
HOUSE BILL No. 1541

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-10-22; IC 6-3-2-1; IC 6-4.1.

Synopsis: Various tax matters. Repeals the automatic taxpayer refund. Reduces the individual income tax rate from 3.4% to 3.06% over three years. Provides that the inheritance tax does not apply to property interests transferred by decedents whose deaths occur after December 31, 2017. Specifies that certain definitions apply after the elimination of the inheritance tax for purposes of the Indiana estate tax and the Indiana generation-skipping transfer tax. Provides that the inheritance tax replacement amount is calculated in the same manner that it was calculated between 1997 and 2012. (Current law provides that a county is not eligible for a replacement amount unless it receives a replacement amount for inheritance tax collections in state fiscal year 2011-2012.) Phases out inheritance tax replacement amount distributions from 2013 to 2017.

Effective: July 1, 2013.

Turner

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

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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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HOUSE BILL No. 1541



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 4-10-22-2, AS AMENDED BY P.L.160-2012,
2 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2013]: Sec. 2. If
4 (†) the total amount of state reserves calculated by the office of
5 management and budget exceeds twelve and five-tenths percent
6 (12.5%) of the general revenue appropriations for the current state
7 fiscal year, **and**
8 ~~(2) the accounts payable by the state at the end of the preceding~~
9 ~~state fiscal year are not unusually large as a percentage of the total~~
10 ~~amount of state reserves (as compared to recent history);~~
11 the **governor office of management and budget** shall make a
12 presentation to the state budget committee regarding the disposition of
13 excess state reserves under section 3 of this chapter. The presentation
14 must be made not later than September 30 of each odd-numbered year.

15 SECTION 2. IC 4-10-22-3, AS AMENDED BY P.L.160-2012,
16 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
17 JULY 1, 2013]: Sec. 3. After completing the presentation to the state



1 budget committee described in section 2 of this chapter, the **governor**
 2 **office of management and budget** shall do the following:

3 (1) If the amount of excess reserves on June 30 of any year is less
 4 than fifty million dollars (\$50,000,000), the **governor office of**
 5 **management and budget** shall carry over the excess reserves to
 6 each subsequent year until the total excess reserves, including any
 7 carryover amount, equal at least fifty million dollars
 8 (\$50,000,000). In the year that the total excess reserves equal at
 9 least fifty million dollars (\$50,000,000), the excess reserves shall
 10 be used as provided in subdivision (2).

11 (2) If in any year the amount of the excess reserves is fifty million
 12 dollars (\$50,000,000) or more, the **governor office of**
 13 **management and budget** shall do the following:

14 (A) If the year is calendar year 2012, transfer fifty percent
 15 (50%) of the excess reserves as follows:

16 (i) To the pension plans for the state police, conservation
 17 officers, judges, and prosecuting attorneys to increase the
 18 funded amount of each of these plans to eighty percent
 19 (80%). The funded amount for each plan described in this
 20 item is to be determined as of June 30 of the immediately
 21 preceding year; and, if the amount of money available for
 22 transfer is less than the amount needed to increase all these
 23 plans' funded amount to eighty percent (80%), the transfers
 24 shall be made in the priority of each plan's unfunded liability
 25 so that the funded amount of the plan with the least
 26 unfunded liability is raised to eighty percent (80%) first.

27 (ii) To the pension stabilization fund established by
 28 IC 5-10.4-2-5 for the purposes of the pension stabilization
 29 fund; if money remains after satisfying item (i):

30 If the year begins after December 31, 2012, transfer fifty
 31 percent (50%) of any excess reserves to the pension
 32 stabilization fund established by IC 5-10.4-2-5 for the
 33 purposes of the pension stabilization fund.

34 (B) Use fifty percent (50%) of any excess reserves for the
 35 purposes of providing an automatic taxpayer refund under
 36 section 4 of this chapter.

