
HOUSE BILL No. 1535

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.5.

Synopsis: Local option income taxes. Provides that an individual who has a principal place of employment or business in a county other than the individual's county of residence shall pay a county adjusted gross income tax, county option income tax, or county economic development income tax imposed by the county where the individual maintains the principal place of employment or business at a rate that is 1/4 of the sum of certain tax rates imposed on residents of the county under those taxes. Excludes certain tax rates for capital improvements from the calculation of the tax rate imposed on the nonresident individual. Provides a credit against any tax imposed by the individual's county of residence in the amount of the tax paid to the county where the individual has the individual's principal place of employment or business.

Effective: January 1, 2014.

Karickhoff, Pryor

January 22, 2013, read first time and referred to Committee on Ways and Means.

C
O
P
Y



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.

C
o
p
y

HOUSE BILL No. 1535



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 6-3.5-1.1-1, AS AMENDED BY P.L.146-2008,
 2 SECTION 326, IS AMENDED TO READ AS FOLLOWS
 3 [EFFECTIVE JANUARY 1, 2014]: Sec. 1. As used in this chapter:
 4 "Adjusted gross income" has the same definition that the term is
 5 given in IC 6-3-1-3.5(a), except that in the case of a county taxpayer
 6 who is not a resident of a county that has imposed the county adjusted
 7 gross income tax, the term includes only adjusted gross income derived
 8 from the taxpayer's principal place of business or employment.
 9 "Apartment complex" means real property consisting of at least five
 10 (5) units that are regularly used to rent or otherwise furnish residential
 11 accommodations for periods of at least thirty (30) days.
 12 "Civil taxing unit" means any entity having the power to impose ad
 13 valorem property taxes except a school corporation. The term does not
 14 include a solid waste management district that is not entitled to a
 15 distribution under section 1.3 of this chapter. However, in the case of
 16 a consolidated city, the term "civil taxing unit" includes the
 17 consolidated city and all special taxing districts, all special service



1 districts, and all entities whose budgets and property tax levies are
2 subject to review under IC 36-3-6-9.

3 "County council" includes the city-county council of a consolidated
4 city.

5 "County taxpayer" as it relates to a county for a year means any
6 individual:

7 (1) who resides in that county on the date specified in section 16
8 of this chapter; or

9 (2) who:

10 (A) maintains the taxpayer's principal place of business or
11 employment in that county on the date specified in section 16
12 of this chapter and who does not on that same date reside in
13 another county in which the county adjusted gross income tax,
14 the county option income tax, or the county economic
15 development income tax is in effect, **if the term applies to a
16 tax rate imposed under a provision of this chapter other
17 than section 4.5 of this chapter; or**

18 (B) maintains the taxpayer's principal place of business or
19 employment in that county on the date specified in section
20 16 of this chapter and who on that same date resides in
21 another county in which the county adjusted gross income
22 tax, the county option income tax, or the county economic
23 development income tax is in effect, **if the term applies to
24 a tax rate imposed under section 4.5 of this chapter.**

25 "Department" refers to the Indiana department of state revenue.

26 "Homestead" has the meaning set forth in IC 6-1.1-12-37.

27 "Nonresident county taxpayer" as it relates to a county for a year
28 means any county taxpayer for that county for that year who is not a
29 resident county taxpayer of that county for that year.

30 "Qualified residential property" refers to any of the following:

31 (1) An apartment complex.

32 (2) A homestead.

33 (3) Residential rental property.

34 "Resident county taxpayer" as it relates to a county for a year means
35 any county taxpayer who resides in that county on the date specified in
36 section 16 of this chapter.

37 "Residential rental property" means real property consisting of not
38 more than four (4) units that are regularly used to rent or otherwise
39 furnish residential accommodations for periods of at least thirty (30)
40 days.

41 "School corporation" means any public school corporation
42 established under Indiana law.

C
o
p
y



1 SECTION 2. IC 6-3.5-1.1-2, AS AMENDED BY P.L.137-2012,
 2 SECTION 64, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 3 JANUARY 1, 2014]: Sec. 2. (a) The county council of any county in
 4 which the county option income tax will not be in effect on December
 5 1 of a year under an ordinance adopted during a previous calendar year
 6 may impose the county adjusted gross income tax on the adjusted gross
 7 income of county taxpayers of its county.

