

# HOUSE BILL No. 1645

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-30-17; IC 6-3; IC 10-17-16.

**Synopsis:** Veterans. Provides a 100% state income tax deduction for all military service income received by an individual or the individual's surviving spouse. Establishes the veterans service officer fund (fund) to provide funding for grants to counties for salaries for veterans service officers. Provides that the fund is administered by the Indiana veterans' affairs commission (commission). Provides that the amount of a grant that the commission may award to a county per year is equal to: (1) \$42,000; multiplied by (2) the following: (A) 25%, in the case of a county with at least one veteran but not more than 1,500 veterans. (B) 50%, in the case of a county with more than 1,500 veterans but not more than 3,000 veterans. (C) 75%, in the case of a county with more than 3,000 veterans but not more than 4,500 veterans. (D) 100%, in the case of a county with more than 4,500 veterans. Adds the commission as an eligible recipient for appropriations from the build Indiana fund (surplus lottery reserves) only for deposit in the fund.

**Effective:** July 1, 2019; January 1, 2020.

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## Smaltz

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January 24, 2019, read first time and referred to Committee on Ways and Means.

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First Regular Session of the 121st General Assembly (2019)

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 2018 Regular and Special Session of the General Assembly.

# HOUSE BILL No. 1645



A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 4-30-17-2, AS AMENDED BY P.L.2-2007,  
2 SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2019]: Sec. 2. As used in this chapter, "eligible recipient"  
4 means the following:  
5 (1) Any political subdivision (as defined in IC 36-1-2-13).  
6 (2) A volunteer fire department (as defined in IC 36-8-12-2) or  
7 another group recognized by a political subdivision (as defined in  
8 IC 36-1-2-13) as a group providing firefighting or other  
9 emergency services to the area served by the political subdivision,  
10 the majority of members of which receive no compensation or  
11 nominal compensation for their services.  
12 (3) A corporation, community chest, community fund, or  
13 community foundation that is exempt from federal income  
14 taxation under Section 501(c)(3) of the Internal Revenue Code.  
15 (4) The state.  
16 (5) A state educational institution.  
17 (6) Any body corporate and politic that serves as an



1 instrumentality of the state.

2 **(7) The Indiana veterans' affairs commission established by**  
 3 **IC 10-17-13-4 only for deposit in the veterans service officer**  
 4 **fund established by IC 10-17-16-4.**

5 SECTION 2. IC 4-30-17-3.3, AS ADDED BY P.L.220-2011,  
 6 SECTION 51, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 7 JULY 1, 2019]: Sec. 3.3. (a) As used in this section, "build Indiana  
 8 fund account" means any of the following accounts in the build Indiana  
 9 fund established by section 3 of this chapter:

- 10 (1) The state and local projects account.  
 11 (2) The lottery and gaming surplus account.  
 12 (3) The job creation and economic development account.

13 **(4) The Indiana veterans' affairs commission account.**

14 (b) As used in this section, "capital project" has the meaning set  
 15 forth in section 4.1 of this chapter, as amended by P.L.186-2002.

16 (c) As used in this section, "eligible recipient" has the meaning set  
 17 forth in section 2 of this chapter, as amended by P.L.186-2002.

18 (d) Any reference to a build Indiana fund account in a law,  
 19 agreement, or other document that was created before March 28, 2002,  
 20 shall be treated on and after March 28, 2002, as a reference to the build  
 21 Indiana fund.

22 (e) If an eligible recipient submitted an application to the state for  
 23 funding from the build Indiana fund before March 28, 2002, and the  
 24 budget agency has available to it the information necessary to process  
 25 the application, the budget agency shall use the information to process  
 26 the application without requiring resubmission of the information on  
 27 any particular form or in a different format.

28 SECTION 3. IC 4-30-17-4.1 IS AMENDED TO READ AS  
 29 FOLLOWS [EFFECTIVE JULY 1, 2019]: Sec. 4.1. (a) Money credited  
 30 to the build Indiana fund, after making the disbursements required  
 31 under section 3.5 of this chapter, may be used only for:

- 32 (1) state or local capital projects that are managed or carried out  
 33 by an eligible recipient; **or**  
 34 (2) deposit in a revolving loan fund for capital projects; **or**

35 **(3) deposit in the veterans service officer fund established by**  
 36 **IC 10-17-16-4.**

37 (b) An expenditure of money from the build Indiana fund for a state  
 38 or local capital project must be certified by the budget agency to the  
 39 budget committee under section 4.5 of this chapter before the project  
 40 may be reviewed and approved under section 10 of this chapter.

41 (c) As used in this chapter, "capital project" refers to a capital  
 42 project to which the general assembly has appropriated money from the



1 build Indiana fund by project name, name of an eligible recipient, or  
 2 other description of the capital project. The term includes:

3 (1) the construction of airports, airport facilities, and local street  
 4 and road projects;

5 (2) an airport development project that is eligible for a grant or  
 6 loan under IC 8-21-11; and

7 (3) any other:

8 (A) acquisition of land;

9 (B) site improvements;

10 (C) infrastructure improvements;

11 (D) construction of buildings or structures;

12 (E) rehabilitation, renovation, or enlargement of buildings or  
 13 structures; or

14 (F) acquisition or improvement of machinery, equipment,  
 15 furnishings, or facilities;

16 (or any combination of these), that comprises or is functionally  
 17 related to an activity that serves a governmental, a recreational, a  
 18 cultural, a community, a health, a charitable, a scientific, a public  
 19 safety, a literary, or an educational purpose, fosters amateur sports  
 20 competition, or fosters prevention of cruelty to children.