37 SECTION 3. IC 4-10-22-4 IS REPEALED [EFFECTIVE JULY 1,
 38 2013]. Sec. 4. The following apply if sufficient excess state reserves are
 39 available to provide an automatic taxpayer refund to each taxpayer
 40 eligible for a refund:

41 (†) To qualify for a refund, a taxpayer:

42 (A) must have filed an Indiana resident individual adjusted

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1 gross income tax return for the taxpayer's taxable year ending
 2 in the calendar year immediately preceding the calendar year
 3 in which a determination is made under section † of this
 4 chapter that the state has excess reserves; and

5 (B) must have adjusted gross income tax liability for the
 6 taxpayer's taxable year ending in the calendar year in which a
 7 determination is made under section † of this chapter that the
 8 state has excess reserves.

9 (2) The amount of the refund is determined for each qualifying
 10 taxpayer as follows:

11 STEP ONE: Determine the total amount of excess state
 12 reserves that under section 3 of this chapter are available to
 13 provide automatic taxpayer refunds.

14 STEP TWO: Determine the total number of taxpayers that
 15 qualify for a refund under subdivision (1):

16 STEP THREE: Determine the result of:

17 (A) the STEP ONE result; divided by

18 (B) the STEP TWO result;

19 as rounded to the nearest dollar.

20 (3) The refund is a refundable credit that shall first be applied as
 21 a credit against adjusted gross income tax liability in the
 22 taxpayer's taxable year in which a refund is provided. Any
 23 remaining unused credit shall be refunded to the taxpayer. The
 24 credit may not be carried forward:

25 (4) If an individual and the individual's spouse are both qualifying
 26 taxpayers for purposes of this section for a taxable year and file
 27 a joint Indiana resident individual adjusted gross income tax
 28 return for the taxable year:

29 (A) the individual and the individual's spouse are considered
 30 two (2) taxpayers for purposes of determining the amount of
 31 the refund under subdivision (2) for a qualifying taxpayer; and
 32 (B) the amount of the refund that the individual and the
 33 individual's spouse are entitled to claim is equal to the amount
 34 of any refund determined under subdivision (2) for a
 35 qualifying taxpayer; multiplied by two (2):

36 SECTION 4. IC 6-3-2-1, AS AMENDED BY P.L.172-2011,
 37 SECTION 54, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 38 JULY 1, 2013]: Sec. 1. (a) Each taxable year, a tax at the **rate of three**
 39 **and four-tenths percent (3.4%) following rate** of adjusted gross income
 40 is imposed upon the adjusted gross income of every resident person,
 41 and on that part of the adjusted gross income derived from sources
 42 within Indiana of every nonresident person:



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- 1 **(1) For taxable years beginning before January 1, 2014, three**
 2 **and four-tenths percent (3.4%).**
 3 **(2) For taxable years beginning after December 31, 2013, and**
 4 **before January 1, 2015, three and twenty-five hundredths**
 5 **percent (3.25%).**
 6 **(3) For taxable years beginning after December 31, 2014, and**
 7 **before January 1, 2016, three and fifteen hundredths percent**
 8 **(3.15%).**
 9 **(4) For taxable years beginning after December 31, 2015,**
 10 **three and six hundredths percent (3.06%).**

11 (b) Except as provided in section 1.5 of this chapter, each taxable
 12 year, a tax at the following rate of adjusted gross income is imposed on
 13 that part of the adjusted gross income derived from sources within
 14 Indiana of every corporation:

- 15 (1) Before July 1, 2012, eight and five-tenths percent (8.5%).
 16 (2) After June 30, 2012, and before July 1, 2013, eight percent
 17 (8.0%).
 18 (3) After June 30, 2013, and before July 1, 2014, seven and
 19 five-tenths percent (7.5%).
 20 (4) After June 30, 2014, and before July 1, 2015, seven percent
 21 (7.0%).
 22 (5) After June 30, 2015, six and five-tenths percent (6.5%).

