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# SENATE BILL No. 324

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-1-3.5; IC 6-3-2-3.7.

**Synopsis:** Income tax deductions. Increases the income tax deduction for federal civil service annuity income received by an individual or the individual's surviving spouse from \$2,000 to the first \$25,000 of federal civil service annuity income for an individual and the first \$32,000 for a husband and wife who both receive income from a federal civil service annuity. Caps the income tax deduction for Social Security and railroad retirement benefits at these amounts. (The current deduction is 100% of these benefits.) Makes technical corrections.

**Effective:** January 1, 2013.

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January 9, 2012, read first time and referred to Committee on Tax and Fiscal Policy.

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Second Regular Session 117th General Assembly (2012)

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 2011 Regular Session of the General Assembly.

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# SENATE BILL No. 324



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

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

1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.229-2011,  
2 SECTION 83, AS AMENDED BY P.L.171-2011, SECTION 4, AND  
3 AS AMENDED BY P.L.172-2011, SECTION 53, IS CORRECTED  
4 AND AMENDED TO READ AS FOLLOWS [EFFECTIVE  
5 JANUARY 1, 2013]: Sec. 3.5. When used in this article, the term  
6 "adjusted gross income" shall mean the following:

7 (a) In the case of all individuals, "adjusted gross income" (as  
8 defined in Section 62 of the Internal Revenue Code), modified as  
9 follows:

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

12 (2) Add an amount equal to any deduction or deductions allowed  
13 or allowable pursuant to Section 62 of the Internal Revenue Code  
14 for taxes based on or measured by income and levied at the state  
15 level by any state of the United States.

16 (3) Subtract one thousand dollars (\$1,000), or in the case of a  
17 joint return filed by a husband and wife, subtract for each spouse



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

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1 annuities under 45 U.S.C. 231 and which are not deductible under  
2 subdivision (1).

3 ~~(10) Add an amount equal to the deduction allowed under Section~~  
4 ~~221 of the Internal Revenue Code for married couples filing joint~~  
5 ~~returns if the taxable year began before January 1, 1987.~~

6 ~~(11) Add an amount equal to the interest excluded from federal~~  
7 ~~gross income by the individual for the taxable year under Section~~  
8 ~~128 of the Internal Revenue Code if the taxable year began before~~  
9 ~~January 1, 1985.~~

10 ~~(12) (10) Subtract an amount equal to: the amount of:~~

11 **(1) the first twenty-five thousand dollars (\$25,000), which**  
12 **is received by an individual; or**

13 **(2) the first thirty-two thousand dollars (\$32,000) received**  
14 **by a husband and wife, in the case of a husband and wife**  
15 **filing a joint return who both receive income;**

16 **during the taxable year from federal Social Security and**  
17 **Railroad Retirement benefits that are included in a taxpayer's**  
18 **federal gross income by Section 86 of the Internal Revenue Code.**

19 ~~(13) (11) In the case of a nonresident taxpayer or a resident~~  
20 ~~taxpayer residing in Indiana for a period of less than the taxpayer's~~  
21 ~~entire taxable year, the total amount of the deductions allowed~~  
22 ~~pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to~~  
23 ~~an amount which bears the same ratio to the total as the taxpayer's~~  
24 ~~income taxable in Indiana bears to the taxpayer's total income.~~

25 ~~(14) (12) In the case of an individual who is a recipient of~~  
26 ~~assistance under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or~~  
27 ~~IC 12-15-7, subtract an amount equal to that portion of the~~  
28 ~~individual's adjusted gross income with respect to which the~~  
29 ~~individual is not allowed under federal law to retain an amount to~~  
30 ~~pay state and local income taxes.~~

31 ~~(15) (13) In the case of an eligible individual, subtract the amount~~  
32 ~~of a Holocaust victim's settlement payment included in the~~  
33 ~~individual's federal adjusted gross income.~~

34 ~~(16) For taxable years beginning after December 31, 1999, (14)~~  
35 ~~Subtract an amount equal to the portion of any premiums paid~~  
36 ~~during the taxable year by the taxpayer for a qualified long term~~  
37 ~~care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the~~  
38 ~~taxpayer's spouse, or both.~~

39 ~~(17) (15) Subtract an amount equal to the lesser of:~~

40 ~~(A) for a taxable year:~~

41 ~~(i) including any part of 2004, the amount determined under~~  
42 ~~subsection (f); and~~

