
SENATE BILL No. 589

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-5-31; IC 5-28; IC 6-3; IC 6-3.1; IC 6-5.5; IC 6-8-5-1; IC 20-19-2-14; IC 21-18-8-5; IC 22-4.1-4-5; IC 36-7-14-25.5; IC 36-7-15.1-17.5.

Synopsis: Economic development and state tax matters. Makes the following changes to economic development programs and income tax provisions: (1) Makes the economic development study committee a four year committee that expires December 31, 2014, with a membership including legislative and nonlegislative members. Requires the study committee to determine methods for eliminating or reducing the personal property tax statewide and the appropriateness of allowing local government the option of eliminating or abating personal property tax for new investment and economic development purposes. (2) Requires the Indiana economic development corporation (IEDC) to collaborate with local economic development organizations and submit an annual report to the study committee regarding collaboration. (3) Requires the state board of education, the commission for higher education, and the department of workforce development to work together to develop entrepreneurship education programs for elementary and secondary education, higher education, and individuals in the work force. (4) Requires the IEDC to conduct a statewide study to determine specific economic sectors that should be emphasized by the state and by local economic development organizations within geographic regions in Indiana. (5) Decreases the corporate income tax rate from 8.5% to 5%. (6) Provides an income tax deduction for corporations that repatriate profits from controlled foreign corporations. (7) Provides that the adjusted gross income tax and financial institutions tax (for credit unions and investment companies) apply to interest on state and local bonds issued by a state other than Indiana or issued by a political subdivision of such a state.
(Continued next page)

Effective: July 1, 2011; January 1, 2012.

Hershman

January 20, 2011, read first time and referred to Committee on Tax and Fiscal Policy.



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Digest Continued

(8) Lowers the financial institutions tax rate from 8.5% to 5%. (9) Allows the teacher summer employment tax credit to expire on January 1, 2012. (10) Provides that an enterprise zone loan interest credit may not be awarded for interest received on a qualified loan made after December 31, 2011. (11) Allows the neighborhood assistance credit to expire on January 1, 2012. (12) Specifies that a maternity home tax credit may not be awarded for the providing, after December 31, 2011, of a temporary residence. (13) Provides that an enterprise zone investment cost tax credit may not be awarded for a qualified investment made after December 31, 2011. (14) Provides that a community revitalization enhancement district tax credit may not be awarded for a qualified investment made after December 31, 2011. (15) Provides that a tax credit may not be awarded for making available, after December 31, 2011, a health benefit plan. (16) Provides that a small employer qualified wellness program tax credit may not be awarded for costs incurred after December 31, 2011. (17) Permits local governments to pledge revenue from the county adjusted gross income tax and the county economic development income tax for redevelopment financing. (18) Requires higher education institutions to expand technology and innovation commercialization programs. Removes outdated individual income tax adjustments.

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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.

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SENATE BILL No. 589



A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

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

1 SECTION 1. IC 2-5-31 IS ADDED TO THE INDIANA CODE AS
 2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 3 1, 2011]:
 4 **Chapter 31. Interim Study Committee on Economic**
 5 **Development**
 6 **Sec. 1. The interim study committee on economic development**
 7 **is established.**
 8 **Sec. 2. (a) The committee consists of the following members:**
 9 (1) **Two (2) members of the senate, who must be affiliated**
 10 **with different political parties, appointed by the president pro**
 11 **tempore of the senate.**
 12 (2) **Two (2) members of the house of representatives, who**
 13 **must be affiliated with different political parties, appointed by**
 14 **the speaker of the house of representatives.**
 15 (3) **The chief executive officer of the Indiana economic**



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development corporation (or the chief executive officer's designee).

(4) The following twelve (12) members appointed as follows:

(A) The following four (4) members appointed by the governor, not more than two (2) of whom may be affiliated with the same political party and at least one (1) of whom must be a woman who is an owner of a women's business enterprise (as defined in IC 4-13-16.5-1.3) that is certified under IC 4-13-16.5 or a member of a minority group (as defined in IC 4-13-16.5-1) who is an owner of a minority business enterprise (as defined in IC 4-13-16.5-1) that is certified under IC 4-13-16.5:

- (i) One (1) member to represent large businesses.
- (ii) One (1) member to represent small businesses.
- (iii) One (1) member to represent banking and finance.
- (iv) One (1) member to represent labor interests.

(B) The following four (4) members appointed by the president pro tempore of the senate, not more than two (2) of whom may be affiliated with the same political party:

- (i) One (1) member to represent higher education.
- (ii) One (1) member to represent local economic development organizations and officials.
- (iii) One (1) member to represent cities.
- (iv) One (1) member to represent counties.

(C) The following four (4) members appointed by the speaker of the house of representatives, not more than two (2) of whom may be affiliated with the same political party:

- (i) One (1) member to represent agricultural interests.
- (ii) One (1) member to represent the public at large.
- (iii) One (1) member to represent kindergarten through grade 12 education.
- (iv) One (1) member to represent quality of life issues.

(b) The president pro tempore of the senate shall appoint one (1) of the members appointed by the president under subsection (a)(1) as a co-chair of the committee. The speaker of the house of representatives shall appoint one (1) of the members appointed by the speaker under subsection (a)(2) as a co-chair of the committee.

(c) The affirmative votes of a majority of the voting members appointed to the committee are required for the committee to take action on any measure, including final reports.

Sec. 3. The committee shall study the following during each

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interim:

- (1) Best practices in state and local economic development policies and activities.**
- (2) The use and effectiveness of tax credits and deductions.**
- (3) Whether there are any specific sectors of the economy for which Indiana might have comparative advantages over other states.**
- (4) The extent to which Indiana's tax laws encourage business investment, and any improvements that might be made to Indiana's tax laws.**
- (5) The extent to which Indiana's education systems support economic development.**
- (6) The benefits of existing community revitalization enhancement districts and possible new community revitalization enhancement districts as an economic development tool.**
- (7) Methods for eliminating or reducing the personal property tax statewide and the appropriateness of allowing local government the option of eliminating or abating personal property tax for new investment and economic development purposes.**
- (8) Any other issue assigned to the committee by the legislative council or as directed by the committee's co-chairs.**

Sec. 4. The committee shall issue a final report before November 1 each year to the legislative council containing any findings and recommendations of the committee. The report must be in an electronic format under IC 5-14-6.

Sec. 5. Except as otherwise provided in this chapter, the committee shall operate under the policies governing study committees adopted by the legislative council.

Sec. 6. This chapter expires December 31, 2014.

SECTION 2. IC 5-28-6-1, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 1. The corporation shall do the following:

- (1) Create and regularly update a strategic economic development plan based on a statewide study to determine specific economic sectors that should be emphasized by the state and by local economic development organizations within geographic regions in Indiana.**
- (2) Establish strategic benchmarks and performance measures.**
- (3) Monitor and report on Indiana's economic performance.**
- (4) Market Indiana to businesses worldwide.**

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- 1 (5) Assist Indiana businesses that want to grow.
- 2 (6) Solicit funding from the private sector for selected initiatives.
- 3 (7) Provide for the orderly economic development and growth of
- 4 Indiana.
- 5 (8) Establish and coordinate the operation of programs commonly
- 6 available to all citizens of Indiana to implement a strategic plan
- 7 for the state's economic development and enhance the general
- 8 welfare.
- 9 (9) Evaluate and analyze the state's economy to determine the
- 10 direction of future public and private actions, and report and make
- 11 recommendations to the general assembly in an electronic format
- 12 under IC 5-14-6 with respect to the state's economy.

13 SECTION 3. IC 5-28-6-2, AS AMENDED BY P.L.120-2008,
 14 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 15 JULY 1, 2011]: Sec. 2. (a) The corporation shall develop and promote
 16 programs designed to make the best use of Indiana resources to ensure
 17 a balanced economy and continuing economic growth for Indiana, and,
 18 for those purposes, may do the following:

- 19 (1) Cooperate with federal, state, and local governments and
- 20 agencies in the coordination of programs to make the best use of
- 21 Indiana resources, **based on a statewide study to determine**
- 22 **specific economic sectors that should be emphasized by the**
- 23 **state and by local economic development organizations within**
- 24 **geographic regions in Indiana.**
- 25 (2) Receive and expend funds, grants, gifts, and contributions of
- 26 money, property, labor, interest accrued from loans made by the
- 27 corporation, and other things of value from public and private
- 28 sources, including grants from agencies and instrumentalities of
- 29 the state and the federal government. The corporation:
- 30 (A) may accept federal grants for providing planning
- 31 assistance, making grants, or providing other services or
- 32 functions necessary to political subdivisions, planning
- 33 commissions, or other public or private organizations;
- 34 (B) shall administer these grants in accordance with the terms
- 35 of the grants; and
- 36 (C) may contract with political subdivisions, planning
- 37 commissions, or other public or private organizations to carry
- 38 out the purposes for which the grants were made.
- 39 (3) Direct that assistance, information, and advice regarding the
- 40 duties and functions of the corporation be given to the corporation
- 41 by an officer, agent, or employee of the executive branch of the
- 42 state. The head of any other state department or agency may

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1 assign one (1) or more of the department's or agency's employees
 2 to the corporation on a temporary basis or may direct a division
 3 or an agency under the department's or agency's supervision and
 4 control to make a special study or survey requested by the
 5 corporation.

