

January 27, 1998

SENATE BILL No. 102

DIGEST OF SB0102 (Updated January 22, 1998 11:47 am - DI 44)

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

Synopsis: Financial institutions tax. For purposes of the financial institutions tax, adds a deduction from income concerning bad debt reserves for building and loan associations, mutual savings banks, and certain cooperative banks to correspond to federal tax law.

Effective: January 1, 1997 (retroactive).

Kenley, Gery

January 6, 1998, read first time and referred to Committee on Finance.
January 26, 1998, reported favorably — Do Pass.

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SB 102—LS 6342/DI 58



January 27, 1998

Second Regular Session 110th General Assembly (1998)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1997 General Assembly.

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SENATE BILL No. 102



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

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

1 SECTION 1. IC 6-5.5-1-2, AS AMENDED BY P.L.28-1997,
2 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 1997 (RETROACTIVE)]: Sec. 2. (a) Except as provided
4 in subsections (b) through (d), "adjusted gross income" means taxable
5 income as defined in Section 63 of the Internal Revenue Code, adjusted
6 as follows:

- 7 (1) Add the following amounts:
- 8 (A) An amount equal to a deduction allowed or allowable
9 under Section 166, Section 585, or Section 593 of the Internal
10 Revenue Code.
- 11 (B) An amount equal to a deduction allowed or allowable
12 under Section 170 of the Internal Revenue Code.
- 13 (C) An amount equal to a deduction or deductions allowed or
14 allowable under Section 63 of the Internal Revenue Code for
15 taxes based on or measured by income and levied at the state
16 level by a state of the United States or levied at the local level
17 by any subdivision of a state of the United States, or for taxes

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- 1 on property levied by a state or a subdivision of a state of the
 2 United States.
- 3 (D) The amount of interest excluded under Section 103 of the
 4 Internal Revenue Code or under any other federal law, minus
 5 the associated expenses disallowed in the computation of
 6 taxable income under Section 265 of the Internal Revenue
 7 Code.
- 8 (E) An amount equal to the deduction allowed under Section
 9 172 or 1212 of the Internal Revenue Code for net operating
 10 losses or net capital losses.
- 11 (F) For a taxpayer that is not a large bank (as defined in
 12 Section 585(c)(2) of the Internal Revenue Code), an amount
 13 equal to the recovery of a debt, or part of a debt, that becomes
 14 worthless to the extent a deduction was allowed from gross
 15 income in a prior taxable year under Section 166(a) of the
 16 Internal Revenue Code.
- 17 (2) Subtract the following amounts:
- 18 (A) Income that the United States Constitution or any statute
 19 of the United States prohibits from being used to measure the
 20 tax imposed by this chapter.
- 21 (B) Income that is derived from sources outside the United
 22 States, as defined by the Internal Revenue Code.
- 23 (C) An amount equal to a debt or part of a debt that becomes
 24 worthless, as permitted under Section 166(a) of the Internal
 25 Revenue Code.
- 26 (D) An amount equal to any bad debt reserves that are
 27 included in federal income because of accounting method
 28 changes required by Section 585(c)(3)(A) or **Section 593** of
 29 the Internal Revenue Code.
- 30 (b) In the case of a credit union, "adjusted gross income" for a
 31 taxable year means the total transfers to undivided earnings minus
 32 dividends for that taxable year after statutory reserves are set aside
 33 under IC 28-7-1-24.
- 34 (c) In the case of an investment company, "adjusted gross income"
 35 means the company's federal taxable income multiplied by the quotient
 36 of:
- 37 (1) the aggregate of the gross payments collected by the company
 38 during the taxable year from old and new business upon
 39 investment contracts issued by the company and held by residents
 40 of Indiana; divided by
- 41 (2) the total amount of gross payments collected during the
 42 taxable year by the company from the business upon investment

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1 contracts issued by the company and held by persons residing
 2 within Indiana and elsewhere.

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

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

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

10 (A) a so-called bond;

11 (B) a share;

12 (C) a coupon;

13 (D) a certificate of membership;

14 (E) an agreement;

15 (F) a pretended agreement; or

16 (G) other evidences of obligation;

17 entitling the holder to anything of value at some future date, if the
 18 gross payments received by the company during the taxable year
 19 on outstanding investment contracts, plus interest and dividends
 20 earned on those contracts (by prorating the interest and dividends
 21 earned on investment contracts by the same proportion that
 22 certificate reserves (as defined by the Investment Company Act
 23 of 1940) is to the company's total assets) is at least fifty percent
 24 (50%) of the company's gross payments upon investment
 25 contracts plus gross income from all other sources except
 26 dividends from subsidiaries for the taxable year. The term
 27 "investment contract" means an instrument listed in clauses (A)
 28 through (G).

29 SECTION 2. [EFFECTIVE JANUARY 1, 1997 (RETROACTIVE)]
 30 **This act applies to taxable years beginning after December 31,**
 31 **1996.**

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill 102, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to Senate Bill 102 as introduced.)

BORST, Chairperson

Committee Vote: Yeas 14, Nays 0.

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