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

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1 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and  
 2 included in the individual's federal adjusted gross income.  
 3 ~~(26)~~ (24) Add any amount of unemployment compensation  
 4 excluded from federal gross income, as defined in Section 61 of  
 5 the Internal Revenue Code, under Section 85(c) of the Internal  
 6 Revenue Code.  
 7 ~~(27)~~ (25) Add the amount excluded from gross income under  
 8 Section 108(a)(1)(e) of the Internal Revenue Code for the  
 9 discharge of debt on a qualified principal residence.  
 10 ~~(28)~~ (26) Add an amount equal to any income not included in  
 11 gross income as a result of the deferral of income arising from  
 12 business indebtedness discharged in connection with the  
 13 reacquisition after December 31, 2008, and before January 1,  
 14 2011, of an applicable debt instrument, as provided in Section  
 15 108(i) of the Internal Revenue Code. Subtract the amount  
 16 necessary from the adjusted gross income of any taxpayer that  
 17 added an amount to adjusted gross income in a previous year to  
 18 offset the amount included in federal gross income as a result of  
 19 the deferral of income arising from business indebtedness  
 20 discharged in connection with the reacquisition after December  
 21 31, 2008, and before January 1, 2011, of an applicable debt  
 22 instrument, as provided in Section 108(i) of the Internal Revenue  
 23 Code.  
 24 ~~(29)~~ (27) Add the amount necessary to make the adjusted gross  
 25 income of any taxpayer that placed qualified restaurant property  
 26 in service during the taxable year and that was classified as  
 27 15-year property under Section 168(e)(3)(E)(v) of the Internal  
 28 Revenue Code equal to the amount of adjusted gross income that  
 29 would have been computed had the classification not applied to  
 30 the property in the year that it was placed in service.  
 31 ~~(30)~~ (28) Add the amount necessary to make the adjusted gross  
 32 income of any taxpayer that placed qualified retail improvement  
 33 property in service during the taxable year and that was classified  
 34 as 15-year property under Section 168(e)(3)(E)(ix) of the Internal  
 35 Revenue Code equal to the amount of adjusted gross income that  
 36 would have been computed had the classification not applied to  
 37 the property in the year that it was placed in service.  
 38 ~~(31)~~ (29) Add or subtract the amount necessary to make the  
 39 adjusted gross income of any taxpayer that claimed the special  
 40 allowance for qualified disaster assistance property under Section  
 41 168(n) of the Internal Revenue Code equal to the amount of  
 42 adjusted gross income that would have been computed had the

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1 special allowance not been claimed for the property.

2 ~~(30)~~ (30) Add or subtract the amount necessary to make the  
3 adjusted gross income of any taxpayer that made an election  
4 under Section 179C of the Internal Revenue Code to expense  
5 costs for qualified refinery property equal to the amount of  
6 adjusted gross income that would have been computed had an  
7 election for federal income tax purposes not been made for the  
8 year.

9 ~~(31)~~ (31) Add or subtract the amount necessary to make the  
10 adjusted gross income of any taxpayer that made an election  
11 under Section 181 of the Internal Revenue Code to expense costs  
12 for a qualified film or television production equal to the amount  
13 of adjusted gross income that would have been computed had an  
14 election for federal income tax purposes not been made for the  
15 year.

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

19 (A) the Federal National Mortgage Association, established  
20 under the Federal National Mortgage Association Charter Act  
21 (12 U.S.C. 1716 et seq.); or

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

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

30 *(33) Add the amount excluded from federal gross income under*  
31 *Section 103 of the Internal Revenue Code for interest received on*  
32 *an obligation of a state other than Indiana, or a political*  
33 *subdivision of such a state, that is acquired by the taxpayer after*  
34 *December 31, 2011.*

35 ~~(34)~~ (34) Add the amount deducted from gross income under  
36 Section 198 of the Internal Revenue Code for the expensing of  
37 environmental remediation costs.

38 ~~(35)~~ (35) Add the amount excluded from gross income under  
39 Section 408(d)(8) of the Internal Revenue Code for a charitable  
40 distribution from an individual retirement plan.