8 (b) Except as provided in section 2.3, 2.5, 2.7, 2.8, 2.9, 3.3, 3.5, 3.6,
 9 24, 25, or 26 of this chapter, the county adjusted gross income tax may
 10 be imposed at a rate of one-half of one percent (0.5%), three-fourths of
 11 one percent (0.75%), or one percent (1%) on the adjusted gross income
 12 of resident county taxpayers of the county. **Except as provided in**
 13 **section 4.5 of this chapter**, any county imposing the county adjusted
 14 gross income tax must impose the tax on the nonresident county
 15 taxpayers at a rate of one-fourth of one percent (0.25%) on their
 16 adjusted gross income. If the county council elects to decrease the
 17 county adjusted gross income tax, the county council may decrease the
 18 county adjusted gross income tax rate in increments of one-tenth of one
 19 percent (0.1%).

20 (c) To impose the county adjusted gross income tax, the county
 21 council must adopt an ordinance. The ordinance must substantially
 22 state the following:

23 "The _____ County Council imposes the county adjusted
 24 gross income tax on the county taxpayers of _____ County.
 25 The county adjusted gross income tax is imposed at a ~~rate of the~~
 26 **following rates:**

27 (A) _____ percent (____%) on the resident county taxpayers
 28 of the county.

29 (B) _____ percent (____%) as prescribed by law on the
 30 **nonresident county taxpayers of the county who reside in**
 31 **another county in which the county adjusted gross income**
 32 **tax, the county option income tax, or the county economic**
 33 **development income tax is in effect. and**

34 (C) One-fourth of one percent (0.25%) on the nonresident
 35 county taxpayers of the county **who do not reside in another**
 36 **county in which the county adjusted gross income tax, the**
 37 **county option income tax, or the county economic**
 38 **development income tax is in effect."**

39 (d) The auditor of a county shall record all votes taken on
 40 ordinances presented for a vote under the authority of this section and,
 41 not more than ten (10) days after the vote, send a certified copy of the
 42 results to the commissioner of the department, the director of the

C
o
p
y



1 budget agency, and the commissioner of the department of local
 2 government finance by certified mail or in an electronic format
 3 approved by the director of the budget agency.

4 (e) If the county adjusted gross income tax had previously been
 5 adopted by a county under IC 6-3.5-1 (before its repeal on March 15,
 6 1983) and that tax was in effect at the time of the enactment of this
 7 chapter, then the county adjusted gross income tax continues in that
 8 county at the rates in effect at the time of enactment until the rates are
 9 modified or the tax is rescinded in the manner prescribed by this
 10 chapter. If a county's adjusted gross income tax is continued under this
 11 subsection, then the tax shall be treated as if it had been imposed under
 12 this chapter and is subject to rescission or reduction as authorized in
 13 this chapter.

14 SECTION 3. IC 6-3.5-1.1-4.5 IS ADDED TO THE INDIANA
 15 CODE AS A NEW SECTION TO READ AS FOLLOWS
 16 [EFFECTIVE JANUARY 1, 2014]: **Sec. 4.5. (a) This section applies**
 17 **only to a county taxpayer who maintains the taxpayer's principal**
 18 **place of business or employment in a county on the date specified**
 19 **in section 16 of this chapter and who on that same date resides in**
 20 **another county in which the county adjusted gross income tax, the**
 21 **county option income tax, or the county economic development**
 22 **income tax is in effect.**

23 (b) The county adjusted gross income tax rate in effect for the
 24 county taxpayer in the county where the county taxpayer
 25 maintains the county taxpayer's principal place of business or
 26 employment is twenty-five hundredths of one percent (0.25%) of
 27 the sum of the tax rates imposed under:

- 28 (1) section 2, 3, or 3.1 of this chapter;
- 29 (2) section 24 of this chapter;
- 30 (3) section 25 of this chapter; and
- 31 (4) section 26 of this chapter;

32 on the adjusted gross income of resident county taxpayers who
 33 reside in the county where the county taxpayer maintains the
 34 county taxpayer's principal place of business or employment.

