

# HOUSE BILL No. 1364

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.

**Synopsis:** Tax exemption for military pension benefits. Exempts military retirement pension income from the adjusted gross income tax. Makes technical corrections.

**Effective:** January 1, 2013.

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**McNamara, Messmer, Crouch**

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January 11, 2012, read first time and referred to Committee on Ways and Means.

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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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# HOUSE BILL No. 1364



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

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

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1 Revenue Code.

2 ~~(27)~~ (25) Add the amount excluded from gross income under

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

4 discharge of debt on a qualified principal residence.

5 ~~(28)~~ (26) Add an amount equal to any income not included in

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

7 business indebtedness discharged in connection with the

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

9 2011, of an applicable debt instrument, as provided in Section

10 108(i) of the Internal Revenue Code. Subtract the amount

11 necessary from the adjusted gross income of any taxpayer that

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

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

14 the deferral of income arising from business indebtedness

15 discharged in connection with the reacquisition after December

16 31, 2008, and before January 1, 2011, of an applicable debt

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

18 Code.

19 ~~(29)~~ (27) Add the amount necessary to make the adjusted gross

20 income of any taxpayer that placed qualified restaurant property

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

22 15-year property under Section 168(e)(3)(E)(v) 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 ~~(30)~~ (28) Add the amount necessary to make the adjusted gross

27 income of any taxpayer that placed qualified retail improvement

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

29 as 15-year property under Section 168(e)(3)(E)(ix) 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 in service.

33 ~~(31)~~ (29) Add or subtract the amount necessary to make the

34 adjusted gross income of any taxpayer that claimed the special

35 allowance for qualified disaster assistance property under Section

36 168(n) of the Internal Revenue Code equal to the amount of

37 adjusted gross income that would have been computed had the

38 special allowance not been claimed for the property.

39 ~~(32)~~ (30) Add or subtract the amount necessary to make the

40 adjusted gross income of any taxpayer that made an election

41 under Section 179C of the Internal Revenue Code to expense

42 costs for qualified refinery property equal to the amount of

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- 1 adjusted gross income that would have been computed had an  
 2 election for federal income tax purposes not been made for the  
 3 year.
- 4 ~~(33)~~ (31) Add or subtract the amount necessary to make the  
 5 adjusted gross income of any taxpayer that made an election  
 6 under Section 181 of the Internal Revenue Code to expense costs  
 7 for a qualified film or television production equal to the amount  
 8 of adjusted gross income that would have been computed had an  
 9 election for federal income tax purposes not been made for the  
 10 year.
- 11 ~~(34)~~ (32) Add or subtract the amount necessary to make the  
 12 adjusted gross income of any taxpayer that treated a loss from the  
 13 sale or exchange of preferred stock in:
- 14 (A) the Federal National Mortgage Association, established  
 15 under the Federal National Mortgage Association Charter Act  
 16 (12 U.S.C. 1716 et seq.); or
- 17 (B) the Federal Home Loan Mortgage Corporation, established  
 18 under the Federal Home Loan Mortgage Corporation Act (12  
 19 U.S.C. 1451 et seq.);
- 20 as an ordinary loss under Section 301 of the Emergency  
 21 Economic Stabilization Act of 2008 in the current taxable year or  
 22 in an earlier taxable year equal to the amount of adjusted gross  
 23 income that would have been computed had the loss not been  
 24 treated as an ordinary loss.
- 25 *(33) Add the amount excluded from federal gross income under*  
 26 *Section 103 of the Internal Revenue Code for interest received on*  
 27 *an obligation of a state other than Indiana, or a political*  
 28 *subdivision of such a state, that is acquired by the taxpayer after*  
 29 *December 31, 2011.*
- 30 ~~(35)~~ (34) Add the amount deducted from gross income under  
 31 Section 198 of the Internal Revenue Code for the expensing of  
 32 environmental remediation costs.
- 33 ~~(36)~~ (35) Add the amount excluded from gross income under  
 34 Section 408(d)(8) of the Internal Revenue Code for a charitable  
 35 distribution from an individual retirement plan.
- 36 ~~(37)~~ (36) Add the amount deducted from gross income under  
 37 Section 222 of the Internal Revenue Code for qualified tuition  
 38 and related expenses.
- 39 ~~(38)~~ (37) Add the amount deducted from gross income under  
 40 Section 62(2)(D) of the Internal Revenue Code for certain  
 41 expenses of elementary and secondary school teachers.
- 42 ~~(39)~~ (38) Add the amount excluded from gross income under

