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**SENATE BILL No. 243**

**AM024308 has been incorporated into January 21, 2026 printing.**

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**Synopsis:** Various tax matters.

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SB 243—LS 7072/DI 120



January 21, 2026

Second Regular Session of the 124th General Assembly (2026)

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 2025 Regular Session of the General Assembly.

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## SENATE BILL No. 243

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

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

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

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1           **Sec. 3. As used in this chapter, "state" means:**  
 2           **(1) the state of Indiana;**  
 3           **(2) any department of the state of Indiana;**  
 4           **(3) any agency of the state of Indiana;**  
 5           **(4) any state or local court;**  
 6           **(5) the general assembly;**  
 7           **(6) any state of Indiana task force, committee, board,**  
 8           **commission, or council;**  
 9           **(7) any body politic and corporate of the state of Indiana; or**  
 10           **(8) any other instrumentality of the state of Indiana.**

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

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

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

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

- 31           (1) the seller's cost of the property sold;
- 32           (2) the cost of materials used, labor or service cost, interest,
- 33           losses, all costs of transportation to the seller, all taxes imposed
- 34           on the seller, and any other expense of the seller;
- 35           (3) charges by the seller for any services necessary to complete
- 36           the sale, other than delivery and installation charges;
- 37           (4) delivery charges; or
- 38           (5) consideration received by the seller from a third party if:
  - 39           (A) the seller actually receives consideration from a party
  - 40           other than the purchaser and the consideration is directly
  - 41           related to a price reduction or discount on the sale;
  - 42           (B) the seller has an obligation to pass the price reduction

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

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

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

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

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1 on equipment, provided by the retail merchant, to the extent that  
 2 the charges for the serving or delivery are stated separately from  
 3 the price of the food and food ingredients when the purchaser  
 4 pays the charges.

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

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

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

16 (3) in the case of retail sales of consumable material (as defined  
 17 in IC 6-7-4-2), vapor products (as defined in IC 6-7-4-8), and  
 18 closed system cartridges (as defined in IC 6-7-2-0.5) under the  
 19 closed system cartridge tax, the gross retail income received  
 20 from selling at retail is the total sales price of the consumable  
 21 material (as defined in IC 6-7-4-2), vapor products (as defined  
 22 in IC 6-7-4-8), and closed system cartridges (as defined in  
 23 IC 6-7-2-0.5) including the tax imposed under IC 6-7-4 and  
 24 IC 6-7-2-7.5.

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

27 (1) the price of the property transferred, without the rendition of  
 28 any services; and

29 (2) except as provided in subsection (b), any bona fide charges  
 30 which are made for preparation, fabrication, alteration,  
 31 modification, finishing, completion, delivery, or other service  
 32 performed in respect to the property transferred before its  
 33 transfer and which are separately stated on the transferor's  
 34 records. For purposes of this subdivision, a transfer is considered  
 35 to have occurred after the delivery of the property to the  
 36 purchaser.

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

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

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1 **income.**

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

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

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

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

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

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

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

30 SECTION 4. IC 6-2.5-9-3, AS AMENDED BY P.L.108-2019,  
31 SECTION 118, IS AMENDED TO READ AS FOLLOWS  
32 [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) Except as provided in  
33 subsection (b) and the limited relief provided for marketplace  
34 facilitators in section 3.5 of this chapter (before its expiration), an  
35 individual who:

36 (1) is an individual retail merchant or is an employee, officer, or  
37 member of a corporate or partnership retail merchant; and

38 (2) has a duty to remit state gross retail or use taxes (as described  
39 in IC 6-2.5-3-2) to the department;

40 holds those taxes in trust for the state and is personally liable for the  
41 payment of those taxes, plus any penalties and interest attributable to  
42 those taxes, to the state. If the individual knowingly fails to collect or

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1 remit those taxes to the state, the individual commits a Level 6 felony.

2 (b) For calendar years beginning after December 31, 2021, except  
3 in cases in which the marketplace facilitator and the seller are  
4 affiliated, a marketplace facilitator is not liable under this section **or**  
5 **IC 6-8.1-8-18** for failure to collect and remit gross retail and use taxes  
6 if the marketplace facilitator demonstrates to the satisfaction of the  
7 department that:

8 (1) the marketplace facilitator has a system in place to require  
9 the seller to provide accurate information and has made a  
10 reasonable effort to obtain accurate information from the seller  
11 about a retail transaction;

12 (2) the failure to collect and remit the correct tax was due to  
13 incorrect or insufficient information provided to the marketplace  
14 facilitator by the seller; and

15 (3) the marketplace facilitator provides information showing  
16 who the purchaser was in each transaction for which the tax had  
17 not been collected.

18 If the marketplace facilitator is relieved of liability under this  
19 subsection, the purchaser is liable for any amount of uncollected,  
20 unpaid, or unremitted tax.

21 SECTION 5. IC 6-2.5-9-12 IS ADDED TO THE INDIANA CODE  
22 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
23 1, 2023 (RETROACTIVE)]: **Sec. 12. (a) The following apply:**

24 **(1) There is a rebuttable presumption that the exemption**  
25 **under IC 6-2.5-5-39 does not apply if the purchaser of the**  
26 **recreational vehicle or cargo trailer (as defined in**  
27 **IC 6-2.5-5-39) is a limited liability company, partnership,**  
28 **corporation, or other closely held business organized in**  
29 **another state and a member, partner, or officer of the**  
30 **limited liability company, partnership, corporation, or other**  
31 **closely held business is a resident of Indiana or a**  
32 **nonreciprocal state (as defined in IC 6-2.5-2-5(b)).**

33 **(2) There is a rebuttable presumption when a motor vehicle**  
34 **(as defined in IC 9-13-2-105(b)), cargo trailer (as defined in**  
35 **IC 6-2.5-5-39), aircraft, or watercraft (as defined in**  
36 **IC 9-13-2-198.5) is either:**

37 **(A) both:**

38 **(i) purchased by a limited liability company,**  
39 **partnership, corporation, or other closely held**  
40 **business organized in another state in which at least**  
41 **one member, partner, or officer is a resident of**  
42 **Indiana; and**

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- 1 (ii) titled and registered in the state in which the
- 2 limited liability company, partnership, corporation,
- 3 or other closely held business is organized, and that
- 4 state does not have a gross retail tax or equivalent
- 5 tax; or
- 6 (B) purchased by an Indiana resident and:
  - 7 (i) transferred to a limited liability company,
  - 8 partnership, corporation, or other closely held
  - 9 business organized in another state and in which the
  - 10 resident is a member, partner, or officer; and
  - 11 (ii) titled and registered in the state in which the
  - 12 limited liability company, partnership, corporation,
  - 13 or other closely held business is organized, and that
  - 14 state does not have a gross retail tax or equivalent
  - 15 tax;
- 16 that the purpose of such registration and titling was to evade
- 17 paying Indiana gross retail or use tax in violation of this
- 18 article.
- 19 (b) The department may make any reasonable investigation
- 20 necessary to enforce subsection (a), including entering into an
- 21 agreement with another state agency or an agency from another
- 22 state and contracting with third party data service providers.
- 23 (c) If an investigation under subsection (b) indicates that an
- 24 Indiana resident violated subsection (a), the department:
  - 25 (1) shall provide notice under IC 6-8.1-5-1 or IC 6-8.1-5-3 for
  - 26 the Indiana resident to pay any Indiana gross retail or use
  - 27 tax due, as calculated on the date of purchase of the vehicle,
  - 28 aircraft, cargo trailer, or watercraft and based on the best
  - 29 information available; and
  - 30 (2) after June 30, 2026, may impose a penalty on the Indiana
  - 31 resident of five hundred dollars (\$500), which is in addition
  - 32 to any penalty assessed pursuant to IC 6-8.1-10-2.1 or
  - 33 IC 6-8.1-10-4.
- 34 (d) A presumption under subsection (a) may be rebutted by
- 35 other evidence, such as evidence that:
  - 36 (1) the vehicle, aircraft, cargo trailer, or watercraft is
  - 37 insured for primary use at an address outside of Indiana;
  - 38 (2) the vehicle, aircraft, cargo trailer, or watercraft will be
  - 39 permanently stored or garaged at a physical address outside
  - 40 Indiana; or
  - 41 (3) the Indiana resident owns a secondary residence in the
  - 42 state in which the vehicle, aircraft, cargo trailer, or

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1           **watercraft is titled or registered.**  
2           **(e) Upon making a record of the department's actions, and**  
3           **upon reasonable cause shown by the Indiana resident, the**  
4           **department may waive, reduce, or compromise any penalty**  
5           **imposed under subsection (c).**

6           **(f) The department shall deposit money from a penalty under**  
7           **subsection (c) in accordance with IC 6-2.5-10-1.**

8           SECTION 6. IC 6-3-1-3.5, AS AMENDED BY P.L.214-2025,  
9           SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
10           JULY 4, 2025 (RETROACTIVE)]: Sec. 3.5. When used in this article,  
11           the term "adjusted gross income" shall mean the following:

12           (a) In the case of all individuals, "adjusted gross income" (as  
13           defined in Section 62 of the Internal Revenue Code), modified as  
14           follows:

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

17           (2) Except as provided in subsection (c), add an amount equal to  
18           any deduction or deductions allowed or allowable pursuant to  
19           Section 62 of the Internal Revenue Code for taxes based on or  
20           measured by income and levied at the state level by any state of  
21           the United States.

