

SENATE BILL No. 264

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 6-3-2-4.

Synopsis: Tax exemption for military pension income. Exempts military retirement pension income from the adjusted gross income tax.

Effective: January 1, 2014.

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January 8, 2013, read first time and referred to Committee on Appropriations.

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First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

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SENATE BILL No. 264



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.137-2012,
- 2 SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2014]: Sec. 3.5. When used in this article, the term
- 4 "adjusted gross income" shall mean the following:
- 5 (a) In the case of all individuals, "adjusted gross income" (as
- 6 defined in Section 62 of the Internal Revenue Code), modified as
- 7 follows:
- 8 (1) Subtract income that is exempt from taxation under this article
- 9 by the Constitution and statutes of the United States.
- 10 (2) Add an amount equal to any deduction or deductions allowed
- 11 or allowable pursuant to Section 62 of the Internal Revenue Code
- 12 for taxes based on or measured by income and levied at the state
- 13 level by any state of the United States.
- 14 (3) Subtract one thousand dollars (\$1,000), or in the case of a
- 15 joint return filed by a husband and wife, subtract for each spouse
- 16 one thousand dollars (\$1,000).
- 17 (4) Subtract one thousand dollars (\$1,000) for:



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

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- 1 Security and Railroad Retirement benefits included in a taxpayer's
 2 federal gross income by Section 86 of the Internal Revenue Code.
 3 (11) In the case of a nonresident taxpayer or a resident taxpayer
 4 residing in Indiana for a period of less than the taxpayer's entire
 5 taxable year, the total amount of the deductions allowed pursuant
 6 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
 7 which bears the same ratio to the total as the taxpayer's income
 8 taxable in Indiana bears to the taxpayer's total income.
 9 (12) In the case of an individual who is a recipient of assistance
 10 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
 11 subtract an amount equal to that portion of the individual's
 12 adjusted gross income with respect to which the individual is not
 13 allowed under federal law to retain an amount to pay state and
 14 local income taxes.
 15 (13) In the case of an eligible individual, subtract the amount of
 16 a Holocaust victim's settlement payment included in the
 17 individual's federal adjusted gross income.
 18 (14) Subtract an amount equal to the portion of any premiums
 19 paid during the taxable year by the taxpayer for a qualified long
 20 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
 21 or the taxpayer's spouse, or both.
 22 (15) Subtract an amount equal to the lesser of:
 23 (A) two thousand five hundred dollars (\$2,500); or
 24 (B) the amount of property taxes that are paid during the
 25 taxable year in Indiana by the individual on the individual's
 26 principal place of residence.
 27 (16) Subtract an amount equal to the amount of a September 11
 28 terrorist attack settlement payment included in the individual's
 29 federal adjusted gross income.
 30 (17) Add or subtract the amount necessary to make the adjusted
 31 gross income of any taxpayer that owns property for which bonus
 32 depreciation was allowed in the current taxable year or in an
 33 earlier taxable year equal to the amount of adjusted gross income
 34 that would have been computed had an election not been made
 35 under Section 168(k) of the Internal Revenue Code to apply bonus
 36 depreciation to the property in the year that it was placed in
 37 service.
 38 (18) Add an amount equal to any deduction allowed under
 39 Section 172 of the Internal Revenue Code.
 40 (19) Add or subtract the amount necessary to make the adjusted
 41 gross income of any taxpayer that placed Section 179 property (as
 42 defined in Section 179 of the Internal Revenue Code) in service

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

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

12 (21) Subtract an amount equal to the amount of the taxpayer's
13 qualified military income that was not excluded from the
14 taxpayer's gross income for federal income tax purposes under
15 Section 112 of the Internal Revenue Code.

16 (22) Subtract income that is:

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

18 (B) included in the individual's federal adjusted gross income
19 under the Internal Revenue Code.

20 (23) Subtract any amount of a credit (including an advance refund
21 of the credit) that is provided to an individual under 26 U.S.C.
22 6428 (federal Economic Stimulus Act of 2008) and included in
23 the individual's federal adjusted gross income.

24 (24) Add any amount of unemployment compensation excluded
25 from federal gross income, as defined in Section 61 of the Internal
26 Revenue Code, under Section 85(c) of the Internal Revenue Code.