21 (d) As used in this chapter, "state project" refers to a capital project  
 22 that is managed or carried out by an eligible recipient described in  
 23 section 2(4) through 2(6) of this chapter.

24 (e) As used in this chapter, "local project" refers to a capital project  
 25 that is managed or carried out by an eligible recipient described in  
 26 section 2(1) through 2(3) of this chapter.

27 (f) In appropriating money from the build Indiana fund for state and  
 28 local capital projects, the general assembly shall, to the extent  
 29 practicable, allocate money:

30 (1) equally among legislative districts for the house of  
 31 representatives; and

32 (2) equally among legislative districts for the senate;

33 without regard to the political affiliation of the member of the general  
 34 assembly representing the legislative district or the voting preferences  
 35 of the legislative district.

36 (g) In reviewing and approving projects under section 10 of this  
 37 chapter, the budget committee and the governor shall carry out a  
 38 program under which, to the extent that projects otherwise qualify for  
 39 funding, money for projects is disbursed:

40 (1) equally among legislative districts for the house of  
 41 representatives; and

42 (2) equally among legislative districts for the senate;



1 without regard to the political affiliation of the member of the general  
 2 assembly representing the legislative district or the voting preferences  
 3 of the legislative district.

4 SECTION 4. IC 6-3-1-3.5, AS AMENDED BY P.L.214-2018(ss),  
 5 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 6 JANUARY 1, 2020]: Sec. 3.5. When used in this article, the term  
 7 "adjusted gross income" shall mean the following:

8 (a) In the case of all individuals, "adjusted gross income" (as  
 9 defined in Section 62 of the Internal Revenue Code), modified as  
 10 follows:

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

13 (2) Except as provided in subsection (c), add an amount equal to  
 14 any deduction or deductions allowed or allowable pursuant to  
 15 Section 62 of the Internal Revenue Code for taxes based on or  
 16 measured by income and levied at the state level by any state of  
 17 the United States.

18 (3) Subtract one thousand dollars (\$1,000), or in the case of a  
 19 joint return filed by a husband and wife, subtract for each spouse  
 20 one thousand dollars (\$1,000).

21 (4) Subtract one thousand dollars (\$1,000) for:

22 (A) each of the exemptions provided by Section 151(c) of the  
 23 Internal Revenue Code (as effective January 1, 2017);

24 (B) each additional amount allowable under Section 63(f) of  
 25 the Internal Revenue Code; and

26 (C) the spouse of the taxpayer if a separate return is made by  
 27 the taxpayer and if the spouse, for the calendar year in which  
 28 the taxable year of the taxpayer begins, has no gross income  
 29 and is not the dependent of another taxpayer.

30 (5) Subtract:

31 (A) one thousand five hundred dollars (\$1,500) for each of the  
 32 exemptions allowed under Section 151(c)(1)(B) of the Internal  
 33 Revenue Code (as effective January 1, 2004);

34 (B) one thousand five hundred dollars (\$1,500) for each  
 35 exemption allowed under Section 151(c) of the Internal  
 36 Revenue Code (as effective January 1, 2017) for an individual:

37 (i) who is less than nineteen (19) years of age or is a  
 38 full-time student who is less than twenty-four (24) years of  
 39 age;

40 (ii) for whom the taxpayer is the legal guardian; and

41 (iii) for whom the taxpayer does not claim an exemption  
 42 under clause (A); and



- 1 (C) five hundred dollars (\$500) for each additional amount  
2 allowable under Section 63(f)(1) of the Internal Revenue Code  
3 if the adjusted gross income of the taxpayer, or the taxpayer  
4 and the taxpayer's spouse in the case of a joint return, is less  
5 than forty thousand dollars (\$40,000).  
6 This amount is in addition to the amount subtracted under  
7 subdivision (4).  
8 (6) Subtract any amounts included in federal adjusted gross  
9 income under Section 111 of the Internal Revenue Code as a  
10 recovery of items previously deducted as an itemized deduction  
11 from adjusted gross income.  
12 (7) Subtract any amounts included in federal adjusted gross  
13 income under the Internal Revenue Code which amounts were  
14 received by the individual as supplemental railroad retirement  
15 annuities under 45 U.S.C. 231 and which are not deductible under  
16 subdivision (1).  
17 (8) Subtract an amount equal to the amount of federal Social  
18 Security and Railroad Retirement benefits included in a taxpayer's  
19 federal gross income by Section 86 of the Internal Revenue Code.  
20 (9) In the case of a nonresident taxpayer or a resident taxpayer  
21 residing in Indiana for a period of less than the taxpayer's entire  
22 taxable year, the total amount of the deductions allowed pursuant  
23 to subdivisions (3), (4), and (5) shall be reduced to an amount  
24 which bears the same ratio to the total as the taxpayer's income  
25 taxable in Indiana bears to the taxpayer's total income.  
26 (10) In the case of an individual who is a recipient of assistance  
27 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,  
28 subtract an amount equal to that portion of the individual's  
29 adjusted gross income with respect to which the individual is not  
30 allowed under federal law to retain an amount to pay state and  
31 local income taxes.  
32 (11) In the case of an eligible individual, subtract the amount of  
33 a Holocaust victim's settlement payment included in the  
34 individual's federal adjusted gross income.  
35 (12) Subtract an amount equal to the portion of any premiums  
36 paid during the taxable year by the taxpayer for a qualified long  
37 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer  
38 or the taxpayer's spouse, or both.  
39 (13) Subtract an amount equal to the lesser of:  
40 (A) two thousand five hundred dollars (\$2,500); or  
41 (B) the amount of property taxes that are paid during the  
42 taxable year in Indiana by the individual on the individual's