41 ~~(36)~~ (36) Add the amount deducted from gross income under  
42 Section 222 of the Internal Revenue Code for qualified tuition

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- 1 *and related expenses.*
- 2 ~~(38)~~ (37) *Add the amount deducted from gross income under*
- 3 *Section 62(2)(D) of the Internal Revenue Code for certain*
- 4 *expenses of elementary and secondary school teachers.*
- 5 ~~(39)~~ (38) *Add the amount excluded from gross income under*
- 6 *Section 127 of the Internal Revenue Code as annual employer*
- 7 *provided education expenses.*
- 8 ~~(40)~~ (39) *Add the amount deducted from gross income under*
- 9 *Section 179E of the Internal Revenue Code for any qualified*
- 10 *advanced mine safety equipment property.*
- 11 ~~(41)~~ (40) *Add the monthly amount excluded from gross income*
- 12 *under Section 132(f)(1)(A) and 132(f)(1)(B) of the Internal*
- 13 **Revenue Code** *that exceeds one hundred dollars (\$100) a month*
- 14 *for a qualified transportation fringe.*
- 15 ~~(42)~~ (41) *Add the amount deducted from gross income under*
- 16 *Section 221 of the Internal Revenue Code that exceeds the*
- 17 *amount the taxpayer could deduct under Section 221 of the*
- 18 *Internal Revenue Code before it was amended by the Tax Relief,*
- 19 *Unemployment Insurance Reauthorization, and Job Creation Act*
- 20 *of 2010 (P.L. 111-312).*
- 21 ~~(43)~~ (42) *Add the amount necessary to make the adjusted gross*
- 22 *income of any taxpayer that placed any qualified leasehold*
- 23 *improvement property in service during the taxable year and that*
- 24 *was classified as 15-year property under Section 168(e)(3)(E)(iv)*
- 25 *of the Internal Revenue Code equal to the amount of adjusted*
- 26 *gross income that would have been computed had the*
- 27 *classification not applied to the property in the year that it was*
- 28 *placed into service.*
- 29 ~~(44)~~ (43) *Add the amount necessary to make the adjusted gross*
- 30 *income of any taxpayer that placed a motorsports entertainment*
- 31 *complex in service during the taxable year and that was classified*
- 32 *as 7-year property under Section 168(e)(3)(C)(ii) of the Internal*
- 33 *Revenue Code equal to the amount of adjusted gross income that*
- 34 *would have been computed had the classification not applied to*
- 35 *the property in the year that it was placed into service.*
- 36 ~~(45)~~ (44) *Add the amount deducted under Section 195 of the*
- 37 *Internal Revenue Code for start-up expenditures that exceeds the*
- 38 *amount the taxpayer could deduct under Section 195 of the*
- 39 *Internal Revenue Code before it was amended by the Small*
- 40 *Business Jobs Act of 2010 (P.L. 111-240).*
- 41 ~~(46)~~ (45) *Add the amount necessary to make the adjusted gross*
- 42 *income of any taxpayer for which tax was not imposed on the net*

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1           *recognized built-in gain of an S corporation under Section*  
 2           *1374(d)(7) of the Internal Revenue Code as amended by the Small*  
 3           *Business Jobs Act of 2010 (P.L. 111-240) equal to the amount of*  
 4           *adjusted gross income that would have been computed before*  
 5           *Section 1374(d)(7) of the Internal Revenue Code as amended by*  
 6           *the Small Business Jobs Act of 2010 (P.L. 111-240).*

7           ~~(35)~~ **(46)** *This subdivision does not apply to payments made for*  
 8           *services provided to a business that was enrolled and*  
 9           *participated in the E-Verify program (as defined in*  
 10           *IC 22-5-1.7-3) during the time the taxpayer conducted business*  
 11           *in Indiana in the taxable year. For a taxable year beginning after*  
 12           *June 30, 2011, add the amount of any trade or business deduction*  
 13           *allowed under the Internal Revenue Code for wages,*  
 14           *reimbursements, or other payments made for services provided*  
 15           *in Indiana by an individual for services as an employee, if the*  
 16           *individual was, during the period of service, prohibited from*  
 17           *being hired as an employee under 8 U.S.C. 1324a.*

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

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

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

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

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

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

41           (6) Add an amount equal to any deduction allowed under Section  
 42           172 of the Internal Revenue Code.



