
SENATE BILL No. 3

AM000308 has been incorporated into February 24, 2023 printing.

Synopsis: State and local tax review task force.

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SB 3—LS 7167/DI 120



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

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2022 Regular Session of the General Assembly.

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SENATE BILL No. 3

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

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

- 1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.1-2023,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2023 (RETROACTIVE)]: Sec. 3.5. When used in this
4 article, the term "adjusted gross income" shall mean the following:
5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:
8 (1) Subtract income that is exempt from taxation under this
9 article 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).

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

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- 1 income under Section 111 of the Internal Revenue Code as a
2 recovery of items previously deducted as an itemized deduction
3 from adjusted gross income.
- 4 (7) Subtract any amounts included in federal adjusted gross
5 income under the Internal Revenue Code which amounts were
6 received by the individual as supplemental railroad retirement
7 annuities under 45 U.S.C. 231 and which are not deductible
8 under subdivision (1).
- 9 (8) Subtract an amount equal to the amount of federal Social
10 Security and Railroad Retirement benefits included in a
11 taxpayer's federal gross income by Section 86 of the Internal
12 Revenue Code.
- 13 (9) In the case of a nonresident taxpayer or a resident taxpayer
14 residing in Indiana for a period of less than the taxpayer's entire
15 taxable year, the total amount of the deductions allowed pursuant
16 to subdivisions (3), (4), and (5) shall be reduced to an amount
17 which bears the same ratio to the total as the taxpayer's income
18 taxable in Indiana bears to the taxpayer's total income.
- 19 (10) In the case of an individual who is a recipient of assistance
20 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
21 subtract an amount equal to that portion of the individual's
22 adjusted gross income with respect to which the individual is not
23 allowed under federal law to retain an amount to pay state and
24 local income taxes.
- 25 (11) In the case of an eligible individual, subtract the amount of
26 a Holocaust victim's settlement payment included in the
27 individual's federal adjusted gross income.
- 28 (12) Subtract an amount equal to the portion of any premiums
29 paid during the taxable year by the taxpayer for a qualified long
30 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
31 or the taxpayer's spouse if the taxpayer and the taxpayer's spouse
32 file a joint income tax return or the taxpayer is otherwise entitled
33 to a deduction under this subdivision for the taxpayer's spouse,
34 or both.
- 35 (13) Subtract an amount equal to the lesser of:
36 (A) two thousand five hundred dollars (\$2,500), or one
37 thousand two hundred fifty dollars (\$1,250) in the case of a
38 married individual filing a separate return; or
39 (B) the amount of property taxes that are paid during the
40 taxable year in Indiana by the individual on the individual's
41 principal place of residence.
- 42 (14) Subtract an amount equal to the amount of a September 11

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1 terrorist attack settlement payment included in the individual's
2 federal adjusted gross income.

3 (15) Add or subtract the amount necessary to make the adjusted
4 gross income of any taxpayer that owns property for which bonus
5 depreciation was allowed in the current taxable year or in an
6 earlier taxable year equal to the amount of adjusted gross income
7 that would have been computed had an election not been made
8 under Section 168(k) of the Internal Revenue Code to apply
9 bonus depreciation to the property in the year that it was placed
10 in service.

11 (16) Add an amount equal to any deduction allowed under
12 Section 172 of the Internal Revenue Code (concerning net
13 operating losses).

14 (17) Add or subtract the amount necessary to make the adjusted
15 gross income of any taxpayer that placed Section 179 property
16 (as defined in Section 179 of the Internal Revenue Code) in
17 service in the current taxable year or in an earlier taxable year
18 equal to the amount of adjusted gross income that would have
19 been computed had an election for federal income tax purposes
20 not been made for the year in which the property was placed in
21 service to take deductions under Section 179 of the Internal
22 Revenue Code in a total amount exceeding the sum of:

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

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

29 (i) the exchange would have been eligible for
30 nonrecognition of gain or loss under Section 1031 of
31 the Internal Revenue Code in effect on January 1,
32 2017;

33 (ii) the exchange is not eligible for nonrecognition of
34 gain or loss under Section 1031 of the Internal
35 Revenue Code; and

36 (iii) the taxpayer made an election to take deductions
37 under Section 179 of the Internal Revenue Code with
38 regard to the acquired property in the year that the
39 property was placed into service.

40 The amount of deductions allowable for an item of property
41 under this clause may not exceed the amount of adjusted
42 gross income realized on the property that would have been

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- 1 deferred under the Internal Revenue Code in effect on
2 January 1, 2017.
- 3 (18) Subtract an amount equal to the amount of the taxpayer's
4 qualified military income that was not excluded from the
5 taxpayer's gross income for federal income tax purposes under
6 Section 112 of the Internal Revenue Code.
- 7 (19) Subtract income that is:
- 8 (A) exempt from taxation under IC 6-3-2-21.7 (certain
9 income derived from patents); and
- 10 (B) included in the individual's federal adjusted gross
11 income under the Internal Revenue Code.
- 12 (20) Add an amount equal to any income not included in gross
13 income as a result of the deferral of income arising from
14 business indebtedness discharged in connection with the
15 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. Subtract the amount
18 necessary from the adjusted gross income of any taxpayer that
19 added an amount to adjusted gross income in a previous year to
20 offset the amount included in federal gross income as a result of
21 the deferral of income arising from business indebtedness
22 discharged in connection with the reacquisition after December
23 31, 2008, and before January 1, 2011, of an applicable debt
24 instrument, as provided in Section 108(i) of the Internal Revenue
25 Code.
- 26 (21) Add the amount excluded from federal gross income under
27 Section 103 of the Internal Revenue Code for interest received
28 on 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 (22) Subtract an amount as described in Section 1341(a)(2) of
32 the Internal Revenue Code to the extent, if any, that the amount
33 was previously included in the taxpayer's adjusted gross income
34 for a prior taxable year.
- 35 (23) For taxable years beginning after December 25, 2016, add
36 an amount equal to the deduction for deferred foreign income
37 that was claimed by the taxpayer for the taxable year under
38 Section 965(c) of the Internal Revenue Code.
- 39 (24) Subtract any interest expense paid or accrued in the current
40 taxable year but not deducted as a result of the limitation
41 imposed under Section 163(j)(1) of the Internal Revenue Code.
42 Add any interest expense paid or accrued in a previous taxable

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

8 (25) Subtract the amount that would have been excluded from
 9 gross income but for the enactment of Section 118(b)(2) of the
 10 Internal Revenue Code for taxable years ending after December
 11 22, 2017.

