

SENATE BILL No. 624

DIGEST OF INTRODUCED BILL

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

Synopsis: Income tax deductions. Eliminates, for property placed in service by a taxpayer after December 31, 2018: (1) the bonus depreciation add back of the amount that is allowed for federal income tax purposes; and (2) the Section 179 expense add back of the amount that is allowed for federal income tax purposes in excess of \$25,000 per year.

Effective: January 1, 2019 (retroactive).

Buchanan

January 15, 2019, read first time and referred to Committee on Appropriations.



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.

SENATE BILL No. 624

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.214-2018(ss),
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2019 (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) Except as provided in subsection (c), add an amount equal to
11 any deduction or deductions allowed or allowable pursuant to
12 Section 62 of the Internal Revenue Code for taxes based on or
13 measured by income and levied at the state level by any state of
14 the United States.
15 (3) Subtract one thousand dollars (\$1,000), or in the case of a
16 joint return filed by a husband and wife, subtract for each spouse
17 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 (as effective January 1, 2017);
 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);
 14 (B) one thousand five hundred dollars (\$1,500) for each
 15 exemption allowed under Section 151(c) of the Internal
 16 Revenue Code (as effective January 1, 2017) for an individual:
 17 (i) who is less than nineteen (19) years of age or is a
 18 full-time student who is less than twenty-four (24) years of
 19 age;
 20 (ii) for whom the taxpayer is the legal guardian; and
 21 (iii) for whom the taxpayer does not claim an exemption
 22 under clause (A); and
 23 (C) five hundred dollars (\$500) for each additional amount
 24 allowable under Section 63(f)(1) of the Internal Revenue Code
 25 if the adjusted gross income of the taxpayer, or the taxpayer
 26 and the taxpayer's spouse in the case of a joint return, is less
 27 than forty thousand dollars (\$40,000).
- 28 This amount is in addition to the amount subtracted under
 29 subdivision (4).
- 30 (6) Subtract any amounts included in federal adjusted gross
 31 income under Section 111 of the Internal Revenue Code as a
 32 recovery of items previously deducted as an itemized deduction
 33 from adjusted gross income.
- 34 (7) Subtract any amounts included in federal adjusted gross
 35 income under the Internal Revenue Code which amounts were
 36 received by the individual as supplemental railroad retirement
 37 annuities under 45 U.S.C. 231 and which are not deductible under
 38 subdivision (1).
- 39 (8) Subtract an amount equal to the amount of federal Social
 40 Security and Railroad Retirement benefits included in a taxpayer's
 41 federal gross income by Section 86 of the Internal Revenue Code.
- 42 (9) In the case of a nonresident taxpayer or a resident taxpayer



- 1 residing in Indiana for a period of less than the taxpayer's entire
 2 taxable year, the total amount of the deductions allowed pursuant
 3 to subdivisions (3), (4), and (5) shall be reduced to an amount
 4 which bears the same ratio to the total as the taxpayer's income
 5 taxable in Indiana bears to the taxpayer's total income.
- 6 (10) In the case of an individual who is a recipient of assistance
 7 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
 8 subtract an amount equal to that portion of the individual's
 9 adjusted gross income with respect to which the individual is not
 10 allowed under federal law to retain an amount to pay state and
 11 local income taxes.
- 12 (11) In the case of an eligible individual, subtract the amount of
 13 a Holocaust victim's settlement payment included in the
 14 individual's federal adjusted gross income.
- 15 (12) Subtract an amount equal to the portion of any premiums
 16 paid during the taxable year by the taxpayer for a qualified long
 17 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
 18 or the taxpayer's spouse, or both.
- 19 (13) Subtract an amount equal to the lesser of:
 20 (A) two thousand five hundred dollars (\$2,500); or
 21 (B) the amount of property taxes that are paid during the
 22 taxable year in Indiana by the individual on the individual's
 23 principal place of residence.
- 24 (14) Subtract an amount equal to the amount of a September 11
 25 terrorist attack settlement payment included in the individual's
 26 federal adjusted gross income.
- 27 (15) Add or subtract the amount necessary to make the adjusted
 28 gross income of any taxpayer that **placed in service property**
 29 **before January 1, 2019, owns property** for which bonus
 30 depreciation was allowed ~~in the current taxable year or in an~~
 31 ~~earlier taxable year~~ equal to the amount of adjusted gross income
 32 that would have been computed had an election not been made
 33 under Section 168(k) of the Internal Revenue Code to apply bonus
 34 depreciation to the property in the year that it was placed in
 35 service.
- 36 (16) Add an amount equal to any deduction allowed under
 37 Section 172 of the Internal Revenue Code (concerning net
 38 operating losses).
- 39 (17) Add or subtract the amount necessary to make the adjusted
 40 gross income of any taxpayer that placed Section 179 property (as
 41 defined in Section 179 of the Internal Revenue Code) in service
 42 **before January 1, 2019, in the current taxable year or in an**