6 (b) The corporation shall perform the following duties:

7 (1) Develop and implement industrial development programs to
 8 encourage expansion of existing industrial, commercial, and
 9 business facilities in Indiana and to encourage new industrial,
 10 commercial, and business locations in Indiana.

11 (2) Assist businesses and industries in acquiring, improving, and
 12 developing overseas markets and encourage international plant
 13 locations in Indiana. The corporation, with the approval of the
 14 governor, may establish foreign offices to assist in this function.

15 (3) Promote the growth of minority business enterprises by doing
 16 the following:

17 (A) Mobilizing and coordinating the activities, resources, and
 18 efforts of governmental and private agencies, businesses, trade
 19 associations, institutions, and individuals.

20 (B) Assisting minority businesses in obtaining governmental
 21 or commercial financing for expansion or establishment of
 22 new businesses or individual development projects.

23 (C) Aiding minority businesses in procuring contracts from
 24 governmental or private sources, or both.

25 (D) Providing technical, managerial, and counseling assistance
 26 to minority business enterprises.

27 (4) Assist the office of the lieutenant governor in:

28 (A) community economic development planning;

29 (B) implementation of programs designed to further
 30 community economic development; and

31 (C) the development and promotion of Indiana's tourist
 32 resources.

33 (5) Assist the secretary of agriculture and rural development in
 34 promoting and marketing of Indiana's agricultural products and
 35 provide assistance to the director of the Indiana state department
 36 of agriculture.

37 (6) With the approval of the governor, implement federal
 38 programs delegated to the state to carry out the purposes of this
 39 article.

40 (7) Promote the growth of small businesses by doing the
 41 following:

42 (A) Assisting small businesses in obtaining and preparing the

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- 1 permits required to conduct business in Indiana.
- 2 (B) Serving as a liaison between small businesses and state
- 3 agencies.
- 4 (C) Providing information concerning business assistance
- 5 programs available through government agencies and private
- 6 sources.
- 7 (8) Establish a public information page on its current Internet site
- 8 on the world wide web. The page must provide the following:
- 9 (A) By program, cumulative information on the total amount
- 10 of incentives awarded, the total number of companies that
- 11 received the incentives and were assisted in a year, and the
- 12 names and addresses of those companies.
- 13 (B) A mechanism on the page whereby the public may request
- 14 further information online about specific programs or
- 15 incentives awarded.
- 16 (C) A mechanism for the public to receive an electronic
- 17 response.
- 18 (c) The corporation may do the following:
- 19 (1) Disseminate information concerning the industrial,
- 20 commercial, governmental, educational, cultural, recreational,
- 21 agricultural, and other advantages of Indiana.
- 22 (2) Plan, direct, and conduct research activities.
- 23 (3) Assist in community economic development planning and the
- 24 implementation of programs designed to further community
- 25 economic development.
- 26 SECTION 4. IC 5-28-11-10 IS ADDED TO THE INDIANA CODE
- 27 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
- 28 1, 2011]: **Sec. 10. The corporation shall collaborate with local**
- 29 **economic development organizations throughout Indiana. Before**
- 30 **August 1 each year through 2014, the corporation shall submit a**
- 31 **written report to the interim study committee on economic**
- 32 **development established by IC 2-5-31-1, indicating how the**
- 33 **corporation has collaborated with local economic development**
- 34 **organizations during the previous state fiscal year, including**
- 35 **details and analysis of each collaboration.**
- 36 SECTION 5. IC 6-3-1-3.5, AS AMENDED BY P.L.182-2009(ss),
- 37 SECTION 186, IS AMENDED TO READ AS FOLLOWS
- 38 [EFFECTIVE JANUARY 1, 2012]: Sec. 3.5. When used in this article,
- 39 the term "adjusted gross income" shall mean the following:
- 40 (a) In the case of all individuals, "adjusted gross income" (as
- 41 defined in Section 62 of the Internal Revenue Code), modified as
- 42 follows:

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

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- 1 Section 402 of the Internal Revenue Code.
- 2 (8) Subtract any amounts included in federal adjusted gross
- 3 income under Section 111 of the Internal Revenue Code as a
- 4 recovery of items previously deducted as an itemized deduction
- 5 from adjusted gross income.
- 6 (9) Subtract any amounts included in federal adjusted gross
- 7 income under the Internal Revenue Code which amounts were
- 8 received by the individual as supplemental railroad retirement
- 9 annuities under 45 U.S.C. 231 and which are not deductible under
- 10 subdivision (1).
- 11 ~~(10)~~ Add an amount equal to the deduction allowed under Section
- 12 ~~221~~ of the Internal Revenue Code for married couples filing joint
- 13 returns if the taxable year began before January 1, 1987.
- 14 ~~(11)~~ Add an amount equal to the interest excluded from federal
- 15 gross income by the individual for the taxable year under Section
- 16 ~~128~~ of the Internal Revenue Code if the taxable year began before
- 17 January 1, 1985.
- 18 ~~(12)~~ **(10)** Subtract an amount equal to the amount of federal
- 19 Social Security and Railroad Retirement benefits included in a
- 20 taxpayer's federal gross income by Section 86 of the Internal
- 21 Revenue Code.
- 22 ~~(13)~~ **(11)** In the case of a nonresident taxpayer or a resident
- 23 taxpayer residing in Indiana for a period of less than the taxpayer's
- 24 entire taxable year, the total amount of the deductions allowed
- 25 pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to
- 26 an amount which bears the same ratio to the total as the taxpayer's
- 27 income taxable in Indiana bears to the taxpayer's total income.
- 28 ~~(14)~~ **(12)** In the case of an individual who is a recipient of
- 29 assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or
- 30 IC 12-15-7, subtract an amount equal to that portion of the
- 31 individual's adjusted gross income with respect to which the
- 32 individual is not allowed under federal law to retain an amount to
- 33 pay state and local income taxes.
- 34 ~~(15)~~ **(13)** In the case of an eligible individual, subtract the amount
- 35 of a Holocaust victim's settlement payment included in the
- 36 individual's federal adjusted gross income.
- 37 ~~(16)~~ For taxable years beginning after December 31, 1999; **(14)**
- 38 Subtract an amount equal to the portion of any premiums paid
- 39 during the taxable year by the taxpayer for a qualified long term
- 40 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
- 41 taxpayer's spouse, or both.
- 42 ~~(17)~~ **(15)** Subtract an amount equal to the lesser of:

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- 1 (A) for a taxable year:
- 2 (i) including any part of 2004, the amount determined under
- 3 subsection (f); and
- 4 (ii) beginning after December 31, 2004, two thousand five
- 5 hundred dollars (\$2,500); or
- 6 (B) the amount of property taxes that are paid during the
- 7 taxable year in Indiana by the individual on the individual's
- 8 principal place of residence.
- 9 ~~(18)~~ (16) Subtract an amount equal to the amount of a September
- 10 11 terrorist attack settlement payment included in the individual's
- 11 federal adjusted gross income.
- 12 ~~(19)~~ (17) Add or subtract the amount necessary to make the
- 13 adjusted gross income of any taxpayer that owns property for
- 14 which bonus depreciation was allowed in the current taxable year
- 15 or in an earlier taxable year equal to the amount of adjusted gross
- 16 income that would have been computed had an election not been
- 17 made under Section 168(k) of the Internal Revenue Code to apply
- 18 bonus depreciation to the property in the year that it was placed
- 19 in service.
- 20 ~~(20)~~ (18) Add an amount equal to any deduction allowed under
- 21 Section 172 of the Internal Revenue Code.
- 22 ~~(21)~~ (19) Add or subtract the amount necessary to make the
- 23 adjusted gross income of any taxpayer that placed Section 179
- 24 property (as defined in Section 179 of the Internal Revenue Code)
- 25 in service in the current taxable year or in an earlier taxable year
- 26 equal to the amount of adjusted gross income that would have
- 27 been computed had an election for federal income tax purposes
- 28 not been made for the year in which the property was placed in
- 29 service to take deductions under Section 179 of the Internal
- 30 Revenue Code in a total amount exceeding twenty-five thousand
- 31 dollars (\$25,000).
- 32 ~~(22)~~ (20) Add an amount equal to the amount that a taxpayer
- 33 claimed as a deduction for domestic production activities for the
- 34 taxable year under Section 199 of the Internal Revenue Code for
- 35 federal income tax purposes.
- 36 ~~(23)~~ (21) Subtract an amount equal to the amount of the taxpayer's
- 37 qualified military income that was not excluded from the
- 38 taxpayer's gross income for federal income tax purposes under
- 39 Section 112 of the Internal Revenue Code.
- 40 ~~(24)~~ (22) Subtract income that is:
- 41 (A) exempt from taxation under IC 6-3-2-21.7; and
- 42 (B) included in the individual's federal adjusted gross income

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1 under the Internal Revenue Code.