- 1 principal place of residence.
- 2 (14) Subtract an amount equal to the amount of a September 11
- 3 terrorist attack settlement payment included in the individual's
- 4 federal adjusted gross income.
- 5 (15) Add or subtract the amount necessary to make the adjusted
- 6 gross income of any taxpayer that owns property for which bonus
- 7 depreciation was allowed in the current taxable year or in an
- 8 earlier taxable year equal to the amount of adjusted gross income
- 9 that would have been computed had an election not been made
- 10 under Section 168(k) of the Internal Revenue Code to apply bonus
- 11 depreciation to the property in the year that it was placed in
- 12 service.
- 13 (16) Add an amount equal to any deduction allowed under
- 14 Section 172 of the Internal Revenue Code (concerning net
- 15 operating losses).
- 16 (17) Add or subtract the amount necessary to make the adjusted
- 17 gross income of any taxpayer that placed Section 179 property (as
- 18 defined in Section 179 of the Internal Revenue Code) in service
- 19 in the current taxable year or in an earlier taxable year equal to
- 20 the amount of adjusted gross income that would have been
- 21 computed had an election for federal income tax purposes not
- 22 been made for the year in which the property was placed in
- 23 service to take deductions under Section 179 of the Internal
- 24 Revenue Code in a total amount exceeding twenty-five thousand
- 25 dollars (\$25,000).
- 26 (18) Subtract an amount equal to the amount of the taxpayer's
- 27 ~~qualified military service income that was not excluded from~~
- 28 ~~included in~~ the taxpayer's **federal adjusted** gross income ~~for~~
- 29 ~~federal income tax purposes under Section 112 of~~ **under** the
- 30 Internal Revenue Code.
- 31 (19) Subtract income that is:
- 32 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 33 derived from patents); and
- 34 (B) included in the individual's federal adjusted gross income
- 35 under the Internal Revenue Code.
- 36 (20) Add an amount equal to any income not included in gross
- 37 income as a result of the deferral of income arising from business
- 38 indebtedness discharged in connection with the reacquisition after
- 39 December 31, 2008, and before January 1, 2011, of an applicable
- 40 debt instrument, as provided in Section 108(i) of the Internal
- 41 Revenue Code. Subtract the amount necessary from the adjusted
- 42 gross income of any taxpayer that added an amount to adjusted



1 gross income in a previous year to offset the amount included in  
2 federal gross income as a result of the deferral of income arising  
3 from business indebtedness discharged in connection with the  
4 reacquisition after December 31, 2008, and before January 1,  
5 2011, of an applicable debt instrument, as provided in Section  
6 108(i) of the Internal Revenue Code.

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

12 (22) Subtract an amount as described in Section 1341(a)(2) of the  
13 Internal Revenue Code to the extent, if any, that the amount was  
14 previously included in the taxpayer's adjusted gross income for a  
15 prior taxable year.

16 (23) For taxable years beginning after December 25, 2016, add an  
17 amount equal to the deduction for deferred foreign income that  
18 was claimed by the taxpayer for the taxable year under Section  
19 965(c) of the Internal Revenue Code.

20 (24) Subtract any interest expense paid or accrued in the current  
21 taxable year but not deducted as a result of the limitation imposed  
22 under Section 163(j)(1) of the Internal Revenue Code. Add any  
23 interest expense paid or accrued in a previous taxable year but  
24 allowed as a deduction under Section 163 of the Internal Revenue  
25 Code in the current taxable year. For purposes of this subdivision,  
26 an interest expense is considered paid or accrued only in the first  
27 taxable year the deduction would have been allowable under  
28 Section 163 of the Internal Revenue Code if the limitation under  
29 Section 163(j)(1) of the Internal Revenue Code did not exist.

30 (25) Subtract the amount included in the taxpayer's gross income  
31 under Section 118(b)(2) of the Internal Revenue Code for taxable  
32 years ending after December 22, 2017.

33 (26) Subtract any other amounts the taxpayer is entitled to deduct  
34 under IC 6-3-2.

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

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

40 (2) Add an amount equal to any deduction or deductions allowed  
41 or allowable pursuant to Section 170 of the Internal Revenue  
42 Code (concerning charitable contributions).