- 1 ~~earlier taxable year~~ equal to the amount of adjusted gross income
2 that would have been computed had an election for federal
3 income tax purposes not been made for the year in which the
4 property was placed in service to take deductions under Section
5 179 of the Internal Revenue Code in a total amount exceeding
6 twenty-five thousand dollars (\$25,000).
- 7 (18) Subtract an amount equal to the amount of the taxpayer's
8 qualified military income that was not excluded from the
9 taxpayer's gross income for federal income tax purposes under
10 Section 112 of the Internal Revenue Code.
- 11 (19) Subtract income that is:
- 12 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
13 derived from patents); and
- 14 (B) included in the individual's federal adjusted gross income
15 under the Internal Revenue Code.
- 16 (20) Add an amount equal to any income not included in gross
17 income as a result of the deferral of income arising from business
18 indebtedness discharged in connection with the reacquisition after
19 December 31, 2008, and before January 1, 2011, of an applicable
20 debt instrument, as provided in Section 108(i) of the Internal
21 Revenue Code. Subtract the amount necessary from the adjusted
22 gross income of any taxpayer that added an amount to adjusted
23 gross income in a previous year to offset the amount included in
24 federal gross income as a result of the deferral of income arising
25 from 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.
- 29 (21) Add the amount excluded from federal gross income under
30 Section 103 of the Internal Revenue Code for interest received on
31 an obligation of a state other than Indiana, or a political
32 subdivision of such a state, that is acquired by the taxpayer after
33 December 31, 2011.
- 34 (22) Subtract an amount as described in Section 1341(a)(2) of the
35 Internal Revenue Code to the extent, if any, that the amount was
36 previously included in the taxpayer's adjusted gross income for a
37 prior taxable year.
- 38 (23) For taxable years beginning after December 25, 2016, add an
39 amount equal to the deduction for deferred foreign income that
40 was claimed by the taxpayer for the taxable year under Section
41 965(c) of the Internal Revenue Code.
- 42 (24) Subtract any interest expense paid or accrued in the current



1 taxable year but not deducted as a result of the limitation imposed
 2 under Section 163(j)(1) of the Internal Revenue Code. Add any
 3 interest expense paid or accrued in a previous taxable year but
 4 allowed as a deduction under Section 163 of the Internal Revenue
 5 Code in the current taxable year. For purposes of this subdivision,
 6 an interest expense is considered paid or accrued only in the first
 7 taxable year the deduction would have been allowable under
 8 Section 163 of the Internal Revenue Code if the limitation under
 9 Section 163(j)(1) of the Internal Revenue Code did not exist.

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

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

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

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

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

23 (3) Except as provided in subsection (c), add an amount equal to
 24 any deduction or deductions allowed or allowable pursuant to
 25 Section 63 of the Internal Revenue Code for taxes based on or
 26 measured by income and levied at the state level by any state of
 27 the United States.

28 (4) Subtract an amount equal to the amount included in the
 29 corporation's taxable income under Section 78 of the Internal
 30 Revenue Code (concerning foreign tax credits).

31 (5) Add or subtract the amount necessary to make the adjusted
 32 gross income of any taxpayer that **placed in service property**
 33 **before January 1, 2019, owns property** for which bonus
 34 depreciation was allowed ~~in the current taxable year or in an~~
 35 ~~earlier taxable year~~ equal to the amount of adjusted gross income
 36 that would have been computed had an election not been made
 37 under Section 168(k) of the Internal Revenue Code to apply bonus
 38 depreciation to the property in the year that it was placed in
 39 service.

40 (6) Add an amount equal to any deduction allowed under Section
 41 172 of the Internal Revenue Code (concerning net operating
 42 losses).



