

# HOUSE BILL No. 1038

---

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-1-3.5; IC 6-3-2-4; IC 6-5.5-1-2.

**Synopsis:** Deduction for domestic production activities. Eliminates the add back of the federal deduction for domestic production activities under Section 199 of the Internal Revenue Code in the definition of "adjusted gross income" for purposes of the Indiana adjusted gross income tax and the financial institutions tax.

**Effective:** January 1, 2014 (retroactive).

---

---

## Leonard

---

---

January 7, 2014, read first time and referred to Committee on Ways and Means.

---

---



Second Regular Session 118th General Assembly (2014)

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 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

# HOUSE BILL No. 1038



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 6-3-1-3.5, AS AMENDED BY P.L.205-2013,  
2 SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2014 (RETROACTIVE)]: Sec. 3.5. When used in this  
4 article, the term "adjusted gross income" shall mean the following:  
5 (a) In the case of all individuals, "adjusted gross income" (as  
6 defined in Section 62 of the Internal Revenue Code), modified as  
7 follows:  
8 (1) Subtract income that is exempt from taxation under this article  
9 by the Constitution and statutes of the United States.  
10 (2) Add an amount equal to any deduction or deductions allowed  
11 or allowable pursuant to Section 62 of the Internal Revenue Code  
12 for taxes based on or measured by income and levied at the state  
13 level by any state of the United States.  
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a  
15 joint return filed by a husband and wife, subtract for each spouse  
16 one thousand dollars (\$1,000).



- 1 (4) Subtract one thousand dollars (\$1,000) for:  
2 (A) each of the exemptions provided by Section 151(c) of the  
3 Internal Revenue Code;  
4 (B) each additional amount allowable under Section 63(f) of  
5 the Internal Revenue Code; and  
6 (C) the spouse of the taxpayer if a separate return is made by  
7 the taxpayer and if the spouse, for the calendar year in which  
8 the taxable year of the taxpayer begins, has no gross income  
9 and is not the dependent of another taxpayer.  
10 (5) Subtract:  
11 (A) one thousand five hundred dollars (\$1,500) for each of the  
12 exemptions allowed under Section 151(c)(1)(B) of the Internal  
13 Revenue Code (as effective January 1, 2004); and  
14 (B) five hundred dollars (\$500) for each additional amount  
15 allowable under Section 63(f)(1) of the Internal Revenue Code  
16 if the adjusted gross income of the taxpayer, or the taxpayer  
17 and the taxpayer's spouse in the case of a joint return, is less  
18 than forty thousand dollars (\$40,000).  
19 This amount is in addition to the amount subtracted under  
20 subdivision (4).  
21 (6) Subtract an amount equal to the lesser of:  
22 (A) that part of the individual's adjusted gross income (as  
23 defined in Section 62 of the Internal Revenue Code) for that  
24 taxable year that is subject to a tax that is imposed by a  
25 political subdivision of another state and that is imposed on or  
26 measured by income; or  
27 (B) two thousand dollars (\$2,000).  
28 (7) Add an amount equal to the total capital gain portion of a  
29 lump sum distribution (as defined in Section 402(e)(4)(D) of the  
30 Internal Revenue Code) if the lump sum distribution is received  
31 by the individual during the taxable year and if the capital gain  
32 portion of the distribution is taxed in the manner provided in  
33 Section 402 of the Internal Revenue Code.  
34 (8) Subtract any amounts included in federal adjusted gross  
35 income under Section 111 of the Internal Revenue Code as a  
36 recovery of items previously deducted as an itemized deduction  
37 from adjusted gross income.  
38 (9) Subtract any amounts included in federal adjusted gross  
39 income under the Internal Revenue Code which amounts were  
40 received by the individual as supplemental railroad retirement  
41 annuities under 45 U.S.C. 231 and which are not deductible under  
42 subdivision (1).



- 1 (10) Subtract an amount equal to the amount of federal Social  
2 Security and Railroad Retirement benefits included in a taxpayer's  
3 federal gross income by Section 86 of the Internal Revenue Code.  
4 (11) In the case of a nonresident taxpayer or a resident taxpayer  
5 residing in Indiana for a period of less than the taxpayer's entire  
6 taxable year, the total amount of the deductions allowed pursuant  
7 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount  
8 which bears the same ratio to the total as the taxpayer's income  
9 taxable in Indiana bears to the taxpayer's total income.  
10 (12) In the case of an individual who is a recipient of assistance  
11 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,  
12 subtract an amount equal to that portion of the individual's  
13 adjusted gross income with respect to which the individual is not  
14 allowed under federal law to retain an amount to pay state and  
15 local income taxes.  
16 (13) In the case of an eligible individual, subtract the amount of  
17 a Holocaust victim's settlement payment included in the  
18 individual's federal adjusted gross income.  
19 (14) Subtract an amount equal to the portion of any premiums  
20 paid during the taxable year by the taxpayer for a qualified long  
21 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer  
22 or the taxpayer's spouse, or both.  
23 (15) Subtract an amount equal to the lesser of:  
24 (A) two thousand five hundred dollars (\$2,500); or  
25 (B) the amount of property taxes that are paid during the  
26 taxable year in Indiana by the individual on the individual's  
27 principal place of residence.  
28 (16) Subtract an amount equal to the amount of a September 11  
29 terrorist attack settlement payment included in the individual's  
30 federal adjusted gross income.  
31 (17) Add or subtract the amount necessary to make the adjusted  
32 gross income of any taxpayer that owns property for which bonus  
33 depreciation was allowed in the current taxable year or in an  
34 earlier taxable year equal to the amount of adjusted gross income  
35 that would have been computed had an election not been made  
36 under Section 168(k) of the Internal Revenue Code to apply bonus  
37 depreciation to the property in the year that it was placed in  
38 service.  
39 (18) Add an amount equal to any deduction allowed under  
40 Section 172 of the Internal Revenue Code.  
41 (19) Add or subtract the amount necessary to make the adjusted  
42 gross income of any taxpayer that placed Section 179 property (as



1 defined in Section 179 of the Internal Revenue Code) in service  
 2 in the current taxable year or in an earlier taxable year equal to  
 3 the amount of adjusted gross income that would have been  
 4 computed had an election for federal income tax purposes not  
 5 been made for the year in which the property was placed in  
 6 service to take deductions under Section 179 of the Internal  
 7 Revenue Code in a total amount exceeding twenty-five thousand  
 8 dollars (\$25,000).