22           (3) Subtract one thousand dollars (\$1,000), or in the case of a  
23           joint return filed by a husband and wife, subtract for each spouse  
24           one thousand dollars (\$1,000).

25           (4) Subtract one thousand dollars (\$1,000) for:  
26           (A) each of the exemptions provided by Section 151(c) of  
27           the Internal Revenue Code (as effective January 1, 2017);  
28           (B) each additional amount allowable under Section 63(f)  
29           of the Internal Revenue Code; and  
30           (C) the spouse of the taxpayer if a separate return is made  
31           by the taxpayer and if the spouse, for the calendar year in  
32           which the taxable year of the taxpayer begins, has no gross  
33           income and is not the dependent of another taxpayer.

34           (5) Subtract each of the following:  
35           (A) One thousand five hundred dollars (\$1,500) for each of  
36           the exemptions allowed under Section 151(c)(1)(B) of the  
37           Internal Revenue Code (as effective January 1, 2004),  
38           except that in the first taxable year in which a particular  
39           exemption is allowed under Section 151(c)(1)(B) of the  
40           Internal Revenue Code (as effective January 1, 2004),  
41           subtract three thousand dollars (\$3,000) for that exemption.  
42           (B) One thousand five hundred dollars (\$1,500) for each

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1 exemption allowed under Section 151(c) of the Internal  
 2 Revenue Code (as effective January 1, 2017) for an  
 3 individual:

4 (i) who is less than nineteen (19) years of age or is a  
 5 full-time student who is less than twenty-four (24)  
 6 years of age;

7 (ii) for whom the taxpayer is the legal guardian; and

8 (iii) for whom the taxpayer does not claim an  
 9 exemption under clause (A).

10 (C) Five hundred dollars (\$500) for each additional amount  
 11 allowable under Section 63(f)(1) of the Internal Revenue  
 12 Code if the federal adjusted gross income of the taxpayer,  
 13 or the taxpayer and the taxpayer's spouse in the case of a  
 14 joint return, is less than forty thousand dollars (\$40,000). In  
 15 the case of a married individual filing a separate return, the  
 16 qualifying income amount in this clause is equal to twenty  
 17 thousand dollars (\$20,000).

18 (D) Three thousand dollars (\$3,000) for each exemption  
 19 allowed under Section 151(c) of the Internal Revenue Code  
 20 (as effective January 1, 2017) for an individual who is:

21 (i) an adopted child of the taxpayer; and

22 (ii) less than nineteen (19) years of age or is a full-time  
 23 student who is less than twenty-four (24) years of age.

24 This amount is in addition to any amount subtracted under  
 25 clause (A) or (B).

26 This amount is in addition to the amount subtracted under  
 27 subdivision (4).

28 (6) Subtract any amounts included in federal adjusted gross  
 29 income under Section 111 of the Internal Revenue Code as a  
 30 recovery of items previously deducted as an itemized deduction  
 31 from adjusted gross income.

32 (7) Subtract any amounts included in federal adjusted gross  
 33 income under the Internal Revenue Code which amounts were  
 34 received by the individual as supplemental railroad retirement  
 35 annuities under 45 U.S.C. 231 and which are not deductible  
 36 under subdivision (1).

37 (8) Subtract an amount equal to the amount of federal Social  
 38 Security and Railroad Retirement benefits included in a  
 39 taxpayer's federal gross income by Section 86 of the Internal  
 40 Revenue Code.

41 (9) In the case of a nonresident taxpayer or a resident taxpayer  
 42 residing in Indiana for a period of less than the taxpayer's entire

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- 1 taxable year, the total amount of the deductions allowed pursuant
- 2 to subdivisions (3), (4), and (5) shall be reduced to an amount
- 3 which bears the same ratio to the total as the taxpayer's income
- 4 taxable in Indiana bears to the taxpayer's total income.
- 5 (10) In the case of an individual who is a recipient of assistance
- 6 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
- 7 subtract an amount equal to that portion of the individual's
- 8 adjusted gross income with respect to which the individual is not
- 9 allowed under federal law to retain an amount to pay state and
- 10 local income taxes.
- 11 (11) In the case of an eligible individual, subtract the amount of
- 12 a Holocaust victim's settlement payment included in the
- 13 individual's federal adjusted gross income.
- 14 (12) Subtract an amount equal to the portion of any premiums
- 15 paid during the taxable year by the taxpayer for a qualified long
- 16 term care policy (as defined in IC 12-15-39.6-5) for the taxpayer
- 17 or the taxpayer's spouse if the taxpayer and the taxpayer's spouse
- 18 file a joint income tax return or the taxpayer is otherwise entitled
- 19 to a deduction under this subdivision for the taxpayer's spouse,
- 20 or both.
- 21 (13) Subtract an amount equal to the lesser of:
- 22 (A) two thousand five hundred dollars (\$2,500), or one
- 23 thousand two hundred fifty dollars (\$1,250) in the case of a
- 24 married individual filing a separate return; or
- 25 (B) the amount of property taxes that are paid during the
- 26 taxable year in Indiana by the individual on the individual's
- 27 principal place of residence.
- 28 (14) Subtract an amount equal to the amount of a September 11
- 29 terrorist attack settlement payment included in the individual's
- 30 federal adjusted gross income.
- 31 (15) Add or subtract the amount necessary to make the adjusted
- 32 gross income of any taxpayer that owns property for which bonus
- 33 depreciation was allowed in the current taxable year or in an
- 34 earlier taxable year equal to the amount of adjusted gross income
- 35 that would have been computed had an election **not** been made
- 36 under Section 168(k) of the Internal Revenue Code to **not** apply
- 37 bonus depreciation to the property in the year that it was placed
- 38 in service.
- 39 (16) Add an amount equal to any deduction allowed under
- 40 Section 172 of the Internal Revenue Code (concerning net
- 41 operating losses).
- 42 (17) Add or subtract the amount necessary to make the adjusted

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1 gross income of any taxpayer that placed Section 179 property  
2 (as defined in Section 179 of the Internal Revenue Code) in  
3 service in the current taxable year or in an earlier taxable year  
4 equal to the amount of adjusted gross income that would have  
5 been computed had an election for federal income tax purposes  
6 not been made for the year in which the property was placed in  
7 service to take deductions under Section 179 of the Internal  
8 Revenue Code in a total amount exceeding the sum of:

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

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

15 (i) the exchange would have been eligible for  
16 nonrecognition of gain or loss under Section 1031 of  
17 the Internal Revenue Code in effect on January 1,  
18 2017;

19 (ii) the exchange is not eligible for nonrecognition of  
20 gain or loss under Section 1031 of the Internal  
21 Revenue Code; and

22 (iii) the taxpayer made an election to take deductions  
23 under Section 179 of the Internal Revenue Code with  
24 regard to the acquired property in the year that the  
25 property was placed into service.

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

31 (18) Subtract an amount equal to the amount of the taxpayer's  
32 qualified military income that was not excluded from the  
33 taxpayer's gross income for federal income tax purposes under  
34 Section 112 of the Internal Revenue Code.

35 (19) Subtract income that is:

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

38 (B) included in the individual's federal adjusted gross  
39 income under the Internal Revenue Code.

40 (20) Add an amount equal to any income not included in gross  
41 income as a result of the deferral of income arising from  
42 business indebtedness discharged in connection with the

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

12 (21) Add the amount excluded from federal gross income under  
 13 Section 103 of the Internal Revenue Code for interest received  
 14 on an obligation of a state other than Indiana, or a political  
 15 subdivision of such a state, that is acquired by the taxpayer after  
 16 December 31, 2011. For purposes of this subdivision:

17 (A) if the taxpayer receives interest from a pass through  
 18 entity, a regulated investment company, a hedge fund, or  
 19 similar arrangement, the taxpayer will be considered to have  
 20 acquired the obligation on the date the entity acquired the  
 21 obligation;

22 (B) if ownership of the obligation occurs by means other  
 23 than a purchase, the date of acquisition of the obligation  
 24 shall be the date ownership of the obligation was  
 25 transferred, except to the extent provided in clause (A), and  
 26 if a portion of the obligation is acquired on multiple dates,  
 27 the date of acquisition shall be considered separately for  
 28 each portion of the obligation; and

29 (C) if ownership of the obligation occurred as the result of  
 30 a refinancing of another obligation, the acquisition date  
 31 shall be the date on which the obligation was refinanced.

