
SENATE BILL No. 417

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3; IC 6-3.1-20-4.

Synopsis: Individual income tax deduction. Provides an individual income tax deduction for amounts allowed as a deduction from federal adjusted gross income for investment interest paid on indebtedness on real property that is not a qualified residence. Removes outdated individual income tax adjustments.

Effective: January 1, 2012.

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January 12, 2011, read first time and referred to Committee on Tax and Fiscal Policy.

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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.

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SENATE BILL No. 417



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, AS AMENDED BY P.L.182-2009(ss),
- 2 SECTION 186, IS AMENDED TO READ AS FOLLOWS
- 3 [EFFECTIVE JANUARY 1, 2012]: Sec. 3.5. When used in this article,
- 4 the term "adjusted gross income" shall mean the following:
- 5 (a) In the case of all individuals, "adjusted gross income" (as
- 6 defined in Section 62 of the Internal Revenue Code), modified as
- 7 follows:
- 8 (1) Subtract income that is exempt from taxation under this article
- 9 by the Constitution and statutes of the United States.
- 10 (2) Add an amount equal to any deduction or deductions allowed
- 11 or allowable pursuant to Section 62 of the Internal Revenue Code
- 12 for taxes based on or measured by income and levied at the state
- 13 level by 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:



- 1 (A) each of the exemptions provided by Section 151(c) of the
- 2 Internal Revenue Code;
- 3 (B) each additional amount allowable under Section 63(f) of
- 4 the Internal Revenue Code; and
- 5 (C) the spouse of the taxpayer if a separate return is made by
- 6 the taxpayer and if the spouse, for the calendar year in which
- 7 the taxable year of the taxpayer begins, has no gross income
- 8 and is not the dependent of another taxpayer.
- 9 (5) Subtract:
- 10 (A) ~~for taxable years beginning after December 31, 2004~~, one
- 11 thousand five hundred dollars (\$1,500) for each of the
- 12 exemptions allowed under Section 151(c)(1)(B) of the Internal
- 13 Revenue Code (as effective January 1, 2004); and
- 14 (B) five hundred dollars (\$500) for each additional amount
- 15 allowable under Section 63(f)(1) of the Internal Revenue Code
- 16 if the adjusted gross income of the taxpayer, or the taxpayer
- 17 and the taxpayer's spouse in the case of a joint return, is less
- 18 than forty thousand dollars (\$40,000).
- 19 This amount is in addition to the amount subtracted under
- 20 subdivision (4).
- 21 (6) Subtract an amount equal to the lesser of:
- 22 (A) that part of the individual's adjusted gross income (as
- 23 defined in Section 62 of the Internal Revenue Code) for that
- 24 taxable year that is subject to a tax that is imposed by a
- 25 political subdivision of another state and that is imposed on or
- 26 measured by income; or
- 27 (B) two thousand dollars (\$2,000).
- 28 (7) Add an amount equal to the total capital gain portion of a
- 29 lump sum distribution (as defined in Section 402(e)(4)(D) of the
- 30 Internal Revenue Code) if the lump sum distribution is received
- 31 by the individual during the taxable year and if the capital gain
- 32 portion of the distribution is taxed in the manner provided in
- 33 Section 402 of the Internal Revenue Code.
- 34 (8) Subtract any amounts included in federal adjusted gross
- 35 income under Section 111 of the Internal Revenue Code as a
- 36 recovery of items previously deducted as an itemized deduction
- 37 from adjusted gross income.
- 38 (9) Subtract any amounts included in federal adjusted gross
- 39 income under the Internal Revenue Code which amounts were
- 40 received by the individual as supplemental railroad retirement
- 41 annuities under 45 U.S.C. 231 and which are not deductible under
- 42 subdivision (1).