- 1 (7) Add or subtract the amount necessary to make the adjusted
2 gross income of any taxpayer that placed Section 179 property (as
3 defined in Section 179 of the Internal Revenue Code) in service
4 **before January 1, 2019, in the current taxable year or in an**
5 **earlier taxable year** equal to the amount of adjusted gross income
6 that would have been computed had an election for federal
7 income tax purposes not been made for the year in which the
8 property was placed in service to take deductions under Section
9 179 of the Internal Revenue Code in a total amount exceeding
10 twenty-five thousand dollars (\$25,000).
- 11 (8) Add to the extent required by IC 6-3-2-20:
- 12 (A) the amount of intangible expenses (as defined in
13 IC 6-3-2-20) for the taxable year that reduced the corporation's
14 taxable income (as defined in Section 63 of the Internal
15 Revenue Code) for federal income tax purposes; and
- 16 (B) any directly related interest expenses (as defined in
17 IC 6-3-2-20) that reduced the corporation's adjusted gross
18 income (determined without regard to this subdivision). The
19 amount of interest that is considered to have reduced the
20 corporation's adjusted gross income equals:
- 21 (i) the directly related interest expense that reduced the
22 taxpayer's federal taxable income (as defined in Section 63
23 of the Internal Revenue Code); plus
- 24 (ii) any directly related interest expenses for which a
25 subtraction is allowable under subdivision (15); minus
- 26 (iii) any directly related interest expenses required to be
27 added back under subdivision (15).
- 28 (9) Add an amount equal to any deduction for dividends paid (as
29 defined in Section 561 of the Internal Revenue Code) to
30 shareholders of a captive real estate investment trust (as defined
31 in section 34.5 of this chapter).
- 32 (10) Subtract income that is:
- 33 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
34 derived from patents); and
- 35 (B) included in the corporation's taxable income under the
36 Internal Revenue Code.
- 37 (11) Add an amount equal to any income not included in gross
38 income as a result of the deferral of income arising from business
39 indebtedness discharged in connection with the reacquisition after
40 December 31, 2008, and before January 1, 2011, of an applicable
41 debt instrument, as provided in Section 108(i) of the Internal
42 Revenue Code. Subtract from the adjusted gross income of any



1 taxpayer that added an amount to adjusted gross income in a
2 previous year the amount necessary to offset the amount included
3 in federal gross income as a result of the deferral of income
4 arising from business indebtedness discharged in connection with
5 the reacquisition after December 31, 2008, and before January 1,
6 2011, of an applicable debt instrument, as provided in Section
7 108(i) of the Internal Revenue Code.

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

13 (13) For taxable years beginning after December 25, 2016:

14 (A) for a corporation other than a real estate investment trust,
15 add an amount equal to the amount reported by the taxpayer on
16 IRC 965 Transition Tax Statement, line 1; and

17 (B) for a real estate investment trust, add an amount equal to
18 the deduction for deferred foreign income that was claimed by
19 the taxpayer for the taxable year under Section 965(c) of the
20 Internal Revenue Code, but only to the extent that the taxpayer
21 included income pursuant to Section 965 of the Internal
22 Revenue Code in its taxable income for federal income tax
23 purposes or is required to add back dividends paid under
24 subdivision (9).

25 (14) Add an amount equal to the deduction that was claimed by
26 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
27 Internal Revenue Code (attributable to global intangible
28 low-taxed income). The taxpayer shall separately specify the
29 amount of the reduction under Section 250(a)(1)(B)(i) of the
30 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
31 Internal Revenue Code.

32 (15) Subtract any interest expense paid or accrued in the current
33 taxable year but not deducted as a result of the limitation imposed
34 under Section 163(j)(1) of the Internal Revenue Code. Add any
35 interest expense paid or accrued in a previous taxable year but
36 allowed as a deduction under Section 163 of the Internal Revenue
37 Code in the current taxable year. For purposes of this subdivision,
38 an interest expense is considered paid or accrued only in the first
39 taxable year the deduction would have been allowable under
40 Section 163 of the Internal Revenue Code if the limitation under
41 Section 163(j)(1) of the Internal Revenue Code did not exist.

42 (16) Subtract the amount included in the taxpayer's gross income



1 under Section 118(b)(2) of the Internal Revenue Code for taxable
2 years ending after December 22, 2017.

3 (17) Add or subtract any other amounts the taxpayer is:

4 (A) required to add or subtract; or

5 (B) entitled to deduct;

6 under IC 6-3-2.

7 (c) The following apply to taxable years beginning after December
8 31, 2018, for purposes of the add back of any deduction allowed on the
9 taxpayer's federal income tax return for wagering taxes, as provided in
10 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if
11 the taxpayer is a corporation:

12 (1) For taxable years beginning after December 31, 2018, and
13 before January 1, 2020, a taxpayer is required to add back under
14 this section eighty-seven and five-tenths percent (87.5%) of any
15 deduction allowed on the taxpayer's federal income tax return for
16 wagering taxes.

17 (2) For taxable years beginning after December 31, 2019, and
18 before January 1, 2021, a taxpayer is required to add back under
19 this section seventy-five percent (75%) of any deduction allowed
20 on the taxpayer's federal income tax return for wagering taxes.

