

SENATE BILL No. 295

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2-26.

Synopsis: Deduction for small business investor income. Provides an individual income tax deduction for small business investor income received from Indiana small businesses. Specifies that the amount of the deduction is equal to 50% of the total amount of small business investor income received in the taxable year by the individual, but not to exceed \$62,500 (in the case of an individual who files a single return) or \$125,000 (in the case of spouses who file a joint return). Provides that an individual may receive such a deduction for small business investor income from a particular Indiana small business for not more than 10 years.

Effective: January 1, 2016.

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January 8, 2015, read first time and referred to Committee on Tax & Fiscal Policy.



First Regular Session 119th General Assembly (2015)

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 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

SENATE BILL No. 295

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 6-3-2-26 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2016]: **Sec. 26. (a) This section applies to taxable**
4 **years beginning after December 31, 2015.**
5 **(b) As used in this section, "Indiana small business" means a**
6 **business that has:**
7 **(1) at least one (1) full-time employee; and**
8 **(2) not more than:**
9 **(A) twenty-five (25) full-time employees, during the taxable**
10 **year for which the business first files a statement under**
11 **subsection (f); or**
12 **(B) one hundred (100) full-time employees, during a**
13 **taxable year that is one (1) of the nine (9) taxable years**
14 **following the taxable year in which the business first files**
15 **a statement under subsection (f);**
16 **who are employed by the business and each of whom performs at**



1 least fifty percent (50%) of the employee's service for the business
2 in Indiana.

3 (c) As used in this section, "small business investor income"
4 means the part of a taxpayer's adjusted gross income that is
5 business income that:

- 6 (1) is from an Indiana small business;
7 (2) is apportioned or allocated to Indiana, as reduced by
8 deductions and exemptions from business income that are
9 apportioned or allocated to Indiana;
10 (3) is not otherwise excluded from the taxpayer's federal
11 adjusted gross income; and
12 (4) is not excluded from the taxpayer's Indiana adjusted gross
13 income, except as provided in this section.

14 (d) Subject to the requirements of this section, an individual that
15 in a taxable year receives small business investor income, either as
16 an owner of an Indiana small business or as a shareholder, partner,
17 beneficiary, or member of a pass through entity that is an Indiana
18 small business, is entitled to a deduction from adjusted gross
19 income for that taxable year. The amount of the deduction that an
20 individual is entitled to receive under this section is equal to the
21 lesser of the following:

- 22 (1) An amount equal to:
23 (A) fifty percent (50%); multiplied by
24 (B) the total amount of small business investor income
25 received in the taxable year by the individual, in the case
26 of an individual who files a single return or by the
27 individual and the individual's spouse, in the case of
28 spouses who file a joint return.
29 (2) Sixty-two thousand five hundred dollars (\$62,500), in the
30 case of an individual who files a single return, or one hundred
31 twenty-five thousand dollars (\$125,000), in the case of spouses
32 who file a joint return.

33 (e) An individual may receive a deduction under this section for
34 small business investor income from a particular Indiana small
35 business only for the taxable year for which the Indiana small
36 business first files a statement under subsection (f) and for the
37 following nine (9) taxable years.

38 (f) An individual may not receive a deduction under this section
39 for a taxable year for small business investor income of a business
40 unless for that taxable year the business has filed with the
41 department a statement certifying that the business is an Indiana
42 small business. The department shall prescribe the form and



1 **requirements for a statement that is filed under this subsection.**

