



Indiana Department of Revenue

Mike Braun, Governor
M. Kevin Gulley, Commissioner

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To: The Honorable Mike Braun, Governor, State of Indiana, c/o Patrick Price, General Counsel
Legislative Council, State of Indiana

From: Christopher Russell, General Counsel, Department of Revenue

Date: June 30, 2025

Re: Memo Regarding Tax Laws and Policies Disincentivizing Marriage in Indiana

Pursuant to Executive Order (EO) 25-51, issued by Governor Mike Braun on April 14, 2025, please find this final report regarding tax laws and policies disincentivizing marriage in Indiana. EO 25-51 highlighted the importance of marriage as a fundamental building block of families and society, and as being linked to higher lifetime earnings and reduced child poverty. It also found that Indiana's tax system contains certain disincentives and penalties as compared between single filers and those who are married filing jointly.

EO 25-51 directed the Indiana Department of Revenue to review Indiana's tax code and policies, to calculate the fiscal impact of such laws and policies, as well as make recommended changes which would remove those burdens being placed upon those who are married.

Per the requirements of EO 25-51 and our discussions regarding the same, I am providing the following written report identifying those laws and policies that disincentivize marriage, fiscal estimates of each of those provisions, and recommended changes to Indiana's tax laws and policies in an effort to remove those additional burdens placed on those who are married.

General legislation drafting rules apply – deletions are in ~~striketrough~~ and additions are in **bold**. Unless otherwise noted, language in **red** is generally technical cleanup that could/should be done while otherwise amending these sections of code.

Please see the following:

IC 6-3-2-6 Deduction; rent payments

Summary:

The deduction for rent paid is limited to \$3,000 for both single and married filing jointly. Married filing separately filers are limited to \$1,500 per return.

Fiscal Estimate:

\$8,614,890 reduction in state tax; \$4,738,189 reduction in local income tax

It is expected that this will be close to the actual value as those married filing jointly will likely claim the full \$6,000 per tax year

Proposed Legislative Solution:

IC 6-3-2-6 Deduction; rent payments

Sec. 6. (a) Each taxable year, an individual who rents a dwelling for use as the individual's principal place of residence may deduct from the individual's adjusted gross income (as defined in [IC 6-3-1-3.5\(a\)](#)), the lesser of:

- (1) the amount of rent paid by the individual with respect to the dwelling during the taxable year; or
- (2) three thousand dollars (\$3,000).

(b) Notwithstanding subsection (a):

(1) ~~a married couple~~ **an individual** filing a joint return **with the individual's spouse** for a particular taxable year may not claim a deduction under this section of more than ~~three~~ **six** thousand dollars ~~(\$3,000)~~ **(\$6,000)**; and

(2) ~~a married individual filing a separate return for a particular taxable year may not claim a deduction under this section of more than one thousand five hundred dollars (\$1,500)~~ **notwithstanding subdivision (1), if an individual has a principal place of residence separate from the spouse's principal place of residence for more than one hundred eighty-three (183) days during the taxable year and the individual and individual's spouse filed a joint return for the taxable year, the limitation under subsection (a) shall be computed separately for each spouse and applied as if each spouse filed a separate return. However, the period that the individual and individual's spouse have different primary residences due to the illness or incapacity of the individual or the individual's spouse shall not be counted toward the period of having separate residences.**

(c) The deduction provided by this section does not apply to an individual who rents a dwelling that is exempt from Indiana property tax.

(d) For purposes of this section, a "dwelling" includes a single family dwelling and unit of a multi-family dwelling.

[NOTE: The language in **red** is offered as a proposed safe-harbor rule to avoid potential allowances of double claims when one spouse lives in a house and another spouse rents or lives in a separate homestead.]

Alternative Proposed Legislative Solution:

The \$3,000 renter's tax deduction could be drafted such that it pertains to the parcel of property, rather than to a person or persons. If that approach is desirable, we are happy to assist with the development of proposed legislative language; however, there are various issues that will need to be addressed. While this is not an exclusive list, some of the issues that may need to be addressed are as follows:

1. Mid-year changes in residence. This could be as simple as \$2,500/\$3,000 times the prorated portion of the year or the amounts paid, whichever is less, or a more granular formula based on months (rent) or half-year (property tax).
2. Allocation for multiple owners. Any such solution will need to define how the deduction will be allocated between multiple individuals who pay rent jointly but file separately (e.g., apartment roommates).

