

HOUSE BILL No. 1507

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2-28; IC 6-3.1-38.

Synopsis: Tax deductions and credits related to military service. Provides a state income tax deduction for a member of an active or reserve component of the armed forces of the United States or the National Guard who has military income that is attributable to military service while deployed or stationed outside of the United States equal to the amount of income attributable to that military service. Establishes a tax credit for a taxpayer that employs a member of a reserve component of the armed forces of the United States or the National Guard. Requires the taxpayer to submit certain information to the department of state revenue to claim the credit.

Effective: January 1, 2023 (retroactive).

Speedy

January 17, 2023, read first time and referred to Committee on Ways and Means.



First Regular Session of the 123rd General Assembly (2023)

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 2022 Regular Session of the General Assembly.

HOUSE BILL No. 1507

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 6-3-2-28 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2023 (RETROACTIVE)]: **Sec. 28. (a) If an individual:**
4 **(1) serves as a member of an active or reserve component of**
5 **the armed forces of the United States or the National Guard;**
6 **(2) has military income that is attributable to military service**
7 **while deployed or stationed outside of the United States; and**
8 **(3) the military income is included in income for federal**
9 **adjusted gross income tax purposes;**
10 **the individual is entitled to a deduction in an amount equal to that**
11 **part of the individual's adjusted gross income attributable to**
12 **military service while deployed or stationed outside of the United**
13 **States.**
14 **(b) An individual whose qualified military income is subtracted**
15 **from the individual's federal adjusted gross income under**
16 **IC 6-3-1-3.5(a)(18) or section 4 of this chapter for Indiana**
17 **individual income tax purposes is not, for that taxable year,**



1 entitled to a deduction under this section for the same qualified
 2 military income that is deducted under IC 6-3-1-3.5(a)(18) or
 3 section 4 of this chapter.

4 SECTION 2. IC 6-3.1-38 IS ADDED TO THE INDIANA CODE
 5 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 6 JANUARY 1, 2023 (RETROACTIVE)]:

7 **Chapter 38. Employment of Individuals in the Military**

8 **Sec. 1. As used in this chapter, "pass through entity" means:**

- 9 (1) a corporation that is exempt from the adjusted gross
 10 income tax under IC 6-3-2-2.8(2);
 11 (2) a partnership;
 12 (3) a trust;
 13 (4) an estate;
 14 (5) a limited liability company; or
 15 (6) a limited liability partnership.

16 **Sec. 2. As used in this chapter, "qualified individual" means an**
 17 **individual who resides in Indiana and serves as a member of:**

- 18 (1) a reserve component of the armed forces of the United
 19 States; or
 20 (2) the National Guard.

21 **Sec. 3. As used in this chapter, "state tax liability" means the**
 22 **taxpayer's total tax liability that is incurred under:**

- 23 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
 24 (2) IC 27-1-18-2 (the insurance premiums tax) or IC 6-8-15
 25 (the nonprofit agricultural organization health coverage tax);
 26 and
 27 (3) IC 6-5.5 (the financial institutions tax);

28 as computed after the application of the credits that, under
 29 IC 6-3.1-1-2, are to be applied before the credit provided by this
 30 chapter.

31 **Sec. 4. (a) Subject to subsection (c), a taxpayer who employs a**
 32 **qualified individual during a taxable year is entitled to a credit**
 33 **against the taxpayer's state tax liability for the taxable year based**
 34 **on the time in which the qualified individual is:**

- 35 (1) employed by the taxpayer; and
 36 (2) training, drilling, or otherwise on active duty orders with
 37 a reserve component of the armed forces of the United States
 38 or the National Guard during the qualified individual's
 39 normal working hours;

40 during the taxable year.

41 (b) The amount of the tax credit with respect to a particular
 42 qualified individual is the amount determined in the last STEP in



1 the following STEPS:

2 **STEP ONE: Determine the number of hours that the qualified**
 3 **individual is training, drilling, or otherwise on active duty**
 4 **orders with a reserve component of the armed forces of the**
 5 **United States or the National Guard during the qualified**
 6 **individual's normal working hours during the taxable year.**

7 **STEP TWO: Multiply the STEP ONE result by the qualified**
 8 **individual's normal hourly wage.**

9 **STEP THREE: Multiply the STEP TWO result by five-tenths**
 10 **(.50).**

11 **(c) A taxpayer may not claim the credit under this chapter for**
 12 **a qualified individual who uses any type of paid leave during the**
 13 **time for which the qualified individual is training, drilling, or**
 14 **otherwise on active duty orders with a reserve component of the**
 15 **armed forces of the United States or the National Guard during the**
 16 **taxable year.**

17 **Sec. 5. In order to receive the credit provided under this**
 18 **chapter, a taxpayer must claim the credit on the taxpayer's annual**
 19 **state tax return in the manner prescribed by the department. The**
 20 **taxpayer shall submit to the department any information that the**
 21 **department determines is necessary for the calculation of the**
 22 **credit.**

23 **Sec. 6. (a) If the amount determined under section 4(b) of this**
 24 **chapter for a taxable year exceeds the taxpayer's state tax liability**
 25 **for that taxable year, the taxpayer may carry the excess over to the**
 26 **immediately following taxable years. The amount of the credit**
 27 **carryover from a taxable year shall be reduced to the extent that**
 28 **the carryover is used by the taxpayer to obtain a credit under this**
 29 **chapter for any subsequent taxable year.**

30 **(b) A taxpayer is not entitled to any carryback or refund of any**
 31 **unused credit.**

32 **(c) A taxpayer may not assign any part of a credit to which the**
 33 **taxpayer is entitled under this chapter.**

34 **Sec. 7. If a pass through entity is entitled to a credit under this**
 35 **chapter but does not have state tax liability against which the tax**
 36 **credit may be applied, an individual who is a shareholder, partner,**
 37 **beneficiary, or member of the pass through entity is entitled to a**
 38 **tax credit equal to:**

39 **(1) the tax credit determined for the pass through entity for**
 40 **the taxable year; multiplied by**

41 **(2) the percentage of the pass through entity's distributive**
 42 **income to which the shareholder, partner, beneficiary, or**



1 **member is entitled.**
2 **The credit provided under this section is in addition to a tax credit**
3 **to which a shareholder, partner, beneficiary, or member of a pass**
4 **through entity is entitled. However, a pass through entity and an**
5 **individual who is a shareholder, partner, beneficiary, or member**
6 **of a pass through entity may not claim more than one (1) credit.**
7 SECTION 3. [EFFECTIVE JANUARY 1, 2023 (RETROACTIVE)]
8 **(a) IC 6-3-2-28 and IC 6-3.1-38, as added by this act, apply to**
9 **taxable years beginning after December 31, 2022.**
10 **(b) This SECTION expires July 1, 2026.**
11 SECTION 4. An emergency is declared for this act.

