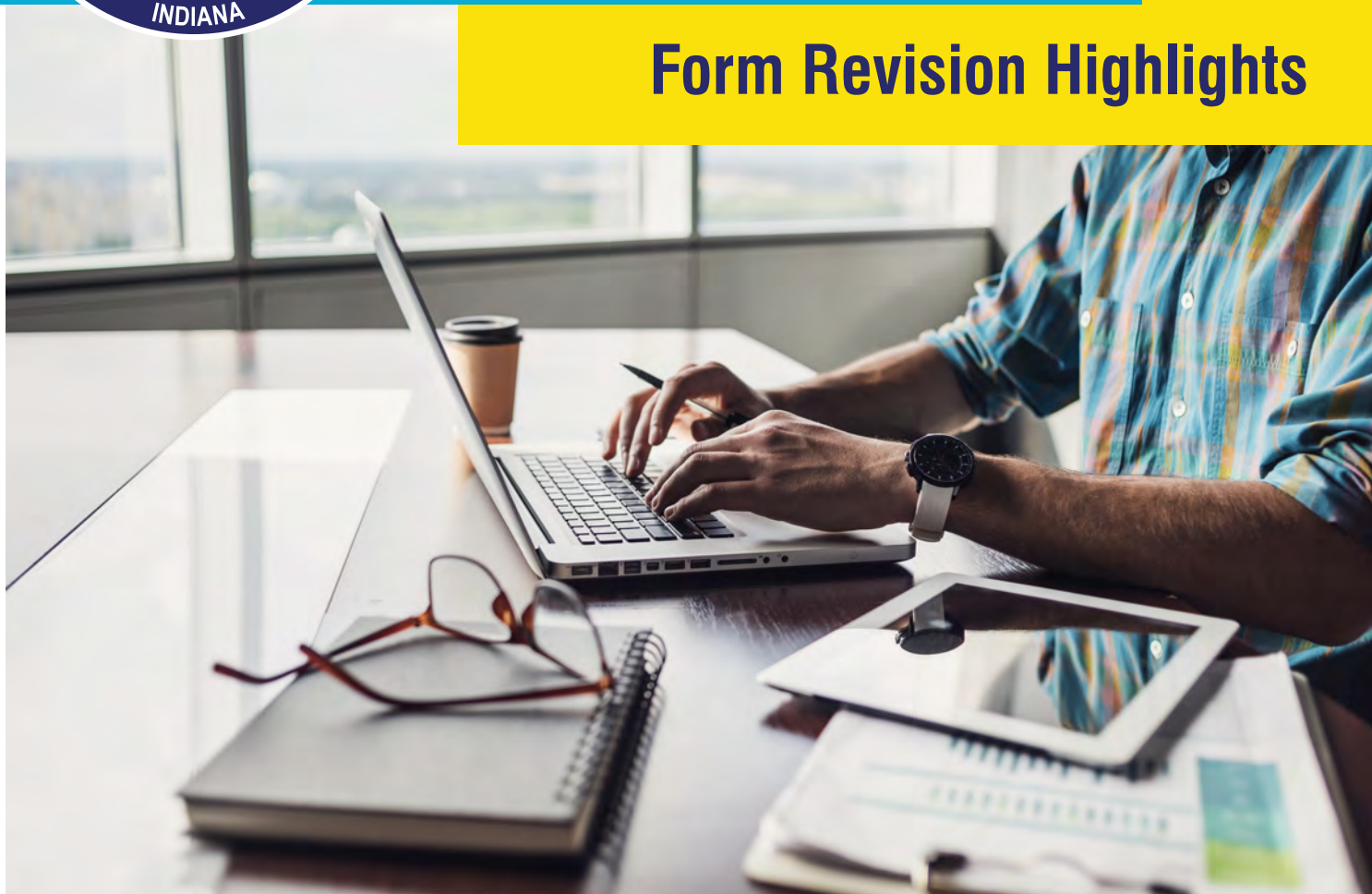




# 2020 Individual Income Tax

## Form Revision Highlights



**Indiana Department of Revenue**



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### Add-Backs

- **Tax Add-Back**

The portion of wagering taxes required to be added back as a tax based on or measured by income is being reduced (phased out). The percentage of taxes required to be added back for 2020 is 75%.