2 ~~(25)~~ **(23)** Subtract any amount of a credit (including an advance

3 refund of the credit) that is provided to an individual under 26

4 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and

5 included in the individual's federal adjusted gross income.

6 ~~(26)~~ **(24)** Add any amount of unemployment compensation

7 excluded from federal gross income, as defined in Section 61 of

8 the Internal Revenue Code, under Section 85(c) of the Internal

9 Revenue Code.

10 ~~(27)~~ **(25)** Add the amount excluded from gross income under

11 Section 108(a)(1)(e) of the Internal Revenue Code for the

12 discharge of debt on a qualified principal residence.

13 ~~(28)~~ **(26)** Add an amount equal to any income not included in

14 gross income as a result of the deferral of income arising from

15 business indebtedness discharged in connection with the

16 reacquisition after December 31, 2008, and before January 1,

17 2011, of an applicable debt instrument, as provided in Section

18 108(i) of the Internal Revenue Code. Subtract the amount

19 necessary from the adjusted gross income of any taxpayer that

20 added an amount to adjusted gross income in a previous year to

21 offset the amount included in federal gross income as a result of

22 the deferral of income arising from business indebtedness

23 discharged in connection with the reacquisition after December

24 31, 2008, and before January 1, 2011, of an applicable debt

25 instrument, as provided in Section 108(i) of the Internal Revenue

26 Code.

27 ~~(29)~~ **(27)** Add the amount necessary to make the adjusted gross

28 income of any taxpayer that placed qualified restaurant property

29 in service during the taxable year and that was classified as

30 15-year property under Section 168(e)(3)(E)(v) of the Internal

31 Revenue Code equal to the amount of adjusted gross income that

32 would have been computed had the classification not applied to

33 the property in the year that it was placed in service.

34 ~~(30)~~ **(28)** Add the amount necessary to make the adjusted gross

35 income of any taxpayer that placed qualified retail improvement

36 property in service during the taxable year and that was classified

37 as 15-year property under Section 168(e)(3)(E)(ix) of the Internal

38 Revenue Code equal to the amount of adjusted gross income that

39 would have been computed had the classification not applied to

40 the property in the year that it was placed in service.

41 ~~(31)~~ **(29)** Add or subtract the amount necessary to make the

42 adjusted gross income of any taxpayer that claimed the special

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1 allowance for qualified disaster assistance property under Section
 2 168(n) of the Internal Revenue Code equal to the amount of
 3 adjusted gross income that would have been computed had the
 4 special allowance not been claimed for the property.
 5 ~~(32)~~ **(30)** Add or subtract the amount necessary to make the
 6 adjusted gross income of any taxpayer that made an election
 7 under Section 179C of the Internal Revenue Code to expense
 8 costs for qualified refinery property equal to the amount of
 9 adjusted gross income that would have been computed had an
 10 election for federal income tax purposes not been made for the
 11 year.
 12 ~~(33)~~ **(31)** Add or subtract the amount necessary to make the
 13 adjusted gross income of any taxpayer that made an election
 14 under Section 181 of the Internal Revenue Code to expense costs
 15 for a qualified film or television production equal to the amount
 16 of adjusted gross income that would have been computed had an
 17 election for federal income tax purposes not been made for the
 18 year.
 19 ~~(34)~~ **(32)** Add or subtract the amount necessary to make the
 20 adjusted gross income of any taxpayer that treated a loss from the
 21 sale or exchange of preferred stock in:
 22 (A) the Federal National Mortgage Association, established
 23 under the Federal National Mortgage Association Charter Act
 24 (12 U.S.C. 1716 et seq.); or
 25 (B) the Federal Home Loan Mortgage Corporation, established
 26 under the Federal Home Loan Mortgage Corporation Act (12
 27 U.S.C. 1451 et seq.);
 28 as an ordinary loss under Section 301 of the Emergency
 29 Economic Stabilization Act of 2008 in the current taxable year or
 30 in an earlier taxable year equal to the amount of adjusted gross
 31 income that would have been computed had the loss not been
 32 treated as an ordinary loss.
 33 **(33) Add the amount excluded from federal gross income**
 34 **under Section 103 of the Internal Revenue Code for interest**
 35 **received on an obligation of a state other than Indiana or a**
 36 **political subdivision of such a state.**
 37 (b) In the case of corporations, the same as "taxable income" (as
 38 defined in Section 63 of the Internal Revenue Code) adjusted as
 39 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 or deductions allowed

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- 1 or allowable pursuant to Section 170 of the Internal Revenue
- 2 Code.
- 3 (3) Add an amount equal to any deduction or deductions allowed
- 4 or allowable pursuant to Section 63 of the Internal Revenue Code
- 5 for taxes based on or measured by income and levied at the state
- 6 level by any state of the United States.
- 7 (4) Subtract an amount equal to the amount included in the
- 8 corporation's taxable income under Section 78 of the Internal
- 9 Revenue Code.
- 10 (5) Add or subtract the amount necessary to make the adjusted
- 11 gross income of any taxpayer that owns property for which bonus
- 12 depreciation was allowed in the current taxable year or in an
- 13 earlier taxable year equal to the amount of adjusted gross income
- 14 that would have been computed had an election not been made
- 15 under Section 168(k) of the Internal Revenue Code to apply bonus
- 16 depreciation to the property in the year that it was placed in
- 17 service.
- 18 (6) Add an amount equal to any deduction allowed under Section
- 19 172 of the Internal Revenue Code.
- 20 (7) Add or subtract the amount necessary to make the adjusted
- 21 gross income of any taxpayer that placed Section 179 property (as
- 22 defined in Section 179 of the Internal Revenue Code) in service
- 23 in the current taxable year or in an earlier taxable year equal to
- 24 the amount of adjusted gross income that would have been
- 25 computed had an election for federal income tax purposes not
- 26 been made for the year in which the property was placed in
- 27 service to take deductions under Section 179 of the Internal
- 28 Revenue Code in a total amount exceeding twenty-five thousand
- 29 dollars (\$25,000).
- 30 (8) Add an amount equal to the amount that a taxpayer claimed as
- 31 a deduction for domestic production activities for the taxable year
- 32 under Section 199 of the Internal Revenue Code for federal
- 33 income tax purposes.
- 34 (9) Add to the extent required by IC 6-3-2-20 the amount of
- 35 intangible expenses (as defined in IC 6-3-2-20) and any directly
- 36 related intangible interest expenses (as defined in IC 6-3-2-20) for
- 37 the taxable year that reduced the corporation's taxable income (as
- 38 defined in Section 63 of the Internal Revenue Code) for federal
- 39 income tax purposes.
- 40 (10) Add an amount equal to any deduction for dividends paid (as
- 41 defined in Section 561 of the Internal Revenue Code) to
- 42 shareholders of a captive real estate investment trust (as defined

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in section 34.5 of this chapter).
(11) Subtract income that is:
 (A) exempt from taxation under IC 6-3-2-21.7; and
 (B) included in the corporation's taxable income under the Internal Revenue Code.
(12) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.
(13) Add the amount necessary to make the adjusted gross income of any taxpayer that placed qualified restaurant property in service during the taxable year and that was classified as 15-year property under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the classification not applied to the property in the year that it was placed in service.
(14) Add the amount necessary to make the adjusted gross income of any taxpayer that placed qualified retail improvement property in service during the taxable year and that was classified as 15-year property under Section 168(e)(3)(E)(ix) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the classification not applied to the property in the year that it was placed in service.
(15) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that claimed the special allowance for qualified disaster assistance property under Section 168(n) of the Internal Revenue Code equal to the amount of adjusted gross income that would have been computed had the special allowance not been claimed for the property.
(16) 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