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- 1 ~~(10)~~ Add an amount equal to the deduction allowed under Section
 2 221 of the Internal Revenue Code for married couples filing joint
 3 returns if the taxable year began before January 1, 1987.
 4 ~~(11)~~ Add an amount equal to the interest excluded from federal
 5 gross income by the individual for the taxable year under Section
 6 128 of the Internal Revenue Code if the taxable year began before
 7 January 1, 1985.
 8 ~~(12)~~ **(10)** Subtract an amount equal to the amount of federal
 9 Social Security and Railroad Retirement benefits included in a
 10 taxpayer's federal gross income by Section 86 of the Internal
 11 Revenue Code.
 12 ~~(13)~~ **(11)** In the case of a nonresident taxpayer or a resident
 13 taxpayer residing in Indiana for a period of less than the taxpayer's
 14 entire taxable year, the total amount of the deductions allowed
 15 pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to
 16 an amount which bears the same ratio to the total as the taxpayer's
 17 income taxable in Indiana bears to the taxpayer's total income.
 18 ~~(14)~~ **(12)** In the case of an individual who is a recipient of
 19 assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or
 20 IC 12-15-7, subtract an amount equal to that portion of the
 21 individual's adjusted gross income with respect to which the
 22 individual is not allowed under federal law to retain an amount to
 23 pay state and local income taxes.
 24 ~~(15)~~ **(13)** In the case of an eligible individual, subtract the amount
 25 of a Holocaust victim's settlement payment included in the
 26 individual's federal adjusted gross income.
 27 ~~(16)~~ For taxable years beginning after December 31, 1999; **(14)**
 28 Subtract an amount equal to the portion of any premiums paid
 29 during the taxable year by the taxpayer for a qualified long term
 30 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
 31 taxpayer's spouse, or both.
 32 ~~(17)~~ **(15)** Subtract an amount equal to the lesser of:
 33 (A) for a taxable year:
 34 (i) including any part of 2004, the amount determined under
 35 subsection (f); and
 36 (ii) beginning after December 31, 2004, two thousand five
 37 hundred dollars (\$2,500); or
 38 (B) the amount of property taxes that are paid during the
 39 taxable year in Indiana by the individual on the individual's
 40 principal place of residence.
 41 ~~(18)~~ **(16)** Subtract an amount equal to the amount of a September
 42 11 terrorist attack settlement payment included in the individual's

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- 1 federal adjusted gross income.
- 2 ~~(19)~~ **(17)** Add or subtract the amount necessary to make the
- 3 adjusted gross income of any taxpayer that owns property for
- 4 which bonus depreciation was allowed in the current taxable year
- 5 or in an earlier taxable year equal to the amount of adjusted gross
- 6 income that would have been computed had an election not been
- 7 made under Section 168(k) of the Internal Revenue Code to apply
- 8 bonus depreciation to the property in the year that it was placed
- 9 in service.
- 10 ~~(20)~~ **(18)** Add an amount equal to any deduction allowed under
- 11 Section 172 of the Internal Revenue Code.
- 12 ~~(21)~~ **(19)** Add or subtract the amount necessary to make the
- 13 adjusted gross income of any taxpayer that placed Section 179
- 14 property (as defined in Section 179 of the Internal Revenue Code)
- 15 in service in the current taxable year or in an earlier taxable year
- 16 equal to the amount of adjusted gross income that would have
- 17 been computed had an election for federal income tax purposes
- 18 not been made for the year in which the property was placed in
- 19 service to take deductions under Section 179 of the Internal
- 20 Revenue Code in a total amount exceeding twenty-five thousand
- 21 dollars (\$25,000).
- 22 ~~(22)~~ **(20)** Add an amount equal to the amount that a taxpayer
- 23 claimed as a deduction for domestic production activities for the
- 24 taxable year under Section 199 of the Internal Revenue Code for
- 25 federal income tax purposes.
- 26 ~~(23)~~ **(21)** Subtract an amount equal to the amount of the taxpayer's
- 27 qualified military income that was not excluded from the
- 28 taxpayer's gross income for federal income tax purposes under
- 29 Section 112 of the Internal Revenue Code.
- 30 ~~(24)~~ **(22)** Subtract income that is:
- 31 (A) exempt from taxation under IC 6-3-2-21.7; and
- 32 (B) included in the individual's federal adjusted gross income
- 33 under the Internal Revenue Code.
- 34 ~~(25)~~ **(23)** Subtract any amount of a credit (including an advance
- 35 refund of the credit) that is provided to an individual under 26
- 36 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and
- 37 included in the individual's federal adjusted gross income.
- 38 ~~(26)~~ **(24)** Add any amount of unemployment compensation
- 39 excluded from federal gross income, as defined in Section 61 of
- 40 the Internal Revenue Code, under Section 85(c) of the Internal
- 41 Revenue Code.
- 42 ~~(27)~~ **(25)** Add the amount excluded from gross income under

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1 Section 108(a)(1)(e) of the Internal Revenue Code for the
2 discharge of debt on a qualified principal residence.

3 ~~(28)~~ **(26)** Add an amount equal to any income not included in
4 gross income as a result of the deferral of income arising from
5 business indebtedness discharged in connection with the
6 reacquisition after December 31, 2008, and before January 1,
7 2011, of an applicable debt instrument, as provided in Section
8 108(i) of the Internal Revenue Code. Subtract the amount
9 necessary from the adjusted gross income of any taxpayer that
10 added an amount to adjusted gross income in a previous year to
11 offset the amount included in federal gross income as a result of
12 the deferral of income arising from business indebtedness
13 discharged in connection with the reacquisition after December
14 31, 2008, and before January 1, 2011, of an applicable debt
15 instrument, as provided in Section 108(i) of the Internal Revenue
16 Code.