32 (22) Subtract an amount as described in Section 1341(a)(2) of  
 33 the Internal Revenue Code to the extent, if any, that the amount  
 34 was previously included in the taxpayer's adjusted gross income  
 35 for a prior taxable year.

36 (23) For taxable years beginning after December 25, 2016, add  
 37 an amount equal to the deduction for deferred foreign income  
 38 that was claimed by the taxpayer for the taxable year under  
 39 Section 965(c) of the Internal Revenue Code.

40 (24) Subtract any interest expense paid or accrued in the current  
 41 taxable year but not deducted as a result of the limitation  
 42 imposed under Section 163(j)(1) of the Internal Revenue Code.

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- 1 Add any interest expense paid or accrued in a previous taxable  
 2 year but allowed as a deduction under Section 163 of the Internal  
 3 Revenue Code in the current taxable year. For purposes of this  
 4 subdivision, an interest expense is considered paid or accrued  
 5 only in the first taxable year the deduction would have been  
 6 allowable under Section 163 of the Internal Revenue Code if the  
 7 limitation under Section 163(j)(1) of the Internal Revenue Code  
 8 did not exist.
- 9 (25) Subtract the amount that would have been excluded from  
 10 gross income but for the enactment of Section 118(b)(2) of the  
 11 Internal Revenue Code for taxable years ending after December  
 12 22, 2017.
- 13 (26) For taxable years beginning after December 31, 2019, and  
 14 before January 1, 2021, add an amount of the deduction claimed  
 15 under Section 62(a)(22) of the Internal Revenue Code.
- 16 (27) For taxable years beginning after December 31, 2019, for  
 17 payments made by an employer under an education assistance  
 18 program after March 27, 2020:
- 19 (A) add the amount of payments by an employer that are  
 20 excluded from the taxpayer's federal gross income under  
 21 Section 127(c)(1)(B) of the Internal Revenue Code; and  
 22 (B) deduct the interest allowable under Section 221 of the  
 23 Internal Revenue Code, if the disallowance under Section  
 24 221(e)(1) of the Internal Revenue Code did not apply to the  
 25 payments described in clause (A). For purposes of applying  
 26 Section 221(b) of the Internal Revenue Code to the amount  
 27 allowable under this clause, the amount under clause (A)  
 28 shall not be added to adjusted gross income.
- 29 (28) Add an amount equal to the remainder of:
- 30 (A) the amount allowable as a deduction under Section  
 31 274(n) of the Internal Revenue Code; minus  
 32 (B) the amount otherwise allowable as a deduction under  
 33 Section 274(n) of the Internal Revenue Code, if Section  
 34 274(n)(2)(D) of the Internal Revenue Code was not in effect  
 35 for amounts paid or incurred after December 31, 2020.
- 36 (29) For taxable years beginning after December 31, 2017, and  
 37 before January 1, 2021, add an amount equal to the excess  
 38 business loss of the taxpayer as defined in Section 461(l)(3) of  
 39 the Internal Revenue Code. In addition:
- 40 (A) If a taxpayer has an excess business loss under this  
 41 subdivision and also has modifications under subdivisions  
 42 (15) and (17) for property placed in service during the

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1 taxable year, the taxpayer shall treat a portion of the taxable  
 2 year modifications for that property as occurring in the  
 3 taxable year the property is placed in service and a portion  
 4 of the modifications as occurring in the immediately  
 5 following taxable year.  
 6 (B) The portion of the modifications under subdivisions  
 7 (15) and (17) for property placed in service during the  
 8 taxable year treated as occurring in the taxable year in  
 9 which the property is placed in service equals:  
 10 (i) the modification for the property otherwise  
 11 determined under this section; minus  
 12 (ii) the excess business loss disallowed under this  
 13 subdivision;  
 14 but not less than zero (0).  
 15 (C) The portion of the modifications under subdivisions  
 16 (15) and (17) for property placed in service during the  
 17 taxable year treated as occurring in the taxable year  
 18 immediately following the taxable year in which the  
 19 property is placed in service equals the modification for the  
 20 property otherwise determined under this section minus the  
 21 amount in clause (B).  
 22 (D) Any reallocation of modifications between taxable years  
 23 under clauses (B) and (C) shall be first allocated to the  
 24 modification under subdivision (15), then to the  
 25 modification under subdivision (17).  
 26 **(30) Add For taxable years ending after December 31, 2020,**  
 27 **and before January 1, 2026, add** an amount equal to the  
 28 amount excluded from federal gross income under Section  
 29 108(f)(5) of the Internal Revenue Code. For purposes of this  
 30 subdivision:  
 31 (A) if an amount excluded under Section 108(f)(5) of the  
 32 Internal Revenue Code would be excludible under Section  
 33 108(a)(1)(B) of the Internal Revenue Code, the exclusion  
 34 under Section 108(a)(1)(B) of the Internal Revenue Code  
 35 shall take precedence; and  
 36 (B) if an amount would have been excludible under Section  
 37 108(f)(5) of the Internal Revenue Code as in effect on  
 38 January 1, 2020, the amount is not required to be added  
 39 back under this subdivision.  
 40 **(31) For taxable years ending after March 12, 2020, subtract** an  
 41 amount equal to the deduction disallowed pursuant to:  
 42 (A) Section 2301(e) of the CARES Act (Public Law

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1 116-136), as modified by Sections 206 and 207 of the  
 2 Taxpayer Certainty and Disaster Relief Tax Act (Division  
 3 EE of Public Law 116-260); and

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

5 (32) Subtract the amount of an ESA annual grant amount and, as  
 6 applicable, a CSA annual grant amount distributed to a  
 7 taxpayer's Indiana education scholarship account under  
 8 IC 20-51.4 that is used for an ESA or CSA qualified expense (as  
 9 defined in IC 20-51.4-2) to the extent the distribution used for  
 10 the qualified expense is included in the taxpayer's federal  
 11 adjusted gross 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) For taxable years beginning after December 31, 2021, add  
 20 or subtract amounts related to specified research or experimental  
 21 **procedures expenditures** as required under IC 6-3-2-29.

22 (36) Subtract any other amounts the taxpayer is entitled to  
 23 deduct under IC 6-3-2.

24 (37) Subtract the amount of a CSA annual grant amount  
 25 distributed to a taxpayer's career scholarship account under  
 26 IC 20-51.4-4.5 that is used for a CSA qualified expense (as  
 27 defined in IC 20-51.4-2-3.8), to the extent the distribution used  
 28 for the CSA qualified expense is included in the taxpayer's  
 29 federal adjusted gross income under the Internal Revenue Code.

30 **(38) Add or subtract an amount equal to the modifications**  
 31 **required for qualified production property under**  
 32 **IC 6-3-2-30.**

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

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

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

41 (3) Except as provided in subsection (c), add an amount equal to  
 42 any deduction or deductions allowed or allowable pursuant to

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1 Section 63 of the Internal Revenue Code for taxes based on or  
 2 measured by income and levied at the state level by any state of  
 3 the United States.  
 4 (4) Subtract an amount equal to the amount included in the  
 5 corporation'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 **not** apply  
 13 bonus depreciation to the property in the year that it was placed  
 14 in 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  
 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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property was placed into service.