9 ~~(20)~~ Add an amount equal to the amount that a taxpayer claimed  
 10 as a deduction for domestic production activities for the taxable  
 11 year under Section 199 of the Internal Revenue Code for federal  
 12 income tax purposes.

13 ~~(21)~~ **(20)** Subtract an amount equal to the amount of the taxpayer's  
 14 qualified military income that was not excluded from the  
 15 taxpayer's gross income for federal income tax purposes under  
 16 Section 112 of the Internal Revenue Code.

17 ~~(22)~~ **(21)** Subtract income that is:

18 (A) exempt from taxation under IC 6-3-2-21.7; and

19 (B) included in the individual's federal adjusted gross income  
 20 under the Internal Revenue Code.

21 ~~(23)~~ **(22)** Subtract any amount of a credit (including an advance  
 22 refund of the credit) that is provided to an individual under 26  
 23 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and  
 24 included in the individual's federal adjusted gross income.

25 ~~(24)~~ **(23)** Add any amount of unemployment compensation  
 26 excluded from federal gross income, as defined in Section 61 of  
 27 the Internal Revenue Code, under Section 85(c) of the Internal  
 28 Revenue Code.

29 ~~(25)~~ **(24)** Add the amount excluded from gross income under  
 30 Section 108(a)(1)(e) of the Internal Revenue Code for the  
 31 discharge of debt on a qualified principal residence.

32 ~~(26)~~ **(25)** Add an amount equal to any income not included in  
 33 gross income as a result of the deferral of income arising from  
 34 business indebtedness discharged in connection with the  
 35 reacquisition after December 31, 2008, and before January 1,  
 36 2011, of an applicable debt instrument, as provided in Section  
 37 108(i) of the Internal Revenue Code. Subtract the amount  
 38 necessary from the adjusted gross income of any taxpayer that  
 39 added an amount to adjusted gross income in a previous year to  
 40 offset the amount included in federal gross income as a result of  
 41 the deferral of income arising from business indebtedness  
 42 discharged in connection with the reacquisition after December



1 31, 2008, and before January 1, 2011, of an applicable debt  
 2 instrument, as provided in Section 108(i) of the Internal Revenue  
 3 Code.

4 ~~(27)~~ **(26)** Add or subtract the amount necessary to make the  
 5 adjusted gross income of any taxpayer that claimed the special  
 6 allowance for qualified disaster assistance property under Section  
 7 168(n) of the Internal Revenue Code equal to the amount of  
 8 adjusted gross income that would have been computed had the  
 9 special allowance not been claimed for the property.

10 ~~(28)~~ **(27)** Add or subtract the amount necessary to make the  
 11 adjusted gross income of any taxpayer that made an election  
 12 under Section 179C of the Internal Revenue Code to expense  
 13 costs for qualified refinery property equal to the amount of  
 14 adjusted gross income that would have been computed had an  
 15 election for federal income tax purposes not been made for the  
 16 year.

17 ~~(29)~~ **(28)** Add or subtract the amount necessary to make the  
 18 adjusted gross income of any taxpayer that made an election  
 19 under Section 181 of the Internal Revenue Code to expense costs  
 20 for a qualified film or television production equal to the amount  
 21 of adjusted gross income that would have been computed had an  
 22 election for federal income tax purposes not been made for the  
 23 year.

24 ~~(30)~~ **(29)** Add or subtract the amount necessary to make the  
 25 adjusted gross income of any taxpayer that treated a loss from the  
 26 sale or exchange of preferred stock in:

27 (A) the Federal National Mortgage Association, established  
 28 under the Federal National Mortgage Association Charter Act  
 29 (12 U.S.C. 1716 et seq.); or

30 (B) the Federal Home Loan Mortgage Corporation, established  
 31 under the Federal Home Loan Mortgage Corporation Act (12  
 32 U.S.C. 1451 et seq.);

33 as an ordinary loss under Section 301 of the Emergency  
 34 Economic Stabilization Act of 2008 in the current taxable year or  
 35 in an earlier taxable year equal to the amount of adjusted gross  
 36 income that would have been computed had the loss not been  
 37 treated as an ordinary loss.

38 ~~(31)~~ **(30)** Add the amount excluded from federal gross income  
 39 under Section 103 of the Internal Revenue Code for interest  
 40 received on an obligation of a state other than Indiana, or a  
 41 political subdivision of such a state, that is acquired by the  
 42 taxpayer after December 31, 2011.



1           ~~(32)~~ **(31)** This subdivision does not apply to payments made for  
 2           services provided to a business that was enrolled and participated  
 3           in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 4           time the taxpayer conducted business in Indiana in the taxable  
 5           year. For a taxable year beginning after June 30, 2011, add the  
 6           amount of any trade or business deduction allowed under the  
 7           Internal Revenue Code for wages, reimbursements, or other  
 8           payments made for services provided in Indiana by an individual  
 9           for services as an employee, if the individual was, during the  
 10          period of service, prohibited from being hired as an employee  
 11          under 8 U.S.C. 1324a.

12          (b) In the case of corporations, the same as "taxable income" (as  
 13          defined in Section 63 of the Internal Revenue Code) adjusted as  
 14          follows:

15           (1) Subtract income that is exempt from taxation under this article  
 16           by the Constitution and statutes of the United States.

17           (2) Add an amount equal to any deduction or deductions allowed  
 18           or allowable pursuant to Section 170 of the Internal Revenue  
 19           Code.

20           (3) Add an amount equal to any deduction or deductions allowed  
 21           or allowable pursuant to Section 63 of the Internal Revenue Code  
 22           for taxes based on or measured by income and levied at the state  
 23           level by any state of the United States.

24           (4) Subtract an amount equal to the amount included in the  
 25           corporation's taxable income under Section 78 of the Internal  
 26           Revenue Code.