17 ~~(29)~~ **(27)** Add the amount necessary to make the adjusted gross
18 income of any taxpayer that placed qualified restaurant property
19 in service during the taxable year and that was classified as
20 15-year property under Section 168(e)(3)(E)(v) of the Internal
21 Revenue Code equal to the amount of adjusted gross income that
22 would have been computed had the classification not applied to
23 the property in the year that it was placed in service.

24 ~~(30)~~ **(28)** Add the amount necessary to make the adjusted gross
25 income of any taxpayer that placed qualified retail improvement
26 property in service during the taxable year and that was classified
27 as 15-year property under Section 168(e)(3)(E)(ix) of the Internal
28 Revenue Code equal to the amount of adjusted gross income that
29 would have been computed had the classification not applied to
30 the property in the year that it was placed in service.

31 ~~(31)~~ **(29)** Add or subtract the amount necessary to make the
32 adjusted gross income of any taxpayer that claimed the special
33 allowance for qualified disaster assistance property under Section
34 168(n) of the Internal Revenue Code equal to the amount of
35 adjusted gross income that would have been computed had the
36 special allowance not been claimed for the property.

37 ~~(32)~~ **(30)** Add or subtract the amount necessary to make the
38 adjusted gross income of any taxpayer that made an election
39 under Section 179C of the Internal Revenue Code to expense
40 costs for qualified refinery property equal to the amount of
41 adjusted gross income that would have been computed had an
42 election for federal income tax purposes not been made for the

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year.
~~(33)~~ **(31)** Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

~~(34)~~ **(32)** Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(33) Subtract any amounts allowed as a deduction from federal adjusted gross income under Section 163 of the Internal Revenue Code for investment interest paid on indebtedness on real property that is not a qualified residence, as defined in Section 163(h)(4) of the Internal Revenue Code.

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

(1) Subtract income that is exempt from taxation under this article by the Constitution and statutes of the United States.

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

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

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

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- 1 (5) Add or subtract the amount necessary to make the adjusted
 2 gross income of any taxpayer that owns property for which bonus
 3 depreciation was allowed in the current taxable year or in an
 4 earlier taxable year equal to the amount of adjusted gross income
 5 that would have been computed had an election not been made
 6 under Section 168(k) of the Internal Revenue Code to apply bonus
 7 depreciation to the property in the year that it was placed in
 8 service.
- 9 (6) Add an amount equal to any deduction allowed under Section
 10 172 of the Internal Revenue Code.
- 11 (7) Add or subtract the amount necessary to make the adjusted
 12 gross income of any taxpayer that placed Section 179 property (as
 13 defined in Section 179 of the Internal Revenue Code) in service
 14 in the current taxable year or in an earlier taxable year equal to
 15 the amount of adjusted gross income that would have been
 16 computed had an election for federal income tax purposes not
 17 been made for the year in which the property was placed in
 18 service to take deductions under Section 179 of the Internal
 19 Revenue Code in a total amount exceeding twenty-five thousand
 20 dollars (\$25,000).
- 21 (8) Add an amount equal to the amount that a taxpayer claimed as
 22 a deduction for domestic production activities for the taxable year
 23 under Section 199 of the Internal Revenue Code for federal
 24 income tax purposes.
- 25 (9) Add to the extent required by IC 6-3-2-20 the amount of
 26 intangible expenses (as defined in IC 6-3-2-20) and any directly
 27 related intangible interest expenses (as defined in IC 6-3-2-20) for
 28 the taxable year that reduced the corporation's taxable income (as
 29 defined in Section 63 of the Internal Revenue Code) for federal
 30 income tax purposes.
- 31 (10) Add an amount equal to any deduction for dividends paid (as
 32 defined in Section 561 of the Internal Revenue Code) to
 33 shareholders of a captive real estate investment trust (as defined
 34 in section 34.5 of this chapter).
- 35 (11) Subtract income that is:
- 36 (A) exempt from taxation under IC 6-3-2-21.7; and
- 37 (B) included in the corporation's taxable income under the
 38 Internal Revenue Code.
- 39 (12) Add an amount equal to any income not included in gross
 40 income as a result of the deferral of income arising from business
 41 indebtedness discharged in connection with the reacquisition after
 42 December 31, 2008, and before January 1, 2011, of an applicable

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1 debt instrument, as provided in Section 108(i) of the Internal
 2 Revenue Code. Subtract from the adjusted gross income of any
 3 taxpayer that added an amount to adjusted gross income in a
 4 previous year the amount necessary to offset the amount included
 5 in federal gross income as a result of the deferral of income
 6 arising from business indebtedness discharged in connection with
 7 the reacquisition after December 31, 2008, and before January 1,
 8 2011, of an applicable debt instrument, as provided in Section
 9 108(i) of the Internal Revenue Code.