12 (26) For taxable years beginning after December 31, 2019, and
 13 before January 1, 2021, add an amount of the deduction claimed
 14 under Section 62(a)(22) of the Internal Revenue Code.

15 (27) For taxable years beginning after December 31, 2019, for
 16 payments made by an employer under an education assistance
 17 program after March 27, 2020:

18 (A) add the amount of payments by an employer that are
 19 excluded from the taxpayer's federal gross income under
 20 Section 127(c)(1)(B) of the Internal Revenue Code; and

21 (B) deduct the interest allowable under Section 221 of the
 22 Internal Revenue Code, if the disallowance under Section
 23 221(e)(1) of the Internal Revenue Code did not apply to the
 24 payments described in clause (A). For purposes of applying
 25 Section 221(b) of the Internal Revenue Code to the amount
 26 allowable under this clause, the amount under clause (A)
 27 shall not be added to adjusted gross income.

28 (28) Add an amount equal to the remainder of:

29 (A) the amount allowable as a deduction under Section
 30 274(n) of the Internal Revenue Code; minus

31 (B) the amount otherwise allowable as a deduction under
 32 Section 274(n) of the Internal Revenue Code, if Section
 33 274(n)(2)(D) of the Internal Revenue Code was not in effect
 34 for amounts paid or incurred after December 31, 2020.

35 (29) For taxable years beginning after December 31, 2017, and
 36 before January 1, 2021, add an amount equal to the excess
 37 business loss of the taxpayer as defined in Section 461(l)(3) of
 38 the Internal Revenue Code. In addition:

39 (A) If a taxpayer has an excess business loss under this
 40 subdivision and also has modifications under subdivisions
 41 (15) and (17) for property placed in service during the
 42 taxable year, the taxpayer shall treat a portion of the taxable

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1 year modifications for that property as occurring in the
 2 taxable year the property is placed in service and a portion
 3 of the modifications as occurring in the immediately
 4 following taxable year.

5 (B) The portion of the modifications under subdivisions
 6 (15) and (17) for property placed in service during the
 7 taxable year treated as occurring in the taxable year in
 8 which the property is placed in service equals:

9 (i) the modification for the property otherwise
 10 determined under this section; minus

11 (ii) the excess business loss disallowed under this
 12 subdivision;

13 but not less than zero (0).

14 (C) The portion of the modifications under subdivisions
 15 (15) and (17) for property placed in service during the
 16 taxable year treated as occurring in the taxable year
 17 immediately following the taxable year in which the
 18 property is placed in service equals the modification for the
 19 property otherwise determined under this section minus the
 20 amount in clause (B).

21 (D) Any reallocation of modifications between taxable years
 22 under clauses (B) and (C) shall be first allocated to the
 23 modification under subdivision (15), then to the
 24 modification under subdivision (17).

25 **(30) For taxable years beginning after December 31, 2020,**
 26 **and before January 1, 2022,** add an amount equal to the
 27 amount excluded from federal gross income under Section
 28 108(f)(5) of the Internal Revenue Code. For purposes of this
 29 subdivision:

30 (A) if an amount excluded under Section 108(f)(5) of the
 31 Internal Revenue Code would be excludible under Section
 32 108(a)(1)(B) of the Internal Revenue Code, the exclusion
 33 under Section 108(a)(1)(B) of the Internal Revenue Code
 34 shall take precedence; and

35 (B) if an amount would have been excludible under Section
 36 108(f)(5) of the Internal Revenue Code as in effect on
 37 January 1, 2020, the amount is not required to be added
 38 back under this subdivision.

39 (31) For taxable years ending after March 12, 2020, subtract an
 40 amount equal to the deduction disallowed pursuant to:

41 (A) Section 2301(e) of the CARES Act (Public Law
 42 116-136), as modified by Sections 206 and 207 of the

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1 Taxpayer Certainty and Disaster Relief Tax Act (Division
 2 EE of Public Law 116-260); and
 3 (B) Section 3134(e) of the Internal Revenue Code.
 4 (32) Subtract the amount of an annual grant amount distributed
 5 to a taxpayer's Indiana education scholarship account under
 6 IC 20-51.4-4-2 that is used for a qualified expense (as defined in
 7 IC 20-51.4-2-9) or to an Indiana enrichment scholarship account
 8 under IC 20-52 that is used for qualified expenses (as defined in
 9 IC 20-52-2-6), to the extent the distribution used for the qualified
 10 expense is included in the taxpayer's federal adjusted gross
 11 income under the Internal Revenue Code.
 12 (33) For taxable years beginning after December 31, 2019, and
 13 before January 1, 2021, add an amount equal to the amount of
 14 unemployment compensation excluded from federal gross
 15 income under Section 85(c) of the Internal Revenue Code.
 16 (34) For taxable years beginning after December 31, 2022,
 17 subtract an amount equal to the deduction disallowed under
 18 Section 280C(h) of the Internal Revenue Code.
 19 (35) Subtract any other amounts the taxpayer is entitled to
 20 deduct under IC 6-3-2.
 21 (b) In the case of corporations, the same as "taxable income" (as
 22 defined in Section 63 of the Internal Revenue Code) adjusted as
 23 follows:
 24 (1) Subtract income that is exempt from taxation under this
 25 article by the Constitution and statutes of the United States.
 26 (2) Add an amount equal to any deduction or deductions allowed
 27 or allowable pursuant to Section 170 of the Internal Revenue
 28 Code (concerning charitable contributions).
 29 (3) Except as provided in subsection (c), add an amount equal to
 30 any deduction or deductions allowed or allowable pursuant to
 31 Section 63 of the Internal Revenue Code for taxes based on or
 32 measured by income and levied at the state level by any state of
 33 the United States.
 34 (4) Subtract an amount equal to the amount included in the
 35 corporation's taxable income under Section 78 of the Internal
 36 Revenue Code (concerning foreign tax credits).
 37 (5) Add or subtract the amount necessary to make the adjusted
 38 gross income of any taxpayer that owns property for which bonus
 39 depreciation was allowed in the current taxable year or in an
 40 earlier taxable year equal to the amount of adjusted gross income
 41 that would have been computed had an election not been made
 42 under Section 168(k) of the Internal Revenue Code to apply