27 (25) Add the amount excluded from gross income under Section
28 108(a)(1)(e) of the Internal Revenue Code for the discharge of
29 debt on a qualified principal residence.

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

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

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- 1 Economic Stabilization Act of 2008 in the current taxable year or
 2 in an earlier taxable year equal to the amount of adjusted gross
 3 income that would have been computed had the loss not been
 4 treated as an ordinary loss.
- 5 (33) Add the amount excluded from federal gross income under
 6 Section 103 of the Internal Revenue Code for interest received on
 7 an obligation of a state other than Indiana, or a political
 8 subdivision of such a state, that is acquired by the taxpayer after
 9 December 31, 2011.
- 10 (34) Add the amount deducted from gross income under Section
 11 198 of the Internal Revenue Code for the expensing of
 12 environmental remediation costs.
- 13 (35) Add the amount excluded from gross income under Section
 14 408(d)(8) of the Internal Revenue Code for a charitable
 15 distribution from an individual retirement plan.
- 16 (36) Add the amount deducted from gross income under Section
 17 222 of the Internal Revenue Code for qualified tuition and related
 18 expenses.
- 19 (37) Add the amount deducted from gross income under Section
 20 62(a)(2)(D) of the Internal Revenue Code for certain expenses of
 21 elementary and secondary school teachers.
- 22 (38) Add the amount excluded from gross income under Section
 23 127 of the Internal Revenue Code as annual employer provided
 24 education expenses.
- 25 (39) 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 (40) Add the monthly amount excluded from gross income under
 29 Section 132(f)(1)(A) and 132(f)(1)(B) of the Internal Revenue
 30 Code that exceeds one hundred dollars (\$100) a month for a
 31 qualified transportation fringe.
- 32 (41) Add the amount deducted from gross income under Section
 33 221 of the Internal Revenue Code that exceeds the amount the
 34 taxpayer could deduct under Section 221 of the Internal Revenue
 35 Code before it was amended by the Tax Relief, Unemployment
 36 Insurance Reauthorization, and Job Creation Act of 2010 (P.L.
 37 111-312).
- 38 (42) Add the amount necessary to make the adjusted gross income
 39 of any taxpayer that placed any qualified leasehold improvement
 40 property in service during the taxable year and that was classified
 41 as 15-year property under Section 168(e)(3)(E)(iv) of the Internal
 42 Revenue Code equal to the amount of adjusted gross income that

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1 would have been computed had the classification not applied to
2 the property in the year that it was placed into service.

3 (43) Add the amount necessary to make the adjusted gross income
4 of any taxpayer that placed a motorsports entertainment complex
5 in service during the taxable year and that was classified as 7-year
6 property under Section 168(e)(3)(C)(ii) of the Internal Revenue
7 Code equal to the amount of adjusted gross income that would
8 have been computed had the classification not applied to the
9 property in the year that it was placed into service.

10 (44) Add the amount deducted under Section 195 of the Internal
11 Revenue Code for start-up expenditures that exceeds the amount
12 the taxpayer could deduct under Section 195 of the Internal
13 Revenue Code before it was amended by the Small Business Jobs
14 Act of 2010 (P.L. 111-240).

15 (45) Add the amount necessary to make the adjusted gross income
16 of any taxpayer for which tax was not imposed on the net
17 recognized built-in gain of an S corporation under Section
18 1374(d)(7) of the Internal Revenue Code as amended by the
19 Small Business Jobs Act of 2010 (P.L. 111-240) equal to the
20 amount of adjusted gross income that would have been computed
21 before Section 1374(d)(7) of the Internal Revenue Code as
22 amended by the Small Business Jobs Act of 2010 (P.L. 111-240).

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

34 **(47) Subtract an amount equal to that part of a retirement**
35 **pension:**

36 **(A) received for service in a branch or reserve component**
37 **of the United States military; and**

