

# SENATE BILL No. 337

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.

**Synopsis:** Deduction for military income. Provides a 100% state income tax deduction for all active military service income received by an individual. Increase the income tax deduction for military retirement or survivor's benefits from \$6,250 to \$40,000.

**Effective:** January 1, 2020.

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## Melton

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January 8, 2019, read first time and referred to Committee on Appropriations.

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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.

## SENATE BILL No. 337

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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, 2020]: Sec. 3.5. When used in this article, the term  
4 "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 owns property for which bonus  
29 depreciation was allowed in the current taxable year or in an  
30 earlier taxable year equal to the amount of adjusted gross income  
31 that would have been computed had an election not been made  
32 under Section 168(k) of the Internal Revenue Code to apply bonus  
33 depreciation to the property in the year that it was placed in  
34 service.
- 35 (16) Add an amount equal to any deduction allowed under  
36 Section 172 of the Internal Revenue Code (concerning net  
37 operating losses).
- 38 (17) Add or subtract the amount necessary to make the adjusted  
39 gross income of any taxpayer that placed Section 179 property (as  
40 defined in Section 179 of the Internal Revenue Code) in service  
41 in the current taxable year or in an earlier taxable year equal to  
42 the amount of adjusted gross income that would have been



- 1 computed had an election for federal income tax purposes not  
2 been made for the year in which the property was placed in  
3 service to take deductions under Section 179 of the Internal  
4 Revenue Code in a total amount exceeding twenty-five thousand  
5 dollars (\$25,000).
- 6 (18) Subtract an amount equal to the amount of the taxpayer's  
7 **qualified active military service income that was not excluded**  
8 **from included in** the taxpayer's **federal adjusted** gross income  
9 **for federal income tax purposes under Section 112 of under the**  
10 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 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 in the current taxable year or in an earlier taxable year equal to  
4 the amount of adjusted gross income that would have been  
5 computed had an election for federal income tax purposes not  
6 been made for the year in which the property was placed in  
7 service to take deductions under Section 179 of the Internal  
8 Revenue Code in a total amount exceeding twenty-five thousand  
9 dollars (\$25,000).

10 (8) Add to the extent required by IC 6-3-2-20:

11 (A) the amount of intangible expenses (as defined in  
12 IC 6-3-2-20) for the taxable year that reduced the corporation's  
13 taxable income (as defined in Section 63 of the Internal  
14 Revenue Code) for federal income tax purposes; and

15 (B) any directly related interest expenses (as defined in  
16 IC 6-3-2-20) that reduced the corporation's adjusted gross  
17 income (determined without regard to this subdivision). The  
18 amount of interest that is considered to have reduced the  
19 corporation's adjusted gross income equals:

20 (i) the directly related interest expense that reduced the  
21 taxpayer's federal taxable income (as defined in Section 63  
22 of the Internal Revenue Code); plus

23 (ii) any directly related interest expenses for which a  
24 subtraction is allowable under subdivision (15); minus

25 (iii) any directly related interest expenses required to be  
26 added back under subdivision (15).

27 (9) Add an amount equal to any deduction for dividends paid (as  
28 defined in Section 561 of the Internal Revenue Code) to  
29 shareholders of a captive real estate investment trust (as defined  
30 in section 34.5 of this chapter).

31 (10) 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 corporation's taxable income under the  
35 Internal Revenue Code.

36 (11) 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 from the adjusted gross income of any  
42 taxpayer that added an amount to adjusted gross income in a



1 previous year the amount necessary to offset the amount included  
2 in federal gross income as a result of the deferral of income  
3 arising from business indebtedness discharged in connection with  
4 the 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 (12) 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 (13) For taxable years beginning after December 25, 2016:

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

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

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

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

41 (16) Subtract the amount included in the taxpayer's gross income  
42 under Section 118(b)(2) of the Internal Revenue Code for taxable





1 years ending after December 22, 2017.

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

3 (A) required to add or subtract; or

4 (B) entitled to deduct;

5 under IC 6-3-2.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

29 (6) Add an amount equal to any deduction allowed under Section  
30 172 of the Internal Revenue Code (concerning net operating  
31 losses).