- 1 (3) Except as provided in subsection (c), add an amount equal to  
2 any deduction or deductions allowed or allowable pursuant to  
3 Section 63 of the Internal Revenue Code for taxes based on or  
4 measured by income and levied at the state level by any state of  
5 the United States.
- 6 (4) Subtract an amount equal to the amount included in the  
7 corporation's taxable income under Section 78 of the Internal  
8 Revenue Code (concerning foreign tax credits).
- 9 (5) Add or subtract the amount necessary to make the adjusted  
10 gross income of any taxpayer that owns property for which bonus  
11 depreciation was allowed in the current taxable year or in an  
12 earlier taxable year equal to the amount of adjusted gross income  
13 that would have been computed had an election not been made  
14 under Section 168(k) of the Internal Revenue Code to apply bonus  
15 depreciation to the property in the year that it was placed in  
16 service.
- 17 (6) Add an amount equal to any deduction allowed under Section  
18 172 of the Internal Revenue Code (concerning net operating  
19 losses).
- 20 (7) Add or subtract the amount necessary to make the adjusted  
21 gross income of any taxpayer that placed Section 179 property (as  
22 defined in Section 179 of the Internal Revenue Code) in service  
23 in the current taxable year or in an earlier taxable year equal to  
24 the amount of adjusted gross income that would have been  
25 computed had an election for federal income tax purposes not  
26 been made for the year in which the property was placed in  
27 service to take deductions under Section 179 of the Internal  
28 Revenue Code in a total amount exceeding twenty-five thousand  
29 dollars (\$25,000).
- 30 (8) Add to the extent required by IC 6-3-2-20:
- 31 (A) the amount of intangible expenses (as defined in  
32 IC 6-3-2-20) for the taxable year that reduced the corporation's  
33 taxable income (as defined in Section 63 of the Internal  
34 Revenue Code) for federal income tax purposes; and
- 35 (B) any directly related interest expenses (as defined in  
36 IC 6-3-2-20) that reduced the corporation's adjusted gross  
37 income (determined without regard to this subdivision). The  
38 amount of interest that is considered to have reduced the  
39 corporation's adjusted gross income equals:
- 40 (i) the directly related interest expense that reduced the  
41 taxpayer's federal taxable income (as defined in Section 63  
42 of the Internal Revenue Code); plus



- 1 (ii) any directly related interest expenses for which a  
2 subtraction is allowable under subdivision (15); minus  
3 (iii) any directly related interest expenses required to be  
4 added back under subdivision (15).
- 5 (9) Add an amount equal to any deduction for dividends paid (as  
6 defined in Section 561 of the Internal Revenue Code) to  
7 shareholders of a captive real estate investment trust (as defined  
8 in section 34.5 of this chapter).
- 9 (10) Subtract income that is:
- 10 (A) exempt from taxation under IC 6-3-2-21.7 (certain income  
11 derived from patents); and
- 12 (B) included in the corporation's taxable income under the  
13 Internal Revenue Code.
- 14 (11) Add an amount equal to any income not included in gross  
15 income as a result of the deferral of income arising from business  
16 indebtedness discharged in connection with the reacquisition after  
17 December 31, 2008, and before January 1, 2011, of an applicable  
18 debt instrument, as provided in Section 108(i) of the Internal  
19 Revenue Code. Subtract from the adjusted gross income of any  
20 taxpayer that added an amount to adjusted gross income in a  
21 previous year the amount necessary to offset the amount included  
22 in federal gross income as a result of the deferral of income  
23 arising from business indebtedness discharged in connection with  
24 the reacquisition after December 31, 2008, and before January 1,  
25 2011, of an applicable debt instrument, as provided in Section  
26 108(i) of the Internal Revenue Code.
- 27 (12) Add the amount excluded from federal gross income under  
28 Section 103 of the Internal Revenue Code for interest received on  
29 an obligation of a state other than Indiana, or a political  
30 subdivision of such a state, that is acquired by the taxpayer after  
31 December 31, 2011.
- 32 (13) For taxable years beginning after December 25, 2016:
- 33 (A) for a corporation other than a real estate investment trust,  
34 add an amount equal to the amount reported by the taxpayer on  
35 IRC 965 Transition Tax Statement, line 1; and
- 36 (B) for a real estate investment trust, add an amount equal to  
37 the deduction for deferred foreign income that was claimed by  
38 the taxpayer for the taxable year under Section 965(c) of the  
39 Internal Revenue Code, but only to the extent that the taxpayer  
40 included income pursuant to Section 965 of the Internal  
41 Revenue Code in its taxable income for federal income tax  
42 purposes or is required to add back dividends paid under