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1        *Section 127 of the Internal Revenue Code as annual employer*  
 2        *provided education expenses.*  
 3        ~~(40)~~ (39) *Add the amount deducted from gross income under*  
 4        *Section 179E of the Internal Revenue Code for any qualified*  
 5        *advanced mine safety equipment property.*  
 6        ~~(41)~~ (40) *Add the monthly amount excluded from gross income*  
 7        *under Section 132(f)(1)(A) and 132(f)(1)(B) of the Internal*  
 8        **Revenue Code** *that exceeds one hundred dollars (\$100) a month*  
 9        *for a qualified transportation fringe.*  
 10       ~~(42)~~ (41) *Add the amount deducted from gross income under*  
 11       *Section 221 of the Internal Revenue Code that exceeds the*  
 12       *amount the taxpayer could deduct under Section 221 of the*  
 13       *Internal Revenue Code before it was amended by the Tax Relief,*  
 14       *Unemployment Insurance Reauthorization, and Job Creation Act*  
 15       *of 2010 (P.L. 111-312).*  
 16       ~~(43)~~ (42) *Add the amount necessary to make the adjusted gross*  
 17       *income of any taxpayer that placed any qualified leasehold*  
 18       *improvement property in service during the taxable year and that*  
 19       *was classified as 15-year property under Section 168(e)(3)(E)(iv)*  
 20       *of the Internal Revenue Code equal to the amount of adjusted*  
 21       *gross income that would have been computed had the*  
 22       *classification not applied to the property in the year that it was*  
 23       *placed into service.*  
 24       ~~(44)~~ (43) *Add the amount necessary to make the adjusted gross*  
 25       *income of any taxpayer that placed a motorsports entertainment*  
 26       *complex in service during the taxable year and that was classified*  
 27       *as 7-year property under Section 168(e)(3)(C)(ii) 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 into service.*  
 31       ~~(45)~~ (44) *Add the amount deducted under Section 195 of the*  
 32       *Internal Revenue Code for start-up expenditures that exceeds the*  
 33       *amount the taxpayer could deduct under Section 195 of the*  
 34       *Internal Revenue Code before it was amended by the Small*  
 35       *Business Jobs Act of 2010 (P.L. 111-240).*  
 36       ~~(46)~~ (45) *Add the amount necessary to make the adjusted gross*  
 37       *income of any taxpayer for which tax was not imposed on the net*  
 38       *recognized built-in gain of an S corporation under Section*  
 39       *1374(d)(7) of the Internal Revenue Code as amended by the Small*  
 40       *Business Jobs Act of 2010 (P.L. 111-240) equal to the amount of*  
 41       *adjusted gross income that would have been computed before*  
 42       *Section 1374(d)(7) of the Internal Revenue Code as amended by*

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1 *the Small Business Jobs Act of 2010 (P.L. 111-240).*

2 ~~(35)~~ **(46)** *This subdivision does not apply to payments made for*  
 3 *services provided to a business that was enrolled and*  
 4 *participated in the E-Verify program (as defined in*  
 5 *IC 22-5-1.7-3) during the time the taxpayer conducted business*  
 6 *in Indiana in the taxable year. For a taxable year beginning after*  
 7 *June 30, 2011, add the amount of any trade or business deduction*  
 8 *allowed under the Internal Revenue Code for wages,*  
 9 *reimbursements, or other payments made for services provided*  
 10 *in Indiana by an individual for services as an employee, if the*  
 11 *individual was, during the period of service, prohibited from*  
 12 *being hired as an employee under 8 U.S.C. 1324a.*

13 **(47) Subtract an amount equal to that part of a retirement**  
 14 **pension received for service in a branch or a reserve**  
 15 **component of the United States military that is included in the**  
 16 **taxpayer's federal adjusted gross income.**

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

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

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

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

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

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

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

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

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

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

14 (9) Add to the extent required by IC 6-3-2-20 the amount of  
15 intangible expenses (as defined in IC 6-3-2-20) and any directly  
16 related intangible interest expenses (as defined in IC 6-3-2-20) for  
17 the taxable year that reduced the corporation's taxable income (as  
18 defined in Section 63 of the Internal Revenue Code) for federal  
19 income tax purposes.