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- 1 bonus depreciation to the property in the year that it was placed
 2 in 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
 8 (as defined in Section 179 of the Internal Revenue Code) in
 9 service in the current taxable year or in an earlier taxable year
 10 equal to the amount of adjusted gross income that would have
 11 been computed had an election for federal income tax purposes
 12 not 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,
 19 the deductions elected under Section 179 of the Internal
 20 Revenue 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
 23 the Internal Revenue Code in effect on January 1,
 24 2017;
- 25 (ii) the exchange is not eligible for nonrecognition of
 26 gain or loss under Section 1031 of the Internal
 27 Revenue Code; and
- 28 (iii) the taxpayer made an election to take deductions
 29 under Section 179 of the Internal Revenue Code with
 30 regard to the acquired property in the year that the
 31 property was placed into service.
- 32 The amount of deductions allowable for an item of property
 33 under this clause may not exceed the amount of adjusted
 34 gross income realized on the property that would have been
 35 deferred under the Internal Revenue Code in effect on
 36 January 1, 2017.
- 37 (8) Add to the extent required by IC 6-3-2-20:
- 38 (A) the amount of intangible expenses (as defined in
 39 IC 6-3-2-20) for the taxable year that reduced the
 40 corporation's taxable income (as defined in Section 63 of
 41 the Internal Revenue Code) for federal income tax
 42 purposes; and

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- 1 (B) any directly related interest expenses (as defined in
- 2 IC 6-3-2-20) that reduced the corporation's adjusted gross
- 3 income (determined without regard to this subdivision). For
- 4 purposes of this clause, any directly related interest expense
- 5 that constitutes business interest within the meaning of
- 6 Section 163(j) of the Internal Revenue Code shall be
- 7 considered to have reduced the taxpayer's federal taxable
- 8 income only in the first taxable year in which the deduction
- 9 otherwise would have been allowable under Section 163 of
- 10 the Internal Revenue Code if the limitation under Section
- 11 163(j)(1) of the Internal Revenue Code did not exist.
- 12 (9) Add an amount equal to any deduction for dividends paid (as
- 13 defined in Section 561 of the Internal Revenue Code) to
- 14 shareholders of a captive real estate investment trust (as defined
- 15 in section 34.5 of this chapter).
- 16 (10) Subtract income that is:
 - 17 (A) exempt from taxation under IC 6-3-2-21.7 (certain
 - 18 income derived from patents); and
 - 19 (B) included in the corporation's taxable income under the
 - 20 Internal Revenue Code.
- 21 (11) Add an amount equal to any income not included in gross
- 22 income as a result of the deferral of income arising from
- 23 business indebtedness discharged in connection with the
- 24 reacquisition after December 31, 2008, and before January 1,
- 25 2011, of an applicable debt instrument, as provided in Section
- 26 108(i) of the Internal Revenue Code. Subtract from the adjusted
- 27 gross income of any taxpayer that added an amount to adjusted
- 28 gross income in a previous year the amount necessary to offset
- 29 the amount included in federal gross income as a result of the
- 30 deferral of income arising from business indebtedness
- 31 discharged in connection with the reacquisition after December
- 32 31, 2008, and before January 1, 2011, of an applicable debt
- 33 instrument, as provided in Section 108(i) of the Internal Revenue
- 34 Code.
- 35 (12) Add the amount excluded from federal gross income under
- 36 Section 103 of the Internal Revenue Code for interest received
- 37 on an obligation of a state other than Indiana, or a political
- 38 subdivision of such a state, that is acquired by the taxpayer after
- 39 December 31, 2011.
- 40 (13) For taxable years beginning after December 25, 2016:
 - 41 (A) for a corporation other than a real estate investment
 - 42 trust, add:

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- 1 (i) an amount equal to the amount reported by the
- 2 taxpayer on IRC 965 Transition Tax Statement, line 1;
- 3 or
- 4 (ii) if the taxpayer deducted an amount under Section
- 5 965(c) of the Internal Revenue Code in determining the
- 6 taxpayer's taxable income for purposes of the federal
- 7 income tax, the amount deducted under Section 965(c)
- 8 of the Internal Revenue Code; and
- 9 (B) for a real estate investment trust, add an amount equal
- 10 to the deduction for deferred foreign income that was
- 11 claimed by the taxpayer for the taxable year under Section
- 12 965(c) of the Internal Revenue Code, but only to the extent
- 13 that the taxpayer included income pursuant to Section 965
- 14 of the Internal Revenue Code in its taxable income for
- 15 federal income tax purposes or is required to add back
- 16 dividends paid under subdivision (9).
- 17 (14) Add an amount equal to the deduction that was claimed by
- 18 the taxpayer for the taxable year under Section 250(a)(1)(B) of
- 19 the Internal Revenue Code (attributable to global intangible
- 20 low-taxed income). The taxpayer shall separately specify the
- 21 amount of the reduction under Section 250(a)(1)(B)(i) of the
- 22 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
- 23 Internal Revenue Code.
- 24 (15) Subtract any interest expense paid or accrued in the current
- 25 taxable year but not deducted as a result of the limitation
- 26 imposed under Section 163(j)(1) of the Internal Revenue Code.
- 27 Add any interest expense paid or accrued in a previous taxable
- 28 year but allowed as a deduction under Section 163 of the Internal
- 29 Revenue Code in the current taxable year. For purposes of this
- 30 subdivision, an interest expense is considered paid or accrued
- 31 only in the first taxable year the deduction would have been
- 32 allowable under Section 163 of the Internal Revenue Code if the
- 33 limitation under Section 163(j)(1) of the Internal Revenue Code
- 34 did not exist.
- 35 (16) Subtract the amount that would have been excluded from
- 36 gross income but for the enactment of Section 118(b)(2) of the
- 37 Internal Revenue Code for taxable years ending after December
- 38 22, 2017.
- 39 (17) Add an amount equal to the remainder of:
- 40 (A) the amount allowable as a deduction under Section
- 41 274(n) of the Internal Revenue Code; minus
- 42 (B) the amount otherwise allowable as a deduction under