21 (3) For taxable years beginning after December 31, 2020, and
22 before January 1, 2022, a taxpayer is required to add back under
23 this section sixty-two and five-tenths percent (62.5%) of any
24 deduction allowed on the taxpayer's federal income tax return for
25 wagering taxes.

26 (4) For taxable years beginning after December 31, 2021, and
27 before January 1, 2023, a taxpayer is required to add back under
28 this section fifty percent (50%) of any deduction allowed on the
29 taxpayer's federal income tax return for wagering taxes.

30 (5) For taxable years beginning after December 31, 2022, and
31 before January 1, 2024, a taxpayer is required to add back under
32 this section thirty-seven and five-tenths percent (37.5%) of any
33 deduction allowed on the taxpayer's federal income tax return for
34 wagering taxes.

35 (6) For taxable years beginning after December 31, 2023, and
36 before January 1, 2025, a taxpayer is required to add back under
37 this section twenty-five percent (25%) of any deduction allowed
38 on the taxpayer's federal income tax return for wagering taxes.

39 (7) For taxable years beginning after December 31, 2024, and
40 before January 1, 2026, a taxpayer is required to add back under
41 this section twelve and five-tenths percent (12.5%) of any
42 deduction allowed on the taxpayer's federal income tax return for



1 wagering taxes.

2 (8) For taxable years beginning after December 31, 2025, a
3 taxpayer is not required to add back under this section any amount
4 of a deduction allowed on the taxpayer's federal income tax return
5 for wagering taxes.

6 (d) In the case of life insurance companies (as defined in Section
7 816(a) of the Internal Revenue Code) that are organized under Indiana
8 law, the same as "life insurance company taxable income" (as defined
9 in Section 801 of the Internal Revenue Code), adjusted as follows:

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

12 (2) Add an amount equal to any deduction allowed or allowable
13 under Section 170 of the Internal Revenue Code (concerning
14 charitable contributions).

15 (3) Add an amount equal to a deduction allowed or allowable
16 under Section 805 or Section 832(c) of the Internal Revenue Code
17 for taxes based on or measured by income and levied at the state
18 level by any state.

19 (4) Subtract an amount equal to the amount included in the
20 company's taxable income under Section 78 of the Internal
21 Revenue Code (concerning foreign tax credits).

22 (5) Add or subtract the amount necessary to make the adjusted
23 gross income of any taxpayer that **placed in service property**
24 **before January 1, 2019, owns property** for which bonus
25 depreciation was allowed ~~in the current taxable year or in an~~
26 **earlier taxable year** equal to the amount of adjusted gross income
27 that would have been computed had an election not been made
28 under Section 168(k) of the Internal Revenue Code to apply bonus
29 depreciation to the property in the year that it was placed in
30 service.

31 (6) Add an amount equal to any deduction allowed under Section
32 172 of the Internal Revenue Code (concerning net operating
33 losses).

34 (7) Add or subtract the amount necessary to make the adjusted
35 gross income of any taxpayer that placed Section 179 property (as
36 defined in Section 179 of the Internal Revenue Code) in service
37 **before January 1, 2019, in the current taxable year or in an**
38 **earlier taxable year** equal to the amount of adjusted gross income
39 that would have been computed had an election for federal
40 income tax purposes not been made for the year in which the
41 property was placed in service to take deductions under Section
42 179 of the Internal Revenue Code in a total amount exceeding



- 1 twenty-five thousand dollars (\$25,000).
- 2 (8) Subtract income that is:
- 3 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 4 derived from patents); and
- 5 (B) included in the insurance company's taxable income under
- 6 the Internal Revenue Code.
- 7 (9) Add an amount equal to any income not included in gross
- 8 income as a result of the deferral of income arising from business
- 9 indebtedness discharged in connection with the reacquisition after
- 10 December 31, 2008, and before January 1, 2011, of an applicable
- 11 debt instrument, as provided in Section 108(i) of the Internal
- 12 Revenue Code. Subtract from the adjusted gross income of any
- 13 taxpayer that added an amount to adjusted gross income in a
- 14 previous year the amount necessary to offset the amount included
- 15 in federal gross income as a result of the deferral of income
- 16 arising from business indebtedness discharged in connection with
- 17 the reacquisition after December 31, 2008, and before January 1,
- 18 2011, of an applicable debt instrument, as provided in Section
- 19 108(i) of the Internal Revenue Code.
- 20 (10) Add an amount equal to any exempt insurance income under
- 21 Section 953(e) of the Internal Revenue Code that is active
- 22 financing income under Subpart F of Subtitle A, Chapter 1,
- 23 Subchapter N of the Internal Revenue Code.
- 24 (11) Add the amount excluded from federal gross income under
- 25 Section 103 of the Internal Revenue Code for interest received on
- 26 an obligation of a state other than Indiana, or a political
- 27 subdivision of such a state, that is acquired by the taxpayer after
- 28 December 31, 2011.
- 29 (12) For taxable years beginning after December 25, 2016, add an
- 30 amount equal to the amount reported by the taxpayer on IRC 965
- 31 Transition Tax Statement, line 1.
- 32 (13) Add an amount equal to the deduction that was claimed by
- 33 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
- 34 Internal Revenue Code (attributable to global intangible
- 35 low-taxed income). The taxpayer shall separately specify the
- 36 amount of the reduction under Section 250(a)(1)(B)(i) of the
- 37 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
- 38 Internal Revenue Code.
- 39 (14) Subtract any interest expense paid or accrued in the current
- 40 taxable year but not deducted as a result of the limitation imposed
- 41 under Section 163(j)(1) of the Internal Revenue Code. Add any
- 42 interest expense paid or accrued in a previous taxable year but