3. For both the renter's deduction and property tax deduction, there is a current allowance for multiple payors to claim a deduction on the same property. For instance, under the most common scenario, if four unmarried people pay equally on a \$1,000/month (or more) apartment, each person gets a \$3,000 deduction. On a per-property basis, the deduction becomes limited.
4. There is a possibility of creating a tax increase due to some of the limitations or decrease if the language creates an increased deduction. This may require some increase to the allowable deduction to minimize any net impact, either by changing a set amount in statutes or a built-in mechanism in the statute itself.

IC 6-3-1-3.5(a)(13) "Adjusted gross income"

Summary:

The deduction for property tax paid is limited to \$2,500 for both single and married filing jointly. Married filing separately filers are limited to \$1,250 per return.

Fiscal Estimate:

\$24,622,350 reduction in state tax; \$13,542,292 reduction in local income tax

The true value will likely be substantially lower than the stated estimate due to the passage of SEA 1 and the substantial increase from \$2,500 to \$5,000

Proposed Legislative Solution:

IC 6-3-1-3.5(a)(13) "Adjusted gross income"

(13) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500), or ~~one thousand two hundred fifty dollars (\$1,250) in the case of a married individual filing a separate return~~ **five thousand dollars (\$5,000) in the case an individual and the individual's spouse file a joint return;** or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

Notwithstanding clause (A), if an individual has a principal place of residence separate from the spouse's principal place of residence for more than one hundred eighty-three (183) days during the taxable year and the individual and individual's spouse filed a joint return for the taxable year, the limitation under clause (A) shall be computed separately for each spouse and applied as if each spouse filed a separate return. However, the period that the individual and individual's spouse have different primary residences due to the illness or incapacity of the individual or the individual's spouse shall not be counted toward the period of having separate residences.

[NOTE: The language in **red** is offered as a proposed safe-harbor rule to avoid potential allowances of double claims when one spouse lives in a house and another spouse rents or lives in a separate homestead.]

Alternative Proposed Legislative Solution:

The \$2,500 property tax deduction could be drafted such that it pertains to the parcel of property, rather than to a person or persons. If that approach is desirable, we are happy to assist with the development of proposed legislative language; however, there are various issues that will need to be addressed. While this is not an exclusive list, some of the issues that may need to be addressed are as follows:

1. Mid-year changes in residence. This could be as simple as \$2,500 times the prorated portion of the year or the amounts paid, whichever is less, or a more granular formula based on a half-year (property tax).
2. Allocation for multiple owners. Any such solution will need to define how the deduction will be allocated between multiple individuals who pay property taxes jointly but file separately.
3. For both the renter's deduction and property tax deduction, there is a current allowance for multiple payors to claim a deduction on the same property. For instance, under the most common scenario, if four unmarried people pay equally on a \$1,000/month (or more) apartment, each person gets a \$3,000 deduction. On a per-property basis, the deduction becomes limited.
4. There is a possibility of creating a tax increase due to some of the limitations or decrease if the language creates an increased deduction. This may require some increase to the allowable deduction to minimize any net impact, either by changing a set amount in statutes or a built-in mechanism in the statute itself.

IC 6-3-1-3.5(a)(5)(C) "Adjusted gross income"

Summary:

The additional \$500 exemption for those that are blind or over 65 is limited to single and married filing jointly returns with adjusted gross income less than \$40,000. Married filing separately filers are limited to adjusted gross income of less than \$20,000.

Fiscal Estimate:

\$993,345 reduction in state tax; \$546,340 reduction in local income tax

This will be very close to the actual value as increasing the income limit to \$80,000 is straightforward.

Proposed Legislative Solution:

IC 6-3-1-3.5(a)(5)(C) "Adjusted gross income"

(C) Five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the federal adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than **the following amounts:**

- (i) forty thousand dollars (\$40,000) for a taxpayer who files a return as an unmarried individual or as a married individual filing a separate return; or**

(ii) eighty thousand dollars (\$80,000) if a taxpayer and the taxpayer's spouse file a joint return.

~~In the case of a married individual filing a separate return, the qualifying income amount in this clause is equal to twenty thousand dollars (\$20,000).~~

IC 6-3-2-9 Disability retirement; deduction; amount

Summary:

The phase-out of the deduction is predicated on a flat dollar amount (\$15,000) for single individuals or married individuals filing jointly. This has the effect of zeroing out the deduction for single individuals at \$20,200 and married individuals filing jointly at \$25,400.

Fiscal Estimate:

Minimal. The exact amount is not known or estimable because there is a lack of data for claimants above \$25,400. That stated, most individuals claiming this deduction have minimal other income.