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

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

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

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

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

(10) Subtract income that is:

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

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

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

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1 discharged in connection with the reacquisition after December  
 2 31, 2008, and before January 1, 2011, of an applicable debt  
 3 instrument, as provided in Section 108(i) of the Internal Revenue  
 4 Code.  
 5 (12) Add the amount excluded from federal gross income under  
 6 Section 103 of the Internal Revenue Code for interest received  
 7 on an obligation of a state other than Indiana, or a political  
 8 subdivision of such a state, that is acquired by the taxpayer after  
 9 December 31, 2011. For purposes of this subdivision:  
 10 (A) if the taxpayer receives interest from a pass through  
 11 entity, a regulated investment company, a hedge fund, or  
 12 similar arrangement, the taxpayer will be considered to have  
 13 acquired the obligation on the date the entity acquired the  
 14 obligation;  
 15 (B) if ownership of the obligation occurs by means other  
 16 than a purchase, the date of acquisition of the obligation  
 17 shall be the date ownership of the obligation was  
 18 transferred, except to the extent provided in clause (A), and  
 19 if a portion of the obligation is acquired on multiple dates,  
 20 the date of acquisition shall be considered separately for  
 21 each portion of the obligation; and  
 22 (C) if ownership of the obligation occurred as the result of  
 23 a refinancing of another obligation, the acquisition date  
 24 shall be the date on which the obligation was refinanced.  
 25 (13) For taxable years beginning after December 25, 2016:  
 26 (A) for a corporation other than a real estate investment  
 27 trust, add:  
 28 (i) an amount equal to the amount reported by the  
 29 taxpayer on IRC 965 Transition Tax Statement, line 1;  
 30 or  
 31 (ii) if the taxpayer deducted an amount under Section  
 32 965(c) of the Internal Revenue Code in determining the  
 33 taxpayer's taxable income for purposes of the federal  
 34 income tax, the amount deducted under Section 965(c)  
 35 of the Internal Revenue Code; and  
 36 (B) for a real estate investment trust, add an amount equal  
 37 to the deduction for deferred foreign income that was  
 38 claimed by the taxpayer for the taxable year under Section  
 39 965(c) of the Internal Revenue Code, but only to the extent  
 40 that the taxpayer included income pursuant to Section 965  
 41 of the Internal Revenue Code in its taxable income for  
 42 federal income tax purposes or is required to add back

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- 1 dividends paid under subdivision (9).
- 2 (14) Add an amount equal to the deduction that was claimed by
- 3 the taxpayer for the taxable year under Section 250(a)(1)(B) of
- 4 the Internal Revenue Code (attributable to ~~global intangible~~
- 5 ~~low-taxed income~~; **net CFC tested income**). The taxpayer shall
- 6 separately specify the amount of the reduction under Section
- 7 250(a)(1)(B)(i) of the Internal Revenue Code and under Section
- 8 250(a)(1)(B)(ii) of the Internal Revenue Code.
- 9 (15) Subtract any interest expense paid or accrued in the current
- 10 taxable year but not deducted as a result of the limitation
- 11 imposed under Section 163(j)(1) of the Internal Revenue Code.
- 12 Add any interest expense paid or accrued in a previous taxable
- 13 year but allowed as a deduction under Section 163 of the Internal
- 14 Revenue Code in the current taxable year. For purposes of this
- 15 subdivision, an interest expense is considered paid or accrued
- 16 only in the first taxable year the deduction would have been
- 17 allowable under Section 163 of the Internal Revenue Code if the
- 18 limitation under Section 163(j)(1) of the Internal Revenue Code
- 19 did not exist.
- 20 (16) Subtract the amount that would have been excluded from
- 21 gross income but for the enactment of Section 118(b)(2) of the
- 22 Internal Revenue Code for taxable years ending after December
- 23 22, 2017.
- 24 (17) Add an amount equal to the remainder of:
- 25 (A) the amount allowable as a deduction under Section
- 26 274(n) of the Internal Revenue Code; minus
- 27 (B) the amount otherwise allowable as a deduction under
- 28 Section 274(n) of the Internal Revenue Code, if Section
- 29 274(n)(2)(D) of the Internal Revenue Code was not in effect
- 30 for amounts paid or incurred after December 31, 2020.
- 31 (18) For taxable years ending after March 12, 2020, subtract an
- 32 amount equal to the deduction disallowed pursuant to:
- 33 (A) Section 2301(e) of the CARES Act (Public Law
- 34 116-136), as modified by Sections 206 and 207 of the
- 35 Taxpayer Certainty and Disaster Relief Tax Act (Division
- 36 EE of Public Law 116-260); and
- 37 (B) Section 3134(e) of the Internal Revenue Code.
- 38 (19) For taxable years beginning after December 31, 2022,
- 39 subtract an amount equal to the deduction disallowed under
- 40 Section 280C(h) of the Internal Revenue Code.
- 41 (20) For taxable years beginning after December 31, 2021,
- 42 subtract the amount of any:

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- 1 (A) federal, state, or local grant received by the taxpayer;
- 2 and
- 3 (B) discharged federal, state, or local indebtedness incurred
- 4 by the taxpayer;
- 5 for purposes of providing or expanding access to broadband
- 6 service in this state.
- 7 (21) For taxable years beginning after December 31, 2021, add
- 8 or subtract amounts related to specified research or experimental
- 9 **procedures expenditures** as required under IC 6-3-2-29.
- 10 **(22) Add or subtract an amount equal to the modifications**
- 11 **required for qualified production property under**
- 12 **IC 6-3-2-30.**
- 13 ~~(22)~~ **(23)** Add or subtract any other amounts the taxpayer is:
- 14 (A) required to add or subtract; or
- 15 (B) entitled to deduct;
- 16 under IC 6-3-2.
- 17 (c) The following apply to taxable years beginning after December
- 18 31, 2018, for purposes of the add back of any deduction allowed on the
- 19 taxpayer's federal income tax return for wagering taxes, as provided in
- 20 subsection (a)(2) if the taxpayer is an individual or subsection (b)(3) if
- 21 the taxpayer is a corporation:
- 22 (1) For taxable years beginning after December 31, 2018, and
- 23 before January 1, 2020, a taxpayer is required to add back under
- 24 this section eighty-seven and five-tenths percent (87.5%) of any
- 25 deduction allowed on the taxpayer's federal income tax return for
- 26 wagering taxes.
- 27 (2) For taxable years beginning after December 31, 2019, and
- 28 before January 1, 2021, a taxpayer is required to add back under
- 29 this section seventy-five percent (75%) of any deduction allowed
- 30 on the taxpayer's federal income tax return for wagering taxes.
- 31 (3) For taxable years beginning after December 31, 2020, and
- 32 before January 1, 2022, a taxpayer is required to add back under
- 33 this section sixty-two and five-tenths percent (62.5%) of any
- 34 deduction allowed on the taxpayer's federal income tax return for
- 35 wagering taxes.
- 36 (4) For taxable years beginning after December 31, 2021, and
- 37 before January 1, 2023, a taxpayer is required to add back under
- 38 this section fifty percent (50%) of any deduction allowed on the
- 39 taxpayer's federal income tax return for wagering taxes.
- 40 (5) For taxable years beginning after December 31, 2022, and
- 41 before January 1, 2024, a taxpayer is required to add back under
- 42 this section thirty-seven and five-tenths percent (37.5%) of any

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

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- 1 (7) Add or subtract the amount necessary to make the adjusted
- 2 gross income of any taxpayer that placed Section 179 property
- 3 (as defined in Section 179 of the Internal Revenue Code) in
- 4 service in the current taxable year or in an earlier taxable year
- 5 equal to the amount of adjusted gross income that would have
- 6 been computed had an election for federal income tax purposes
- 7 not been made for the year in which the property was placed in
- 8 service to take deductions under Section 179 of the Internal
- 9 Revenue Code in a total amount exceeding the sum of:
- 10 (A) twenty-five thousand dollars (\$25,000) to the extent
- 11 deductions under Section 179 of the Internal Revenue Code
- 12 were not elected as provided in clause (B); and
- 13 (B) for taxable years beginning after December 31, 2017,
- 14 the deductions elected under Section 179 of the Internal
- 15 Revenue Code on property acquired in an exchange if:
- 16 (i) the exchange would have been eligible for
- 17 nonrecognition of gain or loss under Section 1031 of
- 18 the Internal Revenue Code in effect on January 1,
- 19 2017;
- 20 (ii) the exchange is not eligible for nonrecognition of
- 21 gain or loss under Section 1031 of the Internal
- 22 Revenue Code; and
- 23 (iii) the taxpayer made an election to take deductions
- 24 under Section 179 of the Internal Revenue Code with
- 25 regard to the acquired property in the year that the
- 26 property was placed into service.
- 27 The amount of deductions allowable for an item of property
- 28 under this clause may not exceed the amount of adjusted
- 29 gross income realized on the property that would have been
- 30 deferred under the Internal Revenue Code in effect on
- 31 January 1, 2017.
- 32 (8) Subtract income that is:
- 33 (A) exempt from taxation under IC 6-3-2-21.7 (certain
- 34 income derived from patents); and
- 35 (B) included in the insurance company's taxable income
- 36 under the Internal Revenue Code.
- 37 (9) Add an amount equal to any income not included in gross
- 38 income as a result of the deferral of income arising from
- 39 business indebtedness discharged in connection with the
- 40 reacquisition after December 31, 2008, and before January 1,
- 41 2011, of an applicable debt instrument, as provided in Section
- 42 108(i) of the Internal Revenue Code. Subtract from the adjusted

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

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

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

18 (A) if the taxpayer receives interest from a pass through  
 19 entity, a regulated investment company, a hedge fund, or  
 20 similar arrangement, the taxpayer will be considered to have  
 21 acquired the obligation on the date the entity acquired the  
 22 obligation;

23 (B) if ownership of the obligation occurs by means other  
 24 than a purchase, the date of acquisition of the obligation  
 25 shall be the date ownership of the obligation was  
 26 transferred, except to the extent provided in clause (A), and  
 27 if a portion of the obligation is acquired on multiple dates,  
 28 the date of acquisition shall be considered separately for  
 29 each portion of the obligation; and

30 (C) if ownership of the obligation occurred as the result of  
 31 a refinancing of another obligation, the acquisition date  
 32 shall be the date on which the obligation was refinanced.