35 SECTION 4. IC 6-3.5-1.1-4.7 IS ADDED TO THE INDIANA
 36 CODE AS A NEW SECTION TO READ AS FOLLOWS
 37 [EFFECTIVE JANUARY 1, 2014]: **Sec. 4.7. (a) This section applies**
 38 **if a taxpayer is obligated in the same calendar year to pay:**

- 39 (1) a tax imposed under section 4.5 of this chapter in a county
 40 where the taxpayer has a principal place of business or
 41 employment; and
- 42 (2) a tax imposed under this chapter or IC 6-3.5-6 in a county

C
o
p
y



1 **where the taxpayer resides.**

2 **(b) A taxpayer is eligible for a credit against the tax imposed by**
 3 **a county where the taxpayer resides. The amount of the credit is**
 4 **equal to the amount of the tax paid under section 4.5 of this**
 5 **chapter in the county where the taxpayer has a principal place of**
 6 **business or employment.**

7 SECTION 5. IC 6-3.5-6-1, AS AMENDED BY P.L.146-2008,
 8 SECTION 335, IS AMENDED TO READ AS FOLLOWS
 9 [EFFECTIVE JANUARY 1, 2014]: Sec. 1. As used in this chapter:

10 "Adjusted gross income" has the same definition that the term is
 11 given in IC 6-3-1-3.5. However, in the case of a county taxpayer who
 12 is not treated as a resident county taxpayer of a county, the term
 13 includes only adjusted gross income derived from the taxpayer's
 14 principal place of business or employment.

15 "Apartment complex" means real property consisting of at least five
 16 (5) units that are regularly used to rent or otherwise furnish residential
 17 accommodations for periods of at least thirty (30) days.

18 "Civil taxing unit" means any entity, except a school corporation,
 19 that has the power to impose ad valorem property taxes. The term does
 20 not include a solid waste management district that is not entitled to a
 21 distribution under section 1.3 of this chapter. However, in the case of
 22 a county in which a consolidated city is located, the consolidated city,
 23 the county, all special taxing districts, special service districts, included
 24 towns (as defined in IC 36-3-1-7), and all other political subdivisions
 25 except townships, excluded cities (as defined in IC 36-3-1-7), and
 26 school corporations shall be deemed to comprise one (1) civil taxing
 27 unit whose fiscal body is the fiscal body of the consolidated city.

28 "County income tax council" means a council established by section
 29 2 of this chapter.

30 "County taxpayer", as it relates to a particular county, means any
 31 individual:

32 (1) who resides in that county on the date specified in section 20
 33 of this chapter; or

34 (2) who:

35 **(A) maintains the taxpayer's principal place of business or**
 36 **employment in that county on the date specified in section 20**
 37 **of this chapter and who does not reside on that same date in**
 38 **another county in which the county option income tax, the**
 39 **county adjusted income tax, or the county economic**
 40 **development income tax is in effect, if the term applies to a**
 41 **tax rate imposed under a provision of this chapter other**
 42 **than section 9.4 of this chapter; or**

C
o
p
y



1 **(B) maintains the taxpayer's principal place of business or**
 2 **employment in that county on the date specified in section**
 3 **20 of this chapter and who on that same date resides in**
 4 **another county in which the county adjusted gross income**
 5 **tax, the county option income tax, or the county economic**
 6 **development income tax is in effect, if the term applies to**
 7 **a tax rate imposed under section 9.4 of this chapter.**

8 "Department" refers to the Indiana department of state revenue.

9 "Fiscal body" has the same definition that the term is given in
 10 IC 36-1-2-6.

11 "Homestead" has the meaning set forth in IC 6-1.1-12-37.

12 "Qualified residential property" refers to any of the following:

13 (1) An apartment complex.

14 (2) A homestead.

15 (3) Residential rental property.

16 "Resident county taxpayer", as it relates to a particular county,
 17 means any county taxpayer who resides in that county on the date
 18 specified in section 20 of this chapter.

19 "Residential rental property" means real property consisting of not
 20 more than four (4) units that are regularly used to rent or otherwise
 21 furnish residential accommodations for periods of at least thirty (30)
 22 days.

23 "School corporation" has the same definition that the term is given
 24 in IC 6-1.1-1-16.