Proposed Legislative Solution:

IC 6-3-2-9 Disability retirement; deduction; amount

Sec. 9. (a) An individual who:

- (1) retired on disability before the end of the taxable year; and
- (2) had a permanent and total disability, as determined under subsection (c), at the time of retirement;

is entitled to a deduction from the individual's adjusted gross income for that taxable year in the amount determined under subsection (b).

(b) The deduction provided by subsection (a) is the amount determined using the following STEPS:

STEP ONE: Determine the amount received by the individual during the taxable year through an accident and health plan for personal injuries or sickness to the extent that:

(A) these amounts are attributable to contributions by the individual's employer that were not includable in the individual's gross income or are paid by the employer; and

(B) these amounts constitute wages or payments in lieu of wages for a period during which the employee is absent from work because of permanent and total disability.

STEP TWO: Determine for each week of the taxable year the amount by which each weekly payment referred to in STEP ONE exceeds one hundred dollars (\$100), then add these amounts.

STEP THREE: Determine the amount by which the individual's federal adjusted gross income for the taxable year, as defined by Section 62 of the Internal Revenue Code, exceeds fifteen thousand dollars (\$15,000) **for an individual who is not married, thirty thousand dollars (\$30,000) for an**

individual who is married and files a joint return with the individual's spouse, or zero dollars (\$0) for an individual who is married and files a separate return from the individual's spouse, ~~or seven thousand five hundred dollars (\$7,500) in the case of a married individual filing a separate return.~~

STEP FOUR: Subtract from the amount determined in STEP ONE the amount determined in STEP TWO and the amount determined in STEP THREE.

(c) For purposes of this section, an individual has a permanent and total disability if the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months. An individual may not be considered to have a permanent and total disability unless the individual furnishes proof of the existence of the disability as the department of revenue may require.

IC 6-3-2-10 Unemployment compensation; deduction

Summary:

The base amount used for calculating the deduction for unemployment compensation is \$12,000 for single filers, and \$18,000 for married filing jointly.

Fiscal Estimate:

Less than \$70,000 reduction in state tax; Less than \$40,000 reduction in local income tax

This was predicated on EVERY 2023 claimant being married filing jointly.

Proposed Legislative Solution:

IC 6-3-2-10 Unemployment compensation; deduction

Sec. 10. (a) For purposes of this section, "excess adjusted gross income" means the greater of zero (0) or one-half (1/2) of:

(1) the individual's adjusted gross income or the combined adjusted gross income of the individual and the individual's spouse, if the individual files a joint return with the individual's spouse, as determined under Section 62 of the Internal Revenue Code; plus

(2) any unemployment compensation excluded from federal gross income under Section 85(c) of the Internal Revenue Code; minus

(3) the following amount:

(A) ~~Eighteen thousand dollars (\$18,000)~~ **Twenty-four thousand dollars (\$24,000)** for an individual who files a joint tax return with the individual's spouse.

(B) Zero dollars (\$0) if the individual:

(i) is married at the close of the taxable year, as determined under Section 7703 of the Internal Revenue Code;

(ii) does not file a joint return for the taxable year; and

(iii) does not live apart from the individual's spouse at all times during the taxable year.

(C) Twelve thousand dollars (\$12,000) for an individual not described in clause (A) or (B).

(b) "Eligible unemployment compensation" means unemployment compensation received by an individual and included in the individual's federal gross income under Section 85 of the Internal Revenue Code plus any unemployment compensation received by the individual excluded from federal gross income under Section 85(c) of the Internal Revenue Code. The term does not include amounts not taxable under this article as a result of 45 U.S.C. 352.

(c) An individual is entitled to a deduction against the individual's adjusted gross income in an amount equal to the greater of zero (0) or the remainder of:

(1) eligible unemployment compensation; minus

(2) excess adjusted gross income.

(d) For an individual and an individual's spouse described in subsection (a)(3)(A):

(1) the deduction under subsection (c) shall be computed based on the combined eligible unemployment compensation of the individual and the individual's spouse; and

(2) this subsection and subsection (c) shall not be construed to permit more than one (1) deduction under this section.

IC 6-3-3-9 Unified tax credit for the elderly

Summary:

The maximum unified tax credit for the elderly is \$100 for a single filer, but the credit only increases to \$140 for married filing jointly filers.

Fiscal Estimate:

\$444,506

This is projected to be close to the true value of the fiscal impact.

Proposed Legislative Solution:

IC 6-3-3-9 Unified tax credit for the elderly

Sec. 9. (a) The credit provided by this section shall be known as the unified tax credit for the elderly.