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- 1 (7) Add or subtract the amount necessary to make the adjusted  
2 gross income of any taxpayer that placed Section 179 property (as  
3 defined in Section 179 of the Internal Revenue Code) in service  
4 in the current taxable year or in an earlier taxable year equal to  
5 the amount of adjusted gross income that would have been  
6 computed had an election for federal income tax purposes not  
7 been made for the year in which the property was placed in  
8 service to take deductions under Section 179 of the Internal  
9 Revenue Code in a total amount exceeding twenty-five thousand  
10 dollars (\$25,000).
- 11 (8) Add an amount equal to the amount that a taxpayer claimed as  
12 a deduction for domestic production activities for the taxable year  
13 under Section 199 of the Internal Revenue Code for federal  
14 income tax purposes.
- 15 (9) Add to the extent required by IC 6-3-2-20 the amount of  
16 intangible expenses (as defined in IC 6-3-2-20) and any directly  
17 related intangible interest expenses (as defined in IC 6-3-2-20) for  
18 the taxable year that reduced the corporation's taxable income (as  
19 defined in Section 63 of the Internal Revenue Code) for federal  
20 income tax purposes.
- 21 (10) Add an amount equal to any deduction for dividends paid (as  
22 defined in Section 561 of the Internal Revenue Code) to  
23 shareholders of a captive real estate investment trust (as defined  
24 in section 34.5 of this chapter).
- 25 (11) Subtract income that is:
- 26 (A) exempt from taxation under IC 6-3-2-21.7; and
- 27 (B) included in the corporation's taxable income under the  
28 Internal Revenue Code.
- 29 (12) Add an amount equal to any income not included in gross  
30 income as a result of the deferral of income arising from business  
31 indebtedness discharged in connection with the reacquisition after  
32 December 31, 2008, and before January 1, 2011, of an applicable  
33 debt instrument, as provided in Section 108(i) of the Internal  
34 Revenue Code. Subtract from the adjusted gross income of any  
35 taxpayer that added an amount to adjusted gross income in a  
36 previous year the amount necessary to offset the amount included  
37 in federal gross income as a result of the deferral of income  
38 arising from business indebtedness discharged in connection with  
39 the reacquisition after December 31, 2008, and before January 1,  
40 2011, of an applicable debt instrument, as provided in Section  
41 108(i) of the Internal Revenue Code.
- 42 (13) Add the amount necessary to make the adjusted gross income

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

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

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

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

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

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

35 (A) the Federal National Mortgage Association, established  
 36 under the Federal National Mortgage Association Charter Act  
 37 (12 U.S.C. 1716 et seq.); or

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

41 as an ordinary loss under Section 301 of the Emergency  
 42 Economic Stabilization Act of 2008 in the current taxable year or

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1 in an earlier taxable year equal to the amount of adjusted gross  
 2 income that would have been computed had the loss not been  
 3 treated as an ordinary loss.  
 4 *(19) Add the amount deducted from gross income under Section*  
 5 *198 of the Internal Revenue Code for the expensing of*  
 6 *environmental remediation costs.*  
 7 *(20) Add the amount deducted from gross income under Section*  
 8 *179E of the Internal Revenue Code for any qualified advanced*  
 9 *mine safety equipment property.*  
 10 *(21) Add the amount necessary to make the adjusted gross income*  
 11 *of any taxpayer that placed any qualified leasehold improvement*  
 12 *property in service during the taxable year and that was*  
 13 *classified as 15-year property under Section 168(e)(3)(E)(iv) of*  
 14 *the Internal Revenue Code equal to the amount of adjusted gross*  
 15 *income that would have been computed had the classification not*  
 16 *applied to the property in the year that it was placed into service.*  
 17 *(22) Add the amount necessary to make the adjusted gross income*  
 18 *of any taxpayer that placed a motorsports entertainment complex*  
 19 *in service during the taxable year and that was classified as*  
 20 *7-year property under Section 168(e)(3)(C)(ii) of the Internal*  
 21 *Revenue Code equal to the amount of adjusted gross income that*  
 22 *would have been computed had the classification not applied to*  
 23 *the property in the year that it was placed into service.*  
 24 *(23) Add the amount deducted under Section 195 of the Internal*  
 25 *Revenue Code for start-up expenditures that exceeds the amount*  
 26 *the taxpayer could deduct under Section 195 of the Internal*  
 27 *Revenue Code before it was amended by the Small Business Jobs*  
 28 *Act of 2010 (P.L. 111-240).*  
 29 ~~(19)~~ **(24)** *This subdivision does not apply to payments made for*  
 30 *services provided to a business that was enrolled and*  
 31 *participated in the E-Verify program (as defined in*  
 32 *IC 22-5-1.7-3) during the time the taxpayer conducted business*  
 33 *in Indiana in the taxable year. For a taxable year beginning after*  
 34 *June 30, 2011, add the amount of any trade or business deduction*  
 35 *allowed under the Internal Revenue Code for wages,*  
 36 *reimbursements, or other payments made for services provided*  
 37 *in Indiana by an individual for services as an employee, if the*  
 38 *individual was, during the period of service, prohibited from*  
 39 *being hired as an employee under 8 U.S.C. 1324a.*  
 40 ~~(24)~~ **(25)** *Add the amount excluded from federal gross income*  
 41 *under Section 103 of the Internal Revenue Code for interest*  
 42 *received on an obligation of a state other than Indiana, or a*

