SENATE BILL No. 11

DIGEST OF INTRODUCED BILL

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

Synopsis: Income tax rate adjustment. Provides for a biennial reduction in the state adjusted gross income tax rate on residents, nonresidents, and corporations if the budget agency determines that year-over-year revenue from the adjusted gross income tax exceeds certain amounts. Provides that the minimum rate is 2.9% (3.4% for 2011 and 2012) for persons and 8% (8.5% for 2011 and 2012) for corporations. Requires the budget agency to make the determination before July 1 of each even-numbered year and for the rate reduction to take effect for taxable years beginning in the immediately following odd-numbered year.

Effective: January 1, 2012.

Buck

January 5, 2011, read first time and referred to Committee on Tax and Fiscal Policy.

Introduced

First Regular Session 117th General Assembly (2011)

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 2010 Regular Session of the General Assembly.

SENATE BILL No. 11

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

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

SECTION 1. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2012]: Sec. 1. (a) Each taxable year, a tax at the ~~rate of three and four-tenths percent (3.4%)~~ **percentage rate determined under subsection (c)** of adjusted gross income is imposed upon the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person.

(b) Except as provided in section 1.5 of this chapter, each taxable year, a tax at the ~~rate of eight and five-tenths percent (8.5%)~~ **percentage rate determined under subsection (c)** of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

(c) The tax rate to be used under subsection (a) or (b) is the same rate used for the preceding taxable year unless net adjusted gross income tax revenue collected by the state has increased, as determined under subsection (e). If the two (2) year average percentage increase in net adjusted gross income tax revenue is at

least three and one-tenth percent (3.1%), the tax rate to be used for the taxable year beginning in the immediately following odd-numbered year is the rate after the reduction under this subsection. If the two (2) year average percentage increase in net adjusted gross income tax revenue is:

(1) at least three and one-tenth percent (3.1%) but less than four and two-tenths percent (4.2%), the tax rate is the preceding taxable year's rate minus one-tenth percent (0.1%);

(2) at least four and two-tenths percent (4.2%) but less than five and three-tenths percent (5.3%), the tax rate is the preceding taxable year's rate minus two-tenths percent (0.2%); or

(3) at least five and three-tenths percent (5.3%), the tax rate is the preceding taxable year's rate minus three-tenths percent (0.3%).

(d) However, the rate used under:

(1) subsection (a) for taxable years beginning before January 1, 2013, is three and four-tenths percent (3.4%), and the rate to be used for taxable years beginning after December 31, 2012, may not be less than two and nine-tenths percent (2.9%); and

(2) subsection (b) for taxable years beginning before January 1, 2013, is eight and five-tenths percent (8.5%), and the rate to be used for taxable years beginning after December 31, 2012, may not be less than eight percent (8%).

(e) Before September 1 of each even-numbered year, the budget agency, using a two (2) year average, shall determine whether an increase in net adjusted gross income tax revenue has occurred. In making this determination, the following shall be used:

(1) Returns processed during the three (3) calendar years that immediately precede the determination year.

(2) Net adjusted gross income tax revenue collected from all taxpayers under this article on these returns.

(3) Overpayments refunded to taxpayers during these calendar years shall be subtracted.

(4) The best information available to the budget agency at the time the determination is made.

Beginning in 2012, the budget agency shall compute and determine whether an increase in net adjusted gross income tax revenue has occurred and, if so, the amount of the two (2) year average percentage increase in net adjusted gross income tax revenue. The budget agency shall certify the results of the computation to the

department of state revenue.