(b) As used in this section, unless the context clearly indicates otherwise:

(1) "Household federal adjusted gross income" means the total adjusted gross income, as defined in Section 62 of the Internal Revenue Code, of an individual, or of an individual and his **their** spouse if they ~~reside together file a joint tax return under this article~~ for the taxable year for which the credit provided by this section is claimed.

(2) "Household" means a claimant or, if applicable, a claimant and ~~his or her~~ **their** spouse if the **claimant and their** spouse ~~resides with the claimant~~ **file a joint tax return under this article for the taxable year** and "household income" means the income of the claimant or, if applicable, the combined income of the claimant and ~~his or her~~ **their** spouse if the ~~spouse resides with the claimant~~ **claimant and their spouse file a joint tax return under this article for the taxable year.**

(3) "Claimant" means an individual, other than an individual described in subsection (c) of this section, who:

(A) has filed a claim under this section;

(B) was a resident of this state for at least six (6) months during the taxable year for which ~~he or she has~~ **they have** filed a claim under this section; and

(C) was sixty-five (65) years of age during some portion of the taxable year for which ~~he has~~ **they have** filed a claim under this section or whose spouse was either sixty-five (65) years of age or over during the taxable year.

(c) The credit provided under this section shall not apply to an individual who, for a period of at least one hundred eighty (180) days during the taxable year for which ~~he has~~ **they have** filed a claim under this section, was incarcerated in a local, state, or federal correctional institution.

(d) The right to file a claim under this section shall be personal to the claimant and shall not survive his death, except that a surviving spouse of a claimant is entitled to claim the credit provided by this section. For purposes of determining the amount of the credit a surviving spouse is entitled to claim under this section, the deceased spouse shall be treated as having been alive on the last day of the taxable year in which the deceased spouse died. When a claimant dies after having filed a timely claim, the amount thereof shall be disbursed to another member of the household as determined by the commissioner. If the claimant was the only member of his household, the claim may be paid to his executor or administrator, but if neither is appointed and qualified within two (2) years of the filing of the claim, the amount of the claim shall escheat to the state.

(e) For each taxable year, subject to the limitations provided in this section, ~~one~~ **(1) a** claimant ~~per household~~ may claim, as a credit against Indiana adjusted gross income taxes otherwise due, the credit provided by this section. If the allowable amount of the claim exceeds the income taxes otherwise due on the claimant's household income or if there are no Indiana income taxes due on such income, the amount of the claim not used as an offset against income taxes after audit by the department, at the taxpayer's option, shall be refunded to the claimant or taken as a credit against such taxpayer's income tax liability subsequently due.

(f) The amount of any claim otherwise payable under this section may be applied by the department against any liability outstanding on the books of the department against the claimant, or against any other individual who was a member of ~~his~~ **their** household in the taxable year to which the claim relates.

(g) ~~The~~ **Except as provided in subsection (h), the** amount of a claim filed pursuant to this section by a claimant that ~~either (i) does not reside with his spouse during the taxable year, or (ii) resides with his spouse during the taxable year and~~

~~only one (1) of them~~ is sixty-five (65) years of age or older at the end of the taxable year, shall be determined in accordance with the following schedule:

HOUSEHOLD FEDERAL

ADJUSTED GROSS INCOME

FOR TAXABLE YEAR CREDIT

less than \$1,000 \$100

at least \$1,000, but less than \$3,000 \$ 50

at least \$3,000, but less than \$10,000 \$ 40

~~(h) The amount of a claim filed pursuant to this section by a claimant that resides with his spouse during his taxable year shall be determined in accordance with the following schedule if both the claimant and spouse are sixty five (65) years of age or older at the end of the taxable year:~~

~~- HOUSEHOLD FEDERAL~~

~~- ADJUSTED GROSS INCOME~~

~~- FOR TAXABLE YEAR CREDIT~~

~~- less than \$1,000 \$140~~

~~- at least \$1,000, but less than \$3,000 \$ 90~~

~~- at least \$3,000, but less than \$10,000 \$ 80~~

(1) In the case of a claimant who is married and files a joint tax return under this article with the claimant's spouse for a taxable year, the credit under subsection (g) shall be computed separately for the claimant and the claimant's spouse and each spouse shall be treated as having fifty percent (50%) of the household federal adjusted gross income. If both the claimant and the claimant's spouse are sixty-five (65) years of age or older at the end of the year, the claimant may claim the credit both for the claimant and the claimant's spouse.