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*political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.*

(c) In the case of life insurance companies (as defined in Section 816(a) of the Internal Revenue Code) that are organized under Indiana law, the same as "life insurance company taxable income" (as defined in Section 801 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 or Section 810 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 service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).
- (8) 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.
- (9) Subtract income that is:

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

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- 1 (15) Add or subtract the amount necessary to make the adjusted
- 2 gross income of any taxpayer that made an election under Section
- 3 181 of the Internal Revenue Code to expense costs for a qualified
- 4 film or television production equal to the amount of adjusted
- 5 gross income that would have been computed had an election for
- 6 federal income tax purposes not been made for the year.
- 7 (16) Add or subtract the amount necessary to make the adjusted
- 8 gross income of any taxpayer that treated a loss from the sale or
- 9 exchange of preferred stock in:
- 10 (A) the Federal National Mortgage Association, established
- 11 under the Federal National Mortgage Association Charter Act
- 12 (12 U.S.C. 1716 et seq.); or
- 13 (B) the Federal Home Loan Mortgage Corporation, established
- 14 under the Federal Home Loan Mortgage Corporation Act (12
- 15 U.S.C. 1451 et seq.);
- 16 as an ordinary loss under Section 301 of the Emergency
- 17 Economic Stabilization Act of 2008 in the current taxable year or
- 18 in an earlier taxable year equal to the amount of adjusted gross
- 19 income that would have been computed had the loss not been
- 20 treated as an ordinary loss.
- 21 (17) Add an amount equal to any exempt insurance income under
- 22 Section 953(e) of the Internal Revenue Code that is active
- 23 financing income under Subpart F of Subtitle A, Chapter 1,
- 24 Subchapter N of the Internal Revenue Code.
- 25 *(18) Add the amount necessary to make the adjusted gross income*
- 26 *of any taxpayer that placed any qualified leasehold improvement*
- 27 *property in service during the taxable year and that was*
- 28 *classified as 15-year property under Section 168(e)(3)(E)(iv) of*
- 29 *the Internal Revenue Code equal to the amount of adjusted gross*
- 30 *income that would have been computed had the classification not*
- 31 *applied to the property in the year that it was placed into service.*
- 32 *(19) Add the amount necessary to make the adjusted gross income*
- 33 *of any taxpayer that placed a motorsports entertainment complex*
- 34 *in service during the taxable year and that was classified as*
- 35 *7-year property under Section 168(e)(3)(C)(ii) 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 into service.*
- 39 *(20) Add the amount deducted under Section 195 of the Internal*
- 40 *Revenue Code for start-up expenditures that exceeds the amount*
- 41 *the taxpayer could deduct under Section 195 of the Internal*
- 42 *Revenue Code before it was amended by the Small Business Jobs*

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1 *Act of 2010 (P.L. 111-240).*

2 *(21) Add the amount deducted from gross income under Section*  
 3 *198 of the Internal Revenue Code for the expensing of*  
 4 *environmental remediation costs.*

5 *(22) Add the amount deducted from gross income under Section*  
 6 *179E of the Internal Revenue Code for any qualified advanced*  
 7 *mine safety equipment property.*

8 ~~*(18)*~~ **(23)** *This subdivision does not apply to payments made for*  
 9 *services provided to a business that was enrolled and*  
 10 *participated in the E-Verify program (as defined in*  
 11 *IC 22-5-1.7-3) during the time the taxpayer conducted business*  
 12 *in Indiana in the taxable year. For a taxable year beginning after*  
 13 *June 30, 2011, add the amount of any trade or business deduction*  
 14 *allowed under the Internal Revenue Code for wages,*  
 15 *reimbursements, or other payments made for services provided*  
 16 *in Indiana by an individual for services as an employee, if the*  
 17 *individual was, during the period of service, prohibited from*  
 18 *being hired as an employee under 8 U.S.C. 1324a.*