33 (12) For taxable years beginning after December 25, 2016, add:

34 (A) an amount equal to the amount reported by the taxpayer  
 35 on IRC 965 Transition Tax Statement, line 1; or

36 (B) if the taxpayer deducted an amount under Section  
 37 965(c) of the Internal Revenue Code in determining the  
 38 taxpayer's taxable income for purposes of the federal  
 39 income tax, the amount deducted under Section 965(c) of  
 40 the Internal Revenue Code.

41 (13) Add an amount equal to the deduction that was claimed by  
 42 the taxpayer for the taxable year under Section 250(a)(1)(B) of

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- 1 the Internal Revenue Code (attributable to ~~global intangible~~  
 2 ~~low-taxed income~~; **net CFC tested income**). The taxpayer shall  
 3 separately specify the amount of the reduction under Section  
 4 250(a)(1)(B)(i) of the Internal Revenue Code and under Section  
 5 250(a)(1)(B)(ii) of the Internal Revenue Code.
- 6 (14) Subtract any interest expense paid or accrued in the current  
 7 taxable year but not deducted as a result of the limitation  
 8 imposed under Section 163(j)(1) of the Internal Revenue Code.  
 9 Add any interest expense paid or accrued in a previous taxable  
 10 year but allowed as a deduction under Section 163 of the Internal  
 11 Revenue Code in the current taxable year. For purposes of this  
 12 subdivision, an interest expense is considered paid or accrued  
 13 only in the first taxable year the deduction would have been  
 14 allowable under Section 163 of the Internal Revenue Code if the  
 15 limitation under Section 163(j)(1) of the Internal Revenue Code  
 16 did not exist.
- 17 (15) Subtract the amount that would have been excluded from  
 18 gross income but for the enactment of Section 118(b)(2) of the  
 19 Internal Revenue Code for taxable years ending after December  
 20 22, 2017.
- 21 (16) Add an amount equal to the remainder of:  
 22 (A) the amount allowable as a deduction under Section  
 23 274(n) of the Internal Revenue Code; minus  
 24 (B) the amount otherwise allowable as a deduction under  
 25 Section 274(n) of the Internal Revenue Code, if Section  
 26 274(n)(2)(D) of the Internal Revenue Code was not in effect  
 27 for amounts paid or incurred after December 31, 2020.
- 28 (17) 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  
 31 116-136), as modified by Sections 206 and 207 of the  
 32 Taxpayer Certainty and Disaster Relief Tax Act (Division  
 33 EE of Public Law 116-260); and  
 34 (B) Section 3134(e) of the Internal Revenue Code.
- 35 (18) 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 (19) For taxable years beginning after December 31, 2021, add  
 39 or subtract amounts related to specified research or experimental  
 40 **procedures expenditures** as required under IC 6-3-2-29.
- 41 **(20) Add or subtract an amount equal to the modifications**  
 42 **required for qualified production property under**

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- 1           **IC 6-3-2-30.**
- 2           ~~(20)~~ **(21)** Add or subtract any other amounts the taxpayer is:
- 3                 (A) required to add or subtract; or
- 4                 (B) entitled to deduct;
- 5           under IC 6-3-2.
- 6           (e) In the case of insurance companies subject to tax under Section
- 7           831 of the Internal Revenue Code and organized under Indiana law, the
- 8           same as "taxable income" (as defined in Section 832 of the Internal
- 9           Revenue Code), adjusted as follows:
- 10           (1) Subtract income that is exempt from taxation under this
- 11           article by the Constitution and statutes of the United States.
- 12           (2) Add an amount equal to any deduction allowed or allowable
- 13           under Section 170 of the Internal Revenue Code (concerning
- 14           charitable contributions).
- 15           (3) Add an amount equal to a deduction allowed or allowable
- 16           under Section 805 or Section 832(c) of the Internal Revenue
- 17           Code for taxes based on or measured by income and levied at the
- 18           state level by any state.
- 19           (4) Subtract an amount equal to the amount included in the
- 20           company's taxable income under Section 78 of the Internal
- 21           Revenue Code (concerning foreign tax credits).
- 22           (5) Add or subtract the amount necessary to make the adjusted
- 23           gross income of any taxpayer that owns property for which bonus
- 24           depreciation was allowed in the current taxable year or in an
- 25           earlier taxable year equal to the amount of adjusted gross income
- 26           that would have been computed had an election **not** been made
- 27           under Section 168(k) of the Internal Revenue Code to **not** apply
- 28           bonus depreciation to the property in the year that it was placed
- 29           in service.
- 30           (6) Add an amount equal to any deduction allowed under Section
- 31           172 of the Internal Revenue Code (concerning net operating
- 32           losses).
- 33           (7) Add or subtract the amount necessary to make the adjusted
- 34           gross income of any taxpayer that placed Section 179 property
- 35           (as defined in Section 179 of the Internal Revenue Code) in
- 36           service in the current taxable year or in an earlier taxable year
- 37           equal to the amount of adjusted gross income that would have
- 38           been computed had an election for federal income tax purposes
- 39           not been made for the year in which the property was placed in
- 40           service to take deductions under Section 179 of the Internal
- 41           Revenue Code in a total amount exceeding the sum of:
- 42                 (A) twenty-five thousand dollars (\$25,000) to the extent

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1 deductions under Section 179 of the Internal Revenue Code  
2 were not elected as provided in clause (B); and

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

6 (i) the exchange would have been eligible for  
7 nonrecognition of gain or loss under Section 1031 of  
8 the Internal Revenue Code in effect on January 1,  
9 2017;

10 (ii) the exchange is not eligible for nonrecognition of  
11 gain or loss under Section 1031 of the Internal  
12 Revenue Code; and

13 (iii) the taxpayer made an election to take deductions  
14 under Section 179 of the Internal Revenue Code with  
15 regard to the acquired property in the year that the  
16 property was placed into service.

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

22 (8) Subtract income that is:

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

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

27 (9) Add an amount equal to any income not included in gross  
28 income as a result of the deferral of income arising from  
29 business indebtedness discharged in connection with the  
30 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. Subtract from the adjusted  
33 gross income of any taxpayer that added an amount to adjusted  
34 gross income in a previous year the amount necessary to offset  
35 the amount included in federal gross income as a result of the  
36 deferral of income arising from business indebtedness  
37 discharged in connection with the reacquisition after December  
38 31, 2008, and before January 1, 2011, of an applicable debt  
39 instrument, as provided in Section 108(i) of the Internal Revenue  
40 Code.

41 (10) Add an amount equal to any exempt insurance income  
42 under Section 953(e) of the Internal Revenue Code that is active

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- 1 financing income under Subpart F of Subtitle A, Chapter 1,  
 2 Subchapter N of the Internal Revenue Code.
- 3 (11) Add the amount excluded from federal gross income under  
 4 Section 103 of the Internal Revenue Code for interest received  
 5 on an obligation of a state other than Indiana, or a political  
 6 subdivision of such a state, that is acquired by the taxpayer after  
 7 December 31, 2011. For purposes of this subdivision:
- 8 (A) if the taxpayer receives interest from a pass through  
 9 entity, a regulated investment company, a hedge fund, or  
 10 similar arrangement, the taxpayer will be considered to have  
 11 acquired the obligation on the date the entity acquired the  
 12 obligation;
- 13 (B) if ownership of the obligation occurs by means other  
 14 than a purchase, the date of acquisition of the obligation  
 15 shall be the date ownership of the obligation was  
 16 transferred, except to the extent provided in clause (A), and  
 17 if a portion of the obligation is acquired on multiple dates,  
 18 the date of acquisition shall be considered separately for  
 19 each portion of the obligation; and
- 20 (C) if ownership of the obligation occurred as the result of  
 21 a refinancing of another obligation, the acquisition date  
 22 shall be the date on which the obligation was refinanced.
- 23 (12) For taxable years beginning after December 25, 2016, add:
- 24 (A) an amount equal to the amount reported by the taxpayer  
 25 on IRC 965 Transition Tax Statement, line 1; or
- 26 (B) if the taxpayer deducted an amount under Section  
 27 965(c) of the Internal Revenue Code in determining the  
 28 taxpayer's taxable income for purposes of the federal  
 29 income tax, the amount deducted under Section 965(c) of  
 30 the Internal Revenue Code.
- 31 (13) Add an amount equal to the deduction that was claimed by  
 32 the taxpayer for the taxable year under Section 250(a)(1)(B) of  
 33 the Internal Revenue Code (attributable to ~~global intangible~~  
 34 ~~low-taxed income~~): **net CFC tested income**). The taxpayer shall  
 35 separately specify the amount of the reduction under Section  
 36 250(a)(1)(B)(i) of the Internal Revenue Code and under Section  
 37 250(a)(1)(B)(ii) of the Internal Revenue Code.
- 38 (14) Subtract any interest expense paid or accrued in the current  
 39 taxable year but not deducted as a result of the limitation  
 40 imposed under Section 163(j)(1) of the Internal Revenue Code.  
 41 Add any interest expense paid or accrued in a previous taxable  
 42 year but allowed as a deduction under Section 163 of the Internal

