov/dor/reference/bulletins/income/pdf/ib87a.pdf Also, contact the Department of Natural Resources, Historic Preservation and Archaeology Division, Indiana Government Center South, Room W-274, Indianapolis, IN 46204, call them at (317) 232-1646, or visit their Web site at www.in.gov/dnr

Note: See the **Additional Limitation** on page 40.

Enter **8 3 1** under line 6 if claiming this credit.

Riverboat Building Credit 832

A tax credit has been established for any individual or company that builds or refurbishes a riverboat licensed to conduct legal gambling in Indiana. This credit is equal to 15 percent of the qualified investment and can be carried forward to subsequent tax years. The Indiana Economic Development Corporation must approve the costs of the qualified investment BEFORE the costs are incurred. Contact the Indiana Economic Development Corporation, Development Finance Division, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 234-0616, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Additional Limitation** on page 40.

Enter **8 3 2** under line 6 if claiming this credit.

Teacher Summer Employment Credit 833

If you hire designated shortage certified teachers during the summer vacation, you may be able to take a credit. The qualified positions must be certified by the Department of Education, and the certificate must be attached to your tax return before the credit can be approved.

Contact the Department of Education at (317) 232-6676 for more information about this credit. For additional information, visit the Department of Education's web site at www.doe.state.in.us/legal

Note: See the **Additional Limitation** on page 40.

Enter **8 3 3** under line 6 if claiming this credit.

Twenty-First Century Scholars Program Credit 834

A credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50 percent of the contributions made during the tax year up to a maximum limit of $100 for a single return and $200 for a joint return. To claim this credit you must complete and attach Schedule TCSP-40. Get a Schedule TCSP-40 at www.in.gov/dor/taxforms/05pdfs/05-tcsp40.pdf

Detailed information about the scholarship program, registration and administration may be obtained by calling the office of the Twenty-First Century Scholars Program at (317) 233-2100.

Note: This credit is not the same as the College Credit.

Note: See the **Additional Limitation** on page 40.

Enter **8 3 4** under line 6 if claiming this credit.

Venture Capital Investment Credit 835

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit.

Certification for this credit must be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/venture.html

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** below for additional limitations.

Note: See the **Additional Limitation** below.

Enter **8 3 5** under line 6 if claiming this credit.

Voluntary Remediation Credit 836

See the Schedule E, line 3, instructions on page 33 for details about this credit. This credit is available to offset both your state and local tax liabilities. Pass-through entities are eligible for this credit.

If you did not use all of the available voluntary remediation credit on Schedule E, line 3, the remaining credit should be claimed on this line.

Contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Additional Limitation** below.

Enter **8 3 6** under line 6 if claiming this credit.

Restriction for Certain Tax Credits - Limited to One per Project

PL 199-2005 provides that a taxpayer may not be granted more than one credit for the same project. The credits that are included are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit.

Apply this restriction first when figuring your credits. Then apply the following **Additional Limitation**.

Additional Limitation: There is one final limitation if you have entries on lines 4 through 6 of Schedule E. These credits, when combined, cannot be greater than the state adjusted gross income tax shown on Form IT-40PNR line 12; if they are, adjust the amounts before you enter them. See the following example.

Example. The line 4 college credit of $200 plus the line 5 credit for taxes paid to other states of $300 equals a $500 total credit. Your IT-40PNR line 12 state adjusted gross income tax due is $360. Since your combined credits are $140 more than your state tax due, reduce your last entry (the $300 credit for taxes paid to other states) by the $140 difference to $160. Enter $160 on line 5, and attach an explanation showing your calculations.

Line 7 - Total Credits

Add the credits on lines 1 through 6 (keeping in mind the limitations), and enter the total here. Carry this amount to Form IT-40PNR, line 25.

Schedules F and F1: Partnership and S Corporation Disclosure

You are required to complete Schedule F if you received any Indiana Schedule IN K-1s.

You must complete Schedule F1 if you have more than five IN K-1s listed on Schedule F, Part 1, Box 1.