1 allowed as a deduction under Section 163 of the Internal Revenue
 2 Code in the current taxable year. For purposes of this subdivision,
 3 an interest expense is considered paid or accrued only in the first
 4 taxable year the deduction would have been allowable under
 5 Section 163 of the Internal Revenue Code if the limitation under
 6 Section 163(j)(1) of the Internal Revenue Code did not exist.

7 (15) Subtract the amount included in the taxpayer's gross income
 8 under Section 118(b)(2) of the Internal Revenue Code for taxable
 9 years ending after December 22, 2017.

10 (16) Add or subtract any other amounts the taxpayer is:

11 (A) required to add or subtract; or

12 (B) entitled to deduct;

13 under IC 6-3-2.

14 (e) In the case of insurance companies subject to tax under Section
 15 831 of the Internal Revenue Code and organized under Indiana law, the
 16 same as "taxable income" (as defined in Section 832 of the Internal
 17 Revenue Code), adjusted as follows:

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

20 (2) Add an amount equal to any deduction allowed or allowable
 21 under Section 170 of the Internal Revenue Code (concerning
 22 charitable contributions).

23 (3) Add an amount equal to a deduction allowed or allowable
 24 under Section 805 or Section 832(c) of the Internal Revenue Code
 25 for taxes based on or measured by income and levied at the state
 26 level by any state.

27 (4) Subtract an amount equal to the amount included in the
 28 company's taxable income under Section 78 of the Internal
 29 Revenue Code (concerning foreign tax credits).

30 (5) Add or subtract the amount necessary to make the adjusted
 31 gross income of any taxpayer that **placed in service property**
 32 **before January 1, 2019, 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 (6) Add an amount equal to any deduction allowed under Section
 40 172 of the Internal Revenue Code (concerning net operating
 41 losses).

42 (7) Add or subtract the amount necessary to make the adjusted



1 gross income of any taxpayer that placed Section 179 property (as
 2 defined in Section 179 of the Internal Revenue Code) in service
 3 **before January 1, 2019, 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 for federal
 6 income tax purposes not been made for the year in which the
 7 property was placed in service to take deductions under Section
 8 179 of the Internal Revenue Code in a total amount exceeding
 9 twenty-five thousand dollars (\$25,000).

10 (8) Subtract income that is:

11 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
 12 derived from patents); and

13 (B) included in the insurance company's taxable income under
 14 the Internal Revenue Code.

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

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

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

37 (12) For taxable years beginning after December 25, 2016, add an
 38 amount equal to the amount reported by the taxpayer on IRC 965
 39 Transition Tax Statement, line 1.

40 (13) Add an amount equal to the deduction that was claimed by
 41 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
 42 Internal Revenue Code (attributable to global intangible



1 low-taxed income). The taxpayer shall separately specify the
 2 amount of the reduction under Section 250(a)(1)(B)(i) of the
 3 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
 4 Internal Revenue Code.

5 (14) Subtract any interest expense paid or accrued in the current
 6 taxable year but not deducted as a result of the limitation imposed
 7 under Section 163(j)(1) of the Internal Revenue Code. Add any
 8 interest expense paid or accrued in a previous taxable year but
 9 allowed as a deduction under Section 163 of the Internal Revenue
 10 Code in the current taxable year. For purposes of this subdivision,
 11 an interest expense is considered paid or accrued only in the first
 12 taxable year the deduction would have been allowable under
 13 Section 163 of the Internal Revenue Code if the limitation under
 14 Section 163(j)(1) of the Internal Revenue Code did not exist.