10 (13) Add the amount necessary to make the adjusted gross income
 11 of any taxpayer that placed qualified restaurant property in service
 12 during the taxable year and that was classified as 15-year property
 13 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
 14 to the amount of adjusted gross income that would have been
 15 computed had the classification not applied to the property in the
 16 year that it was placed in service.

17 (14) Add the amount necessary to make the adjusted gross income
 18 of any taxpayer that placed qualified retail improvement property
 19 in service during the taxable year and that was classified as
 20 15-year property under Section 168(e)(3)(E)(ix) of the Internal
 21 Revenue Code equal to the amount of adjusted gross income that
 22 would have been computed had the classification not applied to
 23 the property in the year that it was placed in service.

24 (15) Add or subtract the amount necessary to make the adjusted
 25 gross income of any taxpayer that claimed the special allowance
 26 for qualified disaster assistance property under Section 168(n) of
 27 the Internal Revenue Code equal to the amount of adjusted gross
 28 income that would have been computed had the special allowance
 29 not been claimed for the property.

30 (16) Add or subtract the amount necessary to make the adjusted
 31 gross income of any taxpayer that made an election under Section
 32 179C of the Internal Revenue Code to expense costs for qualified
 33 refinery property equal to the amount of adjusted gross income
 34 that would have been computed had an election for federal
 35 income tax purposes not been made for the year.

36 (17) Add or subtract the amount necessary to make the adjusted
 37 gross income of any taxpayer that made an election under Section
 38 181 of the Internal Revenue Code to expense costs for a qualified
 39 film or television production equal to the amount of adjusted
 40 gross income that would have been computed had an election for
 41 federal income tax purposes not been made for the year.

42 (18) Add or subtract the amount necessary to make the adjusted

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1 gross income of any taxpayer that treated a loss from the sale or
2 exchange of preferred stock in:

3 (A) the Federal National Mortgage Association, established
4 under the Federal National Mortgage Association Charter Act
5 (12 U.S.C. 1716 et seq.); or

6 (B) the Federal Home Loan Mortgage Corporation, established
7 under the Federal Home Loan Mortgage Corporation Act (12
8 U.S.C. 1451 et seq.);

9 as an ordinary loss under Section 301 of the Emergency
10 Economic Stabilization Act of 2008 in the current taxable year or
11 in an earlier taxable year equal to the amount of adjusted gross
12 income that would have been computed had the loss not been
13 treated as an ordinary loss.

14 (c) In the case of life insurance companies (as defined in Section
15 816(a) of the Internal Revenue Code) that are organized under Indiana
16 law, the same as "life insurance company taxable income" (as defined
17 in Section 801 of the Internal Revenue Code), adjusted as follows:

18 (1) Subtract income that is exempt from taxation under this article
19 by the Constitution and statutes of the United States.

20 (2) Add an amount equal to any deduction allowed or allowable
21 under Section 170 of the Internal Revenue Code.

22 (3) Add an amount equal to a deduction allowed or allowable
23 under Section 805 or Section 831(c) of the Internal Revenue Code
24 for taxes based on or measured by income and levied at the state
25 level by any state.

26 (4) Subtract an amount equal to the amount included in the
27 company's taxable income under Section 78 of the Internal
28 Revenue Code.

29 (5) Add or subtract the amount necessary to make the adjusted
30 gross income of any taxpayer that owns property for which bonus
31 depreciation was allowed in the current taxable year or in an
32 earlier taxable year equal to the amount of adjusted gross income
33 that would have been computed had an election not been made
34 under Section 168(k) of the Internal Revenue Code to apply bonus
35 depreciation to the property in the year that it was placed in
36 service.

37 (6) Add an amount equal to any deduction allowed under Section
38 172 or Section 810 of the Internal Revenue Code.

39 (7) Add or subtract the amount necessary to make the adjusted
40 gross income of any taxpayer that placed Section 179 property (as
41 defined in Section 179 of the Internal Revenue Code) in service
42 in the current taxable year or in an earlier taxable year equal to

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1 the amount of adjusted gross income that would have been
 2 computed had an election for federal income tax purposes not
 3 been made for the year in which the property was placed in
 4 service to take deductions under Section 179 of the Internal
 5 Revenue Code in a total amount exceeding twenty-five thousand
 6 dollars (\$25,000).

7 (8) Add an amount equal to the amount that a taxpayer claimed as
 8 a deduction for domestic production activities for the taxable year
 9 under Section 199 of the Internal Revenue Code for federal
 10 income tax purposes.

11 (9) Subtract income that is:

12 (A) exempt from taxation under IC 6-3-2-21.7; and

13 (B) included in the insurance company's taxable income under
 14 the Internal Revenue Code.