- 1 subdivision (9).
- 2 (14) Add an amount equal to the deduction that was claimed by  
3 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
4 Internal Revenue Code (attributable to global intangible  
5 low-taxed income). The taxpayer shall separately specify the  
6 amount of the reduction under Section 250(a)(1)(B)(i) of the  
7 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
8 Internal Revenue Code.
- 9 (15) Subtract any interest expense paid or accrued in the current  
10 taxable year but not deducted as a result of the limitation imposed  
11 under Section 163(j)(1) of the Internal Revenue Code. Add any  
12 interest expense paid or accrued in a previous taxable year but  
13 allowed as a deduction under Section 163 of the Internal Revenue  
14 Code in the current taxable year. For purposes of this subdivision,  
15 an interest expense is considered paid or accrued only in the first  
16 taxable year the deduction would have been allowable under  
17 Section 163 of the Internal Revenue Code if the limitation under  
18 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 19 (16) Subtract the amount included in the taxpayer's gross income  
20 under Section 118(b)(2) of the Internal Revenue Code for taxable  
21 years ending after December 22, 2017.
- 22 (17) Add or subtract any other amounts the taxpayer is:  
23 (A) required to add or subtract; or  
24 (B) entitled to deduct;  
25 under IC 6-3-2.
- 26 (c) The following apply to taxable years beginning after December  
27 31, 2018, for purposes of the add back of any deduction allowed on the  
28 taxpayer's federal income tax return for wagering taxes, as provided in  
29 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if  
30 the taxpayer is a corporation:
- 31 (1) For taxable years beginning after December 31, 2018, and  
32 before January 1, 2020, a taxpayer is required to add back under  
33 this section eighty-seven and five-tenths percent (87.5%) of any  
34 deduction allowed on the taxpayer's federal income tax return for  
35 wagering taxes.
- 36 (2) For taxable years beginning after December 31, 2019, and  
37 before January 1, 2021, a taxpayer is required to add back under  
38 this section seventy-five percent (75%) of any deduction allowed  
39 on the taxpayer's federal income tax return for wagering taxes.
- 40 (3) For taxable years beginning after December 31, 2020, and  
41 before January 1, 2022, a taxpayer is required to add back under  
42 this section sixty-two and five-tenths percent (62.5%) of any



- 1 deduction allowed on the taxpayer's federal income tax return for  
 2 wagering taxes.
- 3 (4) For taxable years beginning after December 31, 2021, and  
 4 before January 1, 2023, a taxpayer is required to add back under  
 5 this section fifty percent (50%) of any deduction allowed on the  
 6 taxpayer's federal income tax return for wagering taxes.
- 7 (5) For taxable years beginning after December 31, 2022, and  
 8 before January 1, 2024, a taxpayer is required to add back under  
 9 this section thirty-seven and five-tenths percent (37.5%) of any  
 10 deduction allowed on the taxpayer's federal income tax return for  
 11 wagering taxes.
- 12 (6) For taxable years beginning after December 31, 2023, and  
 13 before January 1, 2025, a taxpayer is required to add back under  
 14 this section twenty-five percent (25%) of any deduction allowed  
 15 on the taxpayer's federal income tax return for wagering taxes.
- 16 (7) For taxable years beginning after December 31, 2024, and  
 17 before January 1, 2026, a taxpayer is required to add back under  
 18 this section twelve and five-tenths percent (12.5%) of any  
 19 deduction allowed on the taxpayer's federal income tax return for  
 20 wagering taxes.
- 21 (8) For taxable years beginning after December 31, 2025, a  
 22 taxpayer is not required to add back under this section any amount  
 23 of a deduction allowed on the taxpayer's federal income tax return  
 24 for wagering taxes.
- 25 (d) In the case of life insurance companies (as defined in Section  
 26 816(a) of the Internal Revenue Code) that are organized under Indiana  
 27 law, the same as "life insurance company taxable income" (as defined  
 28 in Section 801 of the Internal Revenue Code), adjusted as follows:
- 29 (1) Subtract income that is exempt from taxation under this article  
 30 by the Constitution and statutes of the United States.
- 31 (2) Add an amount equal to any deduction allowed or allowable  
 32 under Section 170 of the Internal Revenue Code (concerning  
 33 charitable contributions).
- 34 (3) Add an amount equal to a deduction allowed or allowable  
 35 under Section 805 or Section 832(c) of the Internal Revenue Code  
 36 for taxes based on or measured by income and levied at the state  
 37 level by any state.
- 38 (4) Subtract an amount equal to the amount included in the  
 39 company's taxable income under Section 78 of the Internal  
 40 Revenue Code (concerning foreign tax credits).
- 41 (5) Add or subtract the amount necessary to make the adjusted  
 42 gross income of any taxpayer that owns property for which bonus



- 1 depreciation was allowed in the current taxable year or in an  
 2 earlier taxable year equal to the amount of adjusted gross income  
 3 that would have been computed had an election not been made  
 4 under Section 168(k) of the Internal Revenue Code to apply bonus  
 5 depreciation to the property in the year that it was placed in  
 6 service.
- 7 (6) Add an amount equal to any deduction allowed under Section  
 8 172 of the Internal Revenue Code (concerning net operating  
 9 losses).
- 10 (7) Add or subtract the amount necessary to make the adjusted  
 11 gross income of any taxpayer that placed Section 179 property (as  
 12 defined in Section 179 of the Internal Revenue Code) in service  
 13 in the current taxable year or in an earlier taxable year equal to  
 14 the amount of adjusted gross income that would have been  
 15 computed had an election for federal income tax purposes not  
 16 been made for the year in which the property was placed in  
 17 service to take deductions under Section 179 of the Internal  
 18 Revenue Code in a total amount exceeding twenty-five thousand  
 19 dollars (\$25,000).
- 20 (8) Subtract income that is:
- 21 (A) exempt from taxation under IC 6-3-2-21.7 (certain income  
 22 derived from patents); and
- 23 (B) included in the insurance company's taxable income under  
 24 the Internal Revenue Code.
- 25 (9) Add an amount equal to any income not included in gross  
 26 income as a result of the deferral of income arising from business  
 27 indebtedness discharged in connection with the reacquisition after  
 28 December 31, 2008, and before January 1, 2011, of an applicable  
 29 debt instrument, as provided in Section 108(i) of the Internal  
 30 Revenue Code. Subtract from the adjusted gross income of any  
 31 taxpayer that added an amount to adjusted gross income in a  
 32 previous year the amount necessary to offset the amount included  
 33 in federal gross income as a result of the deferral of income  
 34 arising from business indebtedness discharged in connection with  
 35 the 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.
- 38 (10) Add an amount equal to any exempt insurance income under  
 39 Section 953(e) of the Internal Revenue Code that is active  
 40 financing income under Subpart F of Subtitle A, Chapter 1,  
 41 Subchapter N of the Internal Revenue Code.
- 42 (11) Add the amount excluded from federal gross income under