38 **(B) included in the taxpayer's federal adjusted gross**
39 **income.**

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

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

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- 1 (10) Add an amount equal to any deduction for dividends paid (as
 2 defined in Section 561 of the Internal Revenue Code) to
 3 shareholders of a captive real estate investment trust (as defined
 4 in section 34.5 of this chapter).
 5 (11) Subtract income that is:
 6 (A) exempt from taxation under IC 6-3-2-21.7; and
 7 (B) included in the corporation's taxable income under the
 8 Internal Revenue Code.
 9 (12) Add an amount equal to any income not included in gross
 10 income as a result of the deferral of income arising from business
 11 indebtedness discharged in connection with the reacquisition after
 12 December 31, 2008, and before January 1, 2011, of an applicable
 13 debt instrument, as provided in Section 108(i) of the Internal
 14 Revenue Code. Subtract from the adjusted gross income of any
 15 taxpayer that added an amount to adjusted gross income in a
 16 previous year the amount necessary to offset the amount included
 17 in federal gross income as a result of the deferral of income
 18 arising from business indebtedness discharged in connection with
 19 the reacquisition after December 31, 2008, and before January 1,
 20 2011, of an applicable debt instrument, as provided in Section
 21 108(i) of the Internal Revenue Code.
 22 (13) Add the amount necessary to make the adjusted gross income
 23 of any taxpayer that placed qualified restaurant property in service
 24 during the taxable year and that was classified as 15-year property
 25 under Section 168(e)(3)(E)(v) of the Internal Revenue Code equal
 26 to the amount of adjusted gross income that would have been
 27 computed had the classification not applied to the property in the
 28 year that it was placed in service.
 29 (14) Add the amount necessary to make the adjusted gross income
 30 of any taxpayer that placed qualified retail improvement property
 31 in service during the taxable year and that was classified as
 32 15-year property under Section 168(e)(3)(E)(ix) 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 in service.
 36 (15) Add or subtract the amount necessary to make the adjusted
 37 gross income of any taxpayer that claimed the special allowance
 38 for qualified disaster assistance property under Section 168(n) of
 39 the Internal Revenue Code equal to the amount of adjusted gross
 40 income that would have been computed had the special allowance
 41 not been claimed for the property.
 42 (16) 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 179C of the Internal Revenue Code to expense costs for qualified
 3 refinery property equal to the amount of adjusted gross income
 4 that would have been computed had an election for federal
 5 income tax purposes not been made for the year.
 6 (17) Add or subtract the amount necessary to make the adjusted
 7 gross income of any taxpayer that made an election under Section
 8 181 of the Internal Revenue Code to expense costs for a qualified
 9 film or television production equal to the amount of adjusted
 10 gross income that would have been computed had an election for
 11 federal income tax purposes not been made for the year.
 12 (18) Add or subtract the amount necessary to make the adjusted
 13 gross income of any taxpayer that treated a loss from the sale or
 14 exchange of preferred stock in:
 15 (A) the Federal National Mortgage Association, established
 16 under the Federal National Mortgage Association Charter Act
 17 (12 U.S.C. 1716 et seq.); or
 18 (B) the Federal Home Loan Mortgage Corporation, established
 19 under the Federal Home Loan Mortgage Corporation Act (12
 20 U.S.C. 1451 et seq.);
 21 as an ordinary loss under Section 301 of the Emergency
 22 Economic Stabilization Act of 2008 in the current taxable year or
 23 in an earlier taxable year equal to the amount of adjusted gross
 24 income that would have been computed had the loss not been
 25 treated as an ordinary loss.
 26 (19) Add the amount deducted from gross income under Section
 27 198 of the Internal Revenue Code for the expensing of
 28 environmental remediation costs.
 29 (20) Add the amount deducted from gross income under Section
 30 179E of the Internal Revenue Code for any qualified advanced
 31 mine safety equipment property.
 32 (21) Add the amount necessary to make the adjusted gross income
 33 of any taxpayer that placed any qualified leasehold improvement
 34 property in service during the taxable year and that was classified
 35 as 15-year property under Section 168(e)(3)(E)(iv) 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 (22) Add the amount necessary to make the adjusted gross income
 40 of any taxpayer that placed a motorsports entertainment complex
 41 in service during the taxable year and that was classified as 7-year
 42 property under Section 168(e)(3)(C)(ii) of the Internal Revenue