23 (c) If for any taxable year a taxpayer is subject to different tax rates
 24 under subsection (b), the taxpayer's tax rate for that taxable year is the
 25 rate determined in the last STEP of the following STEPS:

- 26 STEP ONE: Multiply the number of months in the taxpayer's
 27 taxable year that precede the month the rate changed by the rate
 28 in effect before the rate change.
 29 STEP TWO: Multiply the number of months in the taxpayer's
 30 taxable year that follow the month before the rate changed by the
 31 rate in effect after the rate change.
 32 STEP THREE: Divide the sum of the amounts determined under
 33 STEPS ONE and TWO by twelve (12).

34 However, the rate determined under this subsection shall be rounded
 35 to the nearest one-hundredth of one percent (0.01%).

36 SECTION 5. IC 6-4.1-1-0.5, AS ADDED BY P.L.157-2012,
 37 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 38 JULY 1, 2013]: Sec. 0.5. **(a) Except as provided in subsection (b),**
 39 this chapter does not apply to a property interest transferred by a
 40 decendent whose death occurs after December 31, ~~2021~~ **2017.**

41 **(b) For purposes of IC 6-4.1-11 and IC 6-4.1-11.5, the following**
 42 **statutes apply with respect to a property interest transferred by a**

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decedent whose death occurs after December 31, 2017:

(1) Section 4 of this chapter.

(2) Section 5 of this chapter.

(3) Section 8 of this chapter.

(4) Section 11 of this chapter.

(5) Section 13 of this chapter.

SECTION 6. IC 6-4.1-1-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. "Federal **state** death tax credit" means the maximum federal estate tax credit provided, with respect to estate, inheritance, legacy, or succession taxes, under Section 2011 or Section 2102 of the Internal Revenue Code.

SECTION 7. IC 6-4.1-2-0.5, AS ADDED BY P.L.157-2012, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 8. IC 6-4.1-3-0.5, AS ADDED BY P.L.157-2012, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 9. IC 6-4.1-4-0.2, AS ADDED BY P.L.157-2012, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.2. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 10. IC 6-4.1-5-0.5, AS ADDED BY P.L.157-2012, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 11. IC 6-4.1-5-1.1, AS ADDED BY P.L.157-2012, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 1.1. (a) This section applies to a property interest transferred by a decedent whose death occurs after December 31, 2012, **and before January 1, 2018.**

(b) For purposes of determining the amount of inheritance tax imposed under this article, a credit is allowed against the tax imposed under section 1 of this chapter on a decedent's transfer of property interests. The amount of the credit equals the inheritance tax imposed under section 1 of this chapter multiplied by the percentage prescribed in the following table:

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1	YEAR OF	PERCENTAGE
2	INDIVIDUAL'S DEATH	OF CREDIT
3	2013	10%
4	2014	20% 30%
5	2015	30% 50%
6	2016	40% 70%
7	2017	50% 90%
8	2018	60%
9	2019	70%
10	2020	80%
11	2021	90%

(c) A person who is liable for inheritance tax imposed under this article may claim the credit allowed under this section at the time the person pays the tax. When the payment is made, the person collecting the tax shall reduce the inheritance tax due by the amount of the credit specified in subsection (b).

SECTION 12. IC 6-4.1-6-0.5, AS ADDED BY P.L.157-2012, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 13. IC 6-4.1-7-0.5, AS ADDED BY P.L.157-2012, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 14. IC 6-4.1-8-0.5, AS ADDED BY P.L.157-2012, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 15. IC 6-4.1-9-0.5, AS ADDED BY P.L.157-2012, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 0.5. This chapter does not apply to a property interest transferred by a decedent whose death occurs after December 31, ~~2021~~. **2017.**

SECTION 16. IC 6-4.1-11-6, AS AMENDED BY P.L.157-2012, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 6. (a) The department of state revenue shall collect the Indiana estate tax and the interest charges imposed under this chapter. The department shall remit the money which it collects under this chapter to the state treasurer, and the state treasurer shall



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1 deposit the money in the state general fund.