- 1 Section 103 of the Internal Revenue Code for interest received on  
 2 an obligation of a state other than Indiana, or a political  
 3 subdivision of such a state, that is acquired by the taxpayer after  
 4 December 31, 2011.
- 5 (12) For taxable years beginning after December 25, 2016, add an  
 6 amount equal to the amount reported by the taxpayer on IRC 965  
 7 Transition Tax Statement, line 1.
- 8 (13) Add an amount equal to the deduction that was claimed by  
 9 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
 10 Internal Revenue Code (attributable to global intangible  
 11 low-taxed income). The taxpayer shall separately specify the  
 12 amount of the reduction under Section 250(a)(1)(B)(i) of the  
 13 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
 14 Internal Revenue Code.
- 15 (14) Subtract any interest expense paid or accrued in the current  
 16 taxable year but not deducted as a result of the limitation imposed  
 17 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 18 interest expense paid or accrued in a previous taxable year but  
 19 allowed as a deduction under Section 163 of the Internal Revenue  
 20 Code in the current taxable year. For purposes of this subdivision,  
 21 an interest expense is considered paid or accrued only in the first  
 22 taxable year the deduction would have been allowable under  
 23 Section 163 of the Internal Revenue Code if the limitation under  
 24 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 25 (15) Subtract the amount included in the taxpayer's gross income  
 26 under Section 118(b)(2) of the Internal Revenue Code for taxable  
 27 years ending after December 22, 2017.
- 28 (16) Add or subtract any other amounts the taxpayer is:  
 29 (A) required to add or subtract; or  
 30 (B) entitled to deduct;  
 31 under IC 6-3-2.
- 32 (e) In the case of insurance companies subject to tax under Section  
 33 831 of the Internal Revenue Code and organized under Indiana law, the  
 34 same as "taxable income" (as defined in Section 832 of the Internal  
 35 Revenue Code), adjusted as follows:  
 36 (1) Subtract income that is exempt from taxation under this article  
 37 by the Constitution and statutes of the United States.  
 38 (2) Add an amount equal to any deduction allowed or allowable  
 39 under Section 170 of the Internal Revenue Code (concerning  
 40 charitable contributions).  
 41 (3) Add an amount equal to a deduction allowed or allowable  
 42 under Section 805 or Section 832(c) of the Internal Revenue Code



- 1 for taxes based on or measured by income and levied at the state  
2 level by any state.
- 3 (4) Subtract an amount equal to the amount included in the  
4 company's taxable income under Section 78 of the Internal  
5 Revenue Code (concerning foreign tax credits).
- 6 (5) Add or subtract the amount necessary to make the adjusted  
7 gross income of any taxpayer that owns property for which bonus  
8 depreciation was allowed in the current taxable year or in an  
9 earlier taxable year equal to the amount of adjusted gross income  
10 that would have been computed had an election not been made  
11 under Section 168(k) of the Internal Revenue Code to apply bonus  
12 depreciation to the property in the year that it was placed in  
13 service.
- 14 (6) Add an amount equal to any deduction allowed under Section  
15 172 of the Internal Revenue Code (concerning net operating  
16 losses).
- 17 (7) Add or subtract the amount necessary to make the adjusted  
18 gross income of any taxpayer that placed Section 179 property (as  
19 defined in Section 179 of the Internal Revenue Code) in service  
20 in the current taxable year or in an earlier taxable year equal to  
21 the amount of adjusted gross income that would have been  
22 computed had an election for federal income tax purposes not  
23 been made for the year in which the property was placed in  
24 service to take deductions under Section 179 of the Internal  
25 Revenue Code in a total amount exceeding twenty-five thousand  
26 dollars (\$25,000).
- 27 (8) Subtract income that is:
- 28 (A) exempt from taxation under IC 6-3-2-21.7 (certain income  
29 derived from patents); and
- 30 (B) included in the insurance company's taxable income under  
31 the Internal Revenue Code.
- 32 (9) Add an amount equal to any income not included in gross  
33 income as a result of the deferral of income arising from business  
34 indebtedness discharged in connection with the reacquisition after  
35 December 31, 2008, and before January 1, 2011, of an applicable  
36 debt instrument, as provided in Section 108(i) of the Internal  
37 Revenue Code. Subtract from the adjusted gross income of any  
38 taxpayer that added an amount to adjusted gross income in a  
39 previous year the amount necessary to offset the amount included  
40 in federal gross income as a result of the deferral of income  
41 arising from business indebtedness discharged in connection with  
42 the reacquisition after December 31, 2008, and before January 1,