For example, Casino X remits \$10,000,000 in riverboat wagering taxes in 2020. Individual owns 10% of Casino X. Individual's share of Casino X's income taxes is \$1,000,000. Instead of individual adding back the full \$1,000,000, Individual will add back \$750,000.

- **Current year conformity add-back (147)**

A new current year conformity add-back (147) is available for negative entries only. **Note.** This is a companion to the existing current year conformity add-back (120), which is for positive entries only.

### Credits Update

- **Indiana's CollegeChoice 529 Education Savings Plan Credit**

- First year to file as married filing separately (MFS) is 2020. If filing MFS, each spouse can claim maximum credit up to \$500 of spouse's own contribution or 20% of spouse's own contribution, whichever is less.
- Decouples from the federal 529 education savings plan rules by excepting qualified education loan repayments under Section 529(c)(9) of the Internal Revenue Code from the definition of "qualified higher education expenses."

- **Redevelopment Tax Credit – 2020 first year; 3-Digit Code 863; 4-digit code 1863**

- Provides that a taxpayer may claim a credit against state tax liability if the taxpayer makes a qualified investment for the redevelopment or rehabilitation of real property located within a qualified redevelopment site, and the qualified investment is approved by the Indiana Economic Development Corporation (IEDC).
- This credit must be reported on Schedule IN-OCC.
- Also provides for Redevelopment Tax Credit – Composite, 4-digit code 1863.
- Credit subject to recapture.

- **School Scholarship Tax Credit Contribution Ceiling Increase**

The total of allowable net contributions to the program has increased to \$16.5 million for the program's fiscal year of July 1, 2020 through June 30, 2021.

- **Venture Capital Investment Credit; 3-Digit Code 835; new 4-digit code 1835**

Provides the amount of the tax credit that is passed through to a shareholder, partner, or member of a pass-through entity may not be applied against the pass-through entity's state tax liability, nor may the pass-through entity assign any unused credit.

Credits based on investments made after June 30, 2020, and before July 1, 2029, may be:

- carried forward up to five following tax years, or
- assignable, subject to certain limitations.

**New.** This credit must be reported on Schedule IN-OCC beginning with tax year 2020. Also provides for Venture Capital Investment credit – Composite, 4-digit code 1835.

## **Schedule IN-CR**

The Redevelopment Tax Credit and the Residential Historic Rehabilitation Credit are added to the list of credits that can be required to be recaptured on this schedule.

## **Deductions Update**

- **Military Retirement Income and/or Survivor's Benefits Deduction calculation modified**

The taxability of this income is being phased out. The maximum annual deduction has increased to the lesser of the amount received or \$6,250, plus, for 2020, 50% of the amount received that exceeds \$6,250.

## **Schedule 7/H (of IT-40/IT-40PNR)**

Added new check box re: innocent/injured spouse claim.

- **Line 5/Line 4. MFJ filers.** If you are eligible for a refund and you do not want it applied to an existing state income tax liability of your spouse's, or to another debt of your spouse to which the state tax refund may be applied, place an "X" in the box and see instructions.
- The instructions will detail the information that must be submitted, including Worksheet IN-40SA or Worksheet IN-40SP (under revision).

## **Miscellaneous**

### **Form IT-40X instruction/purpose modified**

- If the amendment is for tax year 2017 or before, AND federal AGI has been decreased, taxpayer must attach their federal Tax Account Transcript.
- If amending for tax year 2020, an updated (amended) Form IT-40/IT-40PNR must accompany Form IT-40X.

### **New State Form IN-MSID-A**

Certain motorsports Investment District Income (prize winnings) is reported on this form. Both IN state and county tax withholdings may be reported on this form, which must be included with the filing of the tax return to support claimed withholding amounts.