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1 Code equal to the amount of adjusted gross income that would
 2 have been computed had the classification not applied to the
 3 property in the year that it was placed into service.
 4 (23) Add the amount deducted under Section 195 of the Internal
 5 Revenue Code for start-up expenditures that exceeds the amount
 6 the taxpayer could deduct under Section 195 of the Internal
 7 Revenue Code before it was amended by the Small Business Jobs
 8 Act of 2010 (P.L. 111-240).
 9 (24) This subdivision does not apply to payments made for
 10 services provided to a business that was enrolled and participated
 11 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 12 time the taxpayer conducted business in Indiana in the taxable
 13 year. For a taxable year beginning after June 30, 2011, add the
 14 amount of any trade or business deduction allowed under the
 15 Internal Revenue Code for wages, reimbursements, or other
 16 payments made for services provided in Indiana by an individual
 17 for services as an employee, if the individual was, during the
 18 period of service, prohibited from being hired as an employee
 19 under 8 U.S.C. 1324a.
 20 (25) Add the amount excluded from federal gross income under
 21 Section 103 of the Internal Revenue Code for interest received on
 22 an obligation of a state other than Indiana, or a political
 23 subdivision of such a state, that is acquired by the taxpayer after
 24 December 31, 2011.
 25 (c) In the case of life insurance companies (as defined in Section
 26 816(a) of the Internal Revenue Code) that are organized under Indiana
 27 law, the same as "life insurance company taxable income" (as defined
 28 in Section 801 of the Internal Revenue Code), adjusted as follows:
 29 (1) Subtract income that is exempt from taxation under this article
 30 by the Constitution and statutes of the United States.
 31 (2) Add an amount equal to any deduction allowed or allowable
 32 under Section 170 of the Internal Revenue Code.
 33 (3) Add an amount equal to a deduction allowed or allowable
 34 under Section 805 or Section 831(c) of the Internal Revenue Code
 35 for taxes based on or measured by income and levied at the state
 36 level by any state.
 37 (4) Subtract an amount equal to the amount included in the
 38 company's taxable income under Section 78 of the Internal
 39 Revenue Code.
 40 (5) Add or subtract the amount necessary to make the adjusted
 41 gross income of any taxpayer that owns property for which bonus
 42 depreciation was allowed in the current taxable year or in an

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

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

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- 1 (17) Add an amount equal to any exempt insurance income under
- 2 Section 953(e) of the Internal Revenue Code that is active
- 3 financing income under Subpart F of Subtitle A, Chapter 1,
- 4 Subchapter N of the Internal Revenue Code.
- 5 (18) Add the amount necessary to make the adjusted gross income
- 6 of any taxpayer that placed any qualified leasehold improvement
- 7 property in service during the taxable year and that was classified
- 8 as 15-year property under Section 168(e)(3)(E)(iv) of the Internal
- 9 Revenue Code equal to the amount of adjusted gross income that
- 10 would have been computed had the classification not applied to
- 11 the property in the year that it was placed into service.
- 12 (19) Add the amount necessary to make the adjusted gross income
- 13 of any taxpayer that placed a motorsports entertainment complex
- 14 in service during the taxable year and that was classified as 7-year
- 15 property under Section 168(e)(3)(C)(ii) of the Internal Revenue
- 16 Code equal to the amount of adjusted gross income that would
- 17 have been computed had the classification not applied to the
- 18 property in the year that it was placed into service.
- 19 (20) Add the amount deducted under Section 195 of the Internal
- 20 Revenue Code for start-up expenditures that exceeds the amount
- 21 the taxpayer could deduct under Section 195 of the Internal
- 22 Revenue Code before it was amended by the Small Business Jobs
- 23 Act of 2010 (P.L. 111-240).
- 24 (21) Add the amount deducted from gross income under Section
- 25 198 of the Internal Revenue Code for the expensing of
- 26 environmental remediation costs.
- 27 (22) Add the amount deducted from gross income under Section
- 28 179E of the Internal Revenue Code for any qualified advanced
- 29 mine safety equipment property.
- 30 (23) This subdivision does not apply to payments made for
- 31 services provided to a business that was enrolled and participated
- 32 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
- 33 time the taxpayer conducted business in Indiana in the taxable
- 34 year. For a taxable year beginning after June 30, 2011, add the
- 35 amount of any trade or business deduction allowed under the
- 36 Internal Revenue Code for wages, reimbursements, or other
- 37 payments made for services provided in Indiana by an individual
- 38 for services as an employee, if the individual was, during the
- 39 period of service, prohibited from being hired as an employee
- 40 under 8 U.S.C. 1324a.
- 41 (24) Add the amount excluded from federal gross income under
- 42 Section 103 of the Internal Revenue Code for interest received on

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1 an obligation of a state other than Indiana, or a political
2 subdivision of such a state, that is acquired by the taxpayer after
3 December 31, 2011.

