

PROPOSED AMENDMENT

SB 3 # 8

DIGEST

Adjusted gross income. Provides that the Indiana adjusted gross income add back of forgiven federal student loan debt that is excluded under the Internal Revenue Code applies only to the 2021 taxable year and does not apply to forgiven federal student loan debt forgiven in subsequent taxable years.

- 1 Delete the title and insert the following:
2 A BILL FOR AN ACT to amend the Indiana Code concerning
3 taxation and to make an appropriation.
4 Page 1, between the enacting clause and line 1, begin a new
5 paragraph and insert:
6 "SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.1-2023,
7 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
8 JANUARY 1, 2023 (RETROACTIVE)]: Sec. 3.5. When used in this
9 article, the term "adjusted gross income" shall mean the following:
10 (a) In the case of all individuals, "adjusted gross income" (as
11 defined in Section 62 of the Internal Revenue Code), modified as
12 follows:
13 (1) Subtract income that is exempt from taxation under this article
14 by the Constitution and statutes of the United States.
15 (2) Except as provided in subsection (c), add an amount equal to
16 any deduction or deductions allowed or allowable pursuant to
17 Section 62 of the Internal Revenue Code for taxes based on or
18 measured by income and levied at the state level by any state of
19 the United States.
20 (3) Subtract one thousand dollars (\$1,000), or in the case of a
21 joint return filed by a husband and wife, subtract for each spouse
22 one thousand dollars (\$1,000).
23 (4) Subtract one thousand dollars (\$1,000) for:
24 (A) each of the exemptions provided by Section 151(c) of the
25 Internal Revenue Code (as effective January 1, 2017);
26 (B) each additional amount allowable under Section 63(f) of

- 1 the Internal Revenue Code; and
- 2 (C) the spouse of the taxpayer if a separate return is made by
- 3 the taxpayer and if the spouse, for the calendar year in which
- 4 the taxable year of the taxpayer begins, has no gross income
- 5 and is not the dependent of another taxpayer.
- 6 (5) Subtract **each of the following**:
- 7 (A) One thousand five hundred dollars (\$1,500) for each of the
- 8 exemptions allowed under Section 151(c)(1)(B) of the Internal
- 9 Revenue Code (as effective January 1, 2004).
- 10 (B) One thousand five hundred dollars (\$1,500) for each
- 11 exemption allowed under Section 151(c) of the Internal
- 12 Revenue Code (as effective January 1, 2017) for an individual:
- 13 (i) who is less than nineteen (19) years of age or is a
- 14 full-time student who is less than twenty-four (24) years of
- 15 age;
- 16 (ii) for whom the taxpayer is the legal guardian; and
- 17 (iii) for whom the taxpayer does not claim an exemption
- 18 under clause (A).
- 19 (C) Five hundred dollars (\$500) for each additional amount
- 20 allowable under Section 63(f)(1) of the Internal Revenue Code
- 21 if the federal adjusted gross income of the taxpayer, or the
- 22 taxpayer and the taxpayer's spouse in the case of a joint return,
- 23 is less than forty thousand dollars (\$40,000). In the case of a
- 24 married individual filing a separate return, the qualifying
- 25 income amount in this clause is equal to twenty thousand
- 26 dollars (\$20,000).
- 27 (D) Three thousand dollars (\$3,000) for each exemption
- 28 allowed under Section 151(c) of the Internal Revenue Code (as
- 29 effective January 1, 2017) for an individual who is:
- 30 (i) an adopted child of the taxpayer; and
- 31 (ii) less than nineteen (19) years of age or is a full-time
- 32 student who is less than twenty-four (24) years of age.
- 33 This amount is in addition to any amount subtracted under
- 34 clause (A) or (B).
- 35 This amount is in addition to the amount subtracted under
- 36 subdivision (4).
- 37 (6) Subtract any amounts included in federal adjusted gross
- 38 income under Section 111 of the Internal Revenue Code as a
- 39 recovery of items previously deducted as an itemized deduction
- 40 from adjusted gross income.

- 1 (7) Subtract any amounts included in federal adjusted gross
2 income under the Internal Revenue Code which amounts were
3 received by the individual as supplemental railroad retirement
4 annuities under 45 U.S.C. 231 and which are not deductible under
5 subdivision (1).
- 6 (8) Subtract an amount equal to the amount of federal Social
7 Security and Railroad Retirement benefits included in a taxpayer's
8 federal gross income by Section 86 of the Internal Revenue Code.
- 9 (9) In the case of a nonresident taxpayer or a resident taxpayer
10 residing in Indiana for a period of less than the taxpayer's entire
11 taxable year, the total amount of the deductions allowed pursuant
12 to subdivisions (3), (4), and (5) shall be reduced to an amount
13 which bears the same ratio to the total as the taxpayer's income
14 taxable in Indiana bears to the taxpayer's total income.
- 15 (10) In the case of an individual who is a recipient of assistance
16 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
17 subtract an amount equal to that portion of the individual's
18 adjusted gross income with respect to which the individual is not
19 allowed under federal law to retain an amount to pay state and
20 local income taxes.
- 21 (11) In the case of an eligible individual, subtract the amount of
22 a Holocaust victim's settlement payment included in the
23 individual's federal adjusted gross income.
- 24 (12) Subtract an amount equal to the portion of any premiums
25 paid during the taxable year by the taxpayer for a qualified long
26 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
27 or the taxpayer's spouse if the taxpayer and the taxpayer's spouse
28 file a joint income tax return or the taxpayer is otherwise entitled
29 to a deduction under this subdivision for the taxpayer's spouse, or
30 both.
- 31 (13) Subtract an amount equal to the lesser of:
32 (A) two thousand five hundred dollars (\$2,500), or one
33 thousand two hundred fifty dollars (\$1,250) in the case of a
34 married individual filing a separate return; or
35 (B) the amount of property taxes that are paid during the
36 taxable year in Indiana by the individual on the individual's
37 principal place of residence.
- 38 (14) Subtract an amount equal to the amount of a September 11
39 terrorist attack settlement payment included in the individual's
40 federal adjusted gross income.