Make sure you attach the completed schedule(s) to Form IT-40PNR.

Indiana School Corporations

The list below gives the school corporations within each county in Indiana. If you are unable to determine your correct school coporation, you should contact your county auditor for assistance. Please enter your four-digit number in the appropriate space on the front of your Indiana return.

County

Corporation Number and Name

Adams
0015 Adams Central Comm
0025 North Adams Community
0035 South Adams Schools

Allen
0125 M.S.D. Southwest Allen Co
0225 Northwest Allen County
0235 Fort Wayne Community
0255 East Allen County

Bartholomew
0365 Bartholomew Consolidated
0370 Flatrock-Hawcreek
4215 Edinburgh Community

Benton
0395 Benton Community
5995 South Newton
8535 TriCounty

Blackford
0515 Blackford Community

Boone
0615 Western Boone County
0630 Zionsville Community Schools
0665 Lebanon Community Sch Corp
3055 Marion-Adams

Brown
0670 Brown County Sch Corp

Carroll
0750 Carroll Consolidated Sch Corp
0755 Delphi Community Sch Corp
1180 Rossville Consolidated
8565 Twin Lakes Sch Corp

Cass
0815 Southeastern Sch Corp
0875 Logansport Community
0775 Pioneer Regional Sch Corp
2650 Caston Sch Corp

Clark
0940 West Clark Community
1000 Clarksville Community
1010 Greater Clark County

Clay
1125 Clay Community Schools
2960 MSD Shakamak Schools

Clinton
1150 Clinton Central Sch Corp
1160 Clinton Prairie Sch Corp
1170 Frankfort Community
1180 Rossville Consolidated

Crawford
1300 Crawford Co. Community

Daviess
1315 Barr-Reeve Community
1375 North Daviess Comm Sch
1405 Washington Community

Dearborn
1560 Sunman-Dearborn Comm
1600 South Dearborn Comm
1620 Lawrenceburg Comm

Decatur
1655 Decatur Co Community
1730 Greensburg Community

DeKalb
1805 DeKalb County Eastern Community Sch Dist
1820 Garrett-Keyser-Butler Community
1835 DeKalb County Central United Sch Dist
7610 Hamilton Community

Delaware
1875 Delaware Community
1885 Harrison-Washington Community Sch Corp
1895 Liberty-Perry Community
1900 Cowan Comm Sch Corp
1910 Mt. Pleasant Township Community Sch Corp
1940 Daleville Community Schools
1970 Muncie Community Schools

Dubois
2040 Northeast Dubois County
2100 Southeast Dubois County
2110 Southwest Dubois County
2120 Greater Jasper Consolidated

Elkhart
2155 Fairfield Comm Schools
2260 Baugo Community Schools
2270 Concord Community Schools
2275 Middlebury Community Schools
2285 Wa-Nee Community Schools
2305 Elkhart Community Schools
2315 Goshen Community Schools

Fayette
2395 Fayette County Sch Corp

Floyd
2400 New Albany-Floyd County Consolidated Sch Corp

Fountain
2435 Attica Consolidated Sch Corp
2440 Covington Community
2455 Southeast Fountain

Franklin
2475 Franklin Co Community
6895 Batesville Community
7950 Union County

Fulton
2645 Rochester Community
2650 Caston Sch Corp
4445 Tippecanoe Valley
5455 Culver Community
6620 Eastern Pulaski

Gibson
2725 East Gibson Sch Corp
2735 North Gibson Sch Corp
2765 South Gibson Sch Corp

Grant
2815 Eastbrook Community
2825 Madison-Grant United
2855 Mississinewa Community
2865 Marion Community
5625 Oak Hill United

Greene
2920 Bloomfield School District
2940 Eastern School District
2950 Linton-Stockton Sch Corp
2960 MSD Shakamak Schools
2980 White River Valley School District

Hamilton
3005 Hamilton Southeastern
3025 Hamilton Heights Sch Corp
3030 Westfield-Washington Schools
3055 Marion-Adams Schools
3060 Carmel Clay Schools
3070 Noblesville Schools