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1 that would have been computed had an election for federal
2 income tax purposes not been made for the year.
3 (17) Add or subtract the amount necessary to make the adjusted
4 gross income of any taxpayer that made an election under Section
5 181 of the Internal Revenue Code to expense costs for a qualified
6 film or television production equal to the amount of adjusted
7 gross income that would have been computed had an election for
8 federal income tax purposes not been made for the year.
9 (18) Add or subtract the amount necessary to make the adjusted
10 gross income of any taxpayer that treated a loss from the sale or
11 exchange of preferred stock in:
12 (A) the Federal National Mortgage Association, established
13 under the Federal National Mortgage Association Charter Act
14 (12 U.S.C. 1716 et seq.); or
15 (B) the Federal Home Loan Mortgage Corporation, established
16 under the Federal Home Loan Mortgage Corporation Act (12
17 U.S.C. 1451 et seq.);
18 as an ordinary loss under Section 301 of the Emergency
19 Economic Stabilization Act of 2008 in the current taxable year or
20 in an earlier taxable year equal to the amount of adjusted gross
21 income that would have been computed had the loss not been
22 treated as an ordinary loss.
23 **(19) Add the amount excluded from federal gross income**
24 **under Section 103 of the Internal Revenue Code for interest**
25 **received on an obligation of a state other than Indiana or a**
26 **political subdivision of such a state.**
27 (c) In the case of life insurance companies (as defined in Section
28 816(a) of the Internal Revenue Code) that are organized under Indiana
29 law, the same as "life insurance company taxable income" (as defined
30 in Section 801 of the Internal Revenue Code), adjusted as follows:
31 (1) Subtract income that is exempt from taxation under this article
32 by the Constitution and statutes of the United States.
33 (2) Add an amount equal to any deduction allowed or allowable
34 under Section 170 of the Internal Revenue Code.
35 (3) Add an amount equal to a deduction allowed or allowable
36 under Section 805 or Section 831(c) of the Internal Revenue Code
37 for taxes based on or measured by income and levied at the state
38 level by any state.
39 (4) Subtract an amount equal to the amount included in the
40 company's taxable income under Section 78 of the Internal
41 Revenue Code.
42 (5) Add or subtract the amount necessary to make the adjusted

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- 1 gross income of any taxpayer that owns property for which bonus
- 2 depreciation was allowed in the current taxable year or in an
- 3 earlier taxable year equal to the amount of adjusted gross income
- 4 that would have been computed had an election not been made
- 5 under Section 168(k) of the Internal Revenue Code to apply bonus
- 6 depreciation to the property in the year that it was placed in
- 7 service.
- 8 (6) Add an amount equal to any deduction allowed under Section
- 9 172 or Section 810 of the Internal Revenue Code.
- 10 (7) Add or subtract the amount necessary to make the adjusted
- 11 gross income of any taxpayer that placed Section 179 property (as
- 12 defined in Section 179 of the Internal Revenue Code) in service
- 13 in the current taxable year or in an earlier taxable year equal to
- 14 the amount of adjusted gross income that would have been
- 15 computed had an election for federal income tax purposes not
- 16 been made for the year in which the property was placed in
- 17 service to take deductions under Section 179 of the Internal
- 18 Revenue Code in a total amount exceeding twenty-five thousand
- 19 dollars (\$25,000).
- 20 (8) Add an amount equal to the amount that a taxpayer claimed as
- 21 a deduction for domestic production activities for the taxable year
- 22 under Section 199 of the Internal Revenue Code for federal
- 23 income tax purposes.
- 24 (9) Subtract income that is:
- 25 (A) exempt from taxation under IC 6-3-2-21.7; and
- 26 (B) included in the insurance company's taxable income under
- 27 the Internal Revenue Code.
- 28 (10) Add an amount equal to any income not included in gross
- 29 income as a result of the deferral of income arising from business
- 30 indebtedness discharged in connection with the reacquisition after
- 31 December 31, 2008, and before January 1, 2011, of an applicable
- 32 debt instrument, as provided in Section 108(i) of the Internal
- 33 Revenue Code. Subtract from the adjusted gross income of any
- 34 taxpayer that added an amount to adjusted gross income in a
- 35 previous year the amount necessary to offset the amount included
- 36 in federal gross income as a result of the deferral of income
- 37 arising from business indebtedness discharged in connection with
- 38 the reacquisition after December 31, 2008, and before January 1,
- 39 2011, of an applicable debt instrument, as provided in Section
- 40 108(i) of the Internal Revenue Code.
- 41 (11) Add the amount necessary to make the adjusted gross income
- 42 of any taxpayer that placed qualified restaurant property in service

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1 during the taxable year and that was classified as 15-year property
 2 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
 3 to the amount of adjusted gross income that would have been
 4 computed had the classification not applied to the property in the
 5 year that it was placed in service.

6 (12) Add the amount necessary to make the adjusted gross income
 7 of any taxpayer that placed qualified retail improvement property
 8 in service during the taxable year and that was classified as
 9 15-year property under Section 168(e)(3)(E)(ix) of the Internal
 10 Revenue Code equal to the amount of adjusted gross income that
 11 would have been computed had the classification not applied to
 12 the property in the year that it was placed in service.

13 (13) Add or subtract the amount necessary to make the adjusted
 14 gross income of any taxpayer that claimed the special allowance
 15 for qualified disaster assistance property under Section 168(n) of
 16 the Internal Revenue Code equal to the amount of adjusted gross
 17 income that would have been computed had the special allowance
 18 not been claimed for the property.

19 (14) Add or subtract the amount necessary to make the adjusted
 20 gross income of any taxpayer that made an election under Section
 21 179C of the Internal Revenue Code to expense costs for qualified
 22 refinery property equal to the amount of adjusted gross income
 23 that would have been computed had an election for federal
 24 income tax purposes not been made for the year.

25 (15) Add or subtract the amount necessary to make the adjusted
 26 gross income of any taxpayer that made an election under Section
 27 181 of the Internal Revenue Code to expense costs for a qualified
 28 film or television production equal to the amount of adjusted
 29 gross income that would have been computed had an election for
 30 federal income tax purposes not been made for the year.

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

34 (A) the Federal National Mortgage Association, established
 35 under the Federal National Mortgage Association Charter Act
 36 (12 U.S.C. 1716 et seq.); or

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

40 as an ordinary loss under Section 301 of the Emergency
 41 Economic Stabilization Act of 2008 in the current taxable year or
 42 in an earlier taxable year equal to the amount of adjusted gross

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income that would have been computed had the loss not been treated as an ordinary loss.

(17) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(18) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana or a political subdivision of such a state.

(d) In the case of insurance companies subject to tax under Section 831 of the Internal Revenue Code and organized under Indiana law, the same as "taxable income" (as defined in Section 832 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 allowed or allowable under Section 170 of the Internal Revenue Code.

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

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

(5) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed 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 an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

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

(7) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service 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 an election for federal income tax purposes not 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 (8) 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 (9) Subtract income that is:

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

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

12 (10) 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 (11) 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 (12) 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 (13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code that is active financing income under Subpart F of Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(18) Add the amount excluded from federal gross income under Section 103 of the Internal Revenue Code for interest received on an obligation of a state other than Indiana or a political subdivision of such a state.

(e) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) 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) Subtract an amount equal to the amount of a September 11

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1 terrorist attack settlement payment included in the federal
2 adjusted gross income of the estate of a victim of the September
3 11 terrorist attack or a trust to the extent the trust benefits a victim
4 of the September 11 terrorist attack.

5 (3) Add or subtract the amount necessary to make the adjusted
6 gross income of any taxpayer that owns property for which bonus
7 depreciation was allowed in the current taxable year or in an
8 earlier taxable year equal to the amount of adjusted gross income
9 that would have been computed had an election not been made
10 under Section 168(k) of the Internal Revenue Code to apply bonus
11 depreciation to the property in the year that it was placed in
12 service.

13 (4) Add an amount equal to any deduction allowed under Section
14 172 of the Internal Revenue Code.

15 (5) Add or subtract the amount necessary to make the adjusted
16 gross income of any taxpayer that placed Section 179 property (as
17 defined in Section 179 of the Internal Revenue Code) in service
18 in the current taxable year or in an earlier taxable year equal to
19 the amount of adjusted gross income that would have been
20 computed had an election for federal income tax purposes not
21 been made for the year in which the property was placed in
22 service to take deductions under Section 179 of the Internal
23 Revenue Code in a total amount exceeding twenty-five thousand
24 dollars (\$25,000).

25 (6) Add an amount equal to the amount that a taxpayer claimed as
26 a deduction for domestic production activities for the taxable year
27 under Section 199 of the Internal Revenue Code for federal
28 income tax purposes.

29 (7) Subtract income that is:

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

31 (B) included in the taxpayer's taxable income under the
32 Internal Revenue Code.