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

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

11 (16) Add an amount equal to the remainder of:

12 (A) the amount allowable as a deduction under Section  
 13 274(n) of the Internal Revenue Code; minus

14 (B) the amount otherwise allowable as a deduction under  
 15 Section 274(n) of the Internal Revenue Code, if Section  
 16 274(n)(2)(D) of the Internal Revenue Code was not in effect  
 17 for amounts paid or incurred after December 31, 2020.

18 (17) For taxable years ending after March 12, 2020, subtract an  
 19 amount equal to the deduction disallowed pursuant to:

20 (A) Section 2301(e) of the CARES Act (Public Law  
 21 116-136), as modified by Sections 206 and 207 of the  
 22 Taxpayer Certainty and Disaster Relief Tax Act (Division  
 23 EE of Public Law 116-260); and

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

25 (18) For taxable years beginning after December 31, 2022,  
 26 subtract an amount equal to the deduction disallowed under  
 27 Section 280C(h) of the Internal Revenue Code.

28 (19) For taxable years beginning after December 31, 2021, add  
 29 or subtract amounts related to specified research or experimental  
 30 **procedures expenditures** as required under IC 6-3-2-29.

31 **(20) Add or subtract an amount equal to the modifications**  
 32 **required for qualified production property under**  
 33 **IC 6-3-2-30.**

34 ~~(20)~~ **(21)** Add or subtract any other amounts the taxpayer is:

35 (A) required to add or subtract; or

36 (B) entitled to deduct;

37 under IC 6-3-2.

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

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

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

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- 1           The amount of deductions allowable for an item of property
- 2           under this clause may not exceed the amount of adjusted
- 3           gross income realized on the property that would have been
- 4           deferred under the Internal Revenue Code in effect on
- 5           January 1, 2017.
- 6       (6) Subtract income that is:
  - 7           (A) exempt from taxation under IC 6-3-2-21.7 (certain
  - 8           income derived from patents); and
  - 9           (B) included in the taxpayer's taxable income under the
  - 10          Internal Revenue Code.
- 11       (7) Add an amount equal to any income not included in gross
- 12       income as a result of the deferral of income arising from
- 13       business indebtedness discharged in connection with the
- 14       reacquisition after December 31, 2008, and before January 1,
- 15       2011, of an applicable debt instrument, as provided in Section
- 16       108(i) of the Internal Revenue Code. Subtract from the adjusted
- 17       gross income of any taxpayer that added an amount to adjusted
- 18       gross income in a previous year the amount necessary to offset
- 19       the amount included in federal gross income as a result of the
- 20       deferral of income arising from business indebtedness
- 21       discharged in connection with the reacquisition after December
- 22       31, 2008, and before January 1, 2011, of an applicable debt
- 23       instrument, as provided in Section 108(i) of the Internal Revenue
- 24       Code.
- 25       (8) 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. For purposes of this subdivision:
  - 30           (A) if the taxpayer receives interest from a pass through
  - 31           entity, a regulated investment company, a hedge fund, or
  - 32           similar arrangement, the taxpayer will be considered to have
  - 33           acquired the obligation on the date the entity acquired the
  - 34           obligation;
  - 35           (B) if ownership of the obligation occurs by means other
  - 36           than a purchase, the date of acquisition of the obligation
  - 37           shall be the date ownership of the obligation was
  - 38           transferred, except to the extent provided in clause (A), and
  - 39           if a portion of the obligation is acquired on multiple dates,
  - 40           the date of acquisition shall be considered separately for
  - 41           each portion of the obligation; and
  - 42           (C) if ownership of the obligation occurred as the result of

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1 a refinancing of another obligation, the acquisition date  
 2 shall be the date on which the obligation was refinanced.  
 3 (9) For taxable years beginning after December 25, 2016, add an  
 4 amount equal to:  
 5 (A) the amount reported by the taxpayer on IRC 965  
 6 Transition Tax Statement, line 1;  
 7 (B) if the taxpayer deducted an amount under Section  
 8 965(c) of the Internal Revenue Code in determining the  
 9 taxpayer's taxable income for purposes of the federal  
 10 income tax, the amount deducted under Section 965(c) of  
 11 the Internal Revenue Code; and  
 12 (C) with regard to any amounts of income under Section  
 13 965 of the Internal Revenue Code distributed by the  
 14 taxpayer, the deduction under Section 965(c) of the Internal  
 15 Revenue Code attributable to such distributed amounts and  
 16 not reported to the beneficiary.  
 17 For purposes of this article, the amount required to be added  
 18 back under clause (B) is not considered to be distributed or  
 19 distributable to a beneficiary of the estate or trust for purposes of  
 20 Sections 651 and 661 of the Internal Revenue Code.  
 21 (10) Subtract any interest expense paid or accrued in the current  
 22 taxable year but not deducted as a result of the limitation  
 23 imposed under Section 163(j)(1) of the Internal Revenue Code.  
 24 Add any interest expense paid or accrued in a previous taxable  
 25 year but allowed as a deduction under Section 163 of the Internal  
 26 Revenue Code in the current taxable year. For purposes of this  
 27 subdivision, an interest expense is considered paid or accrued  
 28 only in the first taxable year the deduction would have been  
 29 allowable under Section 163 of the Internal Revenue Code if the  
 30 limitation under Section 163(j)(1) of the Internal Revenue Code  
 31 did not exist.  
 32 (11) Add an amount equal to the deduction for qualified business  
 33 income that was claimed by the taxpayer for the taxable year  
 34 under Section 199A of the Internal Revenue Code.  
 35 (12) 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 (13) 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 (14) For taxable years beginning after December 31, 2017, and  
 5 before January 1, 2021, add an amount equal to the excess  
 6 business loss of the taxpayer as defined in Section 461(l)(3) of  
 7 the Internal Revenue Code. In addition:
- 8 (A) If a taxpayer has an excess business loss under this  
 9 subdivision and also has modifications under subdivisions  
 10 (3) and (5) for property placed in service during the taxable  
 11 year, the taxpayer shall treat a portion of the taxable year  
 12 modifications for that property as occurring in the taxable  
 13 year the property is placed in service and a portion of the  
 14 modifications as occurring in the immediately following  
 15 taxable year.
- 16 (B) The portion of the modifications under subdivisions (3)  
 17 and (5) for property placed in service during the taxable  
 18 year treated as occurring in the taxable year in which the  
 19 property is placed in service equals:
- 20 (i) the modification for the property otherwise  
 21 determined under this section; minus  
 22 (ii) the excess business loss disallowed under this  
 23 subdivision;  
 24 but not less than zero (0).
- 25 (C) The portion of the modifications under subdivisions (3)  
 26 and (5) for property placed in service during the taxable  
 27 year treated as occurring in the taxable year immediately  
 28 following the taxable year in which the property is placed in  
 29 service equals the modification for the property otherwise  
 30 determined under this section minus the amount in clause  
 31 (B).
- 32 (D) Any reallocation of modifications between taxable years  
 33 under clauses (B) and (C) shall be first allocated to the  
 34 modification under subdivision (3), then to the modification  
 35 under subdivision (5).
- 36 (15) 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  
 39 116-136), as modified by Sections 206 and 207 of the  
 40 Taxpayer Certainty and Disaster Relief Tax Act (Division  
 41 EE of Public Law 116-260); and  
 42 (B) Section 3134(e) of the Internal Revenue Code.