- 1 (15) Add or subtract the amount necessary to make the adjusted
 2 gross income of any taxpayer that owns property for which bonus
 3 depreciation was allowed 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 not been made
 6 under Section 168(k) of the Internal Revenue Code to apply bonus
 7 depreciation to the property in the year that it was placed in
 8 service.
- 9 (16) Add an amount equal to any deduction allowed under
 10 Section 172 of the Internal Revenue Code (concerning net
 11 operating losses).
- 12 (17) Add or subtract the amount necessary to make the adjusted
 13 gross income of any taxpayer that placed Section 179 property (as
 14 defined in Section 179 of the Internal Revenue Code) in service
 15 in the current taxable year or in an earlier taxable year equal to
 16 the amount of adjusted gross income that would have been
 17 computed had an election for federal income tax purposes not
 18 been made for the year in which the property was placed in
 19 service to take deductions under Section 179 of the Internal
 20 Revenue Code in a total amount exceeding the sum of:
- 21 (A) twenty-five thousand dollars (\$25,000) to the extent
 22 deductions under Section 179 of the Internal Revenue Code
 23 were not elected as provided in clause (B); and
- 24 (B) for taxable years beginning after December 31, 2017, the
 25 deductions elected under Section 179 of the Internal Revenue
 26 Code on property acquired in an exchange if:
- 27 (i) the exchange would have been eligible for
 28 nonrecognition of gain or loss under Section 1031 of the
 29 Internal Revenue Code in effect on January 1, 2017;
- 30 (ii) the exchange is not eligible for nonrecognition of gain or
 31 loss under Section 1031 of the Internal Revenue Code; and
- 32 (iii) the taxpayer made an election to take deductions under
 33 Section 179 of the Internal Revenue Code with regard to the
 34 acquired property in the year that the property was placed
 35 into service.
- 36 The amount of deductions allowable for an item of property
 37 under this clause may not exceed the amount of adjusted gross
 38 income realized on the property that would have been deferred
 39 under the Internal Revenue Code in effect on January 1, 2017.
- 40 (18) Subtract an amount equal to the amount of the taxpayer's

- 1 qualified military income that was not excluded from the
2 taxpayer's gross income for federal income tax purposes under
3 Section 112 of the Internal Revenue Code.
- 4 (19) Subtract income that is:
- 5 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
6 derived from patents); and
- 7 (B) included in the individual's federal adjusted gross income
8 under the Internal Revenue Code.
- 9 (20) Add an amount equal to any income not included in gross
10 income as a result of the deferral of income arising from business
11 indebtedness discharged in connection with the reacquisition after
12 December 31, 2008, and before January 1, 2011, of an applicable
13 debt instrument, as provided in Section 108(i) of the Internal
14 Revenue Code. Subtract the amount necessary from the adjusted
15 gross income of any taxpayer that added an amount to adjusted
16 gross income in a previous year to offset the amount included in
17 federal gross income as a result of the deferral of income arising
18 from business indebtedness discharged in connection with the
19 reacquisition after December 31, 2008, and before January 1,
20 2011, of an applicable debt instrument, as provided in Section
21 108(i) of the Internal Revenue Code.
- 22 (21) 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 (22) Subtract an amount as described in Section 1341(a)(2) of the
28 Internal Revenue Code to the extent, if any, that the amount was
29 previously included in the taxpayer's adjusted gross income for a
30 prior taxable year.
- 31 (23) For taxable years beginning after December 25, 2016, add an
32 amount equal to the deduction for deferred foreign income that
33 was claimed by the taxpayer for the taxable year under Section
34 965(c) of the Internal Revenue Code.
- 35 (24) Subtract any interest expense paid or accrued in the current
36 taxable year but not deducted as a result of the limitation imposed
37 under Section 163(j)(1) of the Internal Revenue Code. Add any
38 interest expense paid or accrued in a previous taxable year but
39 allowed as a deduction under Section 163 of the Internal Revenue
40 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 (25) Subtract the amount that would have been excluded from
6 gross income but for the enactment of Section 118(b)(2) of the
7 Internal Revenue Code for taxable years ending after December
8 22, 2017.
- 9 (26) For taxable years beginning after December 31, 2019, and
10 before January 1, 2021, add an amount of the deduction claimed
11 under Section 62(a)(22) of the Internal Revenue Code.
- 12 (27) For taxable years beginning after December 31, 2019, for
13 payments made by an employer under an education assistance
14 program after March 27, 2020:
- 15 (A) add the amount of payments by an employer that are
16 excluded from the taxpayer's federal gross income under
17 Section 127(c)(1)(B) of the Internal Revenue Code; and
18 (B) deduct the interest allowable under Section 221 of the
19 Internal Revenue Code, if the disallowance under Section
20 221(e)(1) of the Internal Revenue Code did not apply to the
21 payments described in clause (A). For purposes of applying
22 Section 221(b) of the Internal Revenue Code to the amount
23 allowable under this clause, the amount under clause (A) shall
24 not be added to adjusted gross income.
- 25 (28) Add an amount equal to the remainder of:
- 26 (A) the amount allowable as a deduction under Section 274(n)
27 of the Internal Revenue Code; minus
28 (B) the amount otherwise allowable as a deduction under
29 Section 274(n) of the Internal Revenue Code, if Section
30 274(n)(2)(D) of the Internal Revenue Code was not in effect
31 for amounts paid or incurred after December 31, 2020.
- 32 (29) For taxable years beginning after December 31, 2017, and
33 before January 1, 2021, add an amount equal to the excess
34 business loss of the taxpayer as defined in Section 461(l)(3) of the
35 Internal Revenue Code. In addition:
- 36 (A) If a taxpayer has an excess business loss under this
37 subdivision and also has modifications under subdivisions (15)
38 and (17) for property placed in service during the taxable year,
39 the taxpayer shall treat a portion of the taxable year
40 modifications for that property as occurring in the taxable year