33 (8) Add an amount equal to any income not included in gross
34 income as a result of the deferral of income arising from business
35 indebtedness discharged in connection with the reacquisition after
36 December 31, 2008, and before January 1, 2011, of an applicable
37 debt instrument, as provided in Section 108(i) of the Internal
38 Revenue Code. Subtract from the adjusted gross income of any
39 taxpayer that added an amount to adjusted gross income in a
40 previous year the amount necessary to offset the amount included
41 in federal gross income as a result of the deferral of income
42 arising from business indebtedness discharged in connection with

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- 1 the reacquisition after December 31, 2008, and before January 1,
2 2011, of an applicable debt instrument, as provided in Section
3 108(i) of the Internal Revenue Code.
- 4 (9) Add the amount necessary to make the adjusted gross income
5 of any taxpayer that placed qualified restaurant property in service
6 during the taxable year and that was classified as 15-year property
7 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
8 to the amount of adjusted gross income that would have been
9 computed had the classification not applied to the property in the
10 year that it was placed in service.
- 11 (10) Add the amount necessary to make the adjusted gross income
12 of any taxpayer that placed qualified retail improvement property
13 in service during the taxable year and that was classified as
14 15-year property under Section 168(e)(3)(E)(ix) of the Internal
15 Revenue Code equal to the amount of adjusted gross income that
16 would have been computed had the classification not applied to
17 the property in the year that it was placed in service.
- 18 (11) Add or subtract the amount necessary to make the adjusted
19 gross income of any taxpayer that claimed the special allowance
20 for qualified disaster assistance property under Section 168(n) of
21 the Internal Revenue Code equal to the amount of adjusted gross
22 income that would have been computed had the special allowance
23 not been claimed for the property.
- 24 (12) Add or subtract the amount necessary to make the adjusted
25 gross income of any taxpayer that made an election under Section
26 179C of the Internal Revenue Code to expense costs for qualified
27 refinery property equal to the amount of adjusted gross income
28 that would have been computed had an election for federal
29 income tax purposes not been made for the year.
- 30 (13) Add or subtract the amount necessary to make the adjusted
31 gross income of any taxpayer that made an election under Section
32 181 of the Internal Revenue Code to expense costs for a qualified
33 film or television production equal to the amount of adjusted
34 gross income that would have been computed had an election for
35 federal income tax purposes not been made for the year.
- 36 (14) Add or subtract the amount necessary to make the adjusted
37 gross income of any taxpayer that treated a loss from the sale or
38 exchange of preferred stock in:
- 39 (A) the Federal National Mortgage Association, established
40 under the Federal National Mortgage Association Charter Act
41 (12 U.S.C. 1716 et seq.); or
42 (B) the Federal Home Loan Mortgage Corporation, established

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1 under the Federal Home Loan Mortgage Corporation Act (12
 2 U.S.C. 1451 et seq.);
 3 as an ordinary loss under Section 301 of the Emergency
 4 Economic Stabilization Act of 2008 in the current taxable year or
 5 in an earlier taxable year equal to the amount of adjusted gross
 6 income that would have been computed had the loss not been
 7 treated as an ordinary loss.

8 (15) Add the amount excluded from gross income under Section
 9 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 10 debt on a qualified principal residence.

11 **(16) Add the amount excluded from federal gross income**
 12 **under Section 103 of the Internal Revenue Code for interest**
 13 **received on an obligation of a state other than Indiana or a**
 14 **political subdivision of such a state.**

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

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

24 STEP TWO: Determine the amount of property taxes that the
 25 taxpayer paid in the taxable year for the March 1, 2003,
 26 assessment date and the January 15, 2004, assessment date.

27 STEP THREE: Determine the result of the STEP ONE amount
 28 divided by the STEP TWO amount.

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

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

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

39 (b) Except as provided in section 1.5 of this chapter, each taxable
 40 year, a tax at the rate of ~~eight and five-tenths percent (8.5%)~~ **five**
 41 **percent (5%)** of adjusted gross income is imposed on that part of the
 42 adjusted gross income derived from sources within Indiana of every

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1 corporation.

2 SECTION 7. IC 6-3-2-22 IS ADDED TO THE INDIANA CODE
 3 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 4 JANUARY 1, 2012]: **Sec. 22. (a) If a taxpayer is a corporation that**
 5 **is a United States shareholder, the taxpayer may elect to deduct an**
 6 **amount equal to part of the cash dividends that are received during**
 7 **the taxable year by the shareholder from controlled foreign**
 8 **corporations. The amount of the deduction is the percentage**
 9 **amount approved by the Indiana economic development**
 10 **corporation established under IC 5-28-3. If, within the taxable year**
 11 **for which the election under this section is in effect, a United States**
 12 **shareholder receives a cash distribution from a controlled foreign**
 13 **corporation which is excluded from gross income under Section**
 14 **959(a) of the Internal Revenue Code, the distribution shall be**
 15 **treated for purposes of this section as a cash dividend to the extent**
 16 **of any amount included in income by the United States shareholder**
 17 **under Section 951(a)(1)(A) of the Internal Revenue Code as a**
 18 **result of any cash dividend during such taxable year to:**

19 (1) the controlled foreign corporation from another controlled
 20 foreign corporation that is in a chain of ownership described
 21 in Section 958(a) of the Internal Revenue Code; or
 22 (2) any other controlled foreign corporation in the chain of
 23 ownership, but only to the extent of cash distributions
 24 described in Section 959(b) of the Internal Revenue Code that
 25 are made during the taxable year to the controlled foreign
 26 corporation from which the United States shareholder
 27 received the distribution.

28 (b) The following apply to the amount of dividends taken into
 29 account under subsection (a):

30 (1) The amount of dividends taken into account under
 31 subsection (a) may not exceed the greater of:

32 (A) one million dollars (\$1,000,000);
 33 (B) the amount shown on the applicable financial
 34 statement as earnings permanently reinvested outside the
 35 United States; or
 36 (C) in the case of an applicable financial statement that
 37 fails to show a specific amount of earnings permanently
 38 reinvested outside the United States and that shows a
 39 specific amount of tax liability attributable to the earnings,
 40 the amount equal to the amount of the liability divided by
 41 eighty-five thousandths (0.085).

42 The amounts described in clauses (B) and (C) shall be treated

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1 as being zero (0) if there is no statement or the statement fails
 2 to show a specific amount of earnings or liability, whichever
 3 applies.

4 (2) The amount of dividends taken into account under
 5 subsection (a) may not exceed the excess (if any) of the
 6 remainder of:

7 (A) the dividends received during the taxable year by the
 8 shareholder from controlled foreign corporations; minus

9 (B) the annual average for the base period years of:

10 (i) the dividends received during each base period year
 11 by the shareholder from controlled foreign corporations;

12 (ii) the amounts includable in the shareholder's gross
 13 income for each base period year under Section
 14 951(a)(1)(B) of the Internal Revenue Code with respect
 15 to controlled foreign corporations; and

16 (iii) the amounts that would have been included for each
 17 base period year but for Section 959(a) of the Internal
 18 Revenue Code with respect to controlled foreign
 19 corporations.

20 The amount taken into account under item (iii) for any
 21 base period year may not include any amount that is not
 22 includable in gross income by reason of an amount
 23 described in item (ii) with respect to a prior taxable year.
 24 Amounts described in clause (B) for any base period year
 25 must be the amounts shown on the most recent return filed
 26 for that year, except that amended returns filed after June 30,
 27 2012, may not be taken into account.

28 (3) The amount of dividends that would (but for this
 29 subdivision) be taken into account under subsection (a) shall
 30 be reduced by the excess (if any) of:

31 (A) the amount of indebtedness of the controlled foreign
 32 corporation to any related person (as defined in Section
 33 954(d)(3)) of the Internal Revenue Code as of the close of
 34 the taxable year for which the election under this section is
 35 in effect; minus

36 (B) the amount of indebtedness of the controlled foreign
 37 corporation to any related person (as so defined) as of
 38 December 31, 2012.

39 All controlled foreign corporations with respect to which the
 40 taxpayer is a United States shareholder shall be treated as one
 41 (1) controlled foreign corporation for purposes of this
 42 subdivision.

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1 (4) Subsection (a) does not apply to any dividend received by
 2 a United States shareholder unless the amount of the dividend
 3 is invested in Indiana under a domestic reinvestment plan
 4 that:

5 (A) is approved by:

6 (i) the taxpayer's president, chief executive officer, or
 7 comparable official before the payment of the dividend
 8 and subsequently approved by the taxpayer's board of
 9 directors, management committee, executive committee,
 10 or similar body; and

11 (ii) the Indiana economic development corporation; and

12 (B) provides for the reinvestment of the dividend in
 13 Indiana (other than as payment for executive
 14 compensation), including as a source for the funding of
 15 worker hiring and training, infrastructure, research and
 16 development, capital investments, or the financial
 17 stabilization of the corporation for the purposes of job
 18 retention or creation.