15 (10) Add an amount equal to any income not included in gross
 16 income as a result of the deferral of income arising from business
 17 indebtedness discharged in connection with the reacquisition after
 18 December 31, 2008, and before January 1, 2011, of an applicable
 19 debt instrument, as provided in Section 108(i) of the Internal
 20 Revenue Code. Subtract from the adjusted gross income of any
 21 taxpayer that added an amount to adjusted gross income in a
 22 previous year the amount necessary to offset the amount included
 23 in federal gross income as a result of the deferral of income
 24 arising from business indebtedness discharged in connection with
 25 the reacquisition after December 31, 2008, and before January 1,
 26 2011, of an applicable debt instrument, as provided in Section
 27 108(i) of the Internal Revenue Code.

28 (11) Add the amount necessary to make the adjusted gross income
 29 of any taxpayer that placed qualified restaurant property in service
 30 during the taxable year and that was classified as 15-year property
 31 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
 32 to the amount of adjusted gross income that would have been
 33 computed had the classification not applied to the property in the
 34 year that it was placed in service.

35 (12) Add the amount necessary to make the adjusted gross income
 36 of any taxpayer that placed qualified retail improvement property
 37 in service during the taxable year and that was classified as
 38 15-year property under Section 168(e)(3)(E)(ix) of the Internal
 39 Revenue Code equal to the amount of adjusted gross income that
 40 would have been computed had the classification not applied to
 41 the property in the year that it was placed in service.

42 (13) Add or subtract the amount necessary to make the adjusted

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1 gross income of any taxpayer that claimed the special allowance
 2 for qualified disaster assistance property under Section 168(n) of
 3 the Internal Revenue Code equal to the amount of adjusted gross
 4 income that would have been computed had the special allowance
 5 not been claimed for the property.
 6 (14) Add or subtract the amount necessary to make the adjusted
 7 gross income of any taxpayer that made an election under Section
 8 179C of the Internal Revenue Code to expense costs for qualified
 9 refinery property equal to the amount of adjusted gross income
 10 that would have been computed had an election for federal
 11 income tax purposes not been made for the year.
 12 (15) Add or subtract the amount necessary to make the adjusted
 13 gross income of any taxpayer that made an election under Section
 14 181 of the Internal Revenue Code to expense costs for a qualified
 15 film or television production equal to the amount of adjusted
 16 gross income that would have been computed had an election for
 17 federal income tax purposes not been made for the year.
 18 (16) Add or subtract the amount necessary to make the adjusted
 19 gross income of any taxpayer that treated a loss from the sale or
 20 exchange of preferred stock in:
 21 (A) the Federal National Mortgage Association, established
 22 under the Federal National Mortgage Association Charter Act
 23 (12 U.S.C. 1716 et seq.); or
 24 (B) the Federal Home Loan Mortgage Corporation, established
 25 under the Federal Home Loan Mortgage Corporation Act (12
 26 U.S.C. 1451 et seq.);
 27 as an ordinary loss under Section 301 of the Emergency
 28 Economic Stabilization Act of 2008 in the current taxable year or
 29 in an earlier taxable year equal to the amount of adjusted gross
 30 income that would have been computed had the loss not been
 31 treated as an ordinary loss.
 32 (17) Add an amount equal to any exempt insurance income under
 33 Section 953(e) of the Internal Revenue Code that is active
 34 financing income under Subpart F of Subtitle A, Chapter 1,
 35 Subchapter N of the Internal Revenue Code.
 36 (d) In the case of insurance companies subject to tax under Section
 37 831 of the Internal Revenue Code and organized under Indiana law, the
 38 same as "taxable income" (as defined in Section 832 of the Internal
 39 Revenue Code), adjusted as follows:
 40 (1) Subtract income that is exempt from taxation under this article
 41 by the Constitution and statutes of the United States.
 42 (2) Add an amount equal to any deduction allowed or allowable