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

42 (8) Subtract income that is:



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



- 1 an interest expense is considered paid or accrued only in the first  
 2 taxable year the deduction would have been allowable under  
 3 Section 163 of the Internal Revenue Code if the limitation under  
 4 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 5 (15) Subtract the amount included in the taxpayer's gross income  
 6 under Section 118(b)(2) of the Internal Revenue Code for taxable  
 7 years ending after December 22, 2017.
- 8 (16) Add or subtract any other amounts the taxpayer is:  
 9 (A) required to add or subtract; or  
 10 (B) entitled to deduct;  
 11 under IC 6-3-2.
- 12 (e) In the case of insurance companies subject to tax under Section  
 13 831 of the Internal Revenue Code and organized under Indiana law, the  
 14 same as "taxable income" (as defined in Section 832 of the Internal  
 15 Revenue Code), adjusted as follows:
- 16 (1) Subtract income that is exempt from taxation under this article  
 17 by the Constitution and statutes of the United States.
- 18 (2) Add an amount equal to any deduction allowed or allowable  
 19 under Section 170 of the Internal Revenue Code (concerning  
 20 charitable contributions).
- 21 (3) Add an amount equal to a deduction allowed or allowable  
 22 under Section 805 or Section 832(c) of the Internal Revenue Code  
 23 for taxes based on or measured by income and levied at the state  
 24 level by any state.
- 25 (4) Subtract an amount equal to the amount included in the  
 26 company's taxable income under Section 78 of the Internal  
 27 Revenue Code (concerning foreign tax credits).
- 28 (5) Add or subtract the amount necessary to make the adjusted  
 29 gross income of any taxpayer that 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 (6) Add an amount equal to any deduction allowed under Section  
 37 172 of the Internal Revenue Code (concerning net operating  
 38 losses).
- 39 (7) 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 in the current taxable year or in an earlier taxable year equal to



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

7 (8) Subtract income that is:

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

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

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

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

29 (11) 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 (12) For taxable years beginning after December 25, 2016, add an  
35 amount equal to the amount reported by the taxpayer on IRC 965  
36 Transition Tax Statement, line 1.

37 (13) Add an amount equal to the deduction that was claimed by  
38 the taxpayer for the taxable year under Section 250(a)(1)(B) of the  
39 Internal Revenue Code (attributable to global intangible  
40 low-taxed income). The taxpayer shall separately specify the  
41 amount of the reduction under Section 250(a)(1)(B)(i) of the  
42 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the



- 1 Internal Revenue Code.
- 2 (14) Subtract any interest expense paid or accrued in the current
- 3 taxable year but not deducted as a result of the limitation imposed
- 4 under Section 163(j)(1) of the Internal Revenue Code. Add any
- 5 interest expense paid or accrued in a previous taxable year but
- 6 allowed as a deduction under Section 163 of the Internal Revenue
- 7 Code in the current taxable year. For purposes of this subdivision,
- 8 an interest expense is considered paid or accrued only in the first
- 9 taxable year the deduction would have been allowable under
- 10 Section 163 of the Internal Revenue Code if the limitation under
- 11 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 12 (15) Subtract the amount included in the taxpayer's gross income
- 13 under Section 118(b)(2) of the Internal Revenue Code for taxable
- 14 years ending after December 22, 2017.
- 15 (16) Add or subtract any other amounts the taxpayer is:
- 16 (A) required to add or subtract; or
- 17 (B) entitled to deduct;
- 18 under IC 6-3-2.
- 19 (f) In the case of trusts and estates, "taxable income" (as defined for
- 20 trusts and estates in Section 641(b) of the Internal Revenue Code)
- 21 adjusted as follows:
- 22 (1) Subtract income that is exempt from taxation under this article
- 23 by the Constitution and statutes of the United States.
- 24 (2) Subtract an amount equal to the amount of a September 11
- 25 terrorist attack settlement payment included in the federal
- 26 adjusted gross income of the estate of a victim of the September
- 27 11 terrorist attack or a trust to the extent the trust benefits a victim
- 28 of the September 11 terrorist attack.
- 29 (3) Add or subtract the amount necessary to make the adjusted
- 30 gross income of any taxpayer that owns property for which bonus
- 31 depreciation was allowed in the current taxable year or in an
- 32 earlier taxable year equal to the amount of adjusted gross income
- 33 that would have been computed had an election not been made
- 34 under Section 168(k) of the Internal Revenue Code to apply bonus
- 35 depreciation to the property in the year that it was placed in
- 36 service.
- 37 (4) Add an amount equal to any deduction allowed under Section
- 38 172 of the Internal Revenue Code (concerning net operating
- 39 losses).
- 40 (5) Add or subtract the amount necessary to make the adjusted
- 41 gross income of any taxpayer that placed Section 179 property (as
- 42 defined in Section 179 of the Internal Revenue Code) in service



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

8 (6) Subtract income that is:

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

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

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

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

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

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

35 (B) with regard to any amounts of income under Section 965  
36 of the Internal Revenue Code distributed by the taxpayer, the  
37 deduction under Section 965(c) of the Internal Revenue Code  
38 attributable to such distributed amounts.