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- 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
- 7 116-136), as modified by Sections 206 and 207 of the
- 8 Taxpayer Certainty and Disaster Relief Tax Act (Division
- 9 EE of Public Law 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.
- 41 (5) For taxable years beginning after December 31, 2022, and
- 42 before January 1, 2024, a taxpayer is required to add back under

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1 this section thirty-seven and five-tenths percent (37.5%) of any
 2 deduction allowed on the taxpayer's federal income tax return for
 3 wagering taxes.
 4 (6) For taxable years beginning after December 31, 2023, and
 5 before January 1, 2025, a taxpayer is required to add back under
 6 this section twenty-five percent (25%) of any deduction allowed
 7 on the taxpayer's federal income tax return for wagering taxes.
 8 (7) For taxable years beginning after December 31, 2024, and
 9 before January 1, 2026, a taxpayer is required to add back under
 10 this section twelve and five-tenths percent (12.5%) of any
 11 deduction allowed on the taxpayer's federal income tax return for
 12 wagering taxes.
 13 (8) For taxable years beginning after December 31, 2025, a
 14 taxpayer is not required to add back under this section any
 15 amount of a deduction allowed on the taxpayer's federal income
 16 tax return for wagering taxes.
 17 (d) In the case of life insurance companies (as defined in Section
 18 816(a) of the Internal Revenue Code) that are organized under Indiana
 19 law, the same as "life insurance company taxable income" (as defined
 20 in Section 801 of the Internal Revenue Code), adjusted as follows:
 21 (1) Subtract income that is exempt from taxation under this
 22 article by the Constitution and statutes of the United States.
 23 (2) Add an amount equal to any deduction allowed or allowable
 24 under Section 170 of the Internal Revenue Code (concerning
 25 charitable contributions).
 26 (3) Add an amount equal to a deduction allowed or allowable
 27 under Section 805 or Section 832(c) of the Internal Revenue
 28 Code for taxes based on or measured by income and levied at the
 29 state level by any state.
 30 (4) Subtract an amount equal to the amount included in the
 31 company's taxable income under Section 78 of the Internal
 32 Revenue Code (concerning foreign tax credits).
 33 (5) Add or subtract the amount necessary to make the adjusted
 34 gross income of any taxpayer that owns property for which bonus
 35 depreciation was allowed in the current taxable year or in an
 36 earlier taxable year equal to the amount of adjusted gross income
 37 that would have been computed had an election not been made
 38 under Section 168(k) of the Internal Revenue Code to apply
 39 bonus depreciation to the property in the year that it was placed
 40 in service.
 41 (6) Add an amount equal to any deduction allowed under Section
 42 172 of the Internal Revenue Code (concerning net operating

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1 losses).

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

3 gross income of any taxpayer that placed Section 179 property

4 (as defined in Section 179 of the Internal Revenue Code) in

5 service in the current taxable year or in an earlier taxable year

6 equal to the amount of adjusted gross income that would have

7 been computed had an election for federal income tax purposes

8 not been made for the year in which the property was placed in

9 service to take deductions under Section 179 of the Internal

10 Revenue Code in a total amount exceeding the sum of:

11 (A) twenty-five thousand dollars (\$25,000) to the extent

12 deductions under Section 179 of the Internal Revenue Code

13 were not elected as provided in clause (B); and

14 (B) for taxable years beginning after December 31, 2017,

15 the deductions elected under Section 179 of the Internal

16 Revenue Code on property acquired in an exchange if:

17 (i) the exchange would have been eligible for

18 nonrecognition of gain or loss under Section 1031 of

19 the Internal Revenue Code in effect on January 1,

20 2017;

21 (ii) the exchange is not eligible for nonrecognition of

22 gain or loss under Section 1031 of the Internal

23 Revenue Code; and

24 (iii) the taxpayer made an election to take deductions

25 under Section 179 of the Internal Revenue Code with

26 regard to the acquired property in the year that the

27 property was placed into service.

28 The amount of deductions allowable for an item of property

29 under this clause may not exceed the amount of adjusted

30 gross income realized on the property that would have been

31 deferred under the Internal Revenue Code in effect on

32 January 1, 2017.

33 (8) Subtract income that is:

34 (A) exempt from taxation under IC 6-3-2-21.7 (certain

35 income derived from patents); and

36 (B) included in the insurance company's taxable income

37 under the Internal Revenue Code.