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

18 (16) Add or subtract any other amounts the taxpayer is:

19 (A) required to add or subtract; or

20 (B) entitled to deduct;

21 under IC 6-3-2.

22 (f) In the case of trusts and estates, "taxable income" (as defined for
 23 trusts and estates in Section 641(b) of the Internal Revenue Code)
 24 adjusted as follows:

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

27 (2) Subtract an amount equal to the amount of a September 11
 28 terrorist attack settlement payment included in the federal
 29 adjusted gross income of the estate of a victim of the September
 30 11 terrorist attack or a trust to the extent the trust benefits a victim
 31 of the September 11 terrorist attack.

32 (3) Add or subtract the amount necessary to make the adjusted
 33 gross income of any taxpayer that **placed in service property**
 34 **before January 1, 2019, owns property** for which bonus
 35 depreciation was allowed **in the current taxable year or in an**
 36 **earlier taxable year** equal to the amount of adjusted gross income
 37 that would have been computed had an election not been made
 38 under Section 168(k) of the Internal Revenue Code to apply bonus
 39 depreciation to the property in the year that it was placed in
 40 service.

41 (4) Add an amount equal to any deduction allowed under Section
 42 172 of the Internal Revenue Code (concerning net operating



- 1 losses).
- 2 (5) Add or subtract the amount necessary to make the adjusted
- 3 gross income of any taxpayer that placed Section 179 property (as
- 4 defined in Section 179 of the Internal Revenue Code) in service
- 5 **before January 1, 2019, in the current taxable year or in an**
- 6 ~~earlier taxable year~~ equal to the amount of adjusted gross income
- 7 that would have been computed had an election for federal
- 8 income tax purposes not been made for the year in which the
- 9 property was placed in service to take deductions under Section
- 10 179 of the Internal Revenue Code in a total amount exceeding
- 11 twenty-five thousand dollars (\$25,000).
- 12 (6) Subtract income that is:
- 13 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 14 derived from patents); and
- 15 (B) included in the taxpayer's taxable income under the
- 16 Internal Revenue Code.
- 17 (7) Add an amount equal to any income not included in gross
- 18 income as a result of the deferral of income arising from business
- 19 indebtedness discharged in connection with the reacquisition after
- 20 December 31, 2008, and before January 1, 2011, of an applicable
- 21 debt instrument, as provided in Section 108(i) of the Internal
- 22 Revenue Code. Subtract from the adjusted gross income of any
- 23 taxpayer that added an amount to adjusted gross income in a
- 24 previous year the amount necessary to offset the amount included
- 25 in federal gross income as a result of the deferral of income
- 26 arising from business indebtedness discharged in connection with
- 27 the reacquisition after December 31, 2008, and before January 1,
- 28 2011, of an applicable debt instrument, as provided in Section
- 29 108(i) of the Internal Revenue Code.
- 30 (8) Add the amount excluded from federal gross income under
- 31 Section 103 of the Internal Revenue Code for interest received on
- 32 an obligation of a state other than Indiana, or a political
- 33 subdivision of such a state, that is acquired by the taxpayer after
- 34 December 31, 2011.
- 35 (9) For taxable years beginning after December 25, 2016, add an
- 36 amount equal to:
- 37 (A) the amount reported by the taxpayer on IRC 965
- 38 Transition Tax Statement, line 1; and
- 39 (B) with regard to any amounts of income under Section 965
- 40 of the Internal Revenue Code distributed by the taxpayer, the
- 41 deduction under Section 965(c) of the Internal Revenue Code
- 42 attributable to such distributed amounts.



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

5 (10) Subtract any interest expense paid or accrued in the current
 6 taxable year but not deducted as a result of the limitation imposed
 7 under Section 163(j)(1) of the Internal Revenue Code. Add any
 8 interest expense paid or accrued in a previous taxable year but
 9 allowed as a deduction under Section 163 of the Internal Revenue
 10 Code in the current taxable year. For purposes of this subdivision,
 11 an interest expense is considered paid or accrued only in the first
 12 taxable year the deduction would have been allowable under
 13 Section 163 of the Internal Revenue Code if the limitation under
 14 Section 163(j)(1) of the Internal Revenue Code did not exist.

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

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

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

22 (A) required to add or subtract; or

23 (B) entitled to deduct;

24 under IC 6-3-2.

25 (g) Subsections (a)(26), (b)(17), (d)(16), (e)(16), or (f)(13) may not
 26 be construed to require an add back or allow a deduction or exemption
 27 more than once for a particular add back, deduction, or exemption.