~~(2) In the case of a claimant who is married and does not file a joint tax return under this article with the claimant's spouse for a taxable year, the claimant's credit is zero dollars (\$0).~~

(i) The department may promulgate reasonable rules under [IC 4-22-2](#) for the administration of this section.

(j) Every claimant under this section shall supply to the department on forms provided under [IC 6-8.1-3-4](#), in support of his claim, reasonable proof of household income and age.

(k) Whenever on the audit of any claim filed under this section the department finds that the amount of the claim has been incorrectly determined, the department shall redetermine the claim and notify the claimant of the redetermination and the reasons therefor. The redetermination shall be final.

(l) In any case in which it is determined that a claim is or was excessive and was filed with fraudulent intent, the claim shall be disallowed in full, and, if the claim has been paid or a credit has been allowed against income taxes otherwise payable, the credit shall be canceled and the amount paid shall be recovered by assessment as income taxes are assessed and such assessment shall bear interest from the date of payment or credit of the claim, until refunded or paid at the rate determined under [IC 6-8.1-10-1](#). The claimant in such a case commits a Class A misdemeanor. In any case in which it is determined that a claim is or was excessive and was negligently prepared, ten percent (10%) of the corrected claim shall be disallowed and, if the claim has been paid or credited against income taxes otherwise payable, the credit shall be reduced or canceled, and the proper portion of any amount paid shall be similarly recovered by assessment as income taxes are assessed, and such assessment shall bear interest at the rate determined under [IC 6-8.1-10-1](#) from the date of payment until refunded or paid.

(m) If the claimant and the claimant's spouse do not file a federal income tax return, the claimant and the claimant's spouse shall be treated as filing a joint tax return under this chapter only if the claimant and the claimant's spouse are considered to be married as determined under Section 7703 of the Internal Revenue Code.

IC 6-3-3-12 Credit for contributions to college choice education savings plan; date of contribution; repayment of credit after nonqualified withdrawals; designation of contributions after December 31, 2018

Summary:

The maximum college choice 529 education savings plan contribution credit is \$1,500 for both single and married filing jointly filers. Married filing separately filers are limited to \$750.

Fiscal Estimate:

\$47,148,000

This value is large, at about 58% of the total cost, and is expected to be close to the true value. Most filers who claim the full amount of the credit have large tax liabilities and can afford to match the increase.

Proposed Legislative Solution:

IC 6-3-3-12(k) (as amended by SEA 453-2025):

(k) A taxpayer is entitled to a credit against the taxpayer's adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for a taxable year equal to the least of the following:

(1) Twenty percent (20%) multiplied by the amount of the total contributions that are made by the taxpayer to an account or accounts of an Indiana 529 plan during the taxable year.

(2) One thousand five hundred dollars (\$1,500), or ~~seven hundred fifty dollars (\$750) in the case of a married individual filing a separate return~~ **three thousand dollars (\$3,000) in the case the taxpayer and the taxpayer's spouse file a joint return.**

(3) The amount of the taxpayer's adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year, reduced by the sum of all credits (as determined without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

IC 6-3-3-12.1 Credit for contributions to ABLE account; date of contribution; repayment of credit after nonqualified withdrawals

Summary:

The maximum Indiana ABLE 529A account contribution credit is \$500 for single filers, married filing jointly filers, and married filing separately filers.

Fiscal Estimate:

Tax year 2024 – filed 2025 is the first year of this credit. Indeterminate. As of May 28, 2025, there were 75 claimants who had received the maximum \$500 credit. Even if all claimants were married filing jointly, this would have a maximum impact of \$37,500.

Proposed Legislative Solution:

IC 6-3-3-12.1(i)

(i) A taxpayer is entitled to a credit against the taxpayer's adjusted gross income tax imposed by [IC 6-3-1](#) through [IC 6-3-7](#) for a taxable year equal to the least of the following:

(1) Twenty percent (20%) of the amount of the total contributions made by the taxpayer to an ABLE account or accounts of an Indiana ABLE 529A savings plan during the taxable year.

(2) Five hundred dollars (\$500) **or one thousand dollars (\$1,000) in the case of a taxpayer filing a joint return with the taxpayer's spouse.**

(3) The amount of the taxpayer's adjusted gross income tax imposed by [IC 6-3-1](#) through [IC 6-3-7](#) for the taxable year, reduced by the sum of all credits (as determined without regard to this section) allowed by [IC 6-3-1](#) through [IC 6-3-7](#).

IC 6-3.1-9 Neighborhood Assistance Credits

Summary:

The maximum neighborhood assistance credit is \$25,000 for both single and married filing jointly filers.

