
DEPARTMENT OF STATE REVENUE

Information Bulletin #110
Income Tax
August 2014
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Effective Date: Upon Publication

SUBJECT: Automatic Taxpayer Refund Credit

REFERENCES: [IC 4-10-22](#); [IC 6-3-2](#)

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SUMMARY

For certain tax years, [IC 4-10-22-4](#) authorizes a repayment of Indiana income taxes for certain qualifying taxpayers ("automatic taxpayer refund credit" or "ATRC"). The ATRC is a refundable tax credit. This bulletin provides guidance as to the application of Indiana adjusted gross income tax to the ATRC.

TAXABILITY OF THE AUTOMATIC TAXPAYER REFUND CREDIT

For taxpayers who receive an Indiana tax refund (or an increased refund) due to the ATRC, the ATRC will be included in income for federal tax purposes if the taxpayer claimed the Indiana state and local income tax payments as an itemized deduction on the taxpayer's federal income tax return filed in the preceding calendar year. Please consult the instructions for the Form 1040 or IRS Publication 525 to determine what portion of the refund is to be included as income for federal tax purposes.

Any previous state tax refund included as income for federal tax purposes—regardless of whether the refund was the result of the ATRC or other tax payments—can be deducted on the taxpayer's current year Indiana income tax return.

If a taxpayer did not claim Indiana state and local income taxes as an itemized deduction on the taxpayer's federal income tax return filed for the preceding calendar year, an Indiana tax refund is not considered income to the taxpayer. Likewise, if the ATRC reduced any underpayment otherwise due on the taxpayer's preceding calendar year Indiana income tax return, the ATRC is not considered income to the taxpayer.

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Commissioner

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