38 (9) Add an amount equal to any income not included in gross

39 income as a result of the deferral of income arising from

40 business indebtedness discharged in connection with the

41 reacquisition after December 31, 2008, and before January 1,

42 2011, of an applicable debt instrument, as provided in Section

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

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- 1 limitation under Section 163(j)(1) of the Internal Revenue Code
- 2 did not exist.
- 3 (15) Subtract the amount that would have been excluded from
- 4 gross income but for the enactment of Section 118(b)(2) of the
- 5 Internal Revenue Code for taxable years ending after December
- 6 22, 2017.
- 7 (16) Add an amount equal to the remainder of:
- 8 (A) the amount allowable as a deduction under Section
- 9 274(n) of the Internal Revenue Code; minus
- 10 (B) the amount otherwise allowable as a deduction under
- 11 Section 274(n) of the Internal Revenue Code, if Section
- 12 274(n)(2)(D) of the Internal Revenue Code was not in effect
- 13 for amounts paid or incurred after December 31, 2020.
- 14 (17) For taxable years ending after March 12, 2020, subtract an
- 15 amount equal to the deduction disallowed pursuant to:
- 16 (A) Section 2301(e) of the CARES Act (Public Law
- 17 116-136), as modified by Sections 206 and 207 of the
- 18 Taxpayer Certainty and Disaster Relief Tax Act (Division
- 19 EE of Public Law 116-260); and
- 20 (B) Section 3134(e) of the Internal Revenue Code.
- 21 (18) For taxable years beginning after December 31, 2022,
- 22 subtract an amount equal to the deduction disallowed under
- 23 Section 280C(h) of the Internal Revenue Code.
- 24 (19) Add or subtract any other amounts the taxpayer is:
- 25 (A) required to add or subtract; or
- 26 (B) entitled to deduct;
- 27 under IC 6-3-2.
- 28 (e) In the case of insurance companies subject to tax under Section
- 29 831 of the Internal Revenue Code and organized under Indiana law, the
- 30 same as "taxable income" (as defined in Section 832 of the Internal
- 31 Revenue Code), adjusted as follows:
- 32 (1) Subtract income that is exempt from taxation under this
- 33 article by the Constitution and statutes of the United States.
- 34 (2) Add an amount equal to any deduction allowed or allowable
- 35 under Section 170 of the Internal Revenue Code (concerning
- 36 charitable contributions).
- 37 (3) Add an amount equal to a deduction allowed or allowable
- 38 under Section 805 or Section 832(c) of the Internal Revenue
- 39 Code for taxes based on or measured by income and levied at the
- 40 state level by any state.
- 41 (4) Subtract an amount equal to the amount included in the
- 42 company's taxable income under Section 78 of the Internal

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

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- 1 January 1, 2017.
- 2 (8) Subtract income that is:
- 3 (A) exempt from taxation under IC 6-3-2-21.7 (certain
- 4 income derived from patents); and
- 5 (B) included in the insurance company's taxable income
- 6 under the Internal Revenue Code.
- 7 (9) Add an amount equal to any income not included in gross
- 8 income as a result of the deferral of income arising from
- 9 business indebtedness discharged in connection with the
- 10 reacquisition after December 31, 2008, and before January 1,
- 11 2011, of an applicable debt instrument, as provided in Section
- 12 108(i) of the Internal Revenue Code. Subtract from the adjusted
- 13 gross income of any taxpayer that added an amount to adjusted
- 14 gross income in a previous year the amount necessary to offset
- 15 the amount included in federal gross income as a result of the
- 16 deferral of income arising from business indebtedness
- 17 discharged in connection with the reacquisition after December
- 18 31, 2008, and before January 1, 2011, of an applicable debt
- 19 instrument, as provided in Section 108(i) of the Internal Revenue
- 20 Code.
- 21 (10) Add an amount equal to any exempt insurance income
- 22 under Section 953(e) of the Internal Revenue Code that is active
- 23 financing income under Subpart F of Subtitle A, Chapter 1,
- 24 Subchapter N of the Internal Revenue Code.
- 25 (11) Add the amount excluded from federal gross income under
- 26 Section 103 of the Internal Revenue Code for interest received
- 27 on an obligation of a state other than Indiana, or a political
- 28 subdivision of such a state, that is acquired by the taxpayer after
- 29 December 31, 2011.
- 30 (12) For taxable years beginning after December 25, 2016, add:
- 31 (A) an amount equal to the amount reported by the taxpayer
- 32 on IRC 965 Transition Tax Statement, line 1; or
- 33 (B) if the taxpayer deducted an amount under Section
- 34 965(c) of the Internal Revenue Code in determining the
- 35 taxpayer's taxable income for purposes of the federal
- 36 income tax, the amount deducted under Section 965(c) of
- 37 the Internal Revenue Code.
- 38 (13) Add an amount equal to the deduction that was claimed by
- 39 the taxpayer for the taxable year under Section 250(a)(1)(B) of
- 40 the Internal Revenue Code (attributable to global intangible
- 41 low-taxed income). The taxpayer shall separately specify the
- 42 amount of the reduction under Section 250(a)(1)(B)(i) of the