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- 1 (16) For taxable years beginning after December 31, 2022,  
 2 subtract an amount equal to the deduction disallowed under  
 3 Section 280C(h) of the Internal Revenue Code.
- 4 (17) Except as provided in subsection (c), for taxable years  
 5 beginning after December 31, 2022, add an amount equal to any  
 6 deduction or deductions allowed or allowable in determining  
 7 taxable income under Section 641(b) of the Internal Revenue  
 8 Code for taxes based on or measured by income and levied at the  
 9 state level by any state of the United States.
- 10 (18) For taxable years beginning after December 31, 2021, add  
 11 or subtract amounts related to specified research or experimental  
 12 ~~procedures~~ **expenditures** as required under IC 6-3-2-29.
- 13 **(19) Add or subtract an amount equal to the modifications**  
 14 **required for qualified production property under**  
 15 **IC 6-3-2-30.**
- 16 ~~(19)~~ **(20)** Add or subtract any other amounts the taxpayer is:  
 17 (A) required to add or subtract; or  
 18 (B) entitled to deduct;  
 19 under IC 6-3-2.
- 20 (g) For purposes of IC 6-3-2.1, IC 6-3-4-12, IC 6-3-4-13, and  
 21 IC 6-3-4-15 for taxable years beginning after December 31, 2022,  
 22 "adjusted gross income" of a pass through entity means the items of  
 23 ordinary income and loss in the case of a partnership or a corporation  
 24 described in IC 6-3-2-2.8(2), or distributions subject to tax for state and  
 25 federal income tax for beneficiaries in the case of a trust or estate,  
 26 whichever is applicable, for the taxable year modified as follows:
- 27 (1) Add the separately stated items of income and gains, or the  
 28 equivalent items that must be considered separately by a  
 29 beneficiary, as determined for federal purposes, attributed to the  
 30 partners, shareholders, or beneficiaries of the pass through  
 31 entity, determined without regard to whether the owner is  
 32 permitted to exclude all or part of the income or gain or deduct  
 33 any amount against the income or gain.
- 34 (2) Subtract the separately stated items of deductions or losses  
 35 or items that must be considered separately by beneficiaries, as  
 36 determined for federal purposes, attributed to partners,  
 37 shareholders, or beneficiaries of the pass through entity and that  
 38 are deductible by an individual in determining adjusted gross  
 39 income as defined under Section 62 of the Internal Revenue  
 40 Code:
- 41 (A) limited as if the partners, shareholders, and  
 42 beneficiaries deducted the maximum allowable loss or

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1 deduction allowable for the taxable year prior to any amount  
 2 deductible from the pass through entity; but  
 3 (B) not considering any disallowance of deductions  
 4 resulting from federal basis limitations for the partner,  
 5 shareholder, or beneficiary.

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

12 (h) Subsections (a)(36), ~~(b)(22)~~, **(b)(23)**, ~~(d)(20)~~, **(d)(21)**, ~~(e)(20)~~,  
 13 **(e)(21)**, or ~~(f)(19)~~ **(f)(20)** may not be construed to require an add back  
 14 or allow a deduction or exemption more than once for a particular add  
 15 back, deduction, or exemption.

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

17 (1) a taxpayer is a shareholder, either directly or indirectly, in a  
 18 corporation that is an E&P deficit foreign corporation as defined  
 19 in Section 965(b)(3)(B) of the Internal Revenue Code, and the  
 20 earnings and profit deficit, or a portion of the earnings and profit  
 21 deficit, of the E&P deficit foreign corporation is permitted to  
 22 reduce the federal adjusted gross income or federal taxable  
 23 income of the taxpayer, the deficit, or the portion of the deficit,  
 24 shall also reduce the amount taxable under this section to the  
 25 extent permitted under the Internal Revenue Code, however, in  
 26 no case shall this permit a reduction in the amount taxable under  
 27 Section 965 of the Internal Revenue Code for purposes of this  
 28 section to be less than zero (0); and

29 (2) the Internal Revenue Service issues guidance that such an  
 30 income or deduction is not reported directly on a federal tax  
 31 return or is to be reported in a manner different than specified in  
 32 this section, this section shall be construed as if federal adjusted  
 33 gross income or federal taxable income included the income or  
 34 deduction.

35 (j) If a partner is required to include an item of income, a  
 36 deduction, or another tax attribute in the partner's adjusted gross  
 37 income tax return pursuant to IC 6-3-4.5, such item shall be considered  
 38 to be includible in the partner's federal adjusted gross income or federal  
 39 taxable income, regardless of whether such item is actually required to  
 40 be reported by the partner for federal income tax purposes. For  
 41 purposes of this subsection:

42 (1) items for which a valid election is made under IC 6-3-4.5-6,

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1 IC 6-3-4.5-8, or IC 6-3-4.5-9 shall not be required to be included  
2 in the partner's adjusted gross income or taxable income; and  
3 (2) items for which the partnership did not make an election  
4 under IC 6-3-4.5-6, IC 6-3-4.5-8, or IC 6-3-4.5-9, but for which  
5 the partnership is required to remit tax pursuant to IC 6-3-4.5-18,  
6 shall be included in the partner's adjusted gross income or  
7 taxable income.

8 (k) The following apply for purposes of this section:

9 (1) For purposes of subsections (b) and (f), if a taxpayer is an  
10 organization that has more than one (1) trade or business subject  
11 to the provisions of Section 512(a)(6) of the Internal Revenue  
12 Code, the following rules apply for taxable years beginning after  
13 December 31, 2017:

14 (A) If a trade or business has federal unrelated business  
15 taxable income of zero (0) or greater for a taxable year, the  
16 unrelated business taxable income and modifications  
17 required under this section shall be combined in  
18 determining the adjusted gross income of the taxpayer and  
19 shall not be treated as being subject to the provisions of  
20 Section 512(a)(6) of the Internal Revenue Code if one (1) or  
21 more trades or businesses have negative Indiana adjusted  
22 gross income after adjustments.

23 (B) If a trade or business has federal unrelated business  
24 taxable income of less than zero (0) for a taxable year, the  
25 taxpayer shall apply the modifications under this section for  
26 the taxable year against the net operating loss in the manner  
27 required under IC 6-3-2-2.5 and IC 6-3-2-2.6 for separately  
28 stated net operating losses. However, if the application of  
29 modifications required under IC 6-3-2-2.5 or IC 6-3-2-2.6  
30 results in the separately stated net operating loss for the  
31 trade or business being zero (0), the modifications that  
32 increase adjusted gross income under this section and  
33 remain after the calculations to adjust the separately stated  
34 net operating loss to zero (0) that result from the trade or  
35 business must be treated as modifications to which clause  
36 (A) applies for the taxable year.

37 (C) If a trade or business otherwise described in Section  
38 512(a)(6) of the Internal Revenue Code incurred a net  
39 operating loss for a taxable year beginning after December  
40 31, 2017, and before January 1, 2021, and the net operating  
41 loss was carried back for federal tax purposes:

42 (i) if the loss was carried back to a taxable year for

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1 which the requirements under Section 512(a)(6) of the  
 2 Internal Revenue Code did not apply, the portion of the  
 3 loss and modifications attributable to the loss shall be  
 4 treated as adjusted gross income of the taxpayer for the  
 5 first taxable year of the taxpayer beginning after  
 6 December 31, 2022, and shall be treated as part of the  
 7 adjusted gross income attributable to clause (A),  
 8 unless, and to the extent, the loss and modifications  
 9 were applied to adjusted gross income for a previous  
 10 taxable year, as determined under this article; and  
 11 (ii) if the loss was carried back to a taxable year for  
 12 which the requirements under Section 512(a)(6) of the  
 13 Internal Revenue Code applied, the portion of the loss  
 14 and modifications attributable to the loss shall be  
 15 treated as adjusted gross income of the taxpayer for the  
 16 first taxable year of the taxpayer beginning after  
 17 December 31, 2022, and for purposes of this clause,  
 18 the inclusion of losses and modifications shall be in the  
 19 same manner as provided in clause (B), unless, and to  
 20 the extent, the loss and modifications were applied to  
 21 adjusted gross income for a previous taxable year, as  
 22 determined under this article.

23 (D) Notwithstanding any provision in this subdivision, if a  
 24 taxpayer computed its adjusted gross income for a taxable  
 25 year beginning before January 1, 2023, based on a  
 26 reasonable interpretation of this article, the taxpayer shall  
 27 be permitted to compute its adjusted gross income for those  
 28 taxable years based on that interpretation. However, a  
 29 taxpayer must continue to report any tax attributes for  
 30 taxable years beginning after December 31, 2022, in a  
 31 manner consistent with its previous interpretation.

