



COMMITTEE REPORT

MR. PRESIDENT:

The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 243, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

- 1 Page 1, between the enacting clause and line 1, begin a new
- 2 paragraph and insert:
- 3 "SECTION 1. IC 5-36.5 IS ADDED TO THE INDIANA CODE AS
- 4 A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE
- 5 JANUARY 1, 2027]:
- 6 **ARTICLE 36.5. PENNY PHASEOUT**
- 7 **Chapter 1. Payments to State and Local Units**
- 8 **Sec. 1. (a) This chapter applies only to a cash transaction.**
- 9 **(b) This chapter does not apply to retail transactions under**
- 10 **IC 6-2.5.**
- 11 **Sec. 2. As used in this chapter, "local unit" means any:**
- 12 **(1) county;**
- 13 **(2) township;**
- 14 **(3) city;**
- 15 **(4) town;**
- 16 **(5) school corporation; or**
- 17 **(6) special taxing district.**
- 18 **Sec. 3. As used in this chapter, "state" means:**
- 19 **(1) the state of Indiana;**

- (2) any department of the state of Indiana;
- (3) any agency of the state of Indiana;
- (4) any state or local court;
- (5) the general assembly;
- (6) any state of Indiana task force, committee, board, commission, or council;
- (7) any body politic and corporate of the state of Indiana; or
- (8) any other instrumentality of the state of Indiana.

Sec. 4. (a) For a tax, fine, fee, or any other amount payable to the state or a local unit, if the tax, fine, fee, or other amount has one (1), two (2), three (3), four (4), six (6), seven (7), eight (8), or nine (9) in the second decimal place, the state or local unit must round the tax amount downward to the next amount divisible by five cents (\$0.05).

(b) For a tax, fine, fee, or any other amount payable to the state or local unit that is less than five cents (\$0.05), the state or local unit must round the amount down to zero cents (\$0.00).

(c) Any tax, fine, fee, or other amount payable to the state or local unit shall be calculated on the unrounded taxable total transaction amount notwithstanding IC 23-15-13 and then rounded as applicable under subsection (a) or (b).

SECTION 2. IC 6-2.5-1-5, AS AMENDED BY P.L.205-2025, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2027]: Sec. 5. (a) Except as provided in subsection (b), "gross retail income" means the total amount of consideration, including cash, credit, property, and services, for which tangible personal property is sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for:

- (1) the seller's cost of the property sold;
- (2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;
- (3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- (4) delivery charges; or
- (5) consideration received by the seller from a third party if:
 - (A) the seller actually receives consideration from a party other than the purchaser and the consideration is directly

- 1 related to a price reduction or discount on the sale;
- 2 (B) the seller has an obligation to pass the price reduction or
- 3 discount through to the purchaser;
- 4 (C) the amount of the consideration attributable to the sale is
- 5 fixed and determinable by the seller at the time of the sale of
- 6 the item to the purchaser; and
- 7 (D) the price reduction or discount is identified as a third party
- 8 price reduction or discount on the invoice received by the
- 9 purchaser or on a coupon, certificate, or other documentation
- 10 presented by the purchaser.

11 For purposes of subdivision (4), delivery charges are charges by the
12 seller for preparation and delivery of the property to a location
13 designated by the purchaser of property, including but not limited to
14 transportation, shipping, postage charges that are not separately stated
15 on the invoice, bill of sale, or similar document, handling, crating, and
16 packing. Delivery charges do not include postage charges that are
17 separately stated on the invoice, bill of sale, or similar document.