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- 1 Internal Revenue Code and under Section 250(a)(1)(B)(ii) of the
 2 Internal Revenue Code.
- 3 (14) Subtract any interest expense paid or accrued in the current
 4 taxable year but not deducted as a result of the limitation
 5 imposed under Section 163(j)(1) of the Internal Revenue Code.
 6 Add any interest expense paid or accrued in a previous taxable
 7 year but allowed as a deduction under Section 163 of the Internal
 8 Revenue Code in the current taxable year. For purposes of this
 9 subdivision, an interest expense is considered paid or accrued
 10 only in the first taxable year the deduction would have been
 11 allowable under Section 163 of the Internal Revenue Code if the
 12 limitation under Section 163(j)(1) of the Internal Revenue Code
 13 did not exist.
- 14 (15) Subtract the amount that would have been excluded from
 15 gross income but for the enactment of Section 118(b)(2) of the
 16 Internal Revenue Code for taxable years ending after December
 17 22, 2017.
- 18 (16) Add an amount equal to the remainder of:
 19 (A) the amount allowable as a deduction under Section
 20 274(n) of the Internal Revenue Code; minus
 21 (B) the amount otherwise allowable as a deduction under
 22 Section 274(n) of the Internal Revenue Code, if Section
 23 274(n)(2)(D) of the Internal Revenue Code was not in effect
 24 for amounts paid or incurred after December 31, 2020.
- 25 (17) For taxable years ending after March 12, 2020, subtract an
 26 amount equal to the deduction disallowed pursuant to:
 27 (A) Section 2301(e) of the CARES Act (Public Law
 28 116-136), as modified by Sections 206 and 207 of the
 29 Taxpayer Certainty and Disaster Relief Tax Act (Division
 30 EE of Public Law 116-260); and
 31 (B) Section 3134(e) of the Internal Revenue Code.
- 32 (18) For taxable years beginning after December 31, 2022,
 33 subtract an amount equal to the deduction disallowed under
 34 Section 280C(h) of the Internal Revenue Code.
- 35 (19) Add or subtract any other amounts the taxpayer is:
 36 (A) required to add or subtract; or
 37 (B) entitled to deduct;
 38 under IC 6-3-2.
- 39 (f) In the case of trusts and estates, "taxable income" (as defined
 40 for trusts and estates in Section 641(b) of the Internal Revenue Code)
 41 adjusted as follows:
 42 (1) Subtract income that is exempt from taxation under this

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1 article by the Constitution and statutes of the United States.
 2 (2) Subtract an amount equal to the amount of a September 11
 3 terrorist attack settlement payment included in the federal
 4 adjusted gross income of the estate of a victim of the September
 5 11 terrorist attack or a trust to the extent the trust benefits a
 6 victim of the September 11 terrorist attack.
 7 (3) Add or subtract the amount necessary to make the adjusted
 8 gross income of any taxpayer that owns property for which bonus
 9 depreciation was allowed in the current taxable year or in an
 10 earlier taxable year equal to the amount of adjusted gross income
 11 that would have been computed had an election not been made
 12 under Section 168(k) of the Internal Revenue Code to apply
 13 bonus depreciation to the property in the year that it was placed
 14 in service.
 15 (4) Add an amount equal to any deduction allowed under Section
 16 172 of the Internal Revenue Code (concerning net operating
 17 losses).
 18 (5) Add or subtract the amount necessary to make the adjusted
 19 gross income of any taxpayer that placed Section 179 property
 20 (as defined in Section 179 of the Internal Revenue Code) in
 21 service in the current taxable year or in an earlier taxable year
 22 equal to the amount of adjusted gross income that would have
 23 been computed had an election for federal income tax purposes
 24 not 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,
 31 the deductions elected under Section 179 of the Internal
 32 Revenue 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
 35 the Internal Revenue Code in effect on January 1,
 36 2017;
 37 (ii) the exchange is not eligible for nonrecognition of
 38 gain or loss under Section 1031 of the Internal
 39 Revenue Code; and
 40 (iii) the taxpayer made an election to take deductions
 41 under Section 179 of the Internal Revenue Code with
 42 regard to the acquired property in the year that the

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- 1 property was placed into service.
- 2 The amount of deductions allowable for an item of property
- 3 under this clause may not exceed the amount of adjusted
- 4 gross income realized on the property that would have been
- 5 deferred under the Internal Revenue Code in effect on
- 6 January 1, 2017.
- 7 (6) Subtract income that is:
 - 8 (A) exempt from taxation under IC 6-3-2-21.7 (certain
 - 9 income derived from patents); and
 - 10 (B) included in the taxpayer's taxable income under the
 - 11 Internal Revenue Code.
- 12 (7) Add an amount equal to any income not included in gross
- 13 income as a result of the deferral of income arising from
- 14 business indebtedness discharged in connection with the
- 15 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. Subtract from the adjusted
- 18 gross income of any taxpayer that added an amount to adjusted
- 19 gross income in a previous year the amount necessary to offset
- 20 the amount included in federal gross income as a result of the
- 21 deferral of income arising from business indebtedness
- 22 discharged in connection with the reacquisition after December
- 23 31, 2008, and before January 1, 2011, of an applicable debt
- 24 instrument, as provided in Section 108(i) of the Internal Revenue
- 25 Code.
- 26 (8) Add the amount excluded from federal gross income under
- 27 Section 103 of the Internal Revenue Code for interest received
- 28 on 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;
 - 35 (B) if the taxpayer deducted an amount under Section
 - 36 965(c) of the Internal Revenue Code in determining the
 - 37 taxpayer's taxable income for purposes of the federal
 - 38 income tax, the amount deducted under Section 965(c) of
 - 39 the Internal Revenue Code; and
 - 40 (C) with regard to any amounts of income under Section
 - 41 965 of the Internal Revenue Code distributed by the
 - 42 taxpayer, the deduction under Section 965(c) of the Internal

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- 1 Revenue Code attributable to such distributed amounts and
 2 not reported to the beneficiary.
- 3 For purposes of this article, the amount required to be added
 4 back under clause (B) is not considered to be distributed or
 5 distributable to a beneficiary of the estate or trust for purposes of
 6 Sections 651 and 661 of the Internal Revenue Code.
- 7 (10) Subtract any interest expense paid or accrued in the current
 8 taxable year but not deducted as a result of the limitation
 9 imposed under Section 163(j)(1) of the Internal Revenue Code.
 10 Add any interest expense paid or accrued in a previous taxable
 11 year but allowed as a deduction under Section 163 of the Internal
 12 Revenue Code in the current taxable year. For purposes of this
 13 subdivision, an interest expense is considered paid or accrued
 14 only in the first taxable year the deduction would have been
 15 allowable under Section 163 of the Internal Revenue Code if the
 16 limitation under Section 163(j)(1) of the Internal Revenue Code
 17 did not exist.
- 18 (11) Add an amount equal to the deduction for qualified business
 19 income that was claimed by the taxpayer for the taxable year
 20 under Section 199A of the Internal Revenue Code.
- 21 (12) Subtract the amount that would have been excluded from
 22 gross income but for the enactment of Section 118(b)(2) of the
 23 Internal Revenue Code for taxable years ending after December
 24 22, 2017.
- 25 (13) Add an amount equal to the remainder of:
- 26 (A) the amount allowable as a deduction under Section
 27 274(n) 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 (14) 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
 35 the 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
 38 (3) and (5) for property placed in service during the taxable
 39 year, the taxpayer shall treat a portion of the taxable year
 40 modifications for that property as occurring in the taxable
 41 year the property is placed in service and a portion of the
 42 modifications as occurring in the immediately following