- 1 2011, of an applicable debt instrument, as provided in Section  
 2 108(i) of the Internal Revenue Code.
- 3 (10) Add an amount equal to any exempt insurance income under  
 4 Section 953(e) of the Internal Revenue Code that is active  
 5 financing income under Subpart F of Subtitle A, Chapter 1,  
 6 Subchapter N of the Internal Revenue Code.
- 7 (11) Add the amount excluded from federal gross income under  
 8 Section 103 of the Internal Revenue Code for interest received on  
 9 an obligation of a state other than Indiana, or a political  
 10 subdivision of such a state, that is acquired by the taxpayer after  
 11 December 31, 2011.
- 12 (12) For taxable years beginning after December 25, 2016, add an  
 13 amount equal to the amount reported by the taxpayer on IRC 965  
 14 Transition Tax Statement, line 1.
- 15 (13) Add an amount equal to the deduction that was claimed by  
 16 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
 17 Internal Revenue Code (attributable to global intangible  
 18 low-taxed income). The taxpayer shall separately specify the  
 19 amount of the reduction under Section 250(a)(1)(B)(i) of the  
 20 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the  
 21 Internal Revenue Code.
- 22 (14) Subtract any interest expense paid or accrued in the current  
 23 taxable year but not deducted as a result of the limitation imposed  
 24 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 25 interest expense paid or accrued in a previous taxable year but  
 26 allowed as a deduction under Section 163 of the Internal Revenue  
 27 Code in the current taxable year. For purposes of this subdivision,  
 28 an interest expense is considered paid or accrued only in the first  
 29 taxable year the deduction would have been allowable under  
 30 Section 163 of the Internal Revenue Code if the limitation under  
 31 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 32 (15) Subtract the amount included in the taxpayer's gross income  
 33 under Section 118(b)(2) of the Internal Revenue Code for taxable  
 34 years ending after December 22, 2017.
- 35 (16) Add or subtract any other amounts the taxpayer is:  
 36 (A) required to add or subtract; or  
 37 (B) entitled to deduct;  
 38 under IC 6-3-2.
- 39 (f) In the case of trusts and estates, "taxable income" (as defined for  
 40 trusts and estates in Section 641(b) of the Internal Revenue Code)  
 41 adjusted as follows:  
 42 (1) Subtract income that is exempt from taxation under this article





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



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

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

9 (9) For taxable years beginning after December 25, 2016, add an  
 10 amount equal to:

11 (A) the amount reported by the taxpayer on IRC 965  
 12 Transition Tax Statement, line 1; and

13 (B) with regard to any amounts of income under Section 965  
 14 of the Internal Revenue Code distributed by the taxpayer, the  
 15 deduction under Section 965(c) of the Internal Revenue Code  
 16 attributable to such distributed amounts.

17 For purposes of this article, the amount required to be added back  
 18 under clause (B) is not considered to be distributed or  
 19 distributable to a beneficiary of the estate or trust for purposes of  
 20 Sections 651 and 661 of the Internal Revenue Code.

21 (10) Subtract any interest expense paid or accrued in the current  
 22 taxable year but not deducted as a result of the limitation imposed  
 23 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 24 interest expense paid or accrued in a previous taxable year but  
 25 allowed as a deduction under Section 163 of the Internal Revenue  
 26 Code in the current taxable year. For purposes of this subdivision,  
 27 an interest expense is considered paid or accrued only in the first  
 28 taxable year the deduction would have been allowable under  
 29 Section 163 of the Internal Revenue Code if the limitation under  
 30 Section 163(j)(1) of the Internal Revenue Code did not exist.

31 (11) Add an amount equal to the deduction for qualified business  
 32 income that was claimed by the taxpayer for the taxable year  
 33 under Section 199A of the Internal Revenue Code.

34 (12) Subtract the amount included in the taxpayer's gross income  
 35 under Section 118(b)(2) of the Internal Revenue Code for taxable  
 36 years ending after December 22, 2017.

37 (13) Add or subtract any other amounts the taxpayer is:

38 (A) required to add or subtract; or

39 (B) entitled to deduct;

40 under IC 6-3-2.

41 (g) Subsections (a)(26), (b)(17), (d)(16), (e)(16), or (f)(13) may not  
 42 be construed to require an add back or allow a deduction or exemption



1 more than once for a particular add back, deduction, or exemption.

2 SECTION 5. IC 6-3-1-34, AS ADDED BY P.L.144-2007,  
3 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
4 JANUARY 1, 2020]: Sec. 34. "Qualified "Military service income"  
5 means wages that are paid:

6 (1) to a member of:

7 (A) a reserve component of the armed forces of the United  
8 States; or

9 (B) the National Guard; and

10 (2) for any of the following applicable periods; or any  
11 combination of the following applicable periods; in a calendar  
12 year:

13 (A) The member's full-time service on involuntary orders in:

14 (i) a reserve component of the armed forces of the United  
15 States; or

16 (ii) the National Guard.

17 (B) The period during which the member is mobilized and  
18 deployed for full-time service in:

19 (i) a reserve component of the armed forces of the United  
20 States; or

21 (ii) the National Guard.