28 SECTION 2. IC 6-5.5-1-2, AS AMENDED BY P.L.214-2018(ss),
 29 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 30 JANUARY 1, 2019 (RETROACTIVE)]: Sec. 2. (a) Except as provided
 31 in subsections (b) through (d), "adjusted gross income" means taxable
 32 income as defined in Section 63 of the Internal Revenue Code, adjusted
 33 as follows:

34 (1) Add the following amounts:

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

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

40 (C) An amount equal to a deduction or deductions allowed or
 41 allowable under Section 63 of the Internal Revenue Code for
 42 taxes based on or measured by income and levied at the state



- 1 level by a state of the United States or levied at the local level
 2 by any subdivision of a state of the United States.
- 3 (D) The amount of interest excluded under Section 103 of the
 4 Internal Revenue Code or under any other federal law, minus
 5 the associated expenses disallowed in the computation of
 6 taxable income under Section 265 of the Internal Revenue
 7 Code.
- 8 (E) An amount equal to the deduction allowed under Section
 9 172 or 1212 of the Internal Revenue Code for net operating
 10 losses or net capital losses.
- 11 (F) For a taxpayer that is not a large bank (as defined in
 12 Section 585(c)(2) of the Internal Revenue Code), an amount
 13 equal to the recovery of a debt, or part of a debt, that becomes
 14 worthless to the extent a deduction was allowed from gross
 15 income in a prior taxable year under Section 166(a) of the
 16 Internal Revenue Code.
- 17 (G) Add the amount necessary to make the adjusted gross
 18 income of any taxpayer that **placed in service property**
 19 **before January 1, 2019, owns property** for which bonus
 20 depreciation was allowed ~~in the current taxable year or in an~~
 21 ~~earlier taxable year~~ equal to the amount of adjusted gross
 22 income that would have been computed had an election not
 23 been made under Section 168(k) of the Internal Revenue Code
 24 to apply bonus depreciation to the property in the year that it
 25 was placed in service.
- 26 (H) Add the amount necessary to make the adjusted gross
 27 income of any taxpayer that placed Section 179 property (as
 28 defined in Section 179 of the Internal Revenue Code) in
 29 service **before January 1, 2019, in the current taxable year or**
 30 **in an earlier taxable year** equal to the amount of adjusted gross
 31 income that would have been computed had an election for
 32 federal income tax purposes not been made for the year in
 33 which the property was placed in service to take deductions
 34 under Section 179 of the Internal Revenue Code in a total
 35 amount exceeding twenty-five thousand dollars (\$25,000).
- 36 (I) Add an amount equal to any income not included in gross
 37 income as a result of the deferral of income arising from
 38 business indebtedness discharged in connection with the
 39 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. Subtract from the
 42 adjusted gross income of any taxpayer that added an amount



- 1 to adjusted gross income in a previous year the amount
 2 necessary to offset the amount included in federal gross
 3 income as a result of the deferral of income arising from
 4 business indebtedness discharged in connection with the
 5 reacquisition after December 31, 2008, and before January 1,
 6 2011, of an applicable debt instrument, as provided in Section
 7 108(i) of the Internal Revenue Code.
- 8 (J) Add an amount equal to any exempt insurance income
 9 under Section 953(e) of the Internal Revenue Code for active
 10 financing income under Subpart F, Subtitle A, Chapter 1,
 11 Subchapter N of the Internal Revenue Code.
- 12 (2) Subtract the following amounts:
- 13 (A) Income that the United States Constitution or any statute
 14 of the United States prohibits from being used to measure the
 15 tax imposed by this chapter.
- 16 (B) Income that is derived from sources outside the United
 17 States, as defined by the Internal Revenue Code.
- 18 (C) An amount equal to a debt or part of a debt that becomes
 19 worthless, as permitted under Section 166(a) of the Internal
 20 Revenue Code.
- 21 (D) An amount equal to any bad debt reserves that are
 22 included in federal income because of accounting method
 23 changes required by Section 585(c)(3)(A) or Section 593 of
 24 the Internal Revenue Code.
- 25 (E) The amount necessary to make the adjusted gross income
 26 of any taxpayer that **placed in service property before**
 27 **January 1, 2019, owns property** for which bonus depreciation
 28 was allowed **in the current taxable year or in an earlier taxable**
 29 **year** equal to the amount of adjusted gross income that would
 30 have been computed had an election not been made under
 31 Section 168(k) of the Internal Revenue Code to apply bonus
 32 depreciation.
- 33 (F) The amount necessary to make the adjusted gross income
 34 of any taxpayer that placed Section 179 property (as defined
 35 in Section 179 of the Internal Revenue Code) in service **before**
 36 **January 1, 2019, in the current taxable year or in an earlier**
 37 **taxable year** equal to the amount of adjusted gross income that
 38 would have been computed had an election for federal income
 39 tax purposes not been made for the year in which the property
 40 was placed in service to take deductions under Section 179 of
 41 the Internal Revenue Code in a total amount exceeding
 42 twenty-five thousand dollars (\$25,000).