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- 1 taxable year.
- 2 (B) The portion of the modifications under subdivisions (3)
- 3 and (5) for property placed in service during the taxable
- 4 year treated as occurring in the taxable year in which the
- 5 property is placed in service equals:
- 6 (i) the modification for the property otherwise
- 7 determined under this section; minus
- 8 (ii) the excess business loss disallowed under this
- 9 subdivision;
- 10 but not less than zero (0).
- 11 (C) The portion of the modifications under subdivisions (3)
- 12 and (5) for property placed in service during the taxable
- 13 year treated as occurring in the taxable year immediately
- 14 following the taxable year in which the property is placed in
- 15 service equals the modification for the property otherwise
- 16 determined under this section minus the amount in clause
- 17 (B).
- 18 (D) Any reallocation of modifications between taxable years
- 19 under clauses (B) and (C) shall be first allocated to the
- 20 modification under subdivision (3), then to the modification
- 21 under subdivision (5).
- 22 (15) For taxable years ending after March 12, 2020, subtract an
- 23 amount equal to the deduction disallowed pursuant to:
- 24 (A) Section 2301(e) of the CARES Act (Public Law
- 25 116-136), as modified by Sections 206 and 207 of the
- 26 Taxpayer Certainty and Disaster Relief Tax Act (Division
- 27 EE of Public Law 116-260); and
- 28 (B) Section 3134(e) of the Internal Revenue Code.
- 29 (16) For taxable years beginning after December 31, 2022,
- 30 subtract an amount equal to the deduction disallowed under
- 31 Section 280C(h) of the Internal Revenue Code.
- 32 (17) Except as provided in subsection (c), for taxable years
- 33 beginning after December 31, 2022, add an amount equal to any
- 34 deduction or deductions allowed or allowable in determining
- 35 taxable income under Section 641(b) of the Internal Revenue
- 36 Code for taxes based on or measured by income and levied at the
- 37 state level by any state of the United States.
- 38 (18) Add or subtract any other amounts the taxpayer is:
- 39 (A) required to add or subtract; or
- 40 (B) entitled to deduct;
- 41 under IC 6-3-2.
- 42 (g) For purposes of IC 6-3-2.1, IC 6-3-4-12, IC 6-3-4-13, and

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1 IC 6-3-4-15 for taxable years beginning after December 31, 2022,
 2 "adjusted gross income" of a pass through entity means the aggregate
 3 of items of ordinary income and loss in the case of a partnership or a
 4 corporation described in IC 6-3-2-2.8(2), or aggregate distributable net
 5 income of a trust or estate as defined in Section 643 of the Internal
 6 Revenue Code, whichever is applicable, for the taxable year modified
 7 as follows:

8 (1) Add the separately stated items of income and gains, or the
 9 equivalent items that must be considered separately by a
 10 beneficiary, as determined for federal purposes, attributed to the
 11 partners, shareholders, or beneficiaries of the pass through
 12 entity, determined without regard to whether the owner is
 13 permitted to exclude all or part of the income or gain or deduct
 14 any amount against the income or gain.

15 (2) Subtract the separately stated items of deductions or losses
 16 or items that must be considered separately by beneficiaries, as
 17 determined for federal purposes, attributed to partners,
 18 shareholders, or beneficiaries of the pass through entity and that
 19 are deductible by an individual in determining adjusted gross
 20 income as defined under Section 62 of the Internal Revenue
 21 Code:

22 (A) limited as if the partners, shareholders, and
 23 beneficiaries deducted the maximum allowable loss or
 24 deduction allowable for the taxable year prior to any amount
 25 deductible from the pass through entity; but

26 (B) not considering any disallowance of deductions
 27 resulting from federal basis limitations for the partner,
 28 shareholder, or beneficiary.

29 (3) Add or subtract any modifications to adjusted gross income
 30 that would be required both for individuals under subsection (a)
 31 and corporations under subsection (b) to the extent otherwise
 32 provided in those subsections, including amounts that are
 33 allowable for which such modifications are necessary to account
 34 for separately stated items in subdivision (1) or (2).

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

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

40 (1) a taxpayer is a shareholder, either directly or indirectly, in a
 41 corporation that is an E&P deficit foreign corporation as defined
 42 in Section 965(b)(3)(B) of the Internal Revenue Code, and the

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1 earnings and profit deficit, or a portion of the earnings and profit
 2 deficit, of the E&P deficit foreign corporation is permitted to
 3 reduce the federal adjusted gross income or federal taxable
 4 income of the taxpayer, the deficit, or the portion of the deficit,
 5 shall also reduce the amount taxable under this section to the
 6 extent permitted under the Internal Revenue Code, however, in
 7 no case shall this permit a reduction in the amount taxable under
 8 Section 965 of the Internal Revenue Code for purposes of this
 9 section to be less than zero (0); and

10 (2) the Internal Revenue Service issues guidance that such an
 11 income or deduction is not reported directly on a federal tax
 12 return or is to be reported in a manner different than specified in
 13 this section, this section shall be construed as if federal adjusted
 14 gross income or federal taxable income included the income or
 15 deduction.