22 (C) The period during which the member's National Guard  
23 unit is federalized: **all income, including retirement or**  
24 **survivors' benefits, received during the taxable year by the**  
25 **individual, or the individual's surviving spouse, for the**  
26 **individual's service in an active or reserve component of**  
27 **the armed forces of the United States, including the army,**  
28 **navy, air force, coast guard, marine corps, merchant**  
29 **marine, Indiana army national guard, or Indiana air**  
30 **national guard.**

31 SECTION 6. IC 6-3-2-4 IS REPEALED [EFFECTIVE JANUARY  
32 1, 2020]. Sec. 4. (a) Each taxable year, an individual, or the individual's  
33 surviving spouse, is entitled to the following:

34 (1) An adjusted gross income tax deduction for the first five  
35 thousand dollars (\$5,000) of income, excluding adjusted gross  
36 income described in subdivision (2); received during the taxable  
37 year by the individual, or the individual's surviving spouse, for the  
38 individual's service in an active or reserve component of the  
39 armed forces of the United States, including the army, navy, air  
40 force, coast guard, marine corps, merchant marine, Indiana army  
41 national guard, or Indiana air national guard.

42 (2) An adjusted gross income tax deduction of six thousand two



1 hundred fifty dollars (\$6,250) for income from retirement or  
 2 survivor's benefits received during the taxable year by the  
 3 individual; or the individual's surviving spouse; for the  
 4 individual's service in an active or reserve component of the  
 5 armed forces of the United States; including the army; navy; air  
 6 force; coast guard; marine corps; merchant marine; Indiana army  
 7 national guard; or Indiana air national guard.

8 (b) An individual whose qualified military income is subtracted  
 9 from the individual's federal adjusted gross income under  
 10 IC 6-3-1-3.5(a)(18) for Indiana individual income tax purposes is not;  
 11 for that taxable year, entitled to a deduction under this section for the  
 12 same qualified military income that is deducted under  
 13 IC 6-3-1-3.5(a)(18).

14 SECTION 7. IC 10-17-16 IS ADDED TO THE INDIANA CODE  
 15 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 16 JULY 1, 2019]:

17 **Chapter 16. Veterans Service Officer Fund**

18 **Sec. 1. As used in this chapter, "commission" refers to the**  
 19 **Indiana veterans' affairs commission established by IC 10-17-13-4.**

20 **Sec. 2. As used in this chapter, "department" refers to the**  
 21 **Indiana department of veterans' affairs established by**  
 22 **IC 10-17-1-2.**

23 **Sec. 3. As used in this chapter, "fund" refers to the veterans**  
 24 **service officer fund established by section 4 of this chapter.**

25 **Sec. 4. (a) The veterans service officer fund is established to**  
 26 **provide funding for grants to counties for salaries for veterans**  
 27 **service officers. A grant awarded for veterans service officer**  
 28 **salaries under this chapter may be awarded to counties only for**  
 29 **paying salaries of veterans service officers who work at least one**  
 30 **thousand (1,000) hours annually.**

31 **(b) The fund shall be administered by the commission.**

32 **(c) The fund consists of the following:**

33 **(1) Appropriations made by the general assembly, including**  
 34 **money appropriated to the commission for deposit in the fund**  
 35 **under IC 4-30-17.**

36 **(2) Donations to the fund.**

37 **(3) Interest.**

38 **(4) Money from any other source authorized or appropriated**  
 39 **for the fund.**

40 **(d) The expenses of administering the fund shall be paid from**  
 41 **money in the fund.**

42 **(e) The treasurer of state shall invest the money in the fund not**



1 currently needed to meet the obligations of the fund in the same  
 2 manner as other public money may be invested. Interest that  
 3 accrues from these investments shall be deposited in the fund.

4 (f) Money in the fund is continuously appropriated for the  
 5 purposes of this chapter.

6 (g) Money in the fund at the end of a state fiscal year does not  
 7 revert to the state general fund.

8 (h) The commission shall adopt rules under IC 4-22-2, including  
 9 emergency rules under IC 4-22-2-37.1, to implement this chapter,  
 10 including rules that establish an application process for providing  
 11 grants to counties under this section for salaries for county  
 12 veterans service officers. Subject to the approval of the budget  
 13 agency, any appropriation to the department or the commission  
 14 may be used to augment appropriations made to the commission  
 15 for use in funding grants under this chapter.

16 (i) The amount of a grant that the commission may award to a  
 17 county under this section per year is equal to:

18 (1) forty-two thousand dollars (\$42,000); multiplied by

19 (2) the following:

20 (A) Twenty-five percent (25%), in the case of a county with  
 21 at least one (1) veteran but not more than one thousand  
 22 five hundred (1,500) veterans residing in the county.

23 (B) Fifty percent (50%), in the case of a county with more  
 24 than one thousand five hundred (1,500) veterans but not  
 25 more than three thousand (3,000) veterans residing in the  
 26 county.

27 (C) Seventy-five percent (75%), in the case of a county  
 28 with more than three thousand (3,000) veterans but not  
 29 more than four thousand five hundred (4,500) veterans  
 30 residing in the county.

31 (D) One hundred percent (100%), in the case of a county  
 32 with more than four thousand five hundred (4,500)  
 33 veterans residing in the county.

34 **Sec. 5.** The department may establish procedures, forms, and  
 35 standards to carry out this chapter.

36 **SECTION 8.** [EFFECTIVE JANUARY 1, 2020] (a) IC 6-3-1-3.5  
 37 and IC 6-3-1-34, both as amended by this act, apply to taxable  
 38 years beginning after December 31, 2019.

39 (b) This SECTION expires July 1, 2023.