- 1 the property is placed in service and a portion of the
 2 modifications as occurring in the immediately following
 3 taxable year.
- 4 (B) The portion of the modifications under subdivisions (15)
 5 and (17) for property placed in service during the taxable year
 6 treated as occurring in the taxable year in which the property
 7 is placed in service equals:
- 8 (i) the modification for the property otherwise determined
 9 under this section; minus
- 10 (ii) the excess business loss disallowed under this
 11 subdivision;
- 12 but not less than zero (0).
- 13 (C) The portion of the modifications under subdivisions (15)
 14 and (17) for property placed in service during the taxable year
 15 treated as occurring in the taxable year immediately following
 16 the taxable year in which the property is placed in service
 17 equals the modification for the property otherwise determined
 18 under this section minus the amount in clause (B).
- 19 (D) Any reallocation of modifications between taxable years
 20 under clauses (B) and (C) shall be first allocated to the
 21 modification under subdivision (15), then to the modification
 22 under subdivision (17).
- 23 **(30) For taxable years beginning after December 31, 2020, and**
 24 **before January 1, 2022**, add an amount equal to the amount
 25 excluded from federal gross income under Section 108(f)(5) of
 26 the Internal Revenue Code. For purposes of this subdivision:
- 27 (A) if an amount excluded under Section 108(f)(5) of the
 28 Internal Revenue Code would be excludible under Section
 29 108(a)(1)(B) of the Internal Revenue Code, the exclusion
 30 under Section 108(a)(1)(B) of the Internal Revenue Code shall
 31 take precedence; and
- 32 (B) if an amount would have been excludible under Section
 33 108(f)(5) of the Internal Revenue Code as in effect on January
 34 1, 2020, the amount is not required to be added back under this
 35 subdivision.
- 36 (31) For taxable years ending after March 12, 2020, subtract an
 37 amount equal to the deduction disallowed pursuant to:
- 38 (A) Section 2301(e) of the CARES Act (Public Law 116-136),
 39 as modified by Sections 206 and 207 of the Taxpayer Certainty
 40 and Disaster Relief Tax Act (Division EE of Public Law

1 116-260); and

2 (B) Section 3134(e) of the Internal Revenue Code.

3 (32) Subtract the amount of an annual grant amount distributed to
4 a taxpayer's Indiana education scholarship account under
5 IC 20-51.4-4-2 that is used for a qualified expense (as defined in
6 IC 20-51.4-2-9) or to an Indiana enrichment scholarship account
7 under IC 20-52 that is used for qualified expenses (as defined in
8 IC 20-52-2-6), to the extent the distribution used for the qualified
9 expense is included in the taxpayer's federal adjusted gross
10 income under the Internal Revenue Code.

11 (33) For taxable years beginning after December 31, 2019, and
12 before January 1, 2021, add an amount equal to the amount of
13 unemployment compensation excluded from federal gross income
14 under Section 85(c) of the Internal Revenue Code.

15 (34) For taxable years beginning after December 31, 2022,
16 subtract an amount equal to the deduction disallowed under
17 Section 280C(h) of the Internal Revenue Code.

18 (35) Subtract any other amounts the taxpayer is entitled to deduct
19 under IC 6-3-2.

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

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

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

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

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

36 (5) Add or subtract the amount necessary to make the adjusted
37 gross income of any taxpayer that owns property for which bonus
38 depreciation was allowed in the current taxable year or in a
39 earlier taxable year equal to the amount of adjusted gross income
40 that would have been computed had an election not been made

- 1 under Section 168(k) of the Internal Revenue Code to apply bonus
 2 depreciation to the property in the year that it was placed in
 3 service.
- 4 (6) Add an amount equal to any deduction allowed under Section
 5 172 of the Internal Revenue Code (concerning net operating
 6 losses).
- 7 (7) Add or subtract the amount necessary to make the adjusted
 8 gross income of any taxpayer that placed Section 179 property (as
 9 defined in Section 179 of the Internal Revenue Code) in service
 10 in the current taxable year or in an earlier taxable year equal to
 11 the amount of adjusted gross income that would have been
 12 computed had an election for federal income tax purposes not
 13 been made for the year in which the property was placed in
 14 service to take deductions under Section 179 of the Internal
 15 Revenue Code in a total amount exceeding the sum of:
- 16 (A) twenty-five thousand dollars (\$25,000) to the extent
 17 deductions under Section 179 of the Internal Revenue Code
 18 were not elected as provided in clause (B); and
- 19 (B) for taxable years beginning after December 31, 2017, the
 20 deductions elected under Section 179 of the Internal Revenue
 21 Code on property acquired in an exchange if:
- 22 (i) the exchange would have been eligible for
 23 nonrecognition of gain or loss under Section 1031 of the
 24 Internal Revenue Code in effect on January 1, 2017;
- 25 (ii) the exchange is not eligible for nonrecognition of gain or
 26 loss under Section 1031 of the Internal Revenue Code; and
- 27 (iii) the taxpayer made an election to take deductions under
 28 Section 179 of the Internal Revenue Code with regard to the
 29 acquired property in the year that the property was placed
 30 into service.
- 31 The amount of deductions allowable for an item of property
 32 under this clause may not exceed the amount of adjusted gross
 33 income realized on the property that would have been deferred
 34 under the Internal Revenue Code in effect on January 1, 2017.
- 35 (8) Add to the extent required by IC 6-3-2-20:
- 36 (A) the amount of intangible expenses (as defined in
 37 IC 6-3-2-20) for the taxable year that reduced the corporation's
 38 taxable income (as defined in Section 63 of the Internal
 39 Revenue Code) for federal income tax purposes; and
- 40 (B) any directly related interest expenses (as defined in

1 IC 6-3-2-20) that reduced the corporation's adjusted gross
2 income (determined without regard to this subdivision). For
3 purposes of this clause, any directly related interest expense
4 that constitutes business interest within the meaning of Section
5 163(j) of the Internal Revenue Code shall be considered to
6 have reduced the taxpayer's federal taxable income only in the
7 first taxable year in which the deduction otherwise would have
8 been allowable under Section 163 of the Internal Revenue
9 Code if the limitation under Section 163(j)(1) of the Internal
10 Revenue Code did not exist.