32 (2) In the case of a corporation, other than a captive real estate  
 33 investment trust, for which the adjusted gross income under this  
 34 article is determined after a deduction for dividends paid under  
 35 the Internal Revenue Code, the modifications required under this  
 36 section shall be applied in ratio to the corporation's taxable  
 37 income (as defined in Section 63 of the Internal Revenue Code)  
 38 after deductions for dividends paid under the Internal Revenue  
 39 Code compared to the corporation's taxable income (as defined  
 40 in Section 63 of the Internal Revenue Code) before the deduction  
 41 for dividends paid under the Internal Revenue Code.

42 (3) In the case of a trust or estate, the trust or estate is required

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1 to include only the portion of the modifications not passed  
2 through to beneficiaries.

3 (4) In the case of a taxpayer for which modifications are required  
4 to be applied against a separately stated net operating loss under  
5 IC 6-3-2-2.5 or IC 6-3-2-2.6, the modifications required under  
6 this section must be adjusted to reflect the required application  
7 of the modifications against a separately stated net operating  
8 loss, in order to avoid the application of a particular modification  
9 multiple times.

10 SECTION 7. IC 6-3-1-11, AS AMENDED BY P.L.194-2023,  
11 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
12 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 11. (a) The term "Internal  
13 Revenue Code" means the Internal Revenue Code of 1986 of the  
14 United States as amended and in effect on January 1, ~~2023~~; **2026**.

15 (b) Whenever the Internal Revenue Code is mentioned in this  
16 article, or in another provision of the Indiana Code that cites the  
17 definition of "Internal Revenue Code" provided in this section, the  
18 particular provisions that are referred to, together with all the other  
19 provisions of the Internal Revenue Code in effect on January 1, ~~2023~~;  
20 **2026**, that pertain to the provisions specifically mentioned, shall be  
21 regarded as incorporated in this article by reference and have the same  
22 force and effect as though fully set forth in this article. To the extent  
23 that a federal statute in the United States Code is enacted or amended  
24 in a title other than the Internal Revenue Code on or before January 1,  
25 ~~2023~~; **2026**, and affects federal adjusted gross income, federal taxable  
26 income, federal tax credits, or other federal tax attributes, the federal  
27 statute shall be considered to be part of the Internal Revenue Code as  
28 amended and in effect on January 1, ~~2023~~; **2026**. To the extent:

29 (1) the provisions of the Internal Revenue Code apply to this  
30 article, regulations adopted under Section 7805(a) of the Internal  
31 Revenue Code, and in effect on January 1, ~~2023~~; **2026**; and

32 (2) a federal statute in the United States Code that is enacted or  
33 amended in a title other than the Internal Revenue Code on or  
34 before January 1, ~~2023~~; **2026**, and affects federal adjusted gross  
35 income, federal taxable income, federal tax credits, or other  
36 federal tax attributes applies to this article, regulations adopted  
37 under the federal statute of the United States Code and in effect  
38 on January 1, ~~2023~~; **2026**;

39 shall be regarded as rules adopted by the department under this article,  
40 unless the department adopts specific rules that supersede the  
41 regulation.

42 (c) An amendment to the Internal Revenue Code made by an act

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1 passed by Congress before January 1, ~~2023~~, **2026**, other than the  
 2 federal 21st Century Cures Act (P.L. 114-255) and the federal Disaster  
 3 Tax Relief and Airport and Airway Extension Act of 2017 (P.L.  
 4 115-63), that is effective for any taxable year that began before January  
 5 1, ~~2023~~, **2026**, and that affects:

- 6 (1) individual adjusted gross income (as defined in Section 62 of  
 7 the Internal Revenue Code);
- 8 (2) corporate taxable income (as defined in Section 63 of the  
 9 Internal Revenue Code);
- 10 (3) trust and estate taxable income (as defined in Section 641(b)  
 11 of the Internal Revenue Code);
- 12 (4) life insurance company taxable income (as defined in Section  
 13 801(b) of the Internal Revenue Code);
- 14 (5) mutual insurance company taxable income (as defined in  
 15 Section 821(b) of the Internal Revenue Code); or
- 16 (6) taxable income (as defined in Section 832 of the Internal  
 17 Revenue Code);

18 is also effective for that same taxable year for purposes of determining  
 19 adjusted gross income under section 3.5 of this chapter and  
 20 IC 6-5.5-1-2.

21 (d) This subsection applies to a taxable year ending before January  
 22 1, 2013. The following provisions of the Internal Revenue Code that  
 23 were amended by the Tax Relief Act, Unemployment Insurance  
 24 Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) are  
 25 treated as though they were not amended by the Tax Relief Act,  
 26 Unemployment Insurance Reauthorization, and Job Creation Act of  
 27 2010 (P.L. 111-312):

- 28 (1) Section 1367(a)(2) of the Internal Revenue Code pertaining  
 29 to an adjustment of basis of the stock of shareholders.
- 30 (2) Section 871(k)(1)(C) and 871(k)(2)(C) of the Internal  
 31 Revenue Code pertaining the treatment of certain dividends of  
 32 regulated investment companies.
- 33 (3) Section 897(h)(4)(A)(ii) of the Internal Revenue Code  
 34 pertaining to regulated investment companies qualified entity  
 35 treatment.
- 36 (4) Section 512(b)(13)(E)(iv) of the Internal Revenue Code  
 37 pertaining to the modification of tax treatment of certain  
 38 payments to controlling exempt organizations.
- 39 (5) Section 613A(c)(6)(H)(ii) of the Internal Revenue Code  
 40 pertaining to the limitations on percentage depletion in the case  
 41 of oil and gas wells.
- 42 (6) Section 451(i)(3) of the Internal Revenue Code pertaining to

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1 special rule for sales or dispositions to implement Federal  
 2 Energy Regulatory Commission or state electric restructuring  
 3 policy for qualified electric utilities.  
 4 (7) Section 954(c)(6) of the Internal Revenue Code pertaining to  
 5 the look-through treatment of payments between related  
 6 controlled foreign corporation under foreign personal holding  
 7 company rules.  
 8 The department shall develop forms and adopt any necessary rules  
 9 under IC 4-22-2 to implement this subsection.  
 10 SECTION 8. IC 6-3-2-2.5, AS AMENDED BY P.L.194-2023,  
 11 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 12 JULY 4, 2025 (RETROACTIVE)]: Sec. 2.5. (a) This section applies to  
 13 a resident person.  
 14 (b) Resident persons are entitled to a net operating loss deduction.  
 15 The amount of the deduction taken in a taxable year may not exceed  
 16 the taxpayer's unused Indiana net operating losses carried over to that  
 17 year. A taxpayer is not entitled to carryback any net operating losses  
 18 after December 31, 2011.  
 19 (c) An Indiana net operating loss equals the sum of the following:  
 20 (1) Subject to subsection (j), any separately stated net operating  
 21 loss, plus each of the following, as applicable:  
 22 (A) In the case of an individual, any deductions allowable  
 23 in determining the separately stated net operating loss for  
 24 the taxable year, but not allowable in determining federal  
 25 adjusted gross income.  
 26 (B) In the case of a separately stated net operating loss that  
 27 results from an excess business loss (as defined in Section  
 28 461(l) of the Internal Revenue Code) for a taxable year  
 29 beginning after December 31, 2022, the modifications  
 30 required by IC 6-3-1-3.5, as set forth in subsection (d), that  
 31 result in an increase of the taxpayer's Indiana adjusted gross  
 32 income and that arise from federal deductions that resulted  
 33 in the excess business loss.  
 34 (C) In the case of a separately stated net operating loss not  
 35 described in clause (B), the modifications required by  
 36 IC 6-3-1-3.5, as set forth in subsection (d). For purposes of  
 37 this clause, a modification that results in an increase to a  
 38 taxpayer's adjusted gross income is considered an addition,  
 39 and a modification that results in a decrease to a taxpayer's  
 40 adjusted gross income is considered a subtraction.  
 41 If the amount determined under this subdivision is less than zero  
 42 (0), the amount is an Indiana net operating loss.

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- 1 (2) Subject to subsection (j), the taxpayer's preliminary federal  
 2 net operating loss for a taxable year plus the sum of the  
 3 following:
- 4 (A) The application of certain modifications required by  
 5 IC 6-3-1-3.5 as set forth in subsection (d). For purposes of  
 6 this clause, a modification that results in an increase to a  
 7 taxpayer's adjusted gross income is considered an addition,  
 8 and a modification that results in a decrease to a taxpayer's  
 9 adjusted gross income is considered a subtraction.
- 10 (B) In the case of an individual, any deductions allowable  
 11 in determining the preliminary federal net operating loss for  
 12 the taxable year, but not allowable in determining federal  
 13 adjusted gross income.
- 14 If the amount determined under this subdivision is less