4 (d) In the case of insurance companies subject to tax under Section
5 831 of the Internal Revenue Code and organized under Indiana law, the
6 same as "taxable income" (as defined in Section 832 of the Internal
7 Revenue Code), adjusted as follows:

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

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

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

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

19 (5) Add or subtract the amount necessary to make the adjusted
20 gross income of any taxpayer that owns property for which bonus
21 depreciation was allowed in the current taxable year or in an
22 earlier taxable year equal to the amount of adjusted gross income
23 that would have been computed had an election not been made
24 under Section 168(k) of the Internal Revenue Code to apply bonus
25 depreciation to the property in the year that it was placed in
26 service.

27 (6) Add an amount equal to any deduction allowed under Section
28 172 of the Internal Revenue Code.

29 (7) Add or subtract the amount necessary to make the adjusted
30 gross income of any taxpayer that placed Section 179 property (as
31 defined in Section 179 of the Internal Revenue Code) in service
32 in the current taxable year or in an earlier taxable year equal to
33 the amount of adjusted gross income that would have been
34 computed had an election for federal income tax purposes not
35 been made for the year in which the property was placed in
36 service to take deductions under Section 179 of the Internal
37 Revenue Code in a total amount exceeding twenty-five thousand
38 dollars (\$25,000).

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

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

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1 income tax purposes not been made for the year.

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

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

11 (A) the Federal National Mortgage Association, established
12 under the Federal National Mortgage Association Charter Act
13 (12 U.S.C. 1716 et seq.); or

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

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

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

26 (18) Add the amount necessary to make the adjusted gross income
27 of any taxpayer that placed any qualified leasehold improvement
28 property in service during the taxable year and that was classified
29 as 15-year property under Section 168(e)(3)(E)(iv) 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 (19) Add the amount necessary to make the adjusted gross income
34 of any taxpayer that placed a motorsports entertainment complex
35 in service during the taxable year and that was classified as 7-year
36 property under Section 168(e)(3)(C)(ii) of the Internal Revenue
37 Code equal to the amount of adjusted gross income that would
38 have been computed had the classification not applied to the
39 property in the year that it was placed into service.

40 (20) Add the amount deducted under Section 195 of the Internal
41 Revenue Code for start-up expenditures that exceeds the amount
42 the taxpayer could deduct under Section 195 of the Internal

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1 Revenue Code before it was amended by the Small Business Jobs
2 Act of 2010 (P.L. 111-240).
3 (21) 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 (22) 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 (23) This subdivision does not apply to payments made for
10 services provided to a business that was enrolled and participated
11 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
12 time the taxpayer conducted business in Indiana in the taxable
13 year. For a taxable year beginning after June 30, 2011, add the
14 amount of any trade or business deduction allowed under the
15 Internal Revenue Code for wages, reimbursements, or other
16 payments made for services provided in Indiana by an individual
17 for services as an employee, if the individual was, during the
18 period of service, prohibited from being hired as an employee
19 under 8 U.S.C. 1324a.
20 (24) Add the amount excluded from federal gross income under
21 Section 103 of the Internal Revenue Code for interest received on
22 an obligation of a state other than Indiana, or a political
23 subdivision of such a state, that is acquired by the taxpayer after
24 December 31, 2011.
25 (e) In the case of trusts and estates, "taxable income" (as defined for
26 trusts and estates in Section 641(b) of the Internal Revenue Code)
27 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) Subtract an amount equal to the amount of a September 11
31 terrorist attack settlement payment included in the federal
32 adjusted gross income of the estate of a victim of the September
33 11 terrorist attack or a trust to the extent the trust benefits a victim
34 of the September 11 terrorist attack.
35 (3) Add or subtract the amount necessary to make the adjusted
36 gross income of any taxpayer that owns property for which bonus
37 depreciation was allowed in the current taxable year or in an
38 earlier taxable year equal to the amount of adjusted gross income
39 that would have been computed had an election not been made
40 under Section 168(k) of the Internal Revenue Code to apply bonus
41 depreciation to the property in the year that it was placed in
42 service.