Hancock
3115 Southern Hancock Co Community Sch Corp
3125 Greenfield Central Comm
3135 Mt Vernon Community
3145 Eastern Hancock County Community Sch Corp

Harrison
3160 Lanesville Community
3180 North Harrison Comm
3190 South Harrison Comm
1300 Crawford Co Community

Hendricks
3295 North West Hendricks
3305 Brownsburg Community
3315 Avon Community Sch Corp
3325 Danville Community
3330 Plainfield Community
3335 Mill Creek Community

Henry
3405 Blue River Valley Schools
3415 South Henry Sch Corp
3435 Shenandoah School Corp
3445 New Castle Community
3455 C A Beard Memorial Sch Corp
6795 Union Sch Corp
8305 Nettle Creek Sch Corp

Howard
3460 Taylor Community
3470 Northwestern Sch Corp
3480 Eastern Howard Comm
3490 Western Sch Corp
3500 Kokomo-Center Township Consolidated

Huntington
3625 Huntington Co Comm

Jackson
3640 Medora Community
3675 Seymour Community
3695 Brownstown Central Comm
3710 Crothersville Community

Jasper
3785 Kankakee Valley
3815 Rensselaer Central
6630 West Central Sch Corp
8535 Tri-County Sch Corp

Jay
3945 Jay Sch Corp

Jefferson
3995 Madison Consolidated
4000 Southwestern Jefferson Consolidated

Jennings
4015 Jennings County Schools

Johnson
4145 Clark-Pleasant Comm
4205 Center Grove Community
4215 Edinburgh Community
4225 Franklin Community
4245 Greenwood Community
4255 Nineveh-Hensley-Jackson United

Knox
4315 North Knox Sch Corp
4325 South Knox Sch Corp
4335 Vincennes Community

Kosciusko
4345 Wawasee Community
4415 Warsaw Community
4445 Tippecanoe Valley
4455 Whitko Community
2285 Wa-Nee Community
5495 Triton Sch Corp

LaGrange
4515 Prairie Heights Comm
4525 Westview Sch Corp
4535 Lakeland Sch Corp

Lake
4580 Hanover Community
4590 River Forest Community
4600 Merrillville Comm Schls
4615 Lake Central Sch Corp
4645 Tri Creek Sch Corp
4650 Lake Ridge Schools
4660 Crown Point Community
4670 School City of East Chicago
4680 Lake Station Community
4690 Gary Community Sch Corp
4700 Griffith Public Schools
4710 School City of Hammond
4720 School Town of Highland
4730 School City of Hobart
4740 School Town of Munster
4760 Whiting School City

Indiana School Corporation Cont'd...

County
Corporation Number and Name

LaPorte
4770 Cass Township Schools
4790 Dewey Township Schools
4805 New Prairie United Sch Corp
4860 MSD New Durham Twp
4880 Prairie Township Schools
4925 Michigan City Area Schools
4940 South Central Community
4945 LaPorte Community
7150 John Glenn Sch Corp

Lawrence
5075 North Lawrence Comm
5085 Mitchell Community

Madison
5245 Frankton-Lapel Comm
5255 South Madison Comm
5265 Alexandria Community
5275 Anderson Community
5280 Elwood Community
2825 Madison-Grant United

Marion
5300 MSD Decatur Township
5310 Franklin Township Comm
5330 MSD Lawrence Township
5340 MSD Perry Township
5350 MSD Pike Township
5360 MSD Warren Township
5370 MSD Washington Township
5375 MSD Wayne Township
5380 Beech Grove City Schools
5385 Indianapolis Public Schools
5400 Sch Town of Speedway

Marshall
5455 Culver Community
5470 Argos Community Schools
5480 Bremen Public Schools
5485 Plymouth Community
5495 Triton Sch Corp
7150 John Glenn Sch Corp
7215 Union-North United

