DEPARTMENT OF STATE REVENUE

Information Bulletin #26
Income Tax
January 2023
Effective Date: Upon Publication
(Replaces Bulletin #26, dated July 2015)

SUBJECT: General Information Concerning Filing Requirements and Specific Tax Benefits Available to the Elderly

REFERENCES: IC 6-3-1-3.5; IC 6-3-2-3.7; IC 6-3-2-4; IC 6-3-2-6; IC 6-3-2-9; IC 6-3-3-9

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SUMMARY OF CHANGES
Aside from nonsubstantive, technical changes, this bulletin has been changed to update information pertaining to deductions and credits applicable to the elderly.

I. INTRODUCTION
Elderly taxpayers have many Indiana tax advantages available to them. The purpose of this bulletin is to highlight those advantages. The first part of the bulletin discusses the filing requirements for the elderly and whether or not they are required to file an annual Indiana income tax return.

II. FILING REQUIREMENTS
The first step in determining whether an individual needs to file an Indiana return is to determine their residency status for the year. A taxpayer is considered a full-year resident if the taxpayer maintained a legal residence in Indiana for the entire year. A taxpayer does not have to be physically present in Indiana the entire year to be considered a full-year resident. If the taxpayer is a resident and the total value of personal, elderly, and blind exemptions exceeds the taxpayer's federal adjusted gross income before deductions, the taxpayer does not have to file an annual income tax return. If the taxpayer is not required to file but has withholding for Indiana state and local taxes, the taxpayer may file a return to claim a refund for taxes withheld.

NOTE: A taxpayer might not be required to file a federal return because the standard deduction amount and the number of exemptions exceed the taxpayer's adjusted gross income. However, this does not automatically mean the taxpayer is not required to file an Indiana resident return.

If the taxpayer was a part-year resident and had Indiana source income, the taxpayer must file an IT-40PNR (Part Year Nonresident Return).

III. EXEMPTIONS
Indiana allows:

- A $1,000 exemption for each exemption claimed on the federal return;
- A $1,500 exemption for certain dependent children;
- A $3,000 exemption for qualifying adopted children;
- A $1,000 exemption for the taxpayer and/or spouse if they are age 65 or over;
- A $1,000 exemption for the taxpayer and/or spouse if they are blind; and
- A $500 additional exemption for each individual age 65 or older if their federal adjusted gross income is less than $40,000 ($20,000 if married filing separately).

IV. TAXABLE VERSUS NONTAXABLE INCOME
Taxable income includes, but is not limited to, income from the following sources:

Wages	Rental income
Salaries	Farm income
Commissions	Business income
Tips	Pensions (taxable portion)

Interest	Annuities (taxable portion)
Dividends	Partnership/Shareholder income
Royalty income	Gain from sale or exchange of property

Nontaxable income includes, but is not limited to, income from the following sources:
Social Security
Railroad retirement benefits
Life insurance proceeds

The federal government may tax a portion of Social Security and railroad retirement benefits. Indiana allows a tax deduction for any Social Security or railroad retirement benefits included in federal adjusted gross income. Indiana also allows a deduction for a portion of unemployment compensation benefits received. For more information on the taxation of unemployment compensation, please see Income Tax Information Bulletin #60, available online at in.gov/dor/legal-resources/tax-library/information-bulletins/income-tax-information-bulletins/.

V. LIABILITY FOR COUNTY TAX
If the taxpayer's place of residence or principal place of business or employment on January 1 was an Indiana county, the taxpayer owes local income tax. The county tax schedule is included in the tax return booklet with a list of the counties and their respective rates.

VI. ADJUSTMENTS TO INDIANA INCOME
If a taxpayer is required to file an Indiana tax return, the taxpayer may be eligible for certain adjustments to Indiana income.

Civil Service Annuity Deduction
A taxpayer who is at least 62 years of age by the end of the taxable year, or the taxpayer's surviving spouse regardless of age, may be allowed a deduction from adjusted gross income equal to the first $16,000 from a federal civil service annuity included in adjusted gross income. This deduction must be reduced by the total amount of any Social Security benefits and railroad retirement benefits received during the taxable year. For more information on the civil service annuity deduction, please see Income Tax Information Bulletin #6, available online at the link above.

Example: A taxpayer who received $6,000 in federal civil service annuity benefits and $1,500 in Social Security benefits will be allowed a $4,500 civil service annuity adjustment.

Military Retirement Pay Adjustment
A taxpayer or the taxpayer's surviving spouse may qualify for a military retirement pay deduction. This deduction is the amount of retirement or survivor's benefits (which excludes active duty pay) received during the taxable year by the individual or the individual's surviving spouse for service in an active or reserve component of the armed forces. For more information on the military pay adjustment, please see Income Tax Information Bulletin #6, available online at the link above.

Homeowner's Residential Property Tax Deduction
A taxpayer is eligible for an income tax deduction equal to the lesser of $2,500 ($1,250 if married filing separately) or the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's Indiana principal place of residence.

Renter's Income Tax Deduction
A taxpayer is eligible for an income tax deduction if the taxpayer rents a dwelling for their principal place of residence. The deduction is equal to the lesser of the amount of rent actually paid or $3,000 ($1,500 if married filing separately). For more information on the renter's income tax deduction, please see Income Tax Information Bulletin #38, available online at the link above.

Disability Retirement Deduction
An individual who retired on disability and was permanently and totally disabled is entitled to a deduction from adjusted gross income. For further information on the disability retirement deduction, see Income Tax Information Bulletin #70, available online at the link above.

Unified Tax Credit for the Elderly
An individual is eligible for the Unified Tax Credit for the Elderly if the individual meets all of the following

requirements:

1. The taxpayer and/or spouse must be at least 65 by the end of the taxable year.
2. The taxpayer and spouse must file a joint return if they lived together at any time during the taxable year.
3. The federal adjusted gross income must be less than $10,000.
4. The qualifying taxpayer and/or spouse must have been a resident of Indiana at least six months during the taxable year.

This credit can be claimed on the IT-40 or the IT-40PNR. If the income is below the limits that require the filing of an income tax return but the taxpayer and/or spouse meets the qualifications to claim the credit, the credit can be claimed by filing Form SC-40. The SC-40 must be filed no later than three years after the due date of the IT-40 or IT-40PNR for that year. In other words, a 2022 SC-40 is required to be filed by April 15, 2026, absent an extension. The credit cannot be claimed on behalf of a decedent unless the claim is filed by the surviving spouse on a joint return. If an individual is imprisoned for more than 180 days during the taxable year, the individual is not eligible for the credit.

The amount of credit that may be claimed depends on the income and filing status of the taxpayer. Use the table below to calculate the amount of the credit.

If the taxpayer is filing a single return and is age 65 or older, or if the taxpayer is filing a joint return and only the taxpayer or spouse is over 65, use the following table:

If your income is:	Allowable credit
Less than $1,000	$100
Between $1,000 and $2,999	$50
Between $3,000 and $9,999	$40

If the taxpayer and spouse are filing a joint return and both are 65 or older, use the following table:

If your income is:	Allowable credit
Less than $1,000	$140
Between $1,000 and $2,999	$90
Between $3,000 and $9,999	$80

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.

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Commissioner

Posted: 01/25/2023 by Legislative Services Agency
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