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- 1 under Section 170 of the Internal Revenue Code.
- 2 (3) Add an amount equal to a deduction allowed or allowable
- 3 under Section 805 or Section 831(c) of the Internal Revenue Code
- 4 for taxes based on or measured by income and levied at the state
- 5 level by any state.
- 6 (4) Subtract an amount equal to the amount included in the
- 7 company's taxable income under Section 78 of the Internal
- 8 Revenue Code.
- 9 (5) Add or subtract the amount necessary to make the adjusted
- 10 gross income of any taxpayer that owns property for which bonus
- 11 depreciation was allowed in the current taxable year or in an
- 12 earlier taxable year equal to the amount of adjusted gross income
- 13 that would have been computed had an election not been made
- 14 under Section 168(k) of the Internal Revenue Code to apply bonus
- 15 depreciation to the property in the year that it was placed in
- 16 service.
- 17 (6) Add an amount equal to any deduction allowed under Section
- 18 172 of the Internal Revenue Code.
- 19 (7) Add or subtract the amount necessary to make the adjusted
- 20 gross income of any taxpayer that placed Section 179 property (as
- 21 defined in Section 179 of the Internal Revenue Code) in service
- 22 in the current taxable year or in an earlier taxable year equal to
- 23 the amount of adjusted gross income that would have been
- 24 computed had an election for federal income tax purposes not
- 25 been made for the year in which the property was placed in
- 26 service to take deductions under Section 179 of the Internal
- 27 Revenue Code in a total amount exceeding twenty-five thousand
- 28 dollars (\$25,000).
- 29 (8) Add an amount equal to the amount that a taxpayer claimed as
- 30 a deduction for domestic production activities for the taxable year
- 31 under Section 199 of the Internal Revenue Code for federal
- 32 income tax purposes.
- 33 (9) Subtract income that is:
- 34 (A) exempt from taxation under IC 6-3-2-21.7; and
- 35 (B) included in the insurance company's taxable income under
- 36 the Internal Revenue Code.
- 37 (10) Add an amount equal to any income not included in gross
- 38 income as a result of the deferral of income arising from business
- 39 indebtedness discharged in connection with the reacquisition after
- 40 December 31, 2008, and before January 1, 2011, of an applicable
- 41 debt instrument, as provided in Section 108(i) of the Internal
- 42 Revenue Code. Subtract from the adjusted gross income of any

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1 taxpayer that added an amount to adjusted gross income in a
 2 previous year the amount necessary to offset the amount included
 3 in federal gross income as a result of the deferral of income
 4 arising from business indebtedness discharged in connection with
 5 the reacquisition after December 31, 2008, and before January 1,
 6 2011, of an applicable debt instrument, as provided in Section
 7 108(i) of the Internal Revenue Code.
 8 (11) Add the amount necessary to make the adjusted gross income
 9 of any taxpayer that placed qualified restaurant property in service
 10 during the taxable year and that was classified as 15-year property
 11 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
 12 to the amount of adjusted gross income that would have been
 13 computed had the classification not applied to the property in the
 14 year that it was placed in service.
 15 (12) Add the amount necessary to make the adjusted gross income
 16 of any taxpayer that placed qualified retail improvement property
 17 in service during the taxable year and that was classified as
 18 15-year property under Section 168(e)(3)(E)(ix) of the Internal
 19 Revenue Code equal to the amount of adjusted gross income that
 20 would have been computed had the classification not applied to
 21 the property in the year that it was placed in service.
 22 (13) Add or subtract the amount necessary to make the adjusted
 23 gross income of any taxpayer that claimed the special allowance
 24 for qualified disaster assistance property under Section 168(n) of
 25 the Internal Revenue Code equal to the amount of adjusted gross
 26 income that would have been computed had the special allowance
 27 not been claimed for the property.
 28 (14) Add or subtract the amount necessary to make the adjusted
 29 gross income of any taxpayer that made an election under Section
 30 179C of the Internal Revenue Code to expense costs for qualified
 31 refinery property equal to the amount of adjusted gross income
 32 that would have been computed had an election for federal
 33 income tax purposes not been made for the year.
 34 (15) Add or subtract the amount necessary to make the adjusted
 35 gross income of any taxpayer that made an election under Section
 36 181 of the Internal Revenue Code to expense costs for a qualified
 37 film or television production equal to the amount of adjusted
 38 gross income that would have been computed had an election for
 39 federal income tax purposes not been made for the year.
 40 (16) Add or subtract the amount necessary to make the adjusted
 41 gross income of any taxpayer that treated a loss from the sale or
 42 exchange of preferred stock in:

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1 (A) the Federal National Mortgage Association, established
 2 under the Federal National Mortgage Association Charter Act
 3 (12 U.S.C. 1716 et seq.); or
 4 (B) the Federal Home Loan Mortgage Corporation, established
 5 under the Federal Home Loan Mortgage Corporation Act (12
 6 U.S.C. 1451 et seq.);
 7 as an ordinary loss under Section 301 of the Emergency
 8 Economic Stabilization Act of 2008 in the current taxable year or
 9 in an earlier taxable year equal to the amount of adjusted gross
 10 income that would have been computed had the loss not been
 11 treated as an ordinary loss.
 12 (17) Add an amount equal to any exempt insurance income under
 13 Section 953(e) of the Internal Revenue Code that is active
 14 financing income under Subpart F of Subtitle A, Chapter 1,
 15 Subchapter N of the Internal Revenue Code.
 16 (e) In the case of trusts and estates, "taxable income" (as defined for
 17 trusts and estates in Section 641(b) of the Internal Revenue Code)
 18 adjusted as follows:
 19 (1) Subtract income that is exempt from taxation under this article
 20 by the Constitution and statutes of the United States.
 21 (2) Subtract an amount equal to the amount of a September 11
 22 terrorist attack settlement payment included in the federal
 23 adjusted gross income of the estate of a victim of the September
 24 11 terrorist attack or a trust to the extent the trust benefits a victim
 25 of the September 11 terrorist attack.
 26 (3) Add or subtract the amount necessary to make the adjusted
 27 gross income of any taxpayer that owns property for which bonus
 28 depreciation was allowed in the current taxable year or in an
 29 earlier taxable year equal to the amount of adjusted gross income
 30 that would have been computed had an election not been made
 31 under Section 168(k) of the Internal Revenue Code to apply bonus
 32 depreciation to the property in the year that it was placed in
 33 service.
 34 (4) Add an amount equal to any deduction allowed under Section
 35 172 of the Internal Revenue Code.
 36 (5) Add or subtract the amount necessary to make the adjusted
 37 gross income of any taxpayer that placed Section 179 property (as
 38 defined in Section 179 of the Internal Revenue Code) in service
 39 in the current taxable year or in an earlier taxable year equal to
 40 the amount of adjusted gross income that would have been
 41 computed had an election for federal income tax purposes not
 42 been made for the year in which the property was placed in