19 (c) For purposes of this section, the following apply:

20 (1) "Applicable financial statement" refers, with respect to a
 21 United States shareholder, to the most recently audited
 22 financial statement (including notes and other documents
 23 which accompany such a statement) that includes the
 24 shareholder:

25 (A) that is certified on or before the date established by the
 26 Indiana economic development corporation for the
 27 corporation, as being prepared in accordance with
 28 generally accepted accounting principles; and

29 (B) that is used for the purposes of a statement or report:

30 (i) to creditors;

31 (ii) to shareholders; or

32 (iii) for any other substantial nontax purpose.

33 In the case of a corporation required to file a financial
 34 statement with the United States Securities and Exchange
 35 Commission, the term means the most recent financial
 36 statement filed on or before the date established by the
 37 Indiana economic development corporation.

38 (2) "Base period years" means:

39 (A) the three (3) taxable years:

40 (i) that are among the five (5) most recent taxable years
 41 ending on or before the date established by the Indiana
 42 economic development corporation for the corporation;

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1 **and**

2 **(ii) that are determined by disregarding one (1) taxable**
 3 **year for which the sum of the amounts described in**
 4 **subsection (b)(2)(B)(i), (b)(2)(B)(ii), and (b)(2)(B)(iii) is**
 5 **the largest and the one (1) taxable year for which the**
 6 **sum is the smallest.**

7 **(B) If the taxpayer has fewer than five (5) taxable years**
 8 **ending on or before the date established by the Indiana**
 9 **economic development corporation for the corporation,**
 10 **then instead of applying clause (A), the base period years**
 11 **include all the taxable years of the taxpayer ending on or**
 12 **before the date established by the Indiana economic**
 13 **development corporation for the corporation.**

14 **(C) With regard to mergers, acquisitions, spin-offs, or**
 15 **similar situations:**

16 **(i) Rules similar to the rules of subparagraphs (A) and**
 17 **(B) of Section 41(f)(3) of the Internal Revenue Code**
 18 **apply for purposes of this subdivision.**

19 **(ii) If there is a distribution to which Section 355 of the**
 20 **Internal Revenue Code (or so much of Section 356 of the**
 21 **Internal Revenue Code as relates to Section 355 of the**
 22 **Internal Revenue Code) applies during the five (5) year**
 23 **period referred to in clause (A)(i) and the controlled**
 24 **corporation (within the meaning of Section 355 of the**
 25 **Internal Revenue Code) is a United States shareholder,**
 26 **the controlled corporation shall be treated as being in**
 27 **existence during the period that the distributing**
 28 **corporation (within the meaning of Section 355 of the**
 29 **Internal Revenue Code) is in existence. In addition, for**
 30 **purposes of applying subsection (b)(2) to the controlled**
 31 **corporation and the distributing corporation, amounts**
 32 **described in subsection (b)(2)(B) that are received or**
 33 **includable by the distributing corporation or controlled**
 34 **corporation (whichever applies) before the distribution**
 35 **from a controlled foreign corporation shall be allocated**
 36 **between these corporations in proportion to their**
 37 **respective interests as United States shareholders of the**
 38 **controlled foreign corporation immediately after the**
 39 **distribution. However, this allocation does not apply if**
 40 **neither the controlled corporation nor the distributing**
 41 **corporation is a United States shareholder of the**
 42 **controlled foreign corporation immediately after the**

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distribution.

(3) "Dividend" does not include amounts includable in gross income as a dividend under Section 78 of the Internal Revenue Code, Section 367 of the Internal Revenue Code, or Section 1248 of the Internal Revenue Code. However, in the case of a liquidation under Section 332 of the Internal Revenue Code to which Section 367(b) of the Internal Revenue Code applies, the exclusion does not apply to the extent the United States shareholder actually receives cash as part of the liquidation.

(4) A deduction is not allowed under any other law for any dividend for which a deduction is allowed under this section.

(5) With regard to controlled groups the following apply:

(A) All United States shareholders that are members of an affiliated group filing a consolidated return under Section 1501 of the Internal Revenue Code shall be treated as one (1) United States shareholder.

(B) All corporations that are treated as a single employer under Section 52(a) of the Internal Revenue Code shall be limited to one (1) ceiling amount in subsection (b)(1)(A), and the amount shall be divided among these corporations as prescribed by the Indiana economic development corporation.

(C) If a financial statement is an applicable financial statement for more than one (1) United States shareholder, the amount applicable under subsection (b)(1)(B) or (b)(1)(C) shall be divided among these shareholders as prescribed by the Indiana economic development corporation.

(d) No other credit or deduction is allowed under any other law for the following:

(1) Any taxes paid or accrued (or treated as paid or accrued) with respect to the deductible part of:

(A) any dividend; or

(B) any amount described in subsection (a)(2) which is included in income under Section 951(a)(1)(A) of the Internal Revenue Code.

No deduction is allowed under this section for any tax for which credit is not allowable by reason of this subdivision.

(2) Expenses properly allocated and apportioned to the deductible part described in subdivision (1).

For purposes of this section, unless the taxpayer otherwise

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1 specifies, the deductible part of any dividend or other amount is the
 2 amount that bears the same ratio to the amount of the dividend or
 3 other amount as the amount allowed as a deduction under
 4 subsection (a) for the taxable year bears to the amount described
 5 in subsection (b)(2)(A) for that year.

6 (e) A deduction under this section may not reduce the adjusted
 7 gross income of any United States shareholder for any taxable year
 8 to less than zero (0). The excess of the amount of dividends taken
 9 into account under subsection (a) over the deduction allowed under
 10 subsection (a) for these dividends for any taxable year may not be
 11 taken into account in determining the amount of any net operating
 12 loss deductible from adjusted gross income for the taxable year.

13 (f) A taxpayer may elect to apply this section to:

14 (1) the taxpayer's last taxable year that begins in the year the
 15 deduction is approved by the Indiana economic development
 16 corporation; or

17 (2) the taxpayer's first taxable year that begins in the year
 18 after the year the deduction is approved by the Indiana
 19 economic development corporation.

20 An election may be made for a taxable year only if it is made
 21 before the due date (including extensions) for filing the return of
 22 tax for that taxable year. An election may cover not more than two
 23 (2) taxable years for any particular taxpayer.

24 SECTION 8. IC 6-3.1-2-8 IS ADDED TO THE INDIANA CODE
 25 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 26 1, 2011]: Sec. 8. (a) A tax credit may not be awarded under this
 27 chapter after December 31, 2011.

28 (b) Any tax credit previously awarded but not claimed may not
 29 be carried over to a taxable year beginning during the period
 30 January 1, 2012, through December 31, 2013, and must be carried
 31 forward to a taxable year that begins after December 31, 2013, and
 32 before January 1, 2016.

33 (c) This chapter expires January 1, 2020.

34 SECTION 9. IC 6-3.1-7-8 IS ADDED TO THE INDIANA CODE
 35 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 36 1, 2011]: Sec. 8. (a) A tax credit may not be awarded under this
 37 chapter for interest received on a qualified loan made after
 38 December 31, 2011.

39 (b) Any tax credit previously awarded but not claimed may not
 40 be carried over to a taxable year beginning during the period
 41 January 1, 2012, through December 31, 2013, and must be carried
 42 forward to a taxable year that begins after December 31, 2013, and

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1 before January 1, 2016.

2 (c) This chapter expires January 1, 2020.

3 SECTION 10. IC 6-3.1-9-7 IS ADDED TO THE INDIANA CODE
4 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
5 1, 2011]: Sec. 7. (a) A tax credit may not be awarded under this
6 chapter for a taxable year ending after December 31, 2011.

7 (b) Any tax credit previously awarded but not claimed may not
8 be carried over to a taxable year beginning during the period
9 January 1, 2012, through December 31, 2013, and must be carried
10 forward to a taxable year that begins after December 31, 2013, and
11 before January 1, 2016.

12 (c) This chapter expires January 1, 2020.

13 SECTION 11. IC 6-3.1-10-10 IS ADDED TO THE INDIANA
14 CODE AS A NEW SECTION TO READ AS FOLLOWS
15 [EFFECTIVE JULY 1, 2011]: Sec. 10. (a) A tax credit may not be
16 awarded under this chapter for a qualified investment made after
17 December 31, 2011.

18 (b) Any tax credit previously awarded but not claimed may not
19 be carried over to a taxable year beginning during the period
20 January 1, 2012, through December 31, 2013, and must be carried
21 forward to a taxable year that begins after December 31, 2013, and
22 before January 1, 2016.

23 (c) This chapter expires January 1, 2020.

24 SECTION 12. IC 6-3.1-14-9 IS ADDED TO THE INDIANA CODE
25 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
26 1, 2011]: Sec. 9. (a) A tax credit may not be awarded under this
27 chapter for the providing, after December 31, 2011, of a temporary
28 residence.

29 (b) Any tax credit previously awarded but not claimed may not
30 be carried over to a taxable year beginning during the period
31 January 1, 2012, through December 31, 2013, and must be carried
32 forward to a taxable year that begins after December 31, 2013, and
33 before January 1, 2016.