Martin
5520 Shoals Community
5525 Loogootee Community

Miami
5615 Maconaquah Sch Corp
5620 North Miami Consolidated
5625 Oak Hill United Sch Corp
5635 Peru Community Schools

Monroe
5705 Richland-Bean Blossom Community Sch Corp
5740 Monroe Co Community

Montgomery
5835 North Montgomery Comm
5845 South Montgomery Comm
5855 Crawfordsville Comm Schools

Morgan
5900 Monroe-Gregg Sch Corp
5910 Eminence Consolidated Comm Sch Corp
5925 MSD Martinsville Sch Corp
5930 Mooresville Con Sch Corp
4255 Nineveh-Hensley-Jackson United

Newton
5945 North Newton Sch Corp
5995 South Newton Sch Corp

Noble
6055 Central Noble Community
6060 East Noble Sch Corp
6065 West Noble Sch Corp
4535 Lakeland Sch Corp
8625 Smith-Green Comm Sch

Ohio
6080 Rising Sun-Ohio County Community

Orange
6145 Orleans Community Schools
6155 Paoli Community Sch Corp
6160 Springs Valley Comm

Owen
6195 Spencer-Owen Comm
6750 Cloverdale Community

Parke
6260 Southwest Parke Comm
6300 Rockville Community
6310 Turkey Run Community
1125 Clay Community Schools

Perry
6325 Perry Central Community
6340 Cannelton City Schools
6350 Tell City-Troy Township

Pike
6445 Pike County Sch Corp

Porter
6460 MSD Boone Township
6470 Duneland Sch Corp
6510 East Porter County
6520 Porter Township
6530 Union Township
6550 Portage Township Schools
6560 Valparaiso Community
4925 Michigan City Area

Posey
6590 MSD Mount Vernon
6600 MSD North Posey Co
6610 New Harmony Town and Township Con Sch

Pulaski
6620 Eastern Pulaski Comm
6630 West Central Sch Corp
5455 Culver Community
7515 North Judson-San Pierre

Putnam
6705 South Putnam Community
6715 North Putnam Community
6750 Cloverdale Community
6755 Greencastle Community

Randolph
6795 Union Sch Corp
6805 Randolph Southern
6820 Monroe Central
6825 Randolph Central
6835 Randolph Eastern

Ripley
6865 South Ripley Community
6895 Batesville Community
6900 Jac-Cen-Del Community
6910 Milan Community Schools
1560 Sunman-Dearborn Comm

Rush
6995 Rush County Schools
3455 C A Beard Memorial Sch Corp

St. Joseph
7150 John Glenn Sch Corp
7175 Penn-Harris-Madison
7200 Sch City of Mishawaka
7205 South Bend Community
7215 Union-North United Sch Dist
4805 New Prairie United Sch Corp

Scott
7230 Scott Co Sch District No. 1
7255 Scott Co Sch District No. 2

Shelby
7285 Shelby Eastern Schools
7350 Northwestern Consolidated
7360 Southwestern Consolidated
7365 Shelbyville Central Schools
1655 Decatur Co Community

Spencer
7385 North Spencer County
7445 South Spencer County

Starke
7495 Oregon-Davis Sch Corp
7515 North Judson-San Pierre
7525 Knox Community Sch Corp
5455 Culver Community

Steuben
7605 Fremont Community Schools
7610 Hamilton Community Schools
7615 MSD Steuben County
1835 DeKalb County Central United Sch Dist
4515 Prairie Heights Comm

Sullivan
7645 Northeast Sch Corp
7715 Southwest Sch Corp

Switzerland
7775 Switzerland County

Tippecanoe
7855 Lafayette Sch Corp
7865 Tippecanoe Sch Corp
7875 West Lafayette Comm
0395 Benton Community

Tipton
7935 Northern Community Sch Tipton Co
7945 Tipton Community Sch Corp

Union
7950 Union County

Vanderburgh
7995 Evansville-Vanderburgh

Vermillion
8010 North Vermillion Comm
8020 South Vermillion Comm

Vigo
8030 Vigo County Sch Corp

Wabash
8045 Manchester Community Schls
8050 MSD Wabash County
8060 Wabash City Schools

