

HOUSE BILL No. 2054

DIGEST OF INTRODUCED BILL

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

Synopsis: Financial institutions tax. Exempts interest received from United States Treasury obligations from the financial institutions tax.

Effective: January 1, 2000.

Crosby, Bodiker, Young D

January 27, 1999, read first time and referred to Committee on Financial Institutions.

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Introduced

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.

HOUSE BILL No. 2054

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 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 2. (a) Except as
3 provided in subsections (b) through (d), "adjusted gross income" means
4 taxable income as defined in Section 63 of the Internal Revenue Code,
5 adjusted as follows:
6 (1) Add the following amounts:
7 (A) An amount equal to a deduction allowed or allowable
8 under Section 166, Section 585, or Section 593 of the Internal
9 Revenue Code.
10 (B) An amount equal to a deduction allowed or allowable
11 under Section 170 of the Internal Revenue Code.
12 (C) An amount equal to a deduction or deductions allowed or
13 allowable under Section 63 of the Internal Revenue Code for
14 taxes based on or measured by income and levied at the state
15 level by a state of the United States or levied at the local level
16 by any subdivision of a state of the United States, or for taxes
17 on property levied by a state or a subdivision of a state of the



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

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1 taxable year by the company from the business upon investment
 2 contracts issued by the company and held by persons residing
 3 within Indiana and elsewhere.

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

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

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

11 (A) a so-called bond;

12 (B) a share;

13 (C) a coupon;

14 (D) a certificate of membership;

15 (E) an agreement;

16 (F) a pretended agreement; or

17 (G) other evidences of obligation;

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

30 **SECTION 2. [EFFECTIVE JANUARY 1, 2000] IC 6-5.5-1-2, as**
 31 **amended by this act, applies to taxable years beginning after**
 32 **December 31, 1999.**

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