19 ~~*(23)*~~ **(24)** *Add the amount excluded from federal gross income*  
 20 *under Section 103 of the Internal Revenue Code for interest*  
 21 *received on an obligation of a state other than Indiana, or a*  
 22 *political subdivision of such a state, that is acquired by the*  
 23 *taxpayer after December 31, 2011.*

24 (d) In the case of insurance companies subject to tax under Section  
 25 831 of the Internal Revenue Code and organized under Indiana law, the  
 26 same as "taxable income" (as defined in Section 832 of the Internal  
 27 Revenue Code), adjusted as follows:

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

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

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

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

39 (5) Add or subtract the amount necessary to make the adjusted  
 40 gross income of any taxpayer that owns property for which bonus  
 41 depreciation was allowed in the current taxable year or in a  
 42 earlier taxable year equal to the amount of adjusted gross income

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1 that would have been computed had an election not been made  
2 under Section 168(k) of the Internal Revenue Code to apply bonus  
3 depreciation to the property in the year that it was placed in  
4 service.

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

7 (7) Add or subtract the amount necessary to make the adjusted  
8 gross income of any taxpayer that placed Section 179 property (as  
9 defined in Section 179 of the Internal Revenue Code) in service  
10 in the current taxable year or in an earlier taxable year equal to  
11 the amount of adjusted gross income that would have been  
12 computed had an election for federal income tax purposes not  
13 been made for the year in which the property was placed in  
14 service to take deductions under Section 179 of the Internal  
15 Revenue Code in a total amount exceeding twenty-five thousand  
16 dollars (\$25,000).

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

21 (9) Subtract income that is:

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

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

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

38 (11) Add the amount necessary to make the adjusted gross income  
39 of any taxpayer that placed qualified restaurant property in service  
40 during the taxable year and that was classified as 15-year property  
41 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal  
42 to the amount of adjusted gross income that would have been

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- 1 computed had the classification not applied to the property in the
- 2 year that it was placed in service.
- 3 (12) Add the amount necessary to make the adjusted gross income
- 4 of any taxpayer that placed qualified retail improvement property
- 5 in service during the taxable year and that was classified as
- 6 15-year property under Section 168(e)(3)(E)(ix) of the Internal
- 7 Revenue Code equal to the amount of adjusted gross income that
- 8 would have been computed had the classification not applied to
- 9 the property in the year that it was placed in service.
- 10 (13) Add or subtract the amount necessary to make the adjusted
- 11 gross income of any taxpayer that claimed the special allowance
- 12 for qualified disaster assistance property under Section 168(n) of
- 13 the Internal Revenue Code equal to the amount of adjusted gross
- 14 income that would have been computed had the special allowance
- 15 not been claimed for the property.
- 16 (14) Add or subtract the amount necessary to make the adjusted
- 17 gross income of any taxpayer that made an election under Section
- 18 179C of the Internal Revenue Code to expense costs for qualified
- 19 refinery property equal to the amount of adjusted gross income
- 20 that would have been computed had an election for federal
- 21 income tax purposes not been made for the year.
- 22 (15) Add or subtract the amount necessary to make the adjusted
- 23 gross income of any taxpayer that made an election under Section
- 24 181 of the Internal Revenue Code to expense costs for a qualified
- 25 film or television production equal to the amount of adjusted
- 26 gross income that would have been computed had an election for
- 27 federal income tax purposes not been made for the year.
- 28 (16) Add or subtract the amount necessary to make the adjusted
- 29 gross income of any taxpayer that treated a loss from the sale or
- 30 exchange of preferred stock in:
- 31 (A) the Federal National Mortgage Association, established
- 32 under the Federal National Mortgage Association Charter Act
- 33 (12 U.S.C. 1716 et seq.); or
- 34 (B) the Federal Home Loan Mortgage Corporation, established
- 35 under the Federal Home Loan Mortgage Corporation Act (12
- 36 U.S.C. 1451 et seq.);
- 37 as an ordinary loss under Section 301 of the Emergency
- 38 Economic Stabilization Act of 2008 in the current taxable year or
- 39 in an earlier taxable year equal to the amount of adjusted gross
- 40 income that would have been computed had the loss not been
- 41 treated as an ordinary loss.
- 42 (17) Add an amount equal to any exempt insurance income under

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1 Section 953(e) of the Internal Revenue Code that is active  
2 financing income under Subpart F of Subtitle A, Chapter 1,  
3 Subchapter N of the Internal Revenue Code.