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

15 (10) Subtract income that is:

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

18 (B) included in the corporation's taxable income under the
19 Internal Revenue Code.

20 (11) Add an amount equal to any income not included in gross
21 income as a result of the deferral of income arising from business
22 indebtedness discharged in connection with the reacquisition after
23 December 31, 2008, and before January 1, 2011, of an applicable
24 debt instrument, as provided in Section 108(i) of the Internal
25 Revenue Code. Subtract from the adjusted gross income of any
26 taxpayer that added an amount to adjusted gross income in a
27 previous year the amount necessary to offset the amount included
28 in federal gross income as a result of the deferral of income
29 arising from business indebtedness discharged in connection with
30 the reacquisition after December 31, 2008, and before January 1,
31 2011, of an applicable debt instrument, as provided in Section
32 108(i) of the Internal Revenue Code.

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

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

39 (A) for a corporation other than a real estate investment trust,
40 add:

- 1 (i) an amount equal to the amount reported by the taxpayer
2 on IRC 965 Transition Tax Statement, line 1; or
3 (ii) if the taxpayer deducted an amount under Section 965(c)
4 of the Internal Revenue Code in determining the taxpayer's
5 taxable income for purposes of the federal income tax, the
6 amount deducted under Section 965(c) of the Internal
7 Revenue Code; and
8 (B) for a real estate investment trust, add an amount equal to
9 the deduction for deferred foreign income that was claimed by
10 the taxpayer for the taxable year under Section 965(c) of the
11 Internal Revenue Code, but only to the extent that the taxpayer
12 included income pursuant to Section 965 of the Internal
13 Revenue Code in its taxable income for federal income tax
14 purposes or is required to add back dividends paid under
15 subdivision (9).
- 16 (14) Add an amount equal to the deduction that was claimed by
17 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
18 Internal Revenue Code (attributable to global intangible
19 low-taxed income). The taxpayer shall separately specify the
20 amount of the reduction under Section 250(a)(1)(B)(i) of the
21 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
22 Internal Revenue Code.
- 23 (15) Subtract any interest expense paid or accrued in the current
24 taxable year but not deducted as a result of the limitation imposed
25 under Section 163(j)(1) of the Internal Revenue Code. Add any
26 interest expense paid or accrued in a previous taxable year but
27 allowed as a deduction under Section 163 of the Internal Revenue
28 Code in the current taxable year. For purposes of this subdivision,
29 an interest expense is considered paid or accrued only in the first
30 taxable year the deduction would have been allowable under
31 Section 163 of the Internal Revenue Code if the limitation under
32 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 33 (16) Subtract the amount that would have been excluded from
34 gross income but for the enactment of Section 118(b)(2) of the
35 Internal Revenue Code for taxable years ending after December
36 22, 2017.
- 37 (17) Add an amount equal to the remainder of:
38 (A) the amount allowable as a deduction under Section 274(n)
39 of the Internal Revenue Code; minus
40 (B) the amount otherwise allowable as a deduction under

- 1 Section 274(n) of the Internal Revenue Code, if Section
2 274(n)(2)(D) of the Internal Revenue Code was not in effect
3 for amounts paid or incurred after December 31, 2020.
- 4 (18) For taxable years ending after March 12, 2020, subtract an
5 amount equal to the deduction disallowed pursuant to:
- 6 (A) Section 2301(e) of the CARES Act (Public Law 116-136),
7 as modified by Sections 206 and 207 of the Taxpayer Certainty
8 and Disaster Relief Tax Act (Division EE of Public Law
9 116-260); and
- 10 (B) Section 3134(e) of the Internal Revenue Code.
- 11 (19) For taxable years beginning after December 31, 2022,
12 subtract an amount equal to the deduction disallowed under
13 Section 280C(h) of the Internal Revenue Code.
- 14 (20) Add or subtract any other amounts the taxpayer is:
- 15 (A) required to add or subtract; or
16 (B) entitled to deduct;
17 under IC 6-3-2.
- 18 (c) The following apply to taxable years beginning after December
19 31, 2018, for purposes of the add back of any deduction allowed on the
20 taxpayer's federal income tax return for wagering taxes, as provided in
21 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if
22 the taxpayer is a corporation:
- 23 (1) For taxable years beginning after December 31, 2018, and
24 before January 1, 2020, a taxpayer is required to add back under
25 this section eighty-seven and five-tenths percent (87.5%) of any
26 deduction allowed on the taxpayer's federal income tax return for
27 wagering taxes.
- 28 (2) For taxable years beginning after December 31, 2019, and
29 before January 1, 2021, a taxpayer is required to add back under
30 this section seventy-five percent (75%) of any deduction allowed
31 on the taxpayer's federal income tax return for wagering taxes.
- 32 (3) For taxable years beginning after December 31, 2020, and
33 before January 1, 2022, a taxpayer is required to add back under
34 this section sixty-two and five-tenths percent (62.5%) of any
35 deduction allowed on the taxpayer's federal income tax return for
36 wagering taxes.
- 37 (4) For taxable years beginning after December 31, 2021, and
38 before January 1, 2023, a taxpayer is required to add back under
39 this section fifty percent (50%) of any deduction allowed on the
40 taxpayer's federal income tax return for wagering taxes.