Warren
8115 MSD Warren County
0395 Benton Community Sch Corp
2440 Covington Community

Warrick
8130 Warrick County Sch Corp

Washington
8205 Salem Community Schools
8215 East Washington Sch Corp
8220 West Washington Sch Corp

Wayne
8305 Nettle Creek Sch Corp
8355 Western Wayne Schools
8360 Centerville-Abington Community Schools
8375 Northeastern Wayne
8385 Richmond Community

Wells
8425 Southern Wells Comm
8435 Northern Wells Comm
8445 MSD Bluffton-Harrison

White
8515 North White Sch Corp
8525 Frontier Sch Corp
8535 Tri-County School Corp
8565 Twin Lakes Sch Corp
0775 Pioneer Regional Sch Corp

Whitley
8625 Smith-Green Comm Schls
8665 Whitley Co. Con Schools
4455 Whitko Community Sch Corp

Form IT-9
State Form 21006
R5 / 8-06

2006 Application for Automatic Extension of Time to File Indiana Form IT-40 or Form IT-40PNR

Do Not Mail if no payment is due (see ***Important*** under line 12 instructions)

Note: Form IT-9 is an automatic extension of time to file until June 16, 2007.
This is NOT an extension of time to pay any state and/or county taxes due.

The purpose of Form IT-9: This form will allow you an automatic 60-day extension for filing your Form IT-40, Indiana Individual Income Tax Return, or the Form IT-40PNR, Indiana Part-Year Nonresident Individual Income Tax Return.

Who should file Form IT-9: You should file this form and pay your tax if you can't file your income tax return (IT-40 or IT-40PNR) by the April 16, 2007, due date and you expect to owe additional tax.

Penalty and Interest: Indiana will accept the federal extension date, plus allow an additional 30 days. However, you must still pay 90 percent (.90) of your Indiana taxes by April 16, 2007. If you don't, the extension is not valid and both penalty and interest will be charged on the balance due. **Note:** Interest is due on any amount not paid by the April 16, 2007, due date.

How to File: Complete the worksheet below to figure how much you will need to pay.

Worksheet to figure your extension payment (see instructions below)

1.	2006 Income: enter the total estimated or actual 2006 Indiana income, less Indiana deductions		1
2.	Exemptions (see instructions below)		2
3.	State taxable income: line 1 minus line 2		3
4.	State adjusted gross income tax: line 3 x .034		4
5.	County income tax: line 3 x county income tax rate from the county tax chart in the IT-40 or IT-40PNR booklet		5
6.	Total tax: add lines 4 and 5 and enter result here **Tax** ▶		6
7.	Subtotal: multiply line 6 by 90 percent (.90) and enter result here **90% of Tax** ▶		7
8.	State and county income tax withheld (see instructions)	8	
9.	2006 estimated income tax payments (see instructions)	9	
10.	Other credits: (see instructions)	10	
11.	Total credits: add lines 8, 9, and 10 and enter result here **Credits** ▶		11
12.	Minimum required extension payment: line 7 minus line 11 (enter zero if less than zero) **Payment Amt.** ▶		12

Line 1: 2006 Income - Enter your total actual or estimated income for 2006. If filing a joint return, include your spouse's income.

Line 2: Exemptions - Use the number of exemptions from your federal tax return (if you did not complete a federal return, you are allowed an exemption for yourself and each of your dependents). Multiply this number by $1,000. You also may be eligible to claim certain children as additional exemptions ($1,500 for each qualifying child). See the IT-40 or IT-40PNR instruction booklet for more information.

Lines 8, 9 and 10: Enter the amount of Indiana state tax and county income tax withheld as shown on your W-2s; your total estimated income tax payments paid to the department for the 2006 tax year; and other credits, which may include the college credit, the unified tax credit for the elderly, etc.