20 (10) Add an amount equal to any deduction for dividends paid (as  
21 defined in Section 561 of the Internal Revenue Code) to  
22 shareholders of a captive real estate investment trust (as defined  
23 in section 34.5 of this chapter).

24 (11) Subtract income that is:

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

26 (B) included in the corporation's taxable income under the  
27 Internal Revenue Code.

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

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

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- (B) included in the insurance company's taxable income under the Internal Revenue Code.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (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

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1 gross income of any taxpayer that made an election under Section  
 2 181 of the Internal Revenue Code to expense costs for a qualified  
 3 film or television production equal to the amount of adjusted  
 4 gross income that would have been computed had an election for  
 5 federal income tax purposes not been made for the year.

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

9 (A) the Federal National Mortgage Association, established  
 10 under the Federal National Mortgage Association Charter Act  
 11 (12 U.S.C. 1716 et seq.); or

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

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

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

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

31 *(19) Add the amount necessary to make the adjusted gross income*  
 32 *of any taxpayer that placed a motorsports entertainment complex*  
 33 *in service during the taxable year and that was classified as*  
 34 *7-year property under Section 168(e)(3)(C)(ii) 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 into service.*

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

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

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

7 ~~(18)~~ (23) 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 ~~(23)~~ (24) Add the amount excluded from federal gross income  
 19 under Section 103 of the Internal Revenue Code for interest  
 20 received on an obligation of a state other than Indiana, or a  
 21 political subdivision of such a state, that is acquired by the  
 22 taxpayer after December 31, 2011.

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

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

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

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

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

38 (5) Add or subtract the amount necessary to make the adjusted  
 39 gross income of any taxpayer that owns property for which bonus  
 40 depreciation was allowed in the current taxable year or in an  
 41 earlier taxable year equal to the amount of adjusted gross income  
 42 that would have been computed had an election not been made

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

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- 1 year that it was placed in service.
- 2 (12) Add the amount necessary to make the adjusted gross income
- 3 of any taxpayer that placed qualified retail improvement property
- 4 in service during the taxable year and that was classified as
- 5 15-year property under Section 168(e)(3)(E)(ix) of the Internal
- 6 Revenue Code equal to the amount of adjusted gross income that
- 7 would have been computed had the classification not applied to
- 8 the property in the year that it was placed in service.
- 9 (13) Add or subtract the amount necessary to make the adjusted
- 10 gross income of any taxpayer that claimed the special allowance
- 11 for qualified disaster assistance property under Section 168(n) of
- 12 the Internal Revenue Code equal to the amount of adjusted gross
- 13 income that would have been computed had the special allowance
- 14 not been claimed for the property.
- 15 (14) Add or subtract the amount necessary to make the adjusted
- 16 gross income of any taxpayer that made an election under Section
- 17 179C of the Internal Revenue Code to expense costs for qualified
- 18 refinery property equal to the amount of adjusted gross income
- 19 that would have been computed had an election for federal
- 20 income tax purposes not been made for the year.
- 21 (15) Add or subtract the amount necessary to make the adjusted
- 22 gross income of any taxpayer that made an election under Section
- 23 181 of the Internal Revenue Code to expense costs for a qualified
- 24 film or television production equal to the amount of adjusted
- 25 gross income that would have been computed had an election for
- 26 federal income tax purposes not been made for the year.
- 27 (16) Add or subtract the amount necessary to make the adjusted
- 28 gross income of any taxpayer that treated a loss from the sale or
- 29 exchange of preferred stock in:
  - 30 (A) the Federal National Mortgage Association, established
  - 31 under the Federal National Mortgage Association Charter Act
  - 32 (12 U.S.C. 1716 et seq.); or
  - 33 (B) the Federal Home Loan Mortgage Corporation, established
  - 34 under the Federal Home Loan Mortgage Corporation Act (12
  - 35 U.S.C. 1451 et seq.);
  - 36 as an ordinary loss under Section 301 of the Emergency
  - 37 Economic Stabilization Act of 2008 in the current taxable year or
  - 38 in an earlier taxable year equal to the amount of adjusted gross
  - 39 income that would have been computed had the loss not been
  - 40 treated as an ordinary loss.
  - 41 (17) Add an amount equal to any exempt insurance income under
  - 42 Section 953(e) of the Internal Revenue Code that is active