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

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

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

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

18 (13) Add or subtract the amount necessary to make the adjusted
 19 gross income of any taxpayer that made an election under Section
 20 181 of the Internal Revenue Code to expense costs for a qualified
 21 film or television production equal to the amount of adjusted
 22 gross income that would have been computed had an election for
 23 federal income tax purposes not been made for the year.

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

27 (A) the Federal National Mortgage Association, established
 28 under the Federal National Mortgage Association Charter Act
 29 (12 U.S.C. 1716 et seq.); or

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

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

38 (15) Add the amount excluded from gross income under Section
 39 108(a)(1)(e) of the Internal Revenue Code for the discharge of
 40 debt on a qualified principal residence.

41 (16) Add the amount necessary to make the adjusted gross income
 42 of any taxpayer that placed any qualified leasehold improvement

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1 property in service during the taxable year and that was classified
 2 as 15-year property under Section 168(e)(3)(E)(iv) of the Internal
 3 Revenue Code equal to the amount of adjusted gross income that
 4 would have been computed had the classification not applied to
 5 the property in the year that it was placed into service.
 6 (17) Add the amount necessary to make the adjusted gross income
 7 of any taxpayer that placed a motorsports entertainment complex
 8 in service during the taxable year and that was classified as 7-year
 9 property under Section 168(e)(3)(C)(ii) of the Internal Revenue
 10 Code equal to the amount of adjusted gross income that would
 11 have been computed had the classification not applied to the
 12 property in the year that it was placed into service.
 13 (18) Add the amount deducted under Section 195 of the Internal
 14 Revenue Code for start-up expenditures that exceeds the amount
 15 the taxpayer could deduct under Section 195 of the Internal
 16 Revenue Code before it was amended by the Small Business Jobs
 17 Act of 2010 (P.L. 111-240).
 18 (19) Add the amount deducted from gross income under Section
 19 198 of the Internal Revenue Code for the expensing of
 20 environmental remediation costs.
 21 (20) Add the amount deducted from gross income under Section
 22 179E of the Internal Revenue Code for any qualified advanced
 23 mine safety equipment property.
 24 (21) Add the amount necessary to make the adjusted gross income
 25 of any taxpayer for which tax was not imposed on the net
 26 recognized built-in gain of an S corporation under Section
 27 1374(d)(7) of the Internal Revenue Code as amended by the
 28 Small Business Jobs Act of 2010 (P.L. 111-240) equal to the
 29 amount of adjusted gross income that would have been computed
 30 before Section 1374(d)(7) of the Internal Revenue Code as
 31 amended by the Small Business Jobs Act of 2010 (P.L. 111-240).
 32 (22) This subdivision does not apply to payments made for
 33 services provided to a business that was enrolled and participated
 34 in the E-Verify program (as defined in IC 22-5-1.7-3) during the
 35 time the taxpayer conducted business in Indiana in the taxable
 36 year. For a taxable year beginning after June 30, 2011, add the
 37 amount of any trade or business deduction allowed under the
 38 Internal Revenue Code for wages, reimbursements, or other
 39 payments made for services provided in Indiana by an individual
 40 for services as an employee, if the individual was, during the
 41 period of service, prohibited from being hired as an employee
 42 under 8 U.S.C. 1324a.

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

6 SECTION 2. IC 6-3-2-4, AS AMENDED BY P.L.6-2012,
 7 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JANUARY 1, 2014]: Sec. 4. (a) Each taxable year, an individual, or the
 9 individual's surviving spouse, is entitled to an adjusted gross income
 10 tax deduction for the first five thousand dollars (\$5,000) of income,
 11 including ~~retirement or~~ survivor's benefits, received during the taxable
 12 year by the individual, or the individual's surviving spouse, for the
 13 individual's service in an active or reserve component of the armed
 14 forces of the United States, including the army, navy, air force, coast
 15 guard, marine corps, merchant marine, Indiana army national guard, or
 16 Indiana air national guard. However, a person who is less than sixty
 17 (60) years of age on the last day of the person's taxable year, is not, for
 18 that taxable year, entitled to a deduction under this section for
 19 ~~retirement or~~ survivor's benefits.

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

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

30 SECTION 3. [EFFECTIVE JANUARY 1, 2014] (a) **IC 6-3-1-3.5**
 31 **and IC 6-3-2-4, both as amended by this act, apply to taxable years**
 32 **beginning after December 31, 2013.**

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

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