25 SECTION 6. IC 6-3.5-6-8, AS AMENDED BY P.L.137-2012,
 26 SECTION 77, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JANUARY 1, 2014]: Sec. 8. (a) The county income tax council of any
 28 county in which the county adjusted gross income tax will not be in
 29 effect on December 1 of a year under an ordinance adopted during a
 30 previous calendar year may impose the county option income tax on the
 31 adjusted gross income of county taxpayers of its county.

32 (b) Except as provided in sections **9.4**, 30, 31, and 32 of this
 33 chapter, the county option income tax may initially be imposed at a rate
 34 of two-tenths of one percent (0.2%) on the resident county taxpayers of
 35 the county and at a rate of five-hundredths of one percent (0.05%) for
 36 all other county taxpayers.

37 (c) To impose the county option income tax, a county income tax
 38 council must pass an ordinance. The ordinance must substantially state
 39 the following:

40 "The _____ County Income Tax Council imposes the
 41 county option income tax on the county taxpayers of
 42 _____ County. The county option income tax is

C
O
P
Y



1 imposed at a rate of two-tenths of one percent (0.2%) on the
 2 resident county taxpayers of the county and at a rate of
 3 five-hundredths of one percent (0.05%) on all other county
 4 taxpayers."

5 (d) Except as provided in sections 30, 31, and 32 of this chapter, if
 6 the county option income tax is imposed on the county taxpayers of a
 7 county, then the county option income tax rate that is in effect for
 8 resident county taxpayers of that county increases by one-tenth of one
 9 percent (0.1%) on each succeeding October 1 until the rate equals
 10 six-tenths of one percent (0.6%).

11 (e) **Except as provided in section 9.4 of this chapter**, the county
 12 option income tax rate in effect for the county taxpayers of a county
 13 who are not resident county taxpayers of that county is at all times
 14 one-fourth (1/4) of the tax rate imposed upon resident county
 15 taxpayers.

16 (f) The auditor of a county shall record all votes taken on ordinances
 17 presented for a vote under this section and, not more than ten (10) days
 18 after the vote, send a certified copy of the results to the commissioner
 19 of the department, the director of the budget agency, and the
 20 commissioner of the department of local government finance by
 21 certified mail or in an electronic format approved by the director of the
 22 budget agency.

23 SECTION 7. IC 6-3.5-6-9.4 IS ADDED TO THE INDIANA CODE
 24 AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE
 25 JANUARY 1, 2014]: **Sec. 9.4. (a) This section applies only to a**
 26 **county taxpayer who maintains the taxpayer's principal place of**
 27 **business or employment in a county on the date specified in section**
 28 **20 of this chapter and who on that same date resides in another**
 29 **county in which the county adjusted gross income tax, the county**
 30 **option income tax, or the county economic development income tax**
 31 **is in effect.**

32 (b) **The county option income tax rate in effect for the county**
 33 **taxpayer in the county where the county taxpayer maintains the**
 34 **county taxpayer's principal place of business or employment is**
 35 **twenty-five hundredths of one percent (0.25%) of the sum of the**
 36 **tax rates imposed under:**

- 37 (1) **section 8, 9, 11, or 12.5 of this chapter;**
 38 (2) **section 30 of this chapter;**
 39 (3) **section 31 of this chapter; and**
 40 (4) **section 32 of this chapter;**
 41 **on the adjusted gross income of resident county taxpayers who**
 42 **reside in the county where the county taxpayer maintains the**

C
o
p
y



1 **county taxpayer's principal place of business or employment.**

2 **(c) Section 8(e) of this chapter does not apply to this section.**

3 SECTION 8. IC 6-3.5-6-9.7 IS ADDED TO THE INDIANA CODE
4 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
5 JANUARY 1, 2014]: **Sec. 9.7. (a) This section applies if a taxpayer
6 is obligated in the same calendar year to pay:**

7 **(1) a tax imposed under section 9.4 of this chapter in a county
8 where the taxpayer has a principal place of business or
9 employment; and**

10 **(2) a tax imposed under this chapter or IC 6-3.5-1.1 in a
11 county where the taxpayer resides.**