27           (5) Add or subtract the amount necessary to make the adjusted  
 28           gross income of any taxpayer that owns property for which bonus  
 29           depreciation was allowed in the current taxable year or in an  
 30           earlier taxable year equal to the amount of adjusted gross income  
 31           that would have been computed had an election not been made  
 32           under Section 168(k) of the Internal Revenue Code to apply bonus  
 33           depreciation to the property in the year that it was placed in  
 34           service.

35           (6) Add an amount equal to any deduction allowed under Section  
 36           172 of the Internal Revenue Code.

37           (7) Add or subtract the amount necessary to make the adjusted  
 38           gross income of any taxpayer that placed Section 179 property (as  
 39           defined in Section 179 of the Internal Revenue Code) in service  
 40           in the current taxable year or in an earlier taxable year equal to  
 41           the amount of adjusted gross income that would have been  
 42           computed had an election for federal income tax purposes not



- 1           been made for the year in which the property was placed in  
2           service to take deductions under Section 179 of the Internal  
3           Revenue Code in a total amount exceeding twenty-five thousand  
4           dollars (\$25,000).
- 5           ~~(8)~~ Add an amount equal to the amount that a taxpayer claimed as  
6           a deduction for domestic production activities for the taxable year  
7           under Section 199 of the Internal Revenue Code for federal  
8           income tax purposes.
- 9           ~~(9)~~ **(8)** Add to the extent required by IC 6-3-2-20 the amount of  
10          intangible expenses (as defined in IC 6-3-2-20) and any directly  
11          related intangible interest expenses (as defined in IC 6-3-2-20) for  
12          the taxable year that reduced the corporation's taxable income (as  
13          defined in Section 63 of the Internal Revenue Code) for federal  
14          income tax purposes.
- 15          ~~(10)~~ **(9)** Add an amount equal to any deduction for dividends paid  
16          (as defined in Section 561 of the Internal Revenue Code) to  
17          shareholders of a captive real estate investment trust (as defined  
18          in section 34.5 of this chapter).
- 19          ~~(11)~~ **(10)** Subtract income that is:
- 20                (A) exempt from taxation under IC 6-3-2-21.7; and  
21                (B) included in the corporation's taxable income under the  
22                Internal Revenue Code.
- 23          ~~(12)~~ **(11)** Add an amount equal to any income not included in  
24          gross income as a result of the deferral of income arising from  
25          business indebtedness discharged in connection with the  
26          reacquisition after December 31, 2008, and before January 1,  
27          2011, of an applicable debt instrument, as provided in Section  
28          108(i) of the Internal Revenue Code. Subtract from the adjusted  
29          gross income of any taxpayer that added an amount to adjusted  
30          gross income in a previous year the amount necessary to offset the  
31          amount included in federal gross income as a result of the deferral  
32          of income arising from business indebtedness discharged in  
33          connection with the reacquisition after December 31, 2008, and  
34          before January 1, 2011, of an applicable debt instrument, as  
35          provided in Section 108(i) of the Internal Revenue Code.
- 36          ~~(13)~~ **(12)** Add or subtract the amount necessary to make the  
37          adjusted gross income of any taxpayer that claimed the special  
38          allowance for qualified disaster assistance property under Section  
39          168(n) of the Internal Revenue Code equal to the amount of  
40          adjusted gross income that would have been computed had the  
41          special allowance not been claimed for the property.
- 42          ~~(14)~~ **(13)** Add or subtract the amount necessary to make the





1 adjusted gross income of any taxpayer that made an election  
 2 under Section 179C of the Internal Revenue Code to expense  
 3 costs for qualified refinery property equal to the amount of  
 4 adjusted gross income that would have been computed had an  
 5 election for federal income tax purposes not been made for the  
 6 year.

7 ~~(15)~~ **(14)** Add or subtract the amount necessary to make the  
 8 adjusted gross income of any taxpayer that made an election  
 9 under Section 181 of the Internal Revenue Code to expense costs  
 10 for a qualified film or television production equal to the amount  
 11 of adjusted gross income that would have been computed had an  
 12 election for federal income tax purposes not been made for the  
 13 year.

14 ~~(16)~~ **(15)** Add or subtract the amount necessary to make the  
 15 adjusted gross income of any taxpayer that treated a loss from the  
 16 sale or exchange of preferred stock in:

17 (A) the Federal National Mortgage Association, established  
 18 under the Federal National Mortgage Association Charter Act  
 19 (12 U.S.C. 1716 et seq.); or

20 (B) the Federal Home Loan Mortgage Corporation, established  
 21 under the Federal Home Loan Mortgage Corporation Act (12  
 22 U.S.C. 1451 et seq.);

23 as an ordinary loss under Section 301 of the Emergency  
 24 Economic Stabilization Act of 2008 in the current taxable year or  
 25 in an earlier taxable year equal to the amount of adjusted gross  
 26 income that would have been computed had the loss not been  
 27 treated as an ordinary loss.

28 ~~(17)~~ **(16)** This subdivision does not apply to payments made for  
 29 services provided to a business that was enrolled and participated  
 30 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 31 time the taxpayer conducted business in Indiana in the taxable  
 32 year. For a taxable year beginning after June 30, 2011, add the  
 33 amount of any trade or business deduction allowed under the  
 34 Internal Revenue Code for wages, reimbursements, or other  
 35 payments made for services provided in Indiana by an individual  
 36 for services as an employee, if the individual was, during the  
 37 period of service, prohibited from being hired as an employee  
 38 under 8 U.S.C. 1324a.