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- 1 service to take deductions under Section 179 of the Internal
2 Revenue Code in a total amount exceeding twenty-five thousand
3 dollars (\$25,000).
- 4 (6) Add an amount equal to the amount that a taxpayer claimed as
5 a deduction for domestic production activities for the taxable year
6 under Section 199 of the Internal Revenue Code for federal
7 income tax purposes.
- 8 (7) Subtract income that is:
- 9 (A) exempt from taxation under IC 6-3-2-21.7; and
10 (B) included in the taxpayer's taxable income under the
11 Internal Revenue Code.
- 12 (8) Add an amount equal to any income not included in gross
13 income as a result of the deferral of income arising from business
14 indebtedness discharged in connection with the reacquisition after
15 December 31, 2008, and before January 1, 2011, of an applicable
16 debt instrument, as provided in Section 108(i) of the Internal
17 Revenue Code. Subtract from the adjusted gross income of any
18 taxpayer that added an amount to adjusted gross income in a
19 previous year the amount necessary to offset the amount included
20 in federal gross income as a result of the deferral of income
21 arising from business indebtedness discharged in connection with
22 the reacquisition after December 31, 2008, and before January 1,
23 2011, of an applicable debt instrument, as provided in Section
24 108(i) of the Internal Revenue Code.
- 25 (9) Add the amount necessary to make the adjusted gross income
26 of any taxpayer that placed qualified restaurant property in service
27 during the taxable year and that was classified as 15-year property
28 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
29 to the amount of adjusted gross income that would have been
30 computed had the classification not applied to the property in the
31 year that it was placed in service.
- 32 (10) Add the amount necessary to make the adjusted gross income
33 of any taxpayer that placed qualified retail improvement property
34 in service during the taxable year and that was classified as
35 15-year property under Section 168(e)(3)(E)(ix) of the Internal
36 Revenue Code equal to the amount of adjusted gross income that
37 would have been computed had the classification not applied to
38 the property in the year that it was placed in service.
- 39 (11) Add or subtract the amount necessary to make the adjusted
40 gross income of any taxpayer that claimed the special allowance
41 for qualified disaster assistance property under Section 168(n) of
42 the Internal Revenue Code equal to the amount of adjusted gross

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income that would have been computed had the special allowance not been claimed for the property.

(12) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 179C of the Internal Revenue Code to expense costs for qualified refinery property equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(13) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that made an election under Section 181 of the Internal Revenue Code to expense costs for a qualified film or television production equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year.

(14) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that treated a loss from the sale or exchange of preferred stock in:

(A) the Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.); or

(B) the Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.);

as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

(15) Add the amount excluded from gross income under Section 108(a)(1)(e) of the Internal Revenue Code for the discharge of debt on a qualified principal residence.

(f) This subsection applies only to the extent that an individual paid property taxes in 2004 that were imposed for the March 1, 2002, assessment date or the January 15, 2003, assessment date. The maximum amount of the deduction under subsection (a)(17) is equal to the amount determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of property taxes that the taxpayer paid after December 31, 2003, in the taxable year for property taxes imposed for the March 1, 2002, assessment date and the January 15, 2003, assessment date.

STEP TWO: Determine the amount of property taxes that the taxpayer paid in the taxable year for the March 1, 2003,

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1 assessment date and the January 15, 2004, assessment date.