12 **(b) A taxpayer is eligible for a credit against the tax imposed
13 under this chapter or IC 6-3.5-1.1 by a county where the taxpayer
14 resides. The amount of the credit is equal to the amount of the tax
15 paid under section 9.4 of this chapter in the county where the
16 taxpayer has a principal place of business or employment.**

17 SECTION 9. IC 6-3.5-7-3 IS AMENDED TO READ AS
18 FOLLOWS [EFFECTIVE JANUARY 1, 2014]: **Sec. 3.** As used in this
19 chapter, "county taxpayer" as it relates to a county for a year means any
20 individual who:

21 **(1) resides in that county on the date specified in section 17 of
22 this chapter; or**

23 **(2) maintains:**

24 **(A) a principal place of business or employment in that county
25 on the date specified in section 17 of this chapter and who
26 does not on that same date reside in another county in which
27 the county adjusted gross income tax, the county option
28 income tax, or the county economic development income tax
29 is in effect, if the term applies to a tax rate imposed under
30 a provision of this chapter other than section 7.5 of this
31 chapter; or**

32 **(B) the taxpayer's principal place of business or
33 employment in that county on the date specified in section
34 17 of this chapter and who on that same date resides in
35 another county in which the county adjusted gross income
36 tax, the county option income tax, or the county economic
37 development income tax is in effect, if the term applies to
38 a tax rate imposed under section 7.5 of this chapter.**

39 SECTION 10. IC 6-3.5-7-7.5 IS ADDED TO THE INDIANA
40 CODE AS A NEW SECTION TO READ AS FOLLOWS
41 [EFFECTIVE JANUARY 1, 2014]: **Sec. 7.5. (a) This section applies
42 only to a county taxpayer who maintains the taxpayer's principal**

C
o
p
y



1 place of business or employment in a county on the date specified
 2 in section 17 of this chapter and who on that same date resides in
 3 another county in which the county adjusted gross income tax, the
 4 county option income tax, or the county economic development
 5 income tax is in effect.

6 (b) The county economic development income tax rate in effect
 7 for the county taxpayer in the county where the county taxpayer
 8 maintains the county taxpayer's principal place of business or
 9 employment is twenty-five hundredths of one percent (0.25%) of
 10 the sum of the tax rates imposed under:

11 (1) section 5 or 6 of this chapter; and

12 (2) section 26 of this chapter;

13 on the adjusted gross income of resident county taxpayers who
 14 reside in the county where the county taxpayer maintains the
 15 county taxpayer's principal place of business or employment.

16 SECTION 11. IC 6-3.5-7-7.7 IS ADDED TO THE INDIANA
 17 CODE AS A NEW SECTION TO READ AS FOLLOWS
 18 [EFFECTIVE JANUARY 1, 2014]: **Sec. 7.7. (a) This section applies**
 19 **if a taxpayer is obligated in the same calendar year to pay:**

20 (1) a tax imposed under section 7.5 of this chapter in a county
 21 where the taxpayer has a principal place of business or
 22 employment; and

23 (2) a tax imposed under this chapter in a county where the
 24 taxpayer resides.

25 (b) A taxpayer is eligible for a credit against the tax imposed by
 26 a county where the taxpayer resides. The amount of the credit is
 27 equal to the amount of the tax paid under section 7.5 of this
 28 chapter in the county where the taxpayer has a principal place of
 29 business or employment.

30 SECTION 12. [EFFECTIVE JANUARY 1, 2014] (a) The changes
 31 made by this act to the following sections of the Indiana Code
 32 apply only to taxable years (as defined in IC 6-3-1-16) and
 33 employer remittances made after December 31, 2013:

34 IC 6-3.5-1.1-1

35 IC 6-3.5-1.1-2

36 IC 6-3.5-1.1-4.5

37 IC 6-3.5-1.1-4.7

38 IC 6-3.5-6-1

39 IC 6-3.5-6-8

40 IC 6-3.5-6-9.4

41 IC 6-3.5-6-9.7

42 IC 6-3.5-7-3

C
O
P
Y



- 1 **IC 6-3.5-7-7.5**
- 2 **IC 6-3.5-7-7.7.**
- 3 **(b) This SECTION expires January 1, 2016.**

C
o
p
y