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

11 *(19) Add the amount necessary to make the adjusted gross income*  
12 *of any taxpayer that placed a motorsports entertainment complex*  
13 *in service during the taxable year and that was classified as*  
14 *7-year property under Section 168(e)(3)(C)(ii) 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 into service.*

18 *(20) Add the amount deducted under Section 195 of the Internal*  
19 *Revenue Code for start-up expenditures that exceeds the amount*  
20 *the taxpayer could deduct under Section 195 of the Internal*  
21 *Revenue Code before it was amended by the Small Business Jobs*  
22 *Act of 2010 (P.L. 111-240).*

23 *(21) Add the amount deducted from gross income under Section*  
24 *198 of the Internal Revenue Code for the expensing of*  
25 *environmental remediation costs.*

26 *(22) Add the amount deducted from gross income under Section*  
27 *179E of the Internal Revenue Code for any qualified advanced*  
28 *mine safety equipment property.*

29 ~~(18)~~ **(23)** *This subdivision does not apply to payments made for*  
30 *services provided to a business that was enrolled and*  
31 *participated in the E-Verify program (as defined in*  
32 *IC 22-5-1.7-3) during the time the taxpayer conducted business*  
33 *in Indiana in the taxable year. For a taxable year beginning after*  
34 *June 30, 2011, add the amount of any trade or business deduction*  
35 *allowed under the Internal Revenue Code for wages,*  
36 *reimbursements, or other payments made for services provided*  
37 *in Indiana by an individual for services as an employee, if the*  
38 *individual was, during the period of service, prohibited from*  
39 *being hired as an employee under 8 U.S.C. 1324a.*

40 ~~(23)~~ **(24)** *Add the amount excluded from federal gross income*  
41 *under Section 103 of the Internal Revenue Code for interest*  
42 *received on an obligation of a state other than Indiana, or a*

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*political subdivision of such a state, that is acquired by the taxpayer after December 31, 2011.*

(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 terrorist attack settlement payment included in the federal adjusted gross income of the estate of a victim of the September 11 terrorist attack or a trust to the extent the trust benefits a victim of the September 11 terrorist attack.
- (3) 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.
- (4) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.
- (5) 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 service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).
- (6) 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.
- (7) Subtract income that is:
  - (A) exempt from taxation under IC 6-3-2-21.7; and
  - (B) included in the taxpayer's taxable income under the Internal Revenue Code.
- (8) Add an amount equal to any income not included in gross income as a result of the deferral of income arising from business

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1 indebtedness discharged in connection with the reacquisition after  
 2 December 31, 2008, and before January 1, 2011, of an applicable  
 3 debt instrument, as provided in Section 108(i) of the Internal  
 4 Revenue Code. Subtract from the adjusted gross income of any  
 5 taxpayer that added an amount to adjusted gross income in a  
 6 previous year the amount necessary to offset the amount included  
 7 in federal gross income as a result of the deferral of income  
 8 arising from business indebtedness discharged in connection with  
 9 the reacquisition after December 31, 2008, and before January 1,  
 10 2011, of an applicable debt instrument, as provided in Section  
 11 108(i) of the Internal Revenue Code.

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

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

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

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

38 (13) Add or subtract the amount necessary to make the adjusted  
 39 gross income of any taxpayer that made an election under Section  
 40 181 of the Internal Revenue Code to expense costs for a qualified  
 41 film or television production equal to the amount of adjusted  
 42 gross income that would have been computed had an election for

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1 federal income tax purposes not been made for the year.

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

5 (A) the Federal National Mortgage Association, established  
6 under the Federal National Mortgage Association Charter Act  
7 (12 U.S.C. 1716 et seq.); or

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

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

16 (15) Add the amount excluded from gross income under Section  
17 108(a)(1)(e) of the Internal Revenue Code for the discharge of  
18 debt on a qualified principal residence.