18 (b) "Gross retail income" does not include that part of the gross
19 receipts attributable to:

- 20 (1) the value of any tangible personal property received in a like
- 21 kind exchange in the retail transaction, if the value of the property
- 22 given in exchange is separately stated on the invoice, bill of sale,
- 23 or similar document given to the purchaser;
- 24 (2) the receipts received in a retail transaction which constitute
- 25 interest, finance charges, or insurance premiums on either a
- 26 promissory note or an installment sales contract;
- 27 (3) discounts, including cash, terms, or coupons that are not
- 28 reimbursed by a third party that are allowed by a seller and taken
- 29 by a purchaser on a sale;
- 30 (4) interest, financing, and carrying charges from credit extended
- 31 on the sale of personal property if the amount is separately stated
- 32 on the invoice, bill of sale, or similar document given to the
- 33 purchaser;
- 34 (5) any taxes legally imposed directly on the consumer that are
- 35 separately stated on the invoice, bill of sale, or similar document
- 36 given to the purchaser, including an excise tax imposed under
- 37 IC 6-6-15;
- 38 (6) installation charges that are separately stated on the invoice,

1 bill of sale, or similar document given to the purchaser;
2 (7) telecommunications nonrecurring charges;
3 (8) postage charges that are separately stated on the invoice, bill
4 of sale, or similar document; or
5 (9) charges for serving or delivering food and food ingredients
6 furnished, prepared, or served for consumption at a location, or on
7 equipment, provided by the retail merchant, to the extent that the
8 charges for the serving or delivery are stated separately from the
9 price of the food and food ingredients when the purchaser pays
10 the charges.

11 (c) Notwithstanding subsection (b)(5):

12 (1) in the case of retail sales of special fuel (as defined in
13 IC 6-6-2.5-22) or kerosene (as defined in IC 16-44-2-2), the gross
14 retail income is the total sales price of the special fuel or kerosene
15 minus the part of that price attributable to tax imposed under
16 IC 6-6-2.5 (in the case of special fuel) or Section 4041 or Section
17 4081 of the Internal Revenue Code (in the case of either special
18 fuel or kerosene);

19 (2) in the case of retail sales of cigarettes (as defined in
20 IC 6-7-1-2), the gross retail income is the total sales price of the
21 cigarettes including the tax imposed under IC 6-7-1; and

22 (3) in the case of retail sales of consumable material (as defined
23 in IC 6-7-4-2), vapor products (as defined in IC 6-7-4-8), and
24 closed system cartridges (as defined in IC 6-7-2-0.5) under the
25 closed system cartridge tax, the gross retail income received from
26 selling at retail is the total sales price of the consumable material
27 (as defined in IC 6-7-4-2), vapor products (as defined in
28 IC 6-7-4-8), and closed system cartridges (as defined in
29 IC 6-7-2-0.5) including the tax imposed under IC 6-7-4 and
30 IC 6-7-2-7.5.

31 (d) Gross retail income is only taxable under this article to the
32 extent that the income represents:

33 (1) the price of the property transferred, without the rendition of
34 any services; and

35 (2) except as provided in subsection (b), any bona fide charges
36 which are made for preparation, fabrication, alteration,
37 modification, finishing, completion, delivery, or other service
38 performed in respect to the property transferred before its transfer

and which are separately stated on the transferor's records. For purposes of this subdivision, a transfer is considered to have occurred after the delivery of the property to the purchaser.

(e) A public utility's or a power subsidiary's gross retail income includes all gross retail income received by the public utility or power subsidiary, including any minimum charge, flat charge, membership fee, or any other form of charge or billing.

(f) Amounts added or subtracted by a seller to comply with IC 23-15-13 shall not be considered in determining gross retail income.

SECTION 3. IC 6-2.5-2-2, AS AMENDED BY P.L.146-2020, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2027]: Sec. 2. (a) The state gross retail tax is measured by the gross retail income received by a retail merchant in a retail unitary or bundled transaction and is imposed at seven percent (7%) of that gross retail income.

(b) If the tax computed under subsection (a) carried to the third decimal place results in the numeral in the third decimal place being greater than four (4), the amount of the tax shall be rounded to the next additional cent.