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

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

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

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

19 (d) In the case of life insurance companies (as defined in Section
20 816(a) of the Internal Revenue Code) that are organized under Indiana
21 law, the same as "life insurance company taxable income" (as defined
22 in Section 801 of the Internal Revenue Code), adjusted as follows:

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

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

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

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

35 (5) Add or subtract the amount necessary to make the adjusted
36 gross income of any taxpayer that owns property for which bonus
37 depreciation was allowed 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 not been made
40 under Section 168(k) of the Internal Revenue Code to apply bonus

- 1 depreciation to the property in the year that it was placed in
 2 service.
- 3 (6) Add an amount equal to any deduction allowed under Section
 4 172 of the Internal Revenue Code (concerning net operating
 5 losses).
- 6 (7) Add or subtract the amount necessary to make the adjusted
 7 gross income of any taxpayer that placed Section 179 property (as
 8 defined in Section 179 of the Internal Revenue Code) in service
 9 in the current taxable year or in an earlier taxable year equal to
 10 the amount of adjusted gross income that would have been
 11 computed had an election for federal income tax purposes not
 12 been made for the year in which the property was placed in
 13 service to take deductions under Section 179 of the Internal
 14 Revenue Code in a total amount exceeding the sum of:
- 15 (A) twenty-five thousand dollars (\$25,000) to the extent
 16 deductions under Section 179 of the Internal Revenue Code
 17 were not elected as provided in clause (B); and
- 18 (B) for taxable years beginning after December 31, 2017, the
 19 deductions elected under Section 179 of the Internal Revenue
 20 Code on property acquired in an exchange if:
- 21 (i) the exchange would have been eligible for
 22 nonrecognition of gain or loss under Section 1031 of the
 23 Internal Revenue Code in effect on January 1, 2017;
- 24 (ii) the exchange is not eligible for nonrecognition of gain or
 25 loss under Section 1031 of the Internal Revenue Code; and
- 26 (iii) the taxpayer made an election to take deductions under
 27 Section 179 of the Internal Revenue Code with regard to the
 28 acquired property in the year that the property was placed
 29 into service.
- 30 The amount of deductions allowable for an item of property
 31 under this clause may not exceed the amount of adjusted gross
 32 income realized on the property that would have been deferred
 33 under the Internal Revenue Code in effect on January 1, 2017.
- 34 (8) Subtract income that is:
- 35 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
 36 derived from patents); and
- 37 (B) included in the insurance company's taxable income under
 38 the Internal Revenue Code.
- 39 (9) Add an amount equal to any income not included in gross
 40 income as a result of the deferral of income arising from business

1 indebtedness discharged in connection with the reacquisition after
2 December 31, 2008, and before January 1, 2011, of an applicable
3 debt instrument, as provided in Section 108(i) of the Internal
4 Revenue Code. Subtract from the adjusted gross income of any
5 taxpayer that added an amount to adjusted gross income in a
6 previous year the amount necessary to offset the amount included
7 in federal gross income as a result of the deferral of income
8 arising from business indebtedness discharged in connection with
9 the reacquisition after December 31, 2008, and before January 1,
10 2011, of an applicable debt instrument, as provided in Section
11 108(i) of the Internal Revenue Code.

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

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

21 (12) For taxable years beginning after December 25, 2016, add:
22 (A) an amount equal to the amount reported by the taxpayer on
23 IRC 965 Transition Tax Statement, line 1; or
24 (B) if the taxpayer deducted an amount under Section 965(c)
25 of the Internal Revenue Code in determining the taxpayer's
26 taxable income for purposes of the federal income tax, the
27 amount deducted under Section 965(c) of the Internal Revenue
28 Code.

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

36 (14) Subtract any interest expense paid or accrued in the current
37 taxable year but not deducted as a result of the limitation imposed
38 under Section 163(j)(1) of the Internal Revenue Code. Add any
39 interest expense paid or accrued in a previous taxable year but
40 allowed as a deduction under Section 163 of the Internal Revenue

- 1 Code in the current taxable year. For purposes of this subdivision,
2 an interest expense is considered paid or accrued only in the first
3 taxable year the deduction would have been allowable under
4 Section 163 of the Internal Revenue Code if the limitation under
5 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 6 (15) Subtract the amount that would have been excluded from
7 gross income but for the enactment of Section 118(b)(2) of the
8 Internal Revenue Code for taxable years ending after December
9 22, 2017.
- 10 (16) Add an amount equal to the remainder of:
- 11 (A) the amount allowable as a deduction under Section 274(n)
12 of the Internal Revenue Code; minus
- 13 (B) the amount otherwise allowable as a deduction under
14 Section 274(n) of the Internal Revenue Code, if Section
15 274(n)(2)(D) of the Internal Revenue Code was not in effect
16 for amounts paid or incurred after December 31, 2020.
- 17 (17) For taxable years ending after March 12, 2020, subtract an
18 amount equal to the deduction disallowed pursuant to:
- 19 (A) Section 2301(e) of the CARES Act (Public Law 116-136),
20 as modified by Sections 206 and 207 of the Taxpayer Certainty
21 and Disaster Relief Tax Act (Division EE of Public Law
22 116-260); and
- 23 (B) Section 3134(e) of the Internal Revenue Code.
- 24 (18) For taxable years beginning after December 31, 2022,
25 subtract an amount equal to the deduction disallowed under
26 Section 280C(h) of the Internal Revenue Code.
- 27 (19) Add or subtract any other amounts the taxpayer is:
- 28 (A) required to add or subtract; or
29 (B) entitled to deduct;
30 under IC 6-3-2.
- 31 (e) In the case of insurance companies subject to tax under Section
32 831 of the Internal Revenue Code and organized under Indiana law, the
33 same as "taxable income" (as defined in Section 832 of the Internal
34 Revenue Code), adjusted as follows:
- 35 (1) Subtract income that is exempt from taxation under this article
36 by the Constitution and statutes of the United States.
- 37 (2) Add an amount equal to any deduction allowed or allowable
38 under Section 170 of the Internal Revenue Code (concerning
39 charitable contributions).
- 40 (3) Add an amount equal to a deduction allowed or allowable