2 (b) Except as provided in subsection ~~(e)~~; **(d)**, the treasurer of state
3 shall annually distribute to each county the amount determined under
4 subsection (c) ~~or (d)~~ for the county. The distribution **for with respect**
5 **to inheritance tax collections in** a particular state fiscal year must be
6 made before August 15 of the following state fiscal year. There is
7 appropriated from the state general fund the amount necessary to make
8 the distributions under this subsection.

9 (c) ~~For a state fiscal year ending before July 1, 2012,~~ The
10 department of state revenue shall determine the inheritance tax
11 replacement amount for each county using the following formula:

12 STEP ONE: Determine the amount of inheritance tax revenue
13 retained by each county in each state fiscal year beginning with
14 the state fiscal year that began July 1, 1990, and ending with the
15 state fiscal year that ends June 30, 1997.

16 STEP TWO: Determine the average annual amount of inheritance
17 tax revenue retained by each county using five (5) of the seven (7)
18 state fiscal years described in STEP ONE after excluding the two
19 (2) years in which each county retained its highest and lowest
20 totals of inheritance tax revenue.

21 STEP THREE: Determine the remainder of the STEP TWO
22 amount minus the amount of inheritance taxes retained by the
23 county during the immediately preceding state fiscal year.

24 ~~(d) For a state fiscal year beginning after June 30, 2012, and ending~~
25 ~~before July 1, 2022,~~ the department of state revenue shall determine the
26 inheritance tax replacement amount for each county using the
27 following formula:

28 ~~STEP ONE: Determine the inheritance tax replacement amount~~
29 ~~distributed to the county for the state fiscal year that began on~~
30 ~~July 1, 2011.~~

31 ~~STEP TWO:~~ **FOUR:** Multiply the amount determined under
32 ~~STEP ONE~~ **THREE** by the appropriate percentage as follows:

33 (A) ~~Ninety-one percent (91%) for the state fiscal year~~
34 ~~beginning July 1, 2012.~~ **Ninety percent (90%) for**
35 **distributions made in 2013.**

36 (B) ~~Eighty-two percent (82%) for the state fiscal year~~
37 ~~beginning July 1, 2013.~~ **Seventy percent (70%) for**
38 **distributions made in 2014.**

39 (C) ~~Seventy-three percent (73%) for the state fiscal year~~
40 ~~beginning July 1, 2014.~~ **Fifty percent (50%) for**
41 **distributions made in 2015.**

42 (D) ~~Sixty-four percent (64%) for the state fiscal year beginning~~

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1 July 1, 2015: **Thirty percent (30%) for distributions made**
 2 **in 2016.**
 3 (E) Fifty-five percent (55%) for the state fiscal year beginning
 4 July 1, 2016: **Ten percent (10%) for distributions made in**
 5 **2017.**
 6 (F) Forty-five percent (45%) for the state fiscal year beginning
 7 July 1, 2017.
 8 (G) Thirty-six percent (36%) for the state fiscal year beginning
 9 July 1, 2018.
 10 (H) Twenty-seven percent (27%) for the state fiscal year
 11 beginning July 1, 2019.
 12 (I) Eighteen percent (18%) for the state fiscal year beginning
 13 July 1, 2020.
 14 (J) Nine percent (9%) for the state fiscal year beginning July
 15 1, 2021.
 16 (e) ~~(d)~~ A county is not entitled to a distribution under subsection (b)
 17 for a state fiscal year beginning after June 30, 2022: **after December**
 18 **31, 2017.**
 19 SECTION 17. IC 6-4.1-12-0.5, AS ADDED BY P.L.157-2012,
 20 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 21 JULY 1, 2013]: Sec. 0.5. (a) For an individual who dies after December
 22 31, 2021, **2017**, there is no inheritance tax imposed on the decedent's
 23 transfer of property interests.
 24 (b) Sections 1 through 12 of this chapter do not apply to a property
 25 interest transferred by a decedent whose death occurs after December
 26 31, 2021. **2017.**

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