(c) In a cash transaction, after the application of subsection (b) and except as provided in subsection (d), the retail merchant must calculate the tax on the unrounded total taxable transaction amount notwithstanding IC 23-15-13 and then round the tax amount to the nearest five cent (\$0.05) increment as follows:

(1) For a tax amount with one (1), two (2), three (3), or four (4) in the second decimal place, round the tax amount downward to the next amount divisible by five cents (\$0.05).

(2) For a tax amount with six (6), seven (7), eight (8), or nine (9) in the second decimal place, round the tax amount downward to the next amount divisible by five cents (\$0.05).

(d) In a cash transaction, for a tax amount that is less than five cents (\$0.05), the retail merchant must round the amount down to zero cents (\$0.00).

~~(e)~~ (e) A seller may elect to round the tax under subsection (b) on a transaction on an item basis or an invoice basis. However, a seller may not round the tax under subsection (b) to circumvent the tax that would otherwise be imposed on a transaction using an invoice basis."

Page 47, between lines 7 and 8, begin a new paragraph and insert:

"SECTION 9. IC 6-3-2-31 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 31. (a) This section applies to the taxable year beginning after December 31, 2025, and ending before January 1, 2027.**

(b) To conform with Section 224 of the Internal Revenue Code added in Public Law 119-21 (commonly known as the One Big Beautiful Bill Act, 2025), a taxpayer is entitled to a deduction from the taxpayer's adjusted gross income in an amount equal to the amount associated with qualified tips that is deducted from a taxpayer's federal adjusted gross income under Section 224 of the Internal Revenue Code.

SECTION 10. IC 6-3-2-32 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 32. (a) This section applies to the taxable year beginning after December 31, 2025, and ending before January 1, 2027.**

(b) To conform with Section 225 of the Internal Revenue Code added in Public Law 119-21 (commonly known as the One Big Beautiful Bill Act, 2025), a taxpayer is entitled to a deduction from the taxpayer's adjusted gross income in an amount equal to the amount associated with qualified overtime compensation that is deducted from a taxpayer's federal adjusted gross income under Section 225 of the Internal Revenue Code.

SECTION 11. IC 6-3-2-33 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS** [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 33. (a) This section applies to the taxable year beginning after December 31, 2025, and ending before January 1, 2027.**

(b) To conform with Section 163(h)(4) of the Internal Revenue Code added in Public Law 119-21 (commonly known as the One Big Beautiful Bill Act, 2025), a taxpayer is entitled to a deduction from the taxpayer's adjusted gross income in an amount equal to the amount associated with qualified passenger vehicle loan interest that is deducted from a taxpayer's federal adjusted gross income under Section 163 of the Internal Revenue Code and attributable to the exception under Section 163(h)(4) of the

1 **Internal Revenue Code."**

2 Page 72, delete lines 34 through 39, begin a new line block indented
3 and insert:

4 "(6) An aircraft owned by a resident of this state that is not a
5 dealer and that is not based in this state at any time, if the owner
6 files the required form not later than thirty-one (31) days after the
7 date of purchase; and furnishes the department with evidence,
8 satisfactory to the department, verifying ~~where the~~ **that** aircraft is
9 **not based during the year: in this state."**

10 Page 74, delete lines 10 through 24, begin a new paragraph and
11 insert:

12 "(d) A person who is entitled to a property tax deduction under
13 IC 6-1.1-12-13 or IC 6-1.1-12-14 is entitled to a credit against the tax
14 imposed on the person's aircraft under this chapter. The credit equals
15 the amount of the property tax deduction to which the person is entitled
16 under IC 6-1.1-12-13 and IC 6-1.1-12-14 minus the amount of that
17 deduction used to offset the person's property taxes or vehicle excise
18 taxes, times seven hundredths (.07). ~~The credit~~ **Additionally, a person**
19 **entitled to a property tax deduction under IC 6-1.1-51-10 is also**
20 **entitled to a credit against the tax imposed on the person's aircraft**
21 **under this chapter. Such credit equals the amount of the property**
22 **tax deduction to which the person is entitled under IC 6-1.1-51-10**
23 **minus the amount of that deduction used to offset the person's**
24 **property taxes (unless the aircraft is subject to both the aircraft**
25 **excise tax and personal property tax, in which case the deduction**
26 **shall apply to both property taxes and excise taxes). The credits in**
27 **this subsection** may not exceed the amount of the tax due under this
28 chapter. The county auditor shall, upon the person's request, furnish a
29 certified statement showing the credit allowable under this subsection.
30 The department may not allow a credit under this subsection until the
31 auditor's statement has been filed in the department's office."