- 1 under Section 805 or Section 832(c) of the Internal Revenue Code
2 for taxes based on or measured by income and levied at the state
3 level by any state.
- 4 (4) Subtract an amount equal to the amount included in the
5 company's taxable income under Section 78 of the Internal
6 Revenue Code (concerning foreign tax credits).
- 7 (5) 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 (6) Add an amount equal to any deduction allowed under Section
16 172 of the Internal Revenue Code (concerning net operating
17 losses).
- 18 (7) 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 the sum of:
- 27 (A) twenty-five thousand dollars (\$25,000) to the extent
28 deductions under Section 179 of the Internal Revenue Code
29 were not elected as provided in clause (B); and
- 30 (B) for taxable years beginning after December 31, 2017, the
31 deductions elected under Section 179 of the Internal Revenue
32 Code on property acquired in an exchange if:
- 33 (i) the exchange would have been eligible for
34 nonrecognition of gain or loss under Section 1031 of the
35 Internal Revenue Code in effect on January 1, 2017;
- 36 (ii) the exchange is not eligible for nonrecognition of gain or
37 loss under Section 1031 of the Internal Revenue Code; and
- 38 (iii) the taxpayer made an election to take deductions under
39 Section 179 of the Internal Revenue Code with regard to the
40 acquired property in the year that the property was placed

- 1 into service.
- 2 The amount of deductions allowable for an item of property
- 3 under this clause may not exceed the amount of adjusted gross
- 4 income realized on the property that would have been deferred
- 5 under the Internal Revenue Code in effect on January 1, 2017.
- 6 (8) Subtract income that is:
- 7 (A) exempt from taxation under IC 6-3-2-21.7 (certain income
- 8 derived from patents); and
- 9 (B) included in the insurance company's taxable income under
- 10 the Internal Revenue Code.
- 11 (9) Add an amount equal to any income not included in gross
- 12 income as a result of the deferral of income arising from business
- 13 indebtedness discharged in connection with the reacquisition after
- 14 December 31, 2008, and before January 1, 2011, of an applicable
- 15 debt instrument, as provided in Section 108(i) of the Internal
- 16 Revenue Code. Subtract from the adjusted gross income of any
- 17 taxpayer that added an amount to adjusted gross income in a
- 18 previous year the amount necessary to offset the amount included
- 19 in federal gross income as a result of the deferral of income
- 20 arising from business indebtedness discharged in connection with
- 21 the reacquisition after December 31, 2008, and before January 1,
- 22 2011, of an applicable debt instrument, as provided in Section
- 23 108(i) of the Internal Revenue Code.
- 24 (10) Add an amount equal to any exempt insurance income under
- 25 Section 953(e) of the Internal Revenue Code that is active
- 26 financing income under Subpart F of Subtitle A, Chapter 1,
- 27 Subchapter N of the Internal Revenue Code.
- 28 (11) Add the amount excluded from federal gross income under
- 29 Section 103 of the Internal Revenue Code for interest received on
- 30 an obligation of a state other than Indiana, or a political
- 31 subdivision of such a state, that is acquired by the taxpayer after
- 32 December 31, 2011.
- 33 (12) For taxable years beginning after December 25, 2016, add:
- 34 (A) an amount equal to the amount reported by the taxpayer on
- 35 IRC 965 Transition Tax Statement, line 1; or
- 36 (B) if the taxpayer deducted an amount under Section 965(c)
- 37 of the Internal Revenue Code in determining the taxpayer's
- 38 taxable income for purposes of the federal income tax, the
- 39 amount deducted under Section 965(c) of the Internal Revenue
- 40 Code.

- 1 (13) Add an amount equal to the deduction that was claimed by
2 the taxpayer for the taxable year under Section 250(a)(1)(B) of the
3 Internal Revenue Code (attributable to global intangible
4 low-taxed income). The taxpayer shall separately specify the
5 amount of the reduction under Section 250(a)(1)(B)(i) of the
6 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
7 Internal Revenue Code.
- 8 (14) Subtract any interest expense paid or accrued in the current
9 taxable year but not deducted as a result of the limitation imposed
10 under Section 163(j)(1) of the Internal Revenue Code. Add any
11 interest expense paid or accrued in a previous taxable year but
12 allowed as a deduction under Section 163 of the Internal Revenue
13 Code in the current taxable year. For purposes of this subdivision,
14 an interest expense is considered paid or accrued only in the first
15 taxable year the deduction would have been allowable under
16 Section 163 of the Internal Revenue Code if the limitation under
17 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 18 (15) Subtract the amount that would have been excluded from
19 gross income but for the enactment of Section 118(b)(2) of the
20 Internal Revenue Code for taxable years ending after December
21 22, 2017.
- 22 (16) Add an amount equal to the remainder of:
- 23 (A) the amount allowable as a deduction under Section 274(n)
24 of the Internal Revenue Code; minus
- 25 (B) the amount otherwise allowable as a deduction under
26 Section 274(n) of the Internal Revenue Code, if Section
27 274(n)(2)(D) of the Internal Revenue Code was not in effect
28 for amounts paid or incurred after December 31, 2020.
- 29 (17) For taxable years ending after March 12, 2020, subtract an
30 amount equal to the deduction disallowed pursuant to:
- 31 (A) Section 2301(e) of the CARES Act (Public Law 116-136),
32 as modified by Sections 206 and 207 of the Taxpayer Certainty
33 and Disaster Relief Tax Act (Division EE of Public Law
34 116-260); and
- 35 (B) Section 3134(e) of the Internal Revenue Code.
- 36 (18) For taxable years beginning after December 31, 2022,
37 subtract an amount equal to the deduction disallowed under
38 Section 280C(h) of the Internal Revenue Code.
- 39 (19) Add or subtract any other amounts the taxpayer is:
- 40 (A) required to add or subtract; or

1 (B) entitled to deduct;
2 under IC 6-3-2.