2 STEP THREE: Determine the result of the STEP ONE amount
3 divided by the STEP TWO amount:

4 STEP FOUR: Multiply the STEP THREE amount by two
5 thousand five hundred dollars (\$2,500):

6 STEP FIVE: Determine the sum of the STEP FOUR amount and
7 two thousand five hundred dollars (\$2,500):

8 SECTION 2. IC 6-3-1-3.7, AS ADDED BY P.L.182-2009(ss),
9 SECTION 187, IS AMENDED TO READ AS FOLLOWS
10 [EFFECTIVE JANUARY 1, 2012]: Sec. 3.7. (a) This section applies
11 only to an individual who in 2009 paid property taxes that:

12 (1) were imposed on the individual's principal place of residence
13 for the March 1, 2007, assessment date or the January 15, 2008,
14 assessment date;

15 (2) are due after December 31, 2008; and

16 (3) are paid on or before the due date for the property taxes.

17 (b) An individual described in subsection (a) is entitled to a
18 deduction from adjusted gross income for a taxable year beginning
19 after December 31, 2008, and before January 1, 2010, in an amount
20 equal to the amount determined in the following STEPS:

21 STEP ONE: Determine the lesser of:

22 (A) two thousand five hundred dollars (\$2,500); or

23 (B) the total amount of property taxes imposed on the
24 individual's principal place of residence for the March 1, 2007,
25 assessment date or the January 15, 2008, assessment date and
26 paid in 2008 or 2009.

27 STEP TWO: Determine the greater of zero (0) or the result of:

28 (A) the STEP ONE result; minus

29 (B) the total amount of property taxes that:

30 (i) were imposed on the individual's principal place of
31 residence for the March 1, 2007, assessment date or the
32 January 15, 2008, assessment date;

33 (ii) were paid in 2008; and

34 (iii) were deducted from adjusted gross income under
35 section ~~3.5(a)(17)~~ **3.5(a)(14)** of this chapter by the
36 individual on the individual's state income tax return for a
37 taxable year beginning before January 1, 2009.

38 (c) The deduction under this section is in addition to any deduction
39 that an individual is otherwise entitled to claim under section
40 ~~3.5(a)(17)~~ **3.5(a)(15)** of this chapter. However, an individual may not
41 deduct under section ~~3.5(a)(17)~~ **3.5(a)(15)** of this chapter any property
42 taxes deducted under this section.

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1 (d) This section expires January 1, 2014.

2 SECTION 3. IC 6-3-2-4, AS AMENDED BY P.L.144-2007,
3 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
4 JANUARY 1, 2012]: Sec. 4. (a) Each taxable year, an individual, or the
5 individual's surviving spouse, is entitled to an adjusted gross income
6 tax deduction for the first five thousand dollars (\$5,000) of income,
7 including retirement or survivor's benefits, received during the taxable
8 year by the individual, or the individual's surviving spouse, for the
9 individual's service in an active or reserve component of the armed
10 forces of the United States, including the army, navy, air force, coast
11 guard, marine corps, merchant marine, Indiana army national guard, or
12 Indiana air national guard. However, a person who is less than sixty
13 (60) years of age on the last day of the person's taxable year, is not, for
14 that taxable year, entitled to a deduction under this section for
15 retirement or survivor's benefits.

16 (b) An individual whose qualified military income is subtracted
17 from the individual's federal adjusted gross income under
18 ~~IC 6-3-1-3.5(a)(23)~~ **IC 6-3-1-3.5(a)(21)** for Indiana individual income
19 tax purposes is not, for that taxable year, entitled to a deduction under
20 this section for the individual's qualified military income.

21 SECTION 4. IC 6-3.1-20-4 IS AMENDED TO READ AS
22 FOLLOWS [EFFECTIVE JANUARY 1, 2012]: Sec. 4. (a) Except as
23 provided in subsection (b), an individual is entitled to a credit under
24 this chapter if the:

25 (1) individual's earned income for the taxable year is less than
26 eighteen thousand six hundred (\$18,600); and
27 (2) ~~the~~ individual pays property taxes in the taxable year on a
28 homestead that:

29 (A) the individual:
30 (i) owns; or
31 (ii) is buying under a contract that requires the individual to
32 pay property taxes on the homestead, if the contract or a
33 memorandum of the contract is recorded in the county
34 recorder's office; and
35 (B) is located in a county having a population of more than
36 four hundred thousand (400,000) but less than seven hundred
37 thousand (700,000).

38 (b) An individual is not entitled to a credit under this chapter for a
39 taxable year for property taxes paid on the individual's homestead if the
40 individual claims the deduction under ~~IC 6-3-1-3.5(a)(17)~~
41 **IC 6-3-1-3.5(a)(15)** for the homestead for that same taxable year.

42 SECTION 5. [EFFECTIVE JANUARY 1, 2012] **(a) IC 6-3-1-3.5,**

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1 **IC 6-3-1-3.7, IC 6-3-2-4, and IC 6-3.1-20-4, all as amended by this**
2 **act, apply to taxable years beginning after December 31, 2011.**
3 **(b) This SECTION expires January 1, 2014.**

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