34 (c) This chapter expires January 1, 2020.

35 SECTION 13. IC 6-3.1-19-7 IS ADDED TO THE INDIANA CODE
36 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
37 1, 2011]: Sec. 7. (a) A tax credit may not be awarded under this
38 chapter for a qualified investment made after December 31, 2011.

39 (b) Any tax credit previously awarded but not claimed may not
40 be carried over to a taxable year beginning during the period
41 January 1, 2012, through December 31, 2013, and must be carried
42 forward to a taxable year that begins after December 31, 2013, and

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before January 1, 2016.

(c) This chapter expires January 1, 2020.

SECTION 14. IC 6-3.1-31-14 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 14. (a) A tax credit may not be awarded under this chapter for making available after December 31, 2011, a health benefit plan.**

(b) Any tax credit previously awarded but not claimed may not be carried over to a taxable year beginning during the period January 1, 2012, through December 31, 2013, and must be carried forward to a taxable year that begins after December 31, 2013, and before January 1, 2016.

(c) This chapter expires January 1, 2020.

SECTION 15. IC 6-3.1-31.2-11 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 11. (a) A tax credit may not be awarded under this chapter for costs incurred after December 31, 2011.**

(b) Any tax credit previously awarded but not claimed may not be carried over to a taxable year beginning during the period January 1, 2012, through December 31, 2013, and must be carried forward to a taxable year that begins after December 31, 2013, and before January 1, 2016.

(c) This chapter expires January 1, 2020.

SECTION 16. IC 6-5.5-1-2, AS AMENDED BY P.L.182-2009(ss), SECTION 233, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2012]: **Sec. 2. (a) Except as provided in subsections (b) through (d), "adjusted gross income" means taxable income as defined in Section 63 of the Internal Revenue Code, adjusted as follows:**

- (1) Add the following amounts:
 - (A) An amount equal to a deduction allowed or allowable under Section 166, Section 585, or Section 593 of the Internal Revenue Code.
 - (B) An amount equal to a deduction allowed or allowable under Section 170 of the Internal Revenue Code.
 - (C) An amount equal to a deduction or deductions allowed or allowable under Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by a state of the United States or levied at the local level by any subdivision of a state of the United States.
 - (D) The amount of interest excluded under Section 103 of the

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Internal Revenue Code or under any other federal law, minus the associated expenses disallowed in the computation of taxable income under Section 265 of the Internal Revenue Code.

(E) An amount equal to the deduction allowed under Section 172 or 1212 of the Internal Revenue Code for net operating losses or net capital losses.

(F) For a taxpayer that is not a large bank (as defined in Section 585(c)(2) of the Internal Revenue Code), an amount equal to the recovery of a debt, or part of a debt, that becomes worthless to the extent a deduction was allowed from gross income in a prior taxable year under Section 166(a) of the Internal Revenue Code.

(G) Add the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed 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 an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(H) Add the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service 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 an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

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

(J) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code. Subtract from the adjusted gross income of any taxpayer that added an amount

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to adjusted gross income in a previous year the amount necessary to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after December 31, 2008, and before January 1, 2011, of an applicable debt instrument, as provided in Section 108(i) of the Internal Revenue Code.

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

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

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

(N) 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.

(O) 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

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the year.

(P) 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:

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

(Q) Add an amount equal to any exempt insurance income under Section 953(e) of the Internal Revenue Code for active financing income under Subpart F, Subtitle A, Chapter 1, Subchapter N of the Internal Revenue Code.

(2) Subtract the following amounts:

- (A) Income that the United States Constitution or any statute of the United States prohibits from being used to measure the tax imposed by this chapter.
- (B) Income that is derived from sources outside the United States, as defined by the Internal Revenue Code.
- (C) An amount equal to a debt or part of a debt that becomes worthless, as permitted under Section 166(a) of the Internal Revenue Code.
- (D) An amount equal to any bad debt reserves that are included in federal income because of accounting method changes required by Section 585(c)(3)(A) or Section 593 of the Internal Revenue Code.
- (E) The amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed 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 an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation.
- (F) The amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the

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

8 (G) Income that is:

9 (i) exempt from taxation under IC 6-3-2-21.7; and

10 (ii) included in the taxpayer's taxable income under the
 11 Internal Revenue Code.

12 (b) In the case of a credit union, "adjusted gross income" for a
 13 taxable year means the total transfers to undivided earnings **plus the**
 14 **amount excluded from federal gross income under Section 103 of**
 15 **the Internal Revenue Code for interest received on an obligation of**
 16 **a state other than Indiana or a political subdivision of such a state**
 17 **minus dividends for that taxable year after statutory reserves are set**
 18 **aside under IC 28-7-1-24.**

19 (c) In the case of an investment company, "adjusted gross income"
 20 means the company's federal taxable income **plus the amount**
 21 **excluded from federal gross income under Section 103 of the**
 22 **Internal Revenue Code for interest received on an obligation of a**
 23 **state other than Indiana or a political subdivision of such a state**
 24 multiplied by the quotient of:

25 (1) the aggregate of the gross payments collected by the company
 26 during the taxable year from old and new business upon
 27 investment contracts issued by the company and held by residents
 28 of Indiana; divided by

29 (2) the total amount of gross payments collected during the
 30 taxable year by the company from the business upon investment
 31 contracts issued by the company and held by persons residing
 32 within Indiana and elsewhere.

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

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

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

40 (A) a so-called bond;

41 (B) a share;

42 (C) a coupon;

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1 (D) a certificate of membership;
 2 (E) an agreement;
 3 (F) a pretended agreement; or
 4 (G) other evidences of obligation;
 5 entitling the holder to anything of value at some future date, if the
 6 gross payments received by the company during the taxable year
 7 on outstanding investment contracts, plus interest and dividends
 8 earned on those contracts (by prorating the interest and dividends
 9 earned on investment contracts by the same proportion that
 10 certificate reserves (as defined by the Investment Company Act
 11 of 1940) is to the company's total assets) is at least fifty percent
 12 (50%) of the company's gross payments upon investment
 13 contracts plus gross income from all other sources except
 14 dividends from subsidiaries for the taxable year. The term
 15 "investment contract" means an instrument listed in clauses (A)
 16 through (G).

17 SECTION 17. IC 6-5.5-2-1 IS AMENDED TO READ AS
 18 FOLLOWS [EFFECTIVE JANUARY 1, 2012]: Sec. 1. (a) There is
 19 imposed on each taxpayer a franchise tax measured by the taxpayer's
 20 apportioned income for the privilege of exercising its franchise or the
 21 corporate privilege of transacting the business of a financial institution
 22 in Indiana. The amount of the tax for a taxable year shall be determined
 23 by multiplying ~~eight and one-half percent (8.5%)~~ **five percent (5%)**
 24 times the remainder of:

- 25 (1) the taxpayer's apportioned income; minus
- 26 (2) the taxpayer's deductible Indiana net operating losses as
- 27 determined under this section; minus
- 28 (3) the taxpayer's net capital losses minus the taxpayer's net
- 29 capital gains computed under the Internal Revenue Code for each
- 30 taxable year or part of a taxable year beginning after December
- 31 31, 1989, multiplied by the apportionment percentage applicable
- 32 to the taxpayer under IC 6-5.5-2 for the taxable year of the loss.

33 A net capital loss for a taxable year is a net capital loss carryover to
 34 each of the five (5) taxable years that follow the taxable year in which
 35 the loss occurred.

36 (b) The amount of net operating losses deductible under subsection
 37 (a) is an amount equal to the net operating losses computed under the
 38 Internal Revenue Code, adjusted for the items set forth in IC 6-5.5-1-2,
 39 that are:

- 40 (1) incurred in each taxable year, or part of a year, beginning after
- 41 December 31, 1989; and
- 42 (2) attributable to Indiana.

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1 (c) The following apply to determining the amount of net operating
2 losses that may be deducted under subsection (a):

3 (1) The amount of net operating losses that is attributable to
4 Indiana is the taxpayer's total net operating losses under the
5 Internal Revenue Code for the taxable year of the loss, adjusted
6 for the items set forth in IC 6-5.5-1-2, multiplied by the
7 apportionment percentage applicable to the taxpayer under
8 IC 6-5.5-2 for the taxable year of the loss.

9 (2) A net operating loss for any taxable year is a net operating loss
10 carryover to each of the fifteen (15) taxable years that follow the
11 taxable year in which the loss occurred.

12 (d) The following provisions apply to a combined return computing
13 the tax on the basis of the income of the unitary group when the return
14 is filed for more than one (1) taxpayer member of the unitary group for
15 any taxable year:

16 (1) Any net capital loss or net operating loss attributable to
17 Indiana in the combined return shall be prorated between each
18 taxpayer member of the unitary group by the quotient of:

19 (A) the receipts of that taxpayer member attributable to
20 Indiana under section 4 of this chapter; divided by

21 (B) the receipts of all taxpayer members of the unitary group
22 attributable to Indiana.