Fiscal Estimate:

This appears to have a minimal impact as we have only identified one taxpayer who has taken the \$25,000 credit.

Proposed Legislative Solution:

IC 6-3.1-9-3 Amount of credit; application; pass through entities; shareholders or partners of firms without tax liability

Sec. 3. (a) Subject to the limitations provided in subsection (b) and sections 4, 5, and 6 of this chapter, the department shall grant a tax credit against any state tax liability due equal to fifty percent (50%) of the amount contributed by a business firm or person in a program the application for which was approved under section 2 of this chapter.

(b) The credit provided by this chapter shall only be applied against any state tax liability owed by the taxpayer after the application of any credits, which under [IC 6-3.1-1-2](#) must be applied before the credit provided by this chapter. In addition, the tax credit which a taxpayer receives under this chapter may not exceed twenty-five thousand dollars (\$25,000) for any taxable year of the taxpayer. **In the case of a taxpayer who files a joint return under IC 6-3 with the taxpayer's spouse, each spouse is permitted a maximum credit of twenty-five thousand dollars (\$25,000) based on the contributions of each spouse.**

(c) If a business firm that is:

- (1) exempt from adjusted gross income tax ([IC 6-3-1](#) through [IC 6-3-7](#)) under [IC 6-3-2-2.8](#)(2); or
- (2) a partnership;

does not have any tax liability against which the credit provided by this section may be applied, a shareholder or a partner of the business firm is entitled to a credit against the shareholder's or the partner's liability under the adjusted gross income tax.

(d) The amount of the credit provided by this section is equal to:

- (1) the tax credit determined for the business firm for the taxable year under subsection (a); multiplied by
- (2) the percentage of the business firm's distributive income to which the shareholder or the partner is entitled.

The credit provided by this section is in addition to any credit to which a shareholder or partner is otherwise entitled under this chapter. However, a business firm and a shareholder or partner of that business firm may not claim a credit under this chapter for the same contribution.

IC 6-3.1-20 Income Tax Credit for Property Taxes Paid on Homesteads

Summary:

The credit for property taxes paid on a homestead is limited to \$300 for both single and married filing jointly filers.

Fiscal Estimate:

For the Lake County residential tax credit, this is difficult to measure because it is unknown how many married couples are homeowners and how that distribution changes over income.

However, even assuming that 10-15% of the returns claiming the credit are married filing jointly and have income <\$18,600 (IRS data has about 9% for Lake County in 2022 in this income range as MFJ) and doubling to account for the increased income threshold, that would result in a maximum of \$840K-\$1.3M per year, with the latter group having a further net reduction because they lose the property tax deduction.

Proposed Legislative Solution:

IC 6-3.1-20-4 Entitlement to credit

Sec. 4. (a) Except as provided in subsections (b) and (c), an individual is entitled to a credit under this chapter if:

(1) the individual's Indiana income for the taxable year is less than eighteen thousand six hundred dollars (\$18,600); and

(2) the individual pays property taxes in the taxable year on a homestead that:

(A) the individual:

(i) owns; or

(ii) is buying under a contract that requires the individual to pay property taxes on the homestead, if the contract or a memorandum of the contract is recorded in the county recorder's office; and

(B) is located in a county having a population of more than four hundred thousand (400,000) and less than seven hundred thousand (700,000).

(b) An individual is not entitled to a credit under this chapter for a taxable year for property taxes paid on the individual's homestead if the individual claims the deduction under [IC 6-3-1-3.5\(a\)\(13\)](#) for the homestead for that same taxable year.

(c) In the case of a married individual filing a ~~separate return~~ **joint return with the individual's spouse**, the income amount in subsection (a) shall be ~~fifty percent (50%)~~ **two hundred percent (200%)** of the amount listed in that subsection **unless the individual and the individual's spouse meet the criteria described in section 5(e)(2) of this chapter.**

IC 6-3.1-20-5 Amount of credit

Sec. 5. (a) Each year, an individual described in section 4 of this chapter is entitled to a refundable credit against the individual's state income tax liability in the amount determined under this section.

(b) In the case of an individual with Indiana income of less than eighteen thousand dollars (\$18,000) for the taxable year, the amount of the credit is equal to the lesser of:

- (1) three hundred dollars (\$300); or
- (2) the amount of property taxes described in section 4(a)(2) of this chapter paid by the individual in the taxable year.