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

26 *(17) Add the amount necessary to make the adjusted gross income*  
27 *of any taxpayer that placed a motorsports entertainment complex*  
28 *in service during the taxable year and that was classified as*  
29 *7-year property under Section 168(e)(3)(C)(ii) of the Internal*  
30 *Revenue Code equal to the amount of adjusted gross income that*  
31 *would have been computed had the classification not applied to*  
32 *the property in the year that it was placed into service.*

33 *(18) Add the amount deducted under Section 195 of the Internal*  
34 *Revenue Code for start-up expenditures that exceeds the amount*  
35 *the taxpayer could deduct under Section 195 of the Internal*  
36 *Revenue Code before it was amended by the Small Business Jobs*  
37 *Act of 2010 (P.L. 111-240).*

38 *(19) Add the amount deducted from gross income under Section*  
39 *198 of the Internal Revenue Code for the expensing of*  
40 *environmental remediation costs.*

41 *(20) Add the amount deducted from gross income under Section*  
42 *179E of the Internal Revenue Code for any qualified advanced*

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1 mine safety equipment property.

2 (21) Add the amount necessary to make the adjusted gross income  
3 of any taxpayer for which tax was not imposed on the net  
4 recognized built-in gain of an S corporation under Section  
5 1374(d)(7) of the Internal Revenue Code as amended by the Small  
6 Business Jobs Act of 2010 (P.L. 111-240) equal to the amount of  
7 adjusted gross income that would have been computed before  
8 Section 1374(d)(7) of the Internal Revenue Code as amended by  
9 the Small Business Jobs Act of 2010 (P.L. 111-240).

10 ~~(16)~~ (22) This subdivision does not apply to payments made for  
11 services provided to a business that was enrolled and  
12 participated in the E-Verify program (as defined in  
13 IC 22-5-1.7-3) during the time the taxpayer conducted business  
14 in Indiana in the taxable year. For a taxable year beginning after  
15 June 30, 2011, add the amount of any trade or business deduction  
16 allowed under the Internal Revenue Code for wages,  
17 reimbursements, or other payments made for services provided  
18 in Indiana by an individual for services as an employee, if the  
19 individual was, during the period of service, prohibited from  
20 being hired as an employee under 8 U.S.C. 1324a.

21 ~~(22)~~ (23) Add the amount excluded from federal gross income  
22 under Section 103 of the Internal Revenue Code for interest  
23 received on an obligation of a state other than Indiana, or a  
24 political subdivision of such a state, that is acquired by the  
25 taxpayer after December 31, 2011.

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

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

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

38 STEP THREE: Determine the result of the STEP ONE amount  
39 divided by the STEP TWO amount.

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

42 STEP FIVE: Determine the sum of the STEP FOUR amount and

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1 *two thousand five hundred dollars (\$2,500).*

2 SECTION 2. IC 6-3-2-3.7 IS AMENDED TO READ AS  
3 FOLLOWS [EFFECTIVE JANUARY 1, 2013]: Sec. 3.7. Each taxable  
4 year, an individual **or the individual's surviving spouse who receives**  
5 **income from a federal civil service annuity** is entitled to an adjusted  
6 gross income tax deduction equal to the remainder, **if any**, of:

7 (1) the first: ~~two~~

8 **(A) twenty-five thousand dollars (\$25,000)**, which  
9 is received by the individual **or surviving spouse; or**

10 **(B) thirty-two thousand dollars (\$32,000) received by a**  
11 **husband and wife, in the case of a husband and wife filing**  
12 **a joint return who both receive income;**

13 during the taxable year from a federal civil service annuity, and  
14 which is included in adjusted gross income under Section 62 of  
15 the Internal Revenue Code; minus

16 (2) the total amount of Social Security benefits and railroad  
17 retirement benefits received by the individual during the taxable  
18 year.

19 However, the individual **or surviving spouse** is only entitled to the  
20 deduction provided by this section if the individual **or surviving**  
21 **spouse** is at least sixty-two (62) years of age before the end of the  
22 taxable year. **In addition, in the case of a husband and wife filing a**  
23 **joint return who both receive income during the taxable year from**  
24 **a federal civil service annuity, the husband and wife are only**  
25 **entitled to the deduction provided by this section if both the**  
26 **husband and wife are at least sixty-two (62) years of age before the**  
27 **end of the taxable year.**

28 SECTION 3. [EFFECTIVE JANUARY 1, 2013] (a) IC 6-3-1-3.5  
29 and IC 6-3-2-3.7, both as amended by this act, apply only to taxable  
30 years beginning after December 31, 2012.

31 (b) This SECTION expires January 1, 2015.

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