- 1 (G) Income that is:
 2 (i) exempt from taxation under IC 6-3-2-21.7; and
 3 (ii) included in the taxpayer's taxable income under the
 4 Internal Revenue Code.
 5 (H) The amount included in the taxpayer's gross income under
 6 Section 118(b)(2) of the Internal Revenue Code for taxable
 7 years ending after December 22, 2017.
 8 (3) Make the following adjustments:
 9 (A) Subtract the amount of any interest expense paid or
 10 accrued in the current taxable year but not deducted as a result
 11 of the limitation imposed under Section 163(j)(1) of the
 12 Internal Revenue Code.
 13 (B) Add any interest expense paid or accrued in a previous
 14 taxable year but allowed as a deduction under Section 163 of
 15 the Internal Revenue Code in the current taxable year.
 16 For purposes of this subdivision, an interest expense is considered
 17 paid or accrued only in the first taxable year the deduction would
 18 have been allowable under Section 163 of the Internal Revenue
 19 Code if the limitation under Section 163(j)(1) of the Internal
 20 Revenue Code did not exist.
 21 (b) In the case of a credit union, "adjusted gross income" for a
 22 taxable year means the total transfers to undivided earnings minus
 23 dividends for that taxable year after statutory reserves are set aside
 24 under IC 28-7-1-24.
 25 (c) In the case of an investment company, "adjusted gross income"
 26 means the company's federal taxable income adjusted as follows:
 27 (1) 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 (2) Make the following adjustments:
 33 (A) Subtract the amount of any interest expense paid or
 34 accrued in the current taxable year but not deducted as a result
 35 of the limitation imposed under Section 163(j)(1) of the
 36 Internal Revenue Code.
 37 (B) Add any interest expense paid or accrued in a previous
 38 taxable year but allowed as a deduction under Section 163 of
 39 the Internal Revenue Code in the current taxable year.
 40 For purposes of this subdivision, an interest expense is considered
 41 paid or accrued only in the first taxable year the deduction would
 42 have been allowable under Section 163 of the Internal Revenue



1 Code if the limitation under Section 163(j)(1) of the Internal
2 Revenue Code did not exist.

3 (3) Multiply the amount determined after the adjustments in
4 subdivisions (1) and (2) by the quotient of:

5 (A) the aggregate of the gross payments collected by the
6 company during the taxable year from old and new business
7 upon investment contracts issued by the company and held by
8 residents of Indiana; divided by

9 (B) the total amount of gross payments collected during the
10 taxable year by the company from the business upon
11 investment contracts issued by the company and held by
12 persons residing within Indiana and elsewhere.

13 (d) As used in subsection (c), "investment company" means a
14 person, copartnership, association, limited liability company, or
15 corporation, whether domestic or foreign, that:

16 (1) is registered under the Investment Company Act of 1940 (15
17 U.S.C. 80a-1 et seq.); and

18 (2) solicits or receives a payment to be made to itself and issues
19 in exchange for the payment:

20 (A) a so-called bond;

21 (B) a share;

22 (C) a coupon;

23 (D) a certificate of membership;

24 (E) an agreement;

25 (F) a pretended agreement; or

26 (G) other evidences of obligation;

27 entitling the holder to anything of value at some future date, if the
28 gross payments received by the company during the taxable year
29 on outstanding investment contracts, plus interest and dividends
30 earned on those contracts (by prorating the interest and dividends
31 earned on investment contracts by the same proportion that
32 certificate reserves (as defined by the Investment Company Act
33 of 1940) is to the company's total assets) is at least fifty percent
34 (50%) of the company's gross payments upon investment
35 contracts plus gross income from all other sources except
36 dividends from subsidiaries for the taxable year. The term
37 "investment contract" means an instrument listed in clauses (A)
38 through (G).

39 SECTION 3. [EFFECTIVE JANUARY 1, 2019 (RETROACTIVE)]

40 (a) **IC 6-3-1-3.5 and IC 6-5.5-1-2, both as amended by this act,**
41 **apply to taxable years beginning after December 31, 2018.**

42 (b) **This SECTION expires June 30, 2021.**



1 **SECTION 4. An emergency is declared for this act.**

