



April 6, 1999

# ENGROSSED SENATE BILL No. 7

DIGEST OF SB0007 (Updated April 6, 1999 11:52 am - DI 58)

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

**Synopsis:** Income tax deduction for certain insurance premiums. Provides an adjusted gross income tax deduction to an individual equal to the premiums paid by the individual for certain insurance policies that cover long term health care expenses. Provides that the deduction may be claimed if the premiums are paid for the benefit of the individual or the individual's spouse, or both. Deletes an incorrect cross reference to an Indiana Code section.

**Effective:** January 1, 2000.

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## Simpson, Weatherwax

(HOUSE SPONSORS — COCHRAN, ESPICH, ADAMS T)

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January 6, 1999, read first time and referred to Committee on Finance.  
February 15, 1999, reported favorably — Do Pass.  
February 18, 1999, read second time, ordered engrossed.  
February 19, 1999, engrossed.  
February 23, 1999, read third time, passed. Yeas 49, nays 0.

HOUSE ACTION

March 3, 1999, read first time and referred to Committee on Ways and Means.  
April 6, 1999, reported — Do Pass.

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ES 7—LS 6225/DI 44+



April 6, 1999

First Regular Session 111th General Assembly (1999)

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 1998 General Assembly.

## ENGROSSED SENATE BILL No. 7

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

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

- 1 SECTION 1. IC 6-3-1-3.5 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3.5. When used  
3 in IC 6-3, the term "adjusted gross income" shall mean the following:  
4 (a) In the case of all individuals, "adjusted gross income" (as  
5 defined in Section 62 of the Internal Revenue Code), modified as  
6 follows:  
7 (1) Subtract income that is exempt from taxation under IC 6-3 by  
8 the Constitution and statutes of the United States.  
9 (2) Add an amount equal to any deduction or deductions allowed  
10 or allowable pursuant to Section 62 of the Internal Revenue Code  
11 for taxes based on or measured by income and levied at the state  
12 level by any state of the United States or for taxes on property  
13 levied by any subdivision of any state of the United States.  
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a  
15 joint return filed by a husband and wife, subtract for each spouse  
16 one thousand dollars (\$1,000).  
17 (4) Subtract one thousand dollars (\$1,000) for:  
18 (A) each of the exemptions provided by Section 151(c) of the

ES 7—LS 6225/DI 44+



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- 1 Internal Revenue Code;  
2 (B) each additional amount allowable under Section 63(f) of  
3 the Internal Revenue Code; and  
4 (C) the spouse of the taxpayer if a separate return is made by  
5 the taxpayer, and if the spouse, for the calendar year in which  
6 the taxable year of the taxpayer begins, has no gross income  
7 and is not the dependent of another taxpayer.
- 8 (5) Subtract five hundred dollars (\$500) for each of the  
9 exemptions allowed under Section 151(c)(1)(B) of the Internal  
10 Revenue Code for taxable years beginning after December 31,  
11 1996, and before January 1, 2001. This amount is in addition to  
12 the amount subtracted under subdivision (4).
- 13 (6) Subtract an amount equal to the lesser of:  
14 (A) that part of the individual's adjusted gross income (as  
15 defined in Section 62 of the Internal Revenue Code) for that  
16 taxable year that is subject to a tax that is imposed by a  
17 political subdivision of another state and that is imposed on or  
18 measured by income; or  
19 (B) two thousand dollars (\$2,000).
- 20 (7) Add an amount equal to the total capital gain portion of a  
21 lump sum distribution (as defined in Section 402(e)(4)(D) of the  
22 Internal Revenue Code), if the lump sum distribution is received  
23 by the individual during the taxable year and if the capital gain  
24 portion of the distribution is taxed in the manner provided in  
25 Section 402 of the Internal Revenue Code.
- 26 (8) Subtract any amounts included in federal adjusted gross  
27 income under Internal Revenue Code Section 111 as a recovery  
28 of items previously deducted as an itemized deduction from  
29 adjusted gross income.
- 30 (9) Subtract any amounts included in federal adjusted gross  
31 income under the Internal Revenue Code which amounts were  
32 received by the individual as supplemental railroad retirement  
33 annuities under 45 U.S.C. 231 and which are not deductible under  
34 subdivision (1).
- 35 (10) Add an amount equal to the deduction allowed under Section  
36 221 of the Internal Revenue Code for married couples filing joint  
37 returns if the taxable year began before January 1, 1987.
- 38 (11) Add an amount equal to the interest excluded from federal  
39 gross income by the individual for the taxable year under Section  
40 128 of the Internal Revenue Code, if the taxable year began  
41 before January 1, 1985.
- 42 (12) Subtract an amount equal to the amount of federal Social



1 Security and Railroad Retirement benefits included in a taxpayer's  
2 federal gross income by Section 86 of the Internal Revenue Code.

3 (13) In the case of a nonresident taxpayer or a resident taxpayer  
4 residing in Indiana for a period of less than the taxpayer's entire  
5 taxable year, the total amount of the deductions allowed pursuant  
6 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount  
7 which bears the same ratio to the total as the taxpayer's income  
8 taxable in Indiana bears to the taxpayer's total income.

9 (14) In the case of an individual who is a recipient of assistance  
10 under IC 12-10-6-1, IC 12-10-6-2, ~~IC 12-10-6-3~~, IC 12-15-2-2, or  
11 IC 12-15-7, subtract an amount equal to that portion of the  
12 individual's adjusted gross income with respect to which the  
13 individual is not allowed under federal law to retain an amount to  
14 pay state and local income taxes.

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

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

22 (1) Subtract income that is exempt from taxation under IC 6-3 by  
23 the Constitution and statutes of the United States.

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

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

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

35 (c) In the case of trusts and estates, "taxable income" (as defined for  
36 trusts and estates in Section 641(b) of the Internal Revenue Code)  
37 reduced by income that is exempt from taxation under IC 6-3 by the  
38 Constitution and statutes of the United States.

39 **SECTION 2. [EFFECTIVE JANUARY 1, 2000] IC 6-3-1-3.5, as**  
40 **amended by this act, applies to taxable years that begin after**  
41 **December 31, 1999.**



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SENATE MOTION

Mr. President: I move that Senator Weatherwax be added as second author of Senate Bill 7.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 7, 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 7 as introduced.)

BORST, Chairperson

Committee Vote: Yeas 14, Nays 0.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 7, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

BAUER, Chair

Committee Vote: yeas 26, nays 0.

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