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

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

8 (2) Subtract an amount equal to the amount of a September 11
9 terrorist attack settlement payment included in the federal
10 adjusted gross income of the estate of a victim of the September
11 11 terrorist attack or a trust to the extent the trust benefits a victim
12 of the September 11 terrorist attack.

13 (3) Add or subtract the amount necessary to make the adjusted
14 gross income of any taxpayer that owns property for which bonus
15 depreciation was allowed in the current taxable year or in an
16 earlier taxable year equal to the amount of adjusted gross income
17 that would have been computed had an election not been made
18 under Section 168(k) of the Internal Revenue Code to apply bonus
19 depreciation to the property in the year that it was placed in
20 service.

21 (4) Add an amount equal to any deduction allowed under Section
22 172 of the Internal Revenue Code (concerning net operating
23 losses).

24 (5) Add or subtract the amount necessary to make the adjusted
25 gross income of any taxpayer that placed Section 179 property (as
26 defined in Section 179 of the Internal Revenue Code) in service
27 in the current taxable year or in an earlier taxable year equal to
28 the amount of adjusted gross income that would have been
29 computed had an election for federal income tax purposes not
30 been made for the year in which the property was placed in
31 service to take deductions under Section 179 of the Internal
32 Revenue Code in a total amount exceeding the sum of:

33 (A) twenty-five thousand dollars (\$25,000) to the extent
34 deductions under Section 179 of the Internal Revenue Code
35 were not elected as provided in clause (B); and

36 (B) for taxable years beginning after December 31, 2017, the
37 deductions elected under Section 179 of the Internal Revenue
38 Code on property acquired in an exchange if:

39 (i) the exchange would have been eligible for
40 nonrecognition of gain or loss under Section 1031 of the

1 Internal Revenue Code in effect on January 1, 2017;
2 (ii) the exchange is not eligible for nonrecognition of gain or
3 loss under Section 1031 of the Internal Revenue Code; and
4 (iii) the taxpayer made an election to take deductions under
5 Section 179 of the Internal Revenue Code with regard to the
6 acquired property in the year that the property was placed
7 into service.

8 The amount of deductions allowable for an item of property
9 under this clause may not exceed the amount of adjusted gross
10 income realized on the property that would have been deferred
11 under the Internal Revenue Code in effect on January 1, 2017.

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;

39 (B) if the taxpayer deducted an amount under Section 965(c)
40 of the Internal Revenue Code in determining the taxpayer's

- 1 taxable income for purposes of the federal income tax, the
2 amount deducted under Section 965(c) of the Internal Revenue
3 Code; and
4 (C) with regard to any amounts of income under Section 965
5 of the Internal Revenue Code distributed by the taxpayer, the
6 deduction under Section 965(c) of the Internal Revenue Code
7 attributable to such distributed amounts and not reported to the
8 beneficiary.
- 9 For purposes of this article, the amount required to be added back
10 under clause (B) is not considered to be distributed or
11 distributable to a beneficiary of the estate or trust for purposes of
12 Sections 651 and 661 of the Internal Revenue Code.
- 13 (10) Subtract any interest expense paid or accrued in the current
14 taxable year but not deducted as a result of the limitation imposed
15 under Section 163(j)(1) of the Internal Revenue Code. Add any
16 interest expense paid or accrued in a previous taxable year but
17 allowed as a deduction under Section 163 of the Internal Revenue
18 Code in the current taxable year. For purposes of this subdivision,
19 an interest expense is considered paid or accrued only in the first
20 taxable year the deduction would have been allowable under
21 Section 163 of the Internal Revenue Code if the limitation under
22 Section 163(j)(1) of the Internal Revenue Code did not exist.
- 23 (11) Add an amount equal to the deduction for qualified business
24 income that was claimed by the taxpayer for the taxable year
25 under Section 199A of the Internal Revenue Code.
- 26 (12) Subtract the amount that would have been excluded from
27 gross income but for the enactment of Section 118(b)(2) of the
28 Internal Revenue Code for taxable years ending after December
29 22, 2017.
- 30 (13) Add an amount equal to the remainder of:
- 31 (A) the amount allowable as a deduction under Section 274(n)
32 of the Internal Revenue Code; minus
33 (B) the amount otherwise allowable as a deduction under
34 Section 274(n) of the Internal Revenue Code, if Section
35 274(n)(2)(D) of the Internal Revenue Code was not in effect
36 for amounts paid or incurred after December 31, 2020.
- 37 (14) For taxable years beginning after December 31, 2017, and
38 before January 1, 2021, add an amount equal to the excess
39 business loss of the taxpayer as defined in Section 461(l)(3) of the
40 Internal Revenue Code. In addition:

- 1 (A) If a taxpayer has an excess business loss under this
2 subdivision and also has modifications under subdivisions (3)
3 and (5) for property placed in service during the taxable year,
4 the taxpayer shall treat a portion of the taxable year
5 modifications for that property as occurring in the taxable year
6 the property is placed in service and a portion of the
7 modifications as occurring in the immediately following
8 taxable year.
- 9 (B) The portion of the modifications under subdivisions (3)
10 and (5) for property placed in service during the taxable year
11 treated as occurring in the taxable year in which the property
12 is placed in service equals:
- 13 (i) the modification for the property otherwise determined
14 under this section; minus
- 15 (ii) the excess business loss disallowed under this
16 subdivision;
- 17 but not less than zero (0).
- 18 (C) The portion of the modifications under subdivisions (3)
19 and (5) for property placed in service during the taxable year
20 treated as occurring in the taxable year immediately following
21 the taxable year in which the property is placed in service
22 equals the modification for the property otherwise determined
23 under this section minus the amount in clause (B).
- 24 (D) Any reallocation of modifications between taxable years
25 under clauses (B) and (C) shall be first allocated to the
26 modification under subdivision (3), then to the modification
27 under subdivision (5).
- 28 (15) For taxable years ending after March 12, 2020, subtract an
29 amount equal to the deduction disallowed pursuant to:
- 30 (A) Section 2301(e) of the CARES Act (Public Law 116-136),
31 as modified by Sections 206 and 207 of the Taxpayer Certainty
32 and Disaster Relief Tax Act (Division EE of Public Law
33 116-260); and
- 34 (B) Section 3134(e) of the Internal Revenue Code.
- 35 (16) For taxable years beginning after December 31, 2022,
36 subtract an amount equal to the deduction disallowed under
37 Section 280C(h) of the Internal Revenue Code.
- 38 (17) Except as provided in subsection (c), for taxable years
39 beginning after December 31, 2022, add an amount equal to any
40 deduction or deductions allowed or allowable in determining

- 1 taxable income under Section 641(b) of the Internal Revenue
2 Code for taxes based on or measured by income and levied at the
3 state level by any state of the United States.
- 4 (18) Add or subtract any other amounts the taxpayer is:
5 (A) required to add or subtract; or
6 (B) entitled to deduct;
7 under IC 6-3-2.
- 8 (g) For purposes of IC 6-3-2.1, IC 6-3-4-12, IC 6-3-4-13, and
9 IC 6-3-4-15 for taxable years beginning after December 31, 2022,
10 "adjusted gross income" of a pass through entity means the aggregate
11 of items of ordinary income and loss in the case of a partnership or a
12 corporation described in IC 6-3-2-2.8(2), or aggregate distributable net
13 income of a trust or estate as defined in Section 643 of the Internal
14 Revenue Code, whichever is applicable, for the taxable year modified
15 as follows:
- 16 (1) Add the separately stated items of income and gains, or the
17 equivalent items that must be considered separately by a
18 beneficiary, as determined for federal purposes, attributed to the
19 partners, shareholders, or beneficiaries of the pass through entity,
20 determined without regard to whether the owner is permitted to
21 exclude all or part of the income or gain or deduct any amount
22 against the income or gain.
- 23 (2) Subtract the separately stated items of deductions or losses or
24 items that must be considered separately by beneficiaries, as
25 determined for federal purposes, attributed to partners,
26 shareholders, or beneficiaries of the pass through entity and that
27 are deductible by an individual in determining adjusted gross
28 income as defined under Section 62 of the Internal Revenue
29 Code:
- 30 (A) limited as if the partners, shareholders, and beneficiaries
31 deducted the maximum allowable loss or deduction allowable
32 for the taxable year prior to any amount deductible from the
33 pass through entity; but
34 (B) not considering any disallowance of deductions resulting
35 from federal basis limitations for the partner, shareholder, or
36 beneficiary.
- 37 (3) Add or subtract any modifications to adjusted gross income
38 that would be required both for individuals under subsection (a)
39 and corporations under subsection (b) to the extent otherwise
40 provided in those subsections, including amounts that are

1 allowable for which such modifications are necessary to account
2 for separately stated items in subdivision (1) or (2).

3 (h) Subsections (a)(35), (b)(20), (d)(19), (e)(19), ~~or~~ **and** (f)(18) may
4 not be construed to require an add back or allow a deduction or
5 exemption more than once for a particular add back, deduction, or
6 exemption.

7 (i) For taxable years beginning after December 25, 2016, if:

8 (1) a taxpayer is a shareholder, either directly or indirectly, in a
9 corporation that is an E&P deficit foreign corporation as defined
10 in Section 965(b)(3)(B) of the Internal Revenue Code, and the
11 earnings and profit deficit, or a portion of the earnings and profit
12 deficit, of the E&P deficit foreign corporation is permitted to
13 reduce the federal adjusted gross income or federal taxable
14 income of the taxpayer, the deficit, or the portion of the deficit,
15 shall also reduce the amount taxable under this section to the
16 extent permitted under the Internal Revenue Code, however, in no
17 case shall this permit a reduction in the amount taxable under
18 Section 965 of the Internal Revenue Code for purposes of this
19 section to be less than zero (0); and

20 (2) the Internal Revenue Service issues guidance that such an
21 income or deduction is not reported directly on a federal tax
22 return or is to be reported in a manner different than specified in
23 this section, this section shall be construed as if federal adjusted
24 gross income or federal taxable income included the income or
25 deduction.

26 (j) If a partner is required to include an item of income, a deduction,
27 or another tax attribute in the partner's adjusted gross income tax return
28 pursuant to IC 6-3-4.5, such item shall be considered to be includible
29 in the partner's federal adjusted gross income or federal taxable
30 income, regardless of whether such item is actually required to be
31 reported by the partner for federal income tax purposes. For purposes
32 of this subsection:

33 (1) items for which a valid election is made under IC 6-3-4.5-6,
34 IC 6-3-4.5-8, or IC 6-3-4.5-9 shall not be required to be included
35 in the partner's adjusted gross income or taxable income; and

36 (2) items for which the partnership did not make an election under
37 IC 6-3-4.5-6, IC 6-3-4.5-8, or IC 6-3-4.5-9, but for which the
38 partnership is required to remit tax pursuant to IC 6-3-4.5-18,
39 shall be included in the partner's adjusted gross income or taxable
40 income."

- 1 Renumber all SECTIONS consecutively.
(Reference is to SB 3 as reprinted February 24, 2023.)