(c) In the case of an individual with Indiana income that is at least eighteen thousand dollars (\$18,000) but less than eighteen thousand six hundred dollars (\$18,600) for the taxable year, the amount of the credit is equal to the lesser of the following:

- (1) An amount determined under the following STEPS:

STEP ONE: Determine the result of:

- (i) eighteen thousand six hundred dollars (\$18,600); minus
- (ii) the individual's Indiana income for the taxable year.

STEP TWO: Determine the result of:

- (i) the STEP ONE amount; multiplied by
- (ii) five-tenths (0.5).

- (2) The amount of property taxes described in section 4(a)(2) of this chapter paid by the individual in the taxable year.

(d) If the amount of the credit under this chapter exceeds the individual's state tax liability for the taxable year, the excess shall be refunded to the taxpayer.

(e) In the case of a married individual filing a ~~separate return~~ **joint return with the individual's spouse**,

- (1) **except as provided in subdivision (2)**, the income and dollar amounts in subsections (b) and (c) shall be ~~fifty percent (50%)~~ **two hundred percent (200%)** of the amounts listed in those subsections.

If an individual has a principal place of residence separate from the spouse's principal place of residence for more than one hundred eighty-three (183) days during the taxable year and the individual and individual's spouse filed a joint return for the taxable year, the limitation under subsection (a) shall be computed separately for each spouse and applied as if each spouse filed a separate return. However, the period that the individual and individual's spouse have different primary residences due to the illness or incapacity of the individual or the individual's spouse shall not be counted toward the period of having separate residences.

IC 6-3.1-22 Residential Historic Rehabilitation Credit

Summary:

The residential historic rehabilitation credit is limited to \$10,000 for both single and married filing jointly filers.

Fiscal Estimate:

Appears to have minimal impact;

The total amount of credit that can be awarded is capped at \$250,000 per year, and individual claims are capped at \$10,000 per claim.

Could double the amount taken by married couples; however, that would be at the expense of the ability to award credits to others and the net fiscal impact would be zero.

Proposed Legislative Solution:

IC 6-3.1-22-7 "Taxpayer"

Sec. 7. As used in this chapter, "taxpayer" means:

- (1) an individual filing a single return; ~~or~~
- (2) a married couple filing a joint return; **or**
- (3) a married individual filing a separate return from the individual's spouse.**

IC 6-3.1-22-8 Entitlement to credit (as amended by HEA 1616-2025):

Sec. 8. (a) Subject to section 14 of this chapter, and except as provided in section 15.5 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer completes the preservation or rehabilitation of historic property and obtains the certifications required under section 9 of this chapter.

(b) The amount of the credit is equal to the lesser of ten thousand dollars (\$10,000) **for historic property that is not owned jointly by an individual and the individual's spouse, twenty thousand dollars (\$20,000) for historic property owned jointly by an individual and the individual's spouse**, or twenty percent (20%) of the qualified expenditures that:

- (1) the taxpayer makes for the preservation or rehabilitation of historic property; and
- (2) are approved by the office.

(c) In the case of a ~~husband and wife individual and the individual's spouse~~ **individual and the individual's spouse** who:

- (1) own and rehabilitate a historic property jointly; and
- (2) file separate tax returns; the ~~husband and wife individual and the individual's spouse~~ **individual's spouse** may take the credit in equal shares or one (1) spouse may take the whole credit.

IC 6-3.1-40.9 Attainable Homeownership Tax Credit

Summary:

The attainable home ownership tax credit is limited to \$10,000 for both single and married filing jointly filers.

Fiscal Estimate:

Tax year 2024 – filed 2025 is the first year of this credit. The Attainable Homeownership Tax Credit is new for this year and has a lack of data. However, there have been 11 claimants who have received the full \$10,000 (max) credit. This could have an individual impact of \$110,000; however, this credit has a separate cap so increasing the cap could affect other claimants.

Proposed Legislative Solution:

IC 6-3.1-40.9-8 Amount of credit

Sec. 8. The amount of a taxpayer's credit is equal to fifty percent (50%) of the amount of the contribution that is not more than twenty thousand dollars (\$20,000) made to the affordable housing organization. **In the case of a taxpayer who files a joint return under IC 6-3 with the taxpayer's spouse, each spouse is permitted a maximum credit of twenty thousand dollars (\$20,000) based on the contributions of each spouse.**

IC 6-3.1-35.8 Foster Care Support Tax Credit

Summary:

The maximum tax credit allowed for a contribution to a qualified foster care support organization is \$10,000 for both single and married filing jointly filers.

Fiscal Estimate:

This appears to have a minimal fiscal impact.