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

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*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 indebtedness discharged in connection with the reacquisition after

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

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

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

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

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

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

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- 1 (14) Add or subtract the amount necessary to make the adjusted
- 2 gross income of any taxpayer that treated a loss from the sale or
- 3 exchange of preferred stock in:
- 4 (A) the Federal National Mortgage Association, established
- 5 under the Federal National Mortgage Association Charter Act
- 6 (12 U.S.C. 1716 et seq.); or
- 7 (B) the Federal Home Loan Mortgage Corporation, established
- 8 under the Federal Home Loan Mortgage Corporation Act (12
- 9 U.S.C. 1451 et seq.);
- 10 as an ordinary loss under Section 301 of the Emergency
- 11 Economic Stabilization Act of 2008 in the current taxable year or
- 12 in an earlier taxable year equal to the amount of adjusted gross
- 13 income that would have been computed had the loss not been
- 14 treated as an ordinary loss.
- 15 (15) Add the amount excluded from gross income under Section
- 16 108(a)(1)(e) of the Internal Revenue Code for the discharge of
- 17 debt on a qualified principal residence.
- 18 *(16) Add the amount necessary to make the adjusted gross income*
- 19 *of any taxpayer that placed any qualified leasehold improvement*
- 20 *property in service during the taxable year and that was*
- 21 *classified as 15-year property under Section 168(e)(3)(E)(iv) of*
- 22 *the Internal Revenue Code equal to the amount of adjusted gross*
- 23 *income that would have been computed had the classification not*
- 24 *applied to the property in the year that it was placed into service.*
- 25 *(17) Add the amount necessary to make the adjusted gross income*
- 26 *of any taxpayer that placed a motorsports entertainment complex*
- 27 *in service during the taxable year and that was classified as*
- 28 *7-year property under Section 168(e)(3)(C)(ii) of the Internal*
- 29 *Revenue Code equal to the amount of adjusted gross income that*
- 30 *would have been computed had the classification not applied to*
- 31 *the property in the year that it was placed into service.*
- 32 *(18) Add the amount deducted under Section 195 of the Internal*
- 33 *Revenue Code for start-up expenditures that exceeds the amount*
- 34 *the taxpayer could deduct under Section 195 of the Internal*
- 35 *Revenue Code before it was amended by the Small Business Jobs*
- 36 *Act of 2010 (P.L. 111-240).*
- 37 *(19) Add the amount deducted from gross income under Section*
- 38 *198 of the Internal Revenue Code for the expensing of*
- 39 *environmental remediation costs.*
- 40 *(20) Add the amount deducted from gross income under Section*
- 41 *179E of the Internal Revenue Code for any qualified advanced*
- 42 *mine safety equipment property.*

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

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

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

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

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

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

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

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

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

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1 SECTION 2. IC 6-3-2-4, AS AMENDED BY P.L.144-2007,  
 2 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 3 JANUARY 1, 2013]: Sec. 4. (a) Each taxable year, an individual, or the  
 4 individual's surviving spouse, is entitled to an adjusted gross income  
 5 tax deduction for the first five thousand dollars (\$5,000) of income,  
 6 including ~~retirement~~ or survivor's benefits, received during the taxable  
 7 year by the individual, or the individual's surviving spouse, for the  
 8 individual's service in an active or reserve component of the armed  
 9 forces of the United States, including the army, navy, air force, coast  
 10 guard, marine corps, merchant marine, Indiana army national guard, or  
 11 Indiana air national guard. However, a person who is less than sixty  
 12 (60) years of age on the last day of the person's taxable year, is not, for  
 13 that taxable year, entitled to a deduction under this section for  
 14 ~~retirement~~ or survivor's benefits.

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

20 **(c) An individual whose military retirement pension income is**  
 21 **subtracted from the individual's federal adjusted gross income**  
 22 **under IC 6-3-1-3.5(a)(47) for Indiana individual income tax**  
 23 **purposes is not, for that taxable year, entitled to a deduction under**  
 24 **this section for the individual's military retirement pension income.**

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