23 (2) The net capital loss or net operating loss for that year, if any,
24 to be carried forward to any subsequent year shall be limited to
25 the capital gains or apportioned income for the subsequent year
26 of that taxpayer, determined by the same receipts formula set out
27 in subdivision (1).

28 SECTION 18. IC 6-8-5-1, AS AMENDED BY P.L.2-2007,
29 SECTION 128, IS AMENDED TO READ AS FOLLOWS
30 [EFFECTIVE JANUARY 1, 2012]: Sec. 1. (a) All bonds issued after
31 March 11, 1959, or notes, warrants, or other evidences of indebtedness
32 issued in the state of Indiana by or in the name of any **Indiana** county,
33 township, city, incorporated town, school corporation, state educational
34 institution, or any other **Indiana** political, municipal, public or
35 quasi-public corporation or body, or in the name of any special
36 assessment or taxing district or in the name of any authorized body of
37 any such corporation or district, the interest thereon, the proceeds
38 received by a holder from the sale of such obligations to the extent of
39 the holder's cost of acquisition, or proceeds received upon redemption
40 prior to maturity, or proceeds received at maturity, and the receipt of
41 such interest and proceeds, shall be exempt from taxation in the state
42 of Indiana for all purposes except a state inheritance tax imposed under

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1 IC 6-4.1.

2 (b) All bonds issued after March 11, 1933, and before March 12,
3 1959, by any municipality in this state under the provisions of any
4 statute whereby the terms thereof provide for the payment of such
5 bonds out of the funds derived from the revenues of any municipally
6 owned utility or which are to be paid by pledging the physical property
7 of any such municipally owned utility, or any bonds issued pledging
8 both the physical property and the revenues of such utility, or any
9 bonds issued for additions to or improvements to be made to such
10 municipally owned utility, or any bonds issued by any municipality to
11 be paid out of taxes levied by such municipality for the acquiring,
12 purchase, construction, or the reconstruction of a utility, or any part
13 thereof, shall be exempt from taxation for all purposes except a state
14 inheritance tax imposed under IC 6-4.1.

15 (c) This section does not apply to measuring the franchise tax
16 imposed on the privilege of transacting the business of a financial
17 institution in Indiana under IC 6-5.5.

18 (d) No other statute exempting interest paid on debt obligations of:
19 (1) a state or local public entity, including an agency, a
20 government corporation, or an authority; or
21 (2) a corporation or other entity leasing real or personal property
22 to an entity described in subdivision (1);

23 applies to measuring of the franchise tax imposed on financial
24 institutions under IC 6-5.5.

25 SECTION 19. IC 20-19-2-14, AS ADDED BY P.L.1-2005,
26 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
27 JULY 1, 2011]: Sec. 14. The state board shall do the following:

28 (1) Establish the educational goals of the state, developing
29 standards and objectives for local school corporations.

30 (2) Assess the attainment of the established goals.

31 (3) Assure compliance with established standards and objectives.

32 **(4) Coordinate with the commission for higher education**
33 **(IC 21-18-1) and the department of workforce development**
34 **(IC 22-4.1-2) to develop entrepreneurship education programs**
35 **for elementary and secondary education, higher education,**
36 **and individuals in the work force.**

37 ~~(4)~~ **(5)** Make recommendations to the governor and general
38 assembly concerning the educational needs of the state, including
39 financial needs.

40 SECTION 20. IC 21-18-8-5 IS ADDED TO THE INDIANA CODE
41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
42 1, 2011]: **Sec. 5. (a) The commission shall coordinate with the**

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1 **Indiana state board of education (IC 20-19-2) and the department**
 2 **of workforce development (IC 22-4.1-2) to develop**
 3 **entrepreneurship education programs for elementary and**
 4 **secondary education, higher education, and individuals in the work**
 5 **force.**

6 **(b) The commission shall require each state educational**
 7 **institution to expand technology and innovation commercialization**
 8 **programs.**

9 SECTION 21. IC 22-4.1-4-5 IS ADDED TO THE INDIANA CODE
 10 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 11 1, 2011]: **Sec. 5. The department shall coordinate with the**
 12 **commission for higher education (IC 21-18-1) and the Indiana state**
 13 **board of education (IC 20-19-2) to develop entrepreneurship**
 14 **education programs for elementary and secondary education,**
 15 **higher education, and individuals in the work force.**

16 SECTION 22. IC 36-7-14-25.5 IS AMENDED TO READ AS
 17 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 25.5. (a)
 18 Notwithstanding any other law, the legislative body may pledge
 19 revenues received or to be received by the unit from:

20 (1) the unit's:

21 **(A) certified shares of the county adjusted gross income tax**
 22 **under IC 6-3.5-1.1;**

23 **(B) distributive share of the county option income tax under**
 24 **IC 6-3.5-6; or**

25 **(C) distributions of county economic development income**
 26 **tax revenue under IC 6-3.5-7;**

27 (2) any other source legally available to the unit for the purposes
 28 of this chapter; or

29 (3) any combination of revenues under subdivisions (1) through
 30 (2);

31 in any amount to pay amounts payable under section 25.1 or 25.2 of
 32 this chapter.

33 (b) The legislative body may covenant to adopt an ordinance to
 34 increase its tax rate under the county option income tax or any other
 35 revenues at the time it is necessary to raise funds to pay any amounts
 36 payable under section 25.1 or 25.2 of this chapter.

37 (c) The commission may pledge revenues received or to be received
 38 from any source legally available to the commission for the purposes
 39 of this chapter in any amount to pay amounts payable under section
 40 25.1 or 25.2 of this chapter.

41 (d) The pledge or the covenant under this section may be for the life
 42 of the bonds issued under section 25.1 of this chapter, the term of a

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1 lease entered into under section 25.2 of this chapter, or for a shorter
 2 period as determined by the legislative body. Money pledged by the
 3 legislative body under this section shall be considered revenues or
 4 other money available to the commission under sections 25.1 through
 5 25.2 of this chapter.

6 (e) The general assembly covenants not to impair this pledge or
 7 covenant so long as any bonds issued under section 25.1 of this chapter
 8 are outstanding or as long as any lease entered into under section 25.2
 9 of this chapter is still in effect. The pledge or covenant shall be
 10 enforced as provided in IC 5-1-14-4.

11 SECTION 23. IC 36-7-15.1-17.5 IS AMENDED TO READ AS
 12 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 17.5. (a)
 13 Notwithstanding any other law, the legislative body may pledge
 14 revenues received or to be received by the unit from:

15 (1) the unit's:

16 **(A) certified shares of the county adjusted gross income tax**
 17 **under IC 6-3.5-1.1;**

18 **(B) distributive share of the county option income tax under**
 19 **IC 6-3.5-6; or**

20 **(C) distributions of county economic development income**
 21 **tax revenue under IC 6-3.5-7;**

22 (2) any other source legally available to the unit for the purposes
 23 of this chapter; or

24 (3) combination of revenues under subdivisions (1) through (2);
 25 in any amount to pay amounts payable under section 17 or 17.1 of this
 26 chapter.

27 (b) The legislative body may covenant to adopt an ordinance to
 28 increase its tax rate under the county option income tax or any other
 29 revenues at the time it is necessary to raise funds to pay any amounts
 30 payable under section 17 or 17.1 of this chapter.

31 (c) The commission may pledge revenues received or to be received
 32 from any source legally available to it for the purposes of this chapter
 33 in any amount to pay amounts payable under section 17 or 17.1 of this
 34 chapter.

35 (d) The pledge or the covenant under this section may be for the life
 36 of the bonds issued under section 17 of this chapter, the term of a lease
 37 entered into under section 17.1 of this chapter, or for a shorter period
 38 as determined by the legislative body. Money pledged by the legislative
 39 body under this section shall be considered revenues or other money
 40 available to the commission under sections 17 through 17.1 of this
 41 chapter.

42 (e) The general assembly covenants not to impair this pledge or

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1 covenant so long as any bonds issued under section 17 of this chapter
2 are outstanding or as long as any lease entered into under section 17.1
3 of this chapter is still in effect. The pledge or covenant shall be
4 enforced as provided in IC 5-1-14-4.

5 SECTION 24. [EFFECTIVE JULY 1, 2011] **IC 6-3-1-3.5,**
6 **IC 6-3-2-1, IC 6-3-2-22, IC 6-5.5-1-2, IC 6-5.5-2-1, and IC 6-8-5-1,**
7 **all as amended or added by this act, apply to taxable years**
8 **beginning after December 31, 2011.**

9 **(b) This SECTION expires January 1, 2016.**

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