The total amount of credit that can be awarded is capped at \$2,000,000 per year, and individual claims are capped at \$10,000 per claim.

Claims have been far less than the cap – around \$180,000 for calendar year 2024

It appears that only one person has claimed close to the full \$10,000. To date, no taxpayer has been denied any portion of a credit earned because of the lack of doubling for a married couple; however, that potential does exist should the credit be utilized in a greater manner in the future.

Proposed Legislative Solution:

IC 6-3.1-35.8-3 Amount of credit; pass through entities

Sec. 3. (a) Subject to the limitations provided in subsection (b) and sections 5 and 6 of this chapter, the department shall grant a tax credit against any state tax liability due equal to fifty percent (50%) of a qualifying contribution or of the amount of the monetary contribution by a person to a qualifying foster care organization that is approved by the department of child services under section 4(c) of this chapter.

(b) The tax credit which a taxpayer receives under this chapter may not exceed ten thousand dollars (\$10,000) for any taxable year of the taxpayer. **In the case of a taxpayer who files a joint return under IC 6-3 with the taxpayer's spouse, each spouse is permitted a maximum credit of ten thousand dollars (\$10,000) based on the contributions of each spouse.**

(c) If a person that is:

(1) exempt from adjusted gross income tax (IC 6-3-1 through IC 6-3-7) under IC 6-3-2-2.8(2); or

(2) a partnership;

does not have any tax liability against which the credit provided by this section may be applied, a shareholder or a partner of the business firm is entitled to a credit against the shareholder's or partner's liability under the adjusted gross income tax.

(d) The amount of the tax credit provided by this section under subsection (c) is equal to:

(1) the tax credit determined for the business firm for the taxable year under subsection (a); multiplied by

(2) the percentage of the business firm's distributive income to which the shareholder or the partner is entitled.

The tax credit provided by this section is in addition to any credit to which a shareholder or partner is otherwise entitled under this chapter. However, a business firm and a shareholder or partner of that business firm may not claim a credit under this chapter for the same qualifying contribution or monetary contribution to a qualifying foster care organization.

(e) To apply a credit against the state tax liability of a business firm or person, the business firm or person must claim the credit on the annual state tax return of the business firm or person in the manner prescribed by the department.

Additionally, marital disincentives that may be present under IRC section 23 - the adoption credit, and IRC section 32 - the earned income tax credit, will also be present in the Indiana adoption credit and earned income tax credit since the Indiana credits are based off the corresponding federal credit. Any legislative response to the following two sections would require decoupling from the federal computation.

IC 6-3-3-13 Adoption credit

Summary:

As a result of statutory changes in the 2022 special session, many of the features of the pre-2022 adoption credit that created marriage penalties (not doubling the credit for married filing jointly) were eliminated by making the credit effectively a per-child credit.

However, the Indiana credit is based on 20% of the federal credit allowable for that year per child, subject to a maximum of \$1,000 per child. The federal credit allowable for a year phases out based on a taxpayer's federal adjusted gross income without regard to whether the taxpayer is single or married filing jointly. In other words, the same adjusted gross income limit is used for phaseout regardless of marital status rather than doubling for married couples. In that regard, whenever a couple has a credit that phases-out, any federal marriage penalty carries over to Indiana.

Fiscal Estimate:

The marriage penalty here is the result of federal law. No analysis is provided because the removal of any marriage penalty would require a decoupling from federal law. Current resources and DOR data collection make fiscal analysis difficult without a more concrete statutory proposal.

The credit phases out for federal purposes but is a flat amount which is the same for both single and married filers.

IC 6-3.1-21 Earned income tax credit

Summary:

There is not a direct marriage penalty in Indiana law. However, the credit phases out for federal purposes at an income level less than two times the phase out amount for a single individual. Because the Indiana credit is 10% of the federal credit, the federal marriage penalty carries over to Indiana.

Fiscal Estimate:

The marriage penalty here is the result of federal law. No analysis is provided because the removal of any marriage penalty would require a decoupling from federal law. Current resources and DOR data collection make fiscal analysis difficult without a more concrete statutory proposal.

The income phase in is identical for single and married filers; however, the phase out provides a higher threshold for married filers versus single filers, but that higher threshold is not quite double the threshold for single filers.

Our team stands ready to assist further in advancing this initiative. Please let me know if you need additional information, or if you have any questions.

Best regards,

A handwritten signature in blue ink, appearing to read 'CR11', is written over a horizontal line.

Christopher Russell
General Counsel
Indiana Department of Revenue