32 Page 91, delete lines 16 through 21.

33 Page 130, between lines 16 and 17, begin a new paragraph and
34 insert:

35 "SECTION 104. IC 23-15-13 IS ADDED TO THE INDIANA
36 CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS
37 [EFFECTIVE JANUARY 1, 2027]:

38 **Chapter 13. Payments to Business Entities**

1 **Sec. 1. (a) This chapter applies only to a cash transaction.**

2 **(b) This chapter does not apply to retail transactions under**
 3 **IC 6-2.5.**

4 **Sec. 2. As used in this chapter, "business entity" means any:**

- 5 **(1) bank;**
- 6 **(2) hospital;**
- 7 **(3) health care provider;**
- 8 **(4) sole proprietorship;**
- 9 **(5) corporation;**
- 10 **(6) limited liability company;**
- 11 **(7) association;**
- 12 **(8) partnership;**
- 13 **(9) joint stock company;**
- 14 **(10) joint venture;**
- 15 **(11) mutual fund;**
- 16 **(12) trust;**
- 17 **(13) joint tenancy; or**
- 18 **(14) other form of business organization.**

19 **Sec. 3. (a) For a total transaction amount payable to a business**
 20 **entity, except as provided in subsection (b), the business entity**
 21 **must round the total transaction amount to the nearest five cent**
 22 **(\$0.05) increment as follows:**

23 **(1) For a total transaction amount with one (1), two (2), six**
 24 **(6), or seven (7), in the second decimal place, round the total**
 25 **transaction amount downward to the next amount divisible by**
 26 **five cents (\$0.05).**

27 **(2) For a total transaction amount with three (3), four (4),**
 28 **eight (8), or nine (9) in the second decimal place, round the**
 29 **total transaction amount upward to the next amount divisible**
 30 **by five cents (\$0.05).**

31 **(b) For a total transaction amount that is less than five cents**
 32 **(\$0.05), the business entity must round the amount down to zero**
 33 **cents (\$0.00)."**

34 Page 131, between lines 22 and 23, begin a new paragraph and
 35 insert:

36 **"SECTION 110. [EFFECTIVE JANUARY 1, 2027] (a)**
 37 **IC 6-2.5-2-2, as amended by this act, and IC 5-36.5 and**
 38 **IC 23-15-13, both as added by this act, apply only to cash**

1 transactions occurring after December 31, 2026.

2 (b) Except as provided in subsection (c), a retail transaction is
 3 considered to have occurred after December 31, 2026, if the
 4 property whose transfer constitutes selling at retail is delivered to
 5 the purchaser or to the place of delivery designated by the
 6 purchaser after December 31, 2026.

7 (c) Notwithstanding the delivery of the property constituting
 8 selling at retail after December 31, 2026, a transaction is
 9 considered to have occurred before January 1, 2027, to the extent
 10 that:

11 (1) the agreement of the parties to the transaction is entered
 12 into before January 1, 2027; and

13 (2) payment for the property furnished in the transaction is
 14 made before January 1, 2027.

15 (d) This SECTION expires January 1, 2030."

16 Renumber all SECTIONS consecutively.

(Reference is to SB 243 as introduced.)

and when so amended that said bill do pass.

Committee Vote: Yeas 11, Nays 1.

Holdman

Chairperson