Line 12: Payment amount - Subtract line 11 from line 7 and enter here. Pay this amount with Form IT-9, Extension Payment Voucher, on or before April 16, 2007. Enclose your check or money order made out to the *Indiana Department of Revenue*. Write your social security number on the check or money order. Note: All payments must be made with U.S. funds.

Also, you may pay by using American Express, Discover, MasterCard, Visa or electronic check over the Internet at www.in.gov/dor/epay, or call 1-888-829-3746 (toll free). A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction. **Note: Do not** mail the voucher (below) if paying by credit card.

Important: If line 12 shows no balance due, **do not file** this form unless you will be claiming the Unified Tax Credit for the Elderly after July 2, 2007.

Your extension payment must be claimed as a credit on line 24 of the IT-40 or line 20 of the IT-40PNR.

Military personnel in a presidentially declared combat zone should see the IT-40 or IT-40PNR instruction booklet for special filing instructions.

Form IT-9
State Form 21006
R5 / 8-06

Indiana Department of Revenue
Extension Payment Voucher for Tax Year 2006
Due Date: April 16, 2007

Do Not Mail if no payment is due

Your Social Security Number | First Name | M.I. | Last Name

Spouse's Social Security Number | First Name | M.I. | Last Name

Period Ending: December 31, 2006 **Due Date: April 16, 2007**

Street Address

City | State | Zip Code

$

Send To: Indiana Department of Revenue
P.O. Box 6117
Indianapolis, IN 46206-6117

FORM
ES-40
State Form 46005
R5 / 8-06

Indiana Department Of Revenue
2007 Estimated Tax Payment Return

If you expect to have income during the 2007 tax year that:

- Won't have Indiana income taxes withheld, or
- If you think the amount withheld won't be enough to pay your tax liability, and
- You expect to owe more than $400 when you file your tax return,

then you should pay estimated tax. Use the worksheet below to see how much you'll owe.

Estimated Income Tax Worksheet

A. Total estimated Indiana income for 2007, less Indiana deductions	A	
B. Total exemptions: see the IT-40 or IT-40PNR instruction booklet	B	
C. Amount subject to Indiana income tax (line A minus line B)	C	
D. Amount of state income tax due (line C x .034)	D	
E. Amount of county income tax due (line C x your county tax rate from the IT-40 or IT-40PNR instruction booklet)	E	
F. Total estimated income tax for 2007 (line D + line E)	F	
G. a) Estimated **State** and **County** income tax withheld _____ b) Total of other credits _____ a + b	G	
H. Amount due (line F minus line G)	H	
I. Each installment amount for 2007 (line H divided by 4)	I	

If you don't want to make your first installment estimated payment for 2007 on your IT-40 or IT-40PNR income tax return, you can use the Form ES-40 coupon at the bottom of this page to make the payment. Due dates for all four installments are shown on the form. We suggest that first time estimated income taxpayers make a copy of the blank form. This is in case the vouchers that are automatically issued (after we receive your first payment) don't get to you by the next payment's due date. For more information about estimated income tax, contact the Department to get Income Tax Information Bulletin #3.

Pay the amount from line I on or before the installment due date. Enclose your check or money order made payable to the Indiana Department of Revenue. Write your Social Security number on the check or money order. Note: All payments must be made with U.S. funds.

You may pay by using American Express, Discover, MasterCard, Visa or electronic check(eCheck) by calling 1-888-829-3746 (toll free). Or, log on to www.in.gov/dor/epay and use your Discover, MasterCard or Visa to make a payment. A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the transaction.

Note: Do Not mail Form ES-40 if paying by credit card or eCheck.