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



- 1 (10) Subtract any interest expense paid or accrued in the current  
 2 taxable year but not deducted as a result of the limitation imposed  
 3 under Section 163(j)(1) of the Internal Revenue Code. Add any  
 4 interest expense paid or accrued in a previous taxable year but  
 5 allowed as a deduction under Section 163 of the Internal Revenue  
 6 Code in the current taxable year. For purposes of this subdivision,  
 7 an interest expense is considered paid or accrued only in the first  
 8 taxable year the deduction would have been allowable under  
 9 Section 163 of the Internal Revenue Code if the limitation under  
 10 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 11 (11) Add an amount equal to the deduction for qualified business  
 12 income that was claimed by the taxpayer for the taxable year  
 13 under Section 199A of the Internal Revenue Code.
- 14 (12) Subtract the amount included in the taxpayer's gross income  
 15 under Section 118(b)(2) of the Internal Revenue Code for taxable  
 16 years ending after December 22, 2017.
- 17 (13) Add or subtract any other amounts the taxpayer is:  
 18 (A) required to add or subtract; or  
 19 (B) entitled to deduct;  
 20 under IC 6-3-2.
- 21 (g) Subsections (a)(26), (b)(17), (d)(16), (e)(16), or (f)(13) may not  
 22 be construed to require an add back or allow a deduction or exemption  
 23 more than once for a particular add back, deduction, or exemption.
- 24 SECTION 2. IC 6-3-1-34, AS ADDED BY P.L.144-2007,  
 25 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 26 JANUARY 1, 2020]: Sec. 34. "~~Qualified military~~ **Active military**  
 27 **service income**" means ~~wages that are paid:~~  
 28 (1) to a member of:  
 29 (A) a reserve component of the armed forces of the United  
 30 States; or  
 31 (B) the National Guard; and  
 32 (2) for any of the following applicable periods; or any  
 33 combination of the following applicable periods; in a calendar  
 34 year:  
 35 (A) The member's full-time service on involuntary orders in:  
 36 (i) a reserve component of the armed forces of the United  
 37 States; or  
 38 (ii) the National Guard;  
 39 (B) The period during which the member is mobilized and  
 40 deployed for full-time service in:  
 41 (i) a reserve component of the armed forces of the United  
 42 States; or





1 (ii) the National Guard.  
 2 (C) The period during which the member's National Guard  
 3 unit is federalized: **all income (but not including retirement**  
 4 **income), received during the taxable year by the individual**  
 5 **for the individual's service in an active or reserve**  
 6 **component of the armed forces of the United States,**  
 7 **including the Army, Navy, Air Force, Coast Guard,**  
 8 **Marine Corps, Merchant Marine, Indiana Army National**  
 9 **Guard, or Indiana Air National Guard.**

10 SECTION 3. IC 6-3-2-4, AS AMENDED BY P.L.214-2018(ss),  
 11 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 12 JANUARY 1, 2020]: Sec. 4. (a) Each taxable year, an individual, or the  
 13 individual's surviving spouse, is entitled to the following:

14 (1) An adjusted gross income tax deduction for the first five  
 15 thousand dollars (\$5,000) of income, excluding adjusted gross  
 16 income described in subdivision (2); received during the taxable  
 17 year by the individual, or the individual's surviving spouse; for the  
 18 individual's service in an active or reserve component of the  
 19 armed forces of the United States; including the army, navy, air  
 20 force, coast guard, marine corps, merchant marine, Indiana army  
 21 national guard; or Indiana air national guard.

22 (2) an adjusted gross income tax deduction of six thousand two  
 23 hundred fifty dollars (\$6,250) **forty thousand dollars (\$40,000)**  
 24 for income from retirement or survivor's benefits received during  
 25 the taxable year by the individual, or the individual's surviving  
 26 spouse, for the individual's service in an active or reserve  
 27 component of the armed forces of the United States, including the  
 28 army, navy, air force, coast guard, marine corps, merchant marine,  
 29 Indiana army national guard, or Indiana air national guard.

30 (b) An individual whose qualified military income is subtracted  
 31 from the individual's federal adjusted gross income under  
 32 IC 6-3-1-3.5(a)(18) for Indiana individual income tax purposes is not,  
 33 for that taxable year, entitled to a deduction under this section for the  
 34 same qualified military income that is deducted under  
 35 IC 6-3-1-3.5(a)(18).

36 SECTION 4. [EFFECTIVE JANUARY 1, 2020] (a) IC 6-3-1-3.5,  
 37 IC 6-3-1-34, and IC 6-3-2-4, each as amended by this act, apply to  
 38 taxable years beginning after December 31, 2019.  
 39 (b) This SECTION expires July 1, 2023.