16 (j) If a partner is required to include an item of income, a
 17 deduction, or another tax attribute in the partner's adjusted gross
 18 income tax return pursuant to IC 6-3-4.5, such item shall be considered
 19 to be includible in the partner's federal adjusted gross income or federal
 20 taxable income, regardless of whether such item is actually required to
 21 be reported by the partner for federal income tax purposes. For
 22 purposes of this subsection:

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

26 (2) items for which the partnership did not make an election
 27 under IC 6-3-4.5-6, IC 6-3-4.5-8, or IC 6-3-4.5-9, but for which
 28 the partnership is required to remit tax pursuant to IC 6-3-4.5-18,
 29 shall be included in the partner's adjusted gross income or
 30 taxable income.

31 SECTION 2. [EFFECTIVE UPON PASSAGE] (a) **As used in this**
 32 **SECTION, "task force" refers to the state and local tax review task**
 33 **force established by subsection (b).**

34 (b) **The state and local tax review task force is established.**

35 (c) **The task force consists of the following members:**

36 (1) **The chairperson of the senate tax and fiscal policy**
 37 **committee.**

38 (2) **The ranking minority member of the senate tax and fiscal**
 39 **policy committee.**

40 (3) **The chairperson of the senate appropriations committee.**

41 (4) **The ranking minority member of the senate**
 42 **appropriations committee.**

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- 1 **(5) The chairperson of the house ways and means committee.**
- 2 **(6) One (1) member of the house ways and means committee**
- 3 **who is a member of the majority party of the house,**
- 4 **appointed by the speaker of the house of representatives.**
- 5 **(7) The ranking minority member of the house ways and**
- 6 **means committee.**
- 7 **(8) One (1) member of the house ways and means committee**
- 8 **who is a member of the minority party of the house,**
- 9 **appointed by the minority leader of the house of**
- 10 **representatives.**
- 11 **(9) The director of the office of management and budget.**
- 12 **(10) The director of the budget agency.**
- 13 **(11) The public finance director of the Indiana finance**
- 14 **authority.**
- 15 **(12) One (1) member who is an economist employed at a state**
- 16 **educational institution (as defined in IC 21-7-13-32),**
- 17 **appointed by the president pro tempore of the senate.**
- 18 **(d) If a vacancy occurs, the appointing authority that**
- 19 **appointed the member whose position is vacant shall appoint an**
- 20 **individual to fill the vacancy.**
- 21 **(e) The chairperson of the legislative council shall select the**
- 22 **chairperson of the task force before July 1, 2023. The individual**
- 23 **selected to serve as the chairperson of the task force under this**
- 24 **subsection shall serve as the task force's chairperson for the**
- 25 **duration of the task force.**
- 26 **(f) The following apply to the mileage, per diem, and travel**
- 27 **expenses for members of the task force:**
- 28 **(1) Each member of the task force who is a state employee is**
- 29 **entitled to reimbursement for traveling expenses as provided**
- 30 **under IC 4-13-1-4 and other expenses actually incurred in**
- 31 **connection with the member's duties as provided in the state**
- 32 **policies and procedures established by the Indiana**
- 33 **department of administration and approved by the budget**
- 34 **agency.**
- 35 **(2) Each member of the task force who is a member of the**
- 36 **general assembly or who is not a state employee is entitled to**
- 37 **receive the same per diem, mileage, and travel allowances**
- 38 **paid to individuals who serve as legislative and lay members,**
- 39 **respectively, of interim study committees established by the**
- 40 **legislative council.**
- 41 **(g) The task force shall review the following:**
- 42 **(1) Paying down the unfunded liability of the pre-1996**

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- 1 account within the Indiana state teachers' retirement fund.
 2 (2) State appropriation backed debt obligations and methods
 3 to reduce those debt obligations.
 4 (3) Methods that can be used to eliminate the individual state
 5 income tax, including potential replacement revenue sources.
 6 (4) Application of the sales tax, corporate tax, and property
 7 tax, including the elimination of property taxes on all
 8 homestead properties.
 9 (5) Government efficiency at the state and local level.
 10 (6) The state's financial position and reserve fund balances.
 11 (h) The legislative services agency shall provide staff support
 12 to the task force.
 13 (i) The meetings of the task force must be held in public as
 14 provided under IC 5-14-1.5. However, the task force is permitted
 15 to meet in executive session as determined necessary by the
 16 chairperson of the task force.
 17 (j) The task force shall meet at least four (4) times in calendar
 18 year 2023, and at least four (4) times in calendar year 2024 at the
 19 call of the chairperson.
 20 (k) The task force may, by vote, create subcommittees and
 21 must specify membership of the subcommittee at the time of
 22 creation. The members of a subcommittee are not required to be
 23 members of the task force. The meetings of a subcommittee must
 24 be held in public as provided under IC 5-14-1.5. A subcommittee
 25 may take public testimony and may make recommendations to the
 26 task force on topics assigned to the subcommittee.
 27 (l) On or before December 1, 2024, the task force shall prepare
 28 and submit a report to the legislative council, in an electronic
 29 format under IC 5-14-6, that sets forth the topics reviewed by the
 30 task force and the task force's findings and recommendations.
 31 (m) This SECTION expires June 30, 2025.
 32 SECTION 3. [EFFECTIVE JULY 1, 2023] (a) There is
 33 appropriated to the legislative council created by IC 2-5-1.1-1 from
 34 the state general fund two hundred thousand dollars (\$200,000) for
 35 the biennium beginning July 1, 2023, and ending June 30, 2025, for
 36 the use of the state and local tax review task force, as added by this
 37 act. The amount appropriated by this SECTION is allocated as
 38 follows:
 39 (1) One hundred thousand dollars (\$100,000) for the state
 40 fiscal year beginning July 1, 2023, and ending June 30, 2024.
 41 (2) One hundred thousand dollars (\$100,000) for the state
 42 fiscal year beginning July 1, 2024, and ending June 30, 2025.

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1 **Amounts appropriated by this SECTION must be used to pay the**
2 **state and local tax review task force's expenses.**
3 **(b) This SECTION expires July 1, 2025.**
4 **SECTION 4. An emergency is declared for this act.**

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