Cut Along the Dotted Line

FORM
ES-40
State Form 46005
R5 / 8-06

Indiana Department Of Revenue
2007 Estimated Tax Payment Return

Social Security Number | First Name | M.I. | Last Name

Spouse's Social Security Number | First Name | M.I. | Last Name

Street Address

City | State | Zip Code

$

Send To: Indiana Department of Revenue
P.O. Box 6102
Indianapolis, IN 46206-6102

Check the box to show which payment you are making:

❑ **1st** Installment Payment Due April 16, 2007
❑ **2nd** Installment Payment Due June 15, 2007
❑ **3rd** Installment Payment Due September 17, 2007
❑ **4th** Installment Payment Due January 15, 2008

DISTRICT OFFICE LOCATIONS

Indianapolis (Main Office)
Indiana Government Center
North, Rm N105
100 N. Senate Avenue
Indianapolis, IN 46204
(317) 232-2240

Bloomington District Office
410 Landmark Ave.
Bloomington, IN 47403
(812) 339-1119

Clarksville District Office
1446 Horn Street
Clarksville, IN 47129
(812) 282-7729

Mailing address: P.O. Box 3249
Clarksville, IN 47131-3249

Columbus District Office
3136 N. National Rd., Suite H
Columbus, IN 47201
(812) 376-3049

Evansville District Office
500 S. Green River Road
Suite 202, Goodwill Building
Evansville, IN 47715
(812) 479-9261

Fort Wayne District Office
1415 Magnavox Way Suite 100
Fort Wayne, IN 46804
(260) 436-5663

Kokomo District Office
117 East Superior Street
Kokomo, IN 46901
(765) 457-0525

Lafayette District Office
100 Executive Drive, Suite B
Lafayette, IN 47905
(765) 448-6626

Merrillville District Office
8368 Louisiana Ave., Suite A
Merrillville, IN 46410
(219) 769-4267

Muncie District Office
3640 N. Briarwood Lane, Suite 5
Muncie, IN 47304
(765) 289-6196

South Bend District Office
1025 Widener Lane
South Bend, IN 46614
(574) 291-8270

Terre Haute District Office
30 N. 8th Street, 3rd Floor
Terre Haute, IN 47807
(812) 235-6046

District office business hours are 8 a.m. to 4:30 p.m. Monday - Friday.

Access Indiana Information Network

Comprehensive information about your Indiana state government, including advice on what to do in emergencies, can be found on the state's official Web site, the Access Indiana Information Network, at:
www.in.gov

Address and/or telephone numbers are subject to change.
Check your local listings.

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Indiana Department of Revenue
100 North Senate Avenue
Indianapolis, IN 46204-2253

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of Revenue

2006 IT-40PNR

This booklet contains:

- **Form IT-40PNR and Instructions**
- Schedule A, Sections 1, 2 and 3
- Schedules D and E, Deductions and Credits
- Schedule CT-40PNR, County Tax
- Schecule IN-EIC, Earned Income Credit
- Schedules F and F1
- Form IT-9, Extension of Time to File
- Form ES-40, Estimated Tax Payment Voucher
- Envelope for IT-40PNR

Contributions to the Indiana Nongame Wildlife Fund

Donations to the Nongame Wildlife Fund assist the Indiana Department of Natural Resources to manage and protect over 550 nongame and endangered wildlife species. Your contributions to the Fund have brought ospreys and bald eagles back to our skies and river otters to our waters.

These reintroduction programs as well as many other restoration, management, and educational projects implemented by the Wildlife Diversity Section rely on donations from individuals like yourself. The program is funded almost exclusively by donations to the Indiana state income tax check-off and direct donations.

If you would like to make a donation to the Fund, you may donate all or a portion of your tax refund on line 30 of the IT-40PNR. To make a direct donation, you can also complete the form below and mail it with a check or money order made payable to the Fund to: Nongame Wildlife Fund, Division of Fish and Wildlife, W-273, 402 West Washington St., Indianapolis, IN 46204.

You can learn more about Indiana's Nongame Wildlife Diversity Section at: **www.in.gov/dnr/fishwild/endangered/fund.htm**

I (We) wish to donate $ _____ **to the Indiana Nongame Wildlife Fund.**

Name(s)		
Address		
City	State	Zip Code

Send to: Nongame Wildlife Fund, Division of Fish and Wildlife, W-273, 402 West Washington St., Indianapolis, IN 46204.