### **Schedule IN-PRO update**

An Indiana nonresident individual not living or working in Indiana on Jan.1 of the tax year who is in receipt of Form IN-MSID-A should complete Form IT-40PNR's Schedule IN-PRO; the instructions are being modified to allow for this type of reporting.

## **Special interest calculation based on refunds issued due to the *Special Rules for Combat-Injured Veterans Tax Fairness Act of 2016***

An excess tax payment relating to refunds on certain combat injury pay that is not refunded or credited against a current or future tax liability within 90 days after the date the refund claim is filed, the date the tax payment was due, or the date the tax was paid, whichever is latest, accrues interest from April 1, 2020. A refund claim filed prior to April 1, 2020, shall be treated as filed on April 1, 2020. For additional information See IB #27 online at <https://www.in.gov/dor/reference/files/ib27.pdf>.

## **IRC Update**

Updates the Indiana Code to conform with the Internal Revenue Code for federal changes adopted up to January 1, 2020.

## **The following are effective for tax years beginning on or after January 1, 2021**

Limits several modifications to adjusted gross income, and a credit, for married individuals filing separately (MFS).

### **Credits**

#### **Lake County Residential Income Tax Credit**

Provides that in the case of a married individual filing a MFS return, the amount of credit shall be 50% of the amounts listed in IC 6-3.1-20-5(b) and (c) (see worksheets in 2021 IT-40/IT-40PNR instruction booklets).

### **Exemptions**

- Allows a married individual filing a MFS return to claim the additional \$500 Indiana exemption for taxpayers aged 65 or older if the individual's federal adjusted gross income is less than \$20,000.

### **Deductions**

- Allows a married individual filing a MFS return who is otherwise entitled to the Indiana Partnership Long-Term Care Policy Premiums Deduction to subtract an amount equal to the portion of any premiums paid during the taxable year by the individual for the individual.
- Allows a married individual filing a MFS return for a particular taxable year who rents a dwelling for use as the individual's principal place of residence to deduct the amount of rent paid by the individual with respect to the dwelling during the taxable year up to the lesser of the amount paid by the individual or \$1,500.
- Allows a married individual filing a MFS return for a particular taxable year who pays property tax on a dwelling for use as the individual's principal place of residence to deduct the amount of property tax paid by the individual with respect to the dwelling up to the lesser of the amount paid by the individual or \$1,500.
- Establishes, for purposes of calculating the disability retirement deduction in IC 6-3-2-9, a threshold of \$7,500 in step 3 of the calculation in the case of a married individual filing a MFS return. Step 3 previously had a threshold of \$15,000 without regard to the filing status of a married individual.

## Various IND Due Dates

**2020 IND Tax Returns; 2020 IND Extension of Time to File; 2021 Estimated Tax Installment Payments; Safe Harbors**

<b>Date</b>	<b>Form Type/Payment/Filing Activity</b>
01/15/21	Farmer/fisherman ( <sup>2</sup> / <sub>3</sub> <sup>rd</sup> rule): only one estimated payment due; IT-40ES/ES-40 2020 4 <sup>th</sup> estimated installment payment due
02/01/21	File 2020 IND return, pay all tax due, no 4 <sup>th</sup> installment payment due
03/01/21	Farmer/fisherman ( <sup>2</sup> / <sub>3</sub> <sup>rd</sup> rule): file 2020 IND return/pay by March 1, 2021, no est. tax due
04/15/21	Filing due date for: 2020 IT-40, IT-40PNR, IT-40RNR, SC-40, IT-9 (extension of time to file) IT-40ES/ ES-40 2021 1 <sup>st</sup> estimated tax installment payment due
06/15/21	IT-40ES/ ES-40 2021 2 <sup>nd</sup> estimated tax installment payment due
09/15/21	IT-40ES/ ES-40 2021 3 <sup>rd</sup> estimated tax installment payment due
11/14/21	IND return filing due date if filing under extension (federal Form 4868; state Form IT-9; online)
01/18/22	IT-40ES/ES-40 2021 4 <sup>th</sup> estimated tax installment payment due