39 ~~(18)~~ **(17)** Add the amount excluded from federal gross income  
 40 under Section 103 of the Internal Revenue Code for interest  
 41 received on an obligation of a state other than Indiana, or a  
 42 political subdivision of such a state, that is acquired by the



- 1 taxpayer after December 31, 2011.
- 2 (c) In the case of life insurance companies (as defined in Section
- 3 816(a) of the Internal Revenue Code) that are organized under Indiana
- 4 law, the same as "life insurance company taxable income" (as defined
- 5 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 6 (1) Subtract income that is exempt from taxation under this article
- 7 by the Constitution and statutes of the United States.
- 8 (2) Add an amount equal to any deduction allowed or allowable
- 9 under Section 170 of the Internal Revenue Code.
- 10 (3) Add an amount equal to a deduction allowed or allowable
- 11 under Section 805 or Section 831(c) of the Internal Revenue Code
- 12 for taxes based on or measured by income and levied at the state
- 13 level by any state.
- 14 (4) Subtract an amount equal to the amount included in the
- 15 company's taxable income under Section 78 of the Internal
- 16 Revenue Code.
- 17 (5) Add or subtract the amount necessary to make the adjusted
- 18 gross income of any taxpayer that owns property for which bonus
- 19 depreciation was allowed in the current taxable year or in an
- 20 earlier taxable year equal to the amount of adjusted gross income
- 21 that would have been computed had an election not been made
- 22 under Section 168(k) of the Internal Revenue Code to apply bonus
- 23 depreciation to the property in the year that it was placed in
- 24 service.
- 25 (6) Add an amount equal to any deduction allowed under Section
- 26 172 or Section 810 of the Internal Revenue Code.
- 27 (7) Add or subtract the amount necessary to make the adjusted
- 28 gross income of any taxpayer that placed Section 179 property (as
- 29 defined in Section 179 of the Internal Revenue Code) in service
- 30 in the current taxable year or in an earlier taxable year equal to
- 31 the amount of adjusted gross income that would have been
- 32 computed had an election for federal income tax purposes not
- 33 been made for the year in which the property was placed in
- 34 service to take deductions under Section 179 of the Internal
- 35 Revenue Code in a total amount exceeding twenty-five thousand
- 36 dollars (\$25,000).
- 37 ~~(8) Add an amount equal to the amount that a taxpayer claimed as~~
- 38 ~~a deduction for domestic production activities for the taxable year~~
- 39 ~~under Section 199 of the Internal Revenue Code for federal~~
- 40 ~~income tax purposes.~~
- 41 ~~(9) (8) Subtract income that is:~~
- 42 (A) exempt from taxation under IC 6-3-2-21.7; and



- 1 (B) included in the insurance company's taxable income under  
 2 the Internal Revenue Code.
- 3 ~~(+0)~~ **(9)** Add an amount equal to any income not included in gross  
 4 income as a result of the deferral of income arising from business  
 5 indebtedness discharged in connection with the reacquisition after  
 6 December 31, 2008, and before January 1, 2011, of an applicable  
 7 debt instrument, as provided in Section 108(i) of the Internal  
 8 Revenue Code. Subtract from the adjusted gross income of any  
 9 taxpayer that added an amount to adjusted gross income in a  
 10 previous year the amount necessary to offset the amount included  
 11 in federal gross income as a result of the deferral of income  
 12 arising from business indebtedness discharged in connection with  
 13 the reacquisition after December 31, 2008, and before January 1,  
 14 2011, of an applicable debt instrument, as provided in Section  
 15 108(i) of the Internal Revenue Code.
- 16 ~~(+1)~~ **(10)** Add or subtract the amount necessary to make the  
 17 adjusted gross income of any taxpayer that claimed the special  
 18 allowance for qualified disaster assistance property under Section  
 19 168(n) of the Internal Revenue Code equal to the amount of  
 20 adjusted gross income that would have been computed had the  
 21 special allowance not been claimed for the property.
- 22 ~~(+2)~~ **(11)** Add or subtract the amount necessary to make the  
 23 adjusted gross income of any taxpayer that made an election  
 24 under Section 179C of the Internal Revenue Code to expense  
 25 costs for qualified refinery property equal to the amount of  
 26 adjusted gross income that would have been computed had an  
 27 election for federal income tax purposes not been made for the  
 28 year.
- 29 ~~(+3)~~ **(12)** Add or subtract the amount necessary to make the  
 30 adjusted gross income of any taxpayer that made an election  
 31 under Section 181 of the Internal Revenue Code to expense costs  
 32 for a qualified film or television production equal to the amount  
 33 of adjusted gross income that would have been computed had an  
 34 election for federal income tax purposes not been made for the  
 35 year.
- 36 ~~(+4)~~ **(13)** Add or subtract the amount necessary to make the  
 37 adjusted gross income of any taxpayer that treated a loss from the  
 38 sale or exchange of preferred stock in:
- 39 (A) the Federal National Mortgage Association, established  
 40 under the Federal National Mortgage Association Charter Act  
 41 (12 U.S.C. 1716 et seq.); or  
 42 (B) the Federal Home Loan Mortgage Corporation, established



- 1           under the Federal Home Loan Mortgage Corporation Act (12  
2           U.S.C. 1451 et seq.);  
3           as an ordinary loss under Section 301 of the Emergency  
4           Economic Stabilization Act of 2008 in the current taxable year or  
5           in an earlier taxable year equal to the amount of adjusted gross  
6           income that would have been computed had the loss not been  
7           treated as an ordinary loss.
- 8           ~~(15)~~ **(14)** Add an amount equal to any exempt insurance income  
9           under Section 953(e) of the Internal Revenue Code that is active  
10          financing income under Subpart F of Subtitle A, Chapter 1,  
11          Subchapter N of the Internal Revenue Code.
- 12          ~~(16)~~ **(15)** This subdivision does not apply to payments made for  
13          services provided to a business that was enrolled and participated  
14          in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
15          time the taxpayer conducted business in Indiana in the taxable  
16          year. For a taxable year beginning after June 30, 2011, add the  
17          amount of any trade or business deduction allowed under the  
18          Internal Revenue Code for wages, reimbursements, or other  
19          payments made for services provided in Indiana by an individual  
20          for services as an employee, if the individual was, during the  
21          period of service, prohibited from being hired as an employee  
22          under 8 U.S.C. 1324a.
- 23          ~~(17)~~ **(16)** Add the amount excluded from federal gross income  
24          under Section 103 of the Internal Revenue Code for interest  
25          received on an obligation of a state other than Indiana, or a  
26          political subdivision of such a state, that is acquired by the  
27          taxpayer after December 31, 2011.
- 28          (d) In the case of insurance companies subject to tax under Section  
29          831 of the Internal Revenue Code and organized under Indiana law, the  
30          same as "taxable income" (as defined in Section 832 of the Internal  
31          Revenue Code), adjusted as follows:
- 32               (1) Subtract income that is exempt from taxation under this article  
33               by the Constitution and statutes of the United States.
- 34               (2) Add an amount equal to any deduction allowed or allowable  
35               under Section 170 of the Internal Revenue Code.
- 36               (3) Add an amount equal to a deduction allowed or allowable  
37               under Section 805 or Section 831(c) of the Internal Revenue Code  
38               for taxes based on or measured by income and levied at the state  
39               level by any state.
- 40               (4) Subtract an amount equal to the amount included in the  
41               company's taxable income under Section 78 of the Internal  
42               Revenue Code.



- 1 (5) Add or subtract the amount necessary to make the adjusted  
 2 gross income of any taxpayer that owns property for which bonus  
 3 depreciation was allowed in the current taxable year or in an  
 4 earlier taxable year equal to the amount of adjusted gross income  
 5 that would have been computed had an election not been made  
 6 under Section 168(k) of the Internal Revenue Code to apply bonus  
 7 depreciation to the property in the year that it was placed in  
 8 service.
- 9 (6) Add an amount equal to any deduction allowed under Section  
 10 172 of the Internal Revenue Code.
- 11 (7) Add or subtract the amount necessary to make the adjusted  
 12 gross income of any taxpayer that placed Section 179 property (as  
 13 defined in Section 179 of the Internal Revenue Code) in service  
 14 in the current taxable year or in an earlier taxable year equal to  
 15 the amount of adjusted gross income that would have been  
 16 computed had an election for federal income tax purposes not  
 17 been made for the year in which the property was placed in  
 18 service to take deductions under Section 179 of the Internal  
 19 Revenue Code in a total amount exceeding twenty-five thousand  
 20 dollars (\$25,000).
- 21 ~~(8) Add an amount equal to the amount that a taxpayer claimed as~~  
 22 ~~a deduction for domestic production activities for the taxable year~~  
 23 ~~under Section 199 of the Internal Revenue Code for federal~~  
 24 ~~income tax purposes.~~
- 25 ~~(9)~~ (8) Subtract income that is:  
 26 (A) exempt from taxation under IC 6-3-2-21.7; and  
 27 (B) included in the insurance company's taxable income under  
 28 the Internal Revenue Code.
- 29 ~~(10)~~ (9) Add an amount equal to any income not included in gross  
 30 income as a result of the deferral of income arising from business  
 31 indebtedness discharged in connection with the reacquisition after  
 32 December 31, 2008, and before January 1, 2011, of an applicable  
 33 debt instrument, as provided in Section 108(i) of the Internal  
 34 Revenue Code. Subtract from the adjusted gross income of any  
 35 taxpayer that added an amount to adjusted gross income in a  
 36 previous year the amount necessary to offset the amount included  
 37 in federal gross income as a result of the deferral of income  
 38 arising from business indebtedness discharged in connection with  
 39 the reacquisition after December 31, 2008, and before January 1,  
 40 2011, of an applicable debt instrument, as provided in Section  
 41 108(i) of the Internal Revenue Code.
- 42 ~~(11)~~ (10) Add or subtract the amount necessary to make the



1 adjusted gross income of any taxpayer that claimed the special  
 2 allowance for qualified disaster assistance property under Section  
 3 168(n) of the Internal Revenue Code equal to the amount of  
 4 adjusted gross income that would have been computed had the  
 5 special allowance not been claimed for the property.

6 ~~(12)~~ **(11)** Add or subtract the amount necessary to make the  
 7 adjusted gross income of any taxpayer that made an election  
 8 under Section 179C of the Internal Revenue Code to expense  
 9 costs for qualified refinery property equal to the amount of  
 10 adjusted gross income that would have been computed had an  
 11 election for federal income tax purposes not been made for the  
 12 year.

13 ~~(13)~~ **(12)** Add or subtract the amount necessary to make the  
 14 adjusted gross income of any taxpayer that made an election  
 15 under Section 181 of the Internal Revenue Code to expense costs  
 16 for a qualified film or television production equal to the amount  
 17 of adjusted gross income that would have been computed had an  
 18 election for federal income tax purposes not been made for the  
 19 year.

20 ~~(14)~~ **(13)** Add or subtract the amount necessary to make the  
 21 adjusted gross income of any taxpayer that treated a loss from the  
 22 sale or exchange of preferred stock in:

23 (A) the Federal National Mortgage Association, established  
 24 under the Federal National Mortgage Association Charter Act  
 25 (12 U.S.C. 1716 et seq.); or

26 (B) the Federal Home Loan Mortgage Corporation, established  
 27 under the Federal Home Loan Mortgage Corporation Act (12  
 28 U.S.C. 1451 et seq.);

29 as an ordinary loss under Section 301 of the Emergency  
 30 Economic Stabilization Act of 2008 in the current taxable year or  
 31 in an earlier taxable year equal to the amount of adjusted gross  
 32 income that would have been computed had the loss not been  
 33 treated as an ordinary loss.

34 ~~(15)~~ **(14)** Add an amount equal to any exempt insurance income  
 35 under Section 953(e) of the Internal Revenue Code that is active  
 36 financing income under Subpart F of Subtitle A, Chapter 1,  
 37 Subchapter N of the Internal Revenue Code.

38 ~~(16)~~ **(15)** This subdivision does not apply to payments made for  
 39 services provided to a business that was enrolled and participated  
 40 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 41 time the taxpayer conducted business in Indiana in the taxable  
 42 year. For a taxable year beginning after June 30, 2011, add the



1 amount of any trade or business deduction allowed under the  
 2 Internal Revenue Code for wages, reimbursements, or other  
 3 payments made for services provided in Indiana by an individual  
 4 for services as an employee, if the individual was, during the  
 5 period of service, prohibited from being hired as an employee  
 6 under 8 U.S.C. 1324a.

7 ~~(17)~~ **(16)** Add the amount excluded from federal gross income  
 8 under Section 103 of the Internal Revenue Code for interest  
 9 received on an obligation of a state other than Indiana, or a  
 10 political subdivision of such a state, that is acquired by the  
 11 taxpayer after December 31, 2011.

12 (e) In the case of trusts and estates, "taxable income" (as defined for  
 13 trusts and estates in Section 641(b) of the Internal Revenue Code)  
 14 adjusted as follows:

15 (1) Subtract income that is exempt from taxation under this article  
 16 by the Constitution and statutes of the United States.

17 (2) Subtract an amount equal to the amount of a September 11  
 18 terrorist attack settlement payment included in the federal  
 19 adjusted gross income of the estate of a victim of the September  
 20 11 terrorist attack or a trust to the extent the trust benefits a victim  
 21 of the September 11 terrorist attack.

22 (3) Add or subtract the amount necessary to make the adjusted  
 23 gross income of any taxpayer that owns property for which bonus  
 24 depreciation was allowed in the current taxable year or in an  
 25 earlier taxable year equal to the amount of adjusted gross income  
 26 that would have been computed had an election not been made  
 27 under Section 168(k) of the Internal Revenue Code to apply bonus  
 28 depreciation to the property in the year that it was placed in  
 29 service.

30 (4) Add an amount equal to any deduction allowed under Section  
 31 172 of the Internal Revenue Code.

32 (5) Add or subtract the amount necessary to make the adjusted  
 33 gross income of any taxpayer that placed Section 179 property (as  
 34 defined in Section 179 of the Internal Revenue Code) in service  
 35 in the current taxable year or in an earlier taxable year equal to  
 36 the amount of adjusted gross income that would have been  
 37 computed had an election for federal income tax purposes not  
 38 been made for the year in which the property was placed in  
 39 service to take deductions under Section 179 of the Internal  
 40 Revenue Code in a total amount exceeding twenty-five thousand  
 41 dollars (\$25,000).

42 ~~(6)~~ Add an amount equal to the amount that a taxpayer claimed as



1 a deduction for domestic production activities for the taxable year  
 2 under Section 199 of the Internal Revenue Code for federal  
 3 income tax purposes.

4 ~~(7)~~ (6) Subtract income that is:

5 (A) exempt from taxation under IC 6-3-2-21.7; and

6 (B) included in the taxpayer's taxable income under the  
 7 Internal Revenue Code.

8 ~~(8)~~ (7) Add an amount equal to any income not included in gross  
 9 income as a result of the deferral of income arising from business  
 10 indebtedness discharged in connection with the reacquisition after  
 11 December 31, 2008, and before January 1, 2011, of an applicable  
 12 debt instrument, as provided in Section 108(i) of the Internal  
 13 Revenue Code. Subtract from the adjusted gross income of any  
 14 taxpayer that added an amount to adjusted gross income in a  
 15 previous year the amount necessary to offset the amount included  
 16 in federal gross income as a result of the deferral of income  
 17 arising from business indebtedness discharged in connection with  
 18 the reacquisition after December 31, 2008, and before January 1,  
 19 2011, of an applicable debt instrument, as provided in Section  
 20 108(i) of the Internal Revenue Code.

21 ~~(9)~~ (8) Add or subtract the amount necessary to make the adjusted  
 22 gross income of any taxpayer that claimed the special allowance  
 23 for qualified disaster assistance property under Section 168(n) of  
 24 the Internal Revenue Code equal to the amount of adjusted gross  
 25 income that would have been computed had the special allowance  
 26 not been claimed for the property.

27 ~~(10)~~ (9) Add or subtract the amount necessary to make the  
 28 adjusted gross income of any taxpayer that made an election  
 29 under Section 179C of the Internal Revenue Code to expense  
 30 costs for qualified refinery property equal to the amount of  
 31 adjusted gross income that would have been computed had an  
 32 election for federal income tax purposes not been made for the  
 33 year.

34 ~~(11)~~ (10) Add or subtract the amount necessary to make the  
 35 adjusted gross income of any taxpayer that made an election  
 36 under Section 181 of the Internal Revenue Code to expense costs  
 37 for a qualified film or television production equal to the amount  
 38 of adjusted gross income that would have been computed had an  
 39 election for federal income tax purposes not been made for the  
 40 year.

41 ~~(12)~~ (11) Add or subtract the amount necessary to make the  
 42 adjusted gross income of any taxpayer that treated a loss from the





1 sale or exchange of preferred stock in:  
 2 (A) the Federal National Mortgage Association, established  
 3 under the Federal National Mortgage Association Charter Act  
 4 (12 U.S.C. 1716 et seq.); or  
 5 (B) the Federal Home Loan Mortgage Corporation, established  
 6 under the Federal Home Loan Mortgage Corporation Act (12  
 7 U.S.C. 1451 et seq.);  
 8 as an ordinary loss under Section 301 of the Emergency  
 9 Economic Stabilization Act of 2008 in the current taxable year or  
 10 in an earlier taxable year equal to the amount of adjusted gross  
 11 income that would have been computed had the loss not been  
 12 treated as an ordinary loss.  
 13 ~~(13)~~ **(12)** Add the amount excluded from gross income under  
 14 Section 108(a)(1)(e) of the Internal Revenue Code for the  
 15 discharge of debt on a qualified principal residence.  
 16 ~~(14)~~ **(13)** This subdivision does not apply to payments made for  
 17 services provided to a business that was enrolled and participated  
 18 in the E-Verify program (as defined in IC 22-5-1.7-3) during the  
 19 time the taxpayer conducted business in Indiana in the taxable  
 20 year. For a taxable year beginning after June 30, 2011, add the  
 21 amount of any trade or business deduction allowed under the  
 22 Internal Revenue Code for wages, reimbursements, or other  
 23 payments made for services provided in Indiana by an individual  
 24 for services as an employee, if the individual was, during the  
 25 period of service, prohibited from being hired as an employee  
 26 under 8 U.S.C. 1324a.  
 27 ~~(15)~~ **(14)** Add the amount excluded from federal gross income  
 28 under Section 103 of the Internal Revenue Code for interest  
 29 received on an obligation of a state other than Indiana, or a  
 30 political subdivision of such a state, that is acquired by the  
 31 taxpayer after December 31, 2011.  
 32 SECTION 2. IC 6-3-2-4, AS AMENDED BY P.L.6-2012,  
 33 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 34 JANUARY 1, 2014 (RETROACTIVE)]: Sec. 4. (a) Each taxable year,  
 35 an individual, or the individual's surviving spouse, is entitled to an  
 36 adjusted gross income tax deduction for the first five thousand dollars  
 37 (\$5,000) of income, including retirement or survivor's benefits,  
 38 received during the taxable year by the individual, or the individual's  
 39 surviving spouse, for the individual's service in an active or reserve  
 40 component of the armed forces of the United States, including the  
 41 army, navy, air force, coast guard, marine corps, merchant marine,  
 42 Indiana army national guard, or Indiana air national guard. However,



1 a person who is less than sixty (60) years of age on the last day of the  
 2 person's taxable year, is not, for that taxable year, entitled to a  
 3 deduction under this section for retirement or survivor's benefits.

4 (b) An individual whose qualified military income is subtracted  
 5 from the individual's federal adjusted gross income under  
 6 ~~IC 6-3-1-3.5(a)(21)~~ **IC 6-3-1-3.5(a)(20)** for Indiana individual income  
 7 tax purposes is not, for that taxable year, entitled to a deduction under  
 8 this section for the individual's qualified military income.

9 SECTION 3. IC 6-5.5-1-2, AS AMENDED BY P.L.205-2013,  
 10 SECTION 124, IS AMENDED TO READ AS FOLLOWS  
 11 [EFFECTIVE JANUARY 1, 2014 (RETROACTIVE)]: Sec. 2. (a)  
 12 Except as provided in subsections (b) through (d), "adjusted gross  
 13 income" means taxable income as defined in Section 63 of the Internal  
 14 Revenue Code, adjusted as follows:

15 (1) Add the following amounts:

16 (A) An amount equal to a deduction allowed or allowable  
 17 under Section 166, Section 585, or Section 593 of the Internal  
 18 Revenue Code.

19 (B) An amount equal to a deduction allowed or allowable  
 20 under Section 170 of the Internal Revenue Code.

21 (C) An amount equal to a deduction or deductions allowed or  
 22 allowable under Section 63 of the Internal Revenue Code for  
 23 taxes based on or measured by income and levied at the state  
 24 level by a state of the United States or levied at the local level  
 25 by any subdivision of a state of the United States.

26 (D) The amount of interest excluded under Section 103 of the  
 27 Internal Revenue Code or under any other federal law, minus  
 28 the associated expenses disallowed in the computation of  
 29 taxable income under Section 265 of the Internal Revenue  
 30 Code.

31 (E) An amount equal to the deduction allowed under Section  
 32 172 or 1212 of the Internal Revenue Code for net operating  
 33 losses or net capital losses.

34 (F) For a taxpayer that is not a large bank (as defined in  
 35 Section 585(c)(2) of the Internal Revenue Code), an amount  
 36 equal to the recovery of a debt, or part of a debt, that becomes  
 37 worthless to the extent a deduction was allowed from gross  
 38 income in a prior taxable year under Section 166(a) of the  
 39 Internal Revenue Code.

40 (G) Add the amount necessary to make the adjusted gross  
 41 income of any taxpayer that owns property for which bonus  
 42 depreciation was allowed in the current taxable year or in an



1 earlier taxable year equal to the amount of adjusted gross  
 2 income that would have been computed had an election not  
 3 been made under Section 168(k) of the Internal Revenue Code  
 4 to apply bonus depreciation to the property in the year that it  
 5 was placed in service.

6 (H) Add the amount necessary to make the adjusted gross  
 7 income of any taxpayer that placed Section 179 property (as  
 8 defined in Section 179 of the Internal Revenue Code) in  
 9 service in the current taxable year or in an earlier taxable year  
 10 equal to the amount of adjusted gross income that would have  
 11 been computed had an election for federal income tax  
 12 purposes not been made for the year in which the property was  
 13 placed in service to take deductions under Section 179 of the  
 14 Internal Revenue Code in a total amount exceeding  
 15 twenty-five thousand dollars (\$25,000).

16 ~~(I)~~ Add an amount equal to the amount that a taxpayer claimed  
 17 as a deduction for domestic production activities for the  
 18 taxable year under Section 199 of the Internal Revenue Code  
 19 for federal income tax purposes.

20 ~~(J)~~ (I) Add an amount equal to any income not included in  
 21 gross income as a result of the deferral of income arising from  
 22 business indebtedness discharged in connection with the  
 23 reacquisition after December 31, 2008, and before January 1,  
 24 2011, of an applicable debt instrument, as provided in Section  
 25 108(i) of the Internal Revenue Code. Subtract from the  
 26 adjusted gross income of any taxpayer that added an amount  
 27 to adjusted gross income in a previous year the amount  
 28 necessary to offset the amount included in federal gross  
 29 income as a result of the deferral of income arising from  
 30 business indebtedness discharged in connection with the  
 31 reacquisition after December 31, 2008, and before January 1,  
 32 2011, of an applicable debt instrument, as provided in Section  
 33 108(i) of the Internal Revenue Code.

34 ~~(K)~~ (J) Add or subtract the amount necessary to make the  
 35 adjusted gross income of any taxpayer that claimed the special  
 36 allowance for qualified disaster assistance property under  
 37 Section 168(n) of the Internal Revenue Code equal to the  
 38 amount of adjusted gross income that would have been  
 39 computed had the special allowance not been claimed for the  
 40 property.

41 ~~(L)~~ (K) Add or subtract the amount necessary to make the  
 42 adjusted gross income of any taxpayer that made an election



1 under Section 179C of the Internal Revenue Code to expense  
 2 costs for qualified refinery property equal to the amount of  
 3 adjusted gross income that would have been computed had an  
 4 election for federal income tax purposes not been made for the  
 5 year.

6 ~~(M)~~ (L) Add or subtract the amount necessary to make the  
 7 adjusted gross income of any taxpayer that made an election  
 8 under Section 181 of the Internal Revenue Code to expense  
 9 costs for a qualified film or television production equal to the  
 10 amount of adjusted gross income that would have been  
 11 computed had an election for federal income tax purposes not  
 12 been made for the year.

13 ~~(N)~~ (M) Add or subtract the amount necessary to make the  
 14 adjusted gross income of any taxpayer that treated a loss from  
 15 the sale or exchange of preferred stock in:

16 (i) the Federal National Mortgage Association, established  
 17 under the Federal National Mortgage Association Charter  
 18 Act (12 U.S.C. 1716 et seq.); or

19 (ii) the Federal Home Loan Mortgage Corporation,  
 20 established under the Federal Home Loan Mortgage  
 21 Corporation Act (12 U.S.C. 1451 et seq.);

22 as an ordinary loss under Section 301 of the Emergency  
 23 Economic Stabilization Act of 2008 in the current taxable year  
 24 or in an earlier taxable year equal to the amount of adjusted  
 25 gross income that would have been computed had the loss not  
 26 been treated as an ordinary loss.

27 ~~(O)~~ (N) Add an amount equal to any exempt insurance income  
 28 under Section 953(e) of the Internal Revenue Code for active  
 29 financing income under Subpart F, Subtitle A, Chapter 1,  
 30 Subchapter N of the Internal Revenue Code.

31 (2) Subtract the following amounts:

32 (A) Income that the United States Constitution or any statute  
 33 of the United States prohibits from being used to measure the  
 34 tax imposed by this chapter.

35 (B) Income that is derived from sources outside the United  
 36 States, as defined by the Internal Revenue Code.

37 (C) An amount equal to a debt or part of a debt that becomes  
 38 worthless, as permitted under Section 166(a) of the Internal  
 39 Revenue Code.

40 (D) An amount equal to any bad debt reserves that are  
 41 included in federal income because of accounting method  
 42 changes required by Section 585(c)(3)(A) or Section 593 of



- 1 the Internal Revenue Code.
- 2 (E) The amount necessary to make the adjusted gross income
- 3 of any taxpayer that owns property for which bonus
- 4 depreciation was allowed in the current taxable year or in an
- 5 earlier taxable year equal to the amount of adjusted gross
- 6 income that would have been computed had an election not
- 7 been made under Section 168(k) of the Internal Revenue Code
- 8 to apply bonus depreciation.
- 9 (F) The amount necessary to make the adjusted gross income
- 10 of any taxpayer that placed Section 179 property (as defined
- 11 in Section 179 of the Internal Revenue Code) in service in the
- 12 current taxable year or in an earlier taxable year equal to the
- 13 amount of adjusted gross income that would have been
- 14 computed had an election for federal income tax purposes not
- 15 been made for the year in which the property was placed in
- 16 service to take deductions under Section 179 of the Internal
- 17 Revenue Code in a total amount exceeding twenty-five
- 18 thousand dollars (\$25,000).
- 19 (G) Income that is:
- 20 (i) exempt from taxation under IC 6-3-2-21.7; and
- 21 (ii) included in the taxpayer's taxable income under the
- 22 Internal Revenue Code.
- 23 (H) This clause does not apply to payments made for services
- 24 provided to a business that was enrolled and participated in the
- 25 E-Verify program (as defined in IC 22-5-1.7-3) during the time
- 26 the taxpayer conducted business in Indiana in the taxable year.
- 27 For a taxable year beginning after June 30, 2011, add the
- 28 amount of any trade or business deduction allowed under the
- 29 Internal Revenue Code for wages, reimbursements, or other
- 30 payments made for services provided in Indiana by an
- 31 individual for services as an employee, if the individual was,
- 32 during the period of service, prohibited from being hired as an
- 33 employee under 8 U.S.C. 1324a.
- 34 (b) In the case of a credit union, "adjusted gross income" for a
- 35 taxable year means the total transfers to undivided earnings minus
- 36 dividends for that taxable year after statutory reserves are set aside
- 37 under IC 28-7-1-24.
- 38 (c) In the case of an investment company, "adjusted gross income"
- 39 means the company's federal taxable income plus the amount excluded
- 40 from federal gross income under Section 103 of the Internal Revenue
- 41 Code for interest received on an obligation of a state other than Indiana,
- 42 or a political subdivision of such a state, that is acquired by the



- 1 taxpayer after December 31, 2011, multiplied by the quotient of:
- 2 (1) the aggregate of the gross payments collected by the company
- 3 during the taxable year from old and new business upon
- 4 investment contracts issued by the company and held by residents
- 5 of Indiana; divided by
- 6 (2) the total amount of gross payments collected during the
- 7 taxable year by the company from the business upon investment
- 8 contracts issued by the company and held by persons residing
- 9 within Indiana and elsewhere.
- 10 (d) As used in subsection (c), "investment company" means a
- 11 person, copartnership, association, limited liability company, or
- 12 corporation, whether domestic or foreign, that:
- 13 (1) is registered under the Investment Company Act of 1940 (15
- 14 U.S.C. 80a-1 et seq.); and
- 15 (2) solicits or receives a payment to be made to itself and issues
- 16 in exchange for the payment:
- 17 (A) a so-called bond;
- 18 (B) a share;
- 19 (C) a coupon;
- 20 (D) a certificate of membership;
- 21 (E) an agreement;
- 22 (F) a pretended agreement; or
- 23 (G) other evidences of obligation;
- 24 entitling the holder to anything of value at some future date, if the
- 25 gross payments received by the company during the taxable year
- 26 on outstanding investment contracts, plus interest and dividends
- 27 earned on those contracts (by prorating the interest and dividends
- 28 earned on investment contracts by the same proportion that
- 29 certificate reserves (as defined by the Investment Company Act
- 30 of 1940) is to the company's total assets) is at least fifty percent
- 31 (50%) of the company's gross payments upon investment
- 32 contracts plus gross income from all other sources except
- 33 dividends from subsidiaries for the taxable year. The term
- 34 "investment contract" means an instrument listed in clauses (A)
- 35 through (G).
- 36 SECTION 4. [EFFECTIVE JANUARY 1, 2014 (RETROACTIVE)]
- 37 (a) IC 6-3-1-3.5, IC 6-3-2-4, and IC 6-5.5-1-2, all as amended by
- 38 this act, apply to taxable years beginning after December 31, 2013.
- 39 (b) This SECTION expires January 1, 2017.
- 40 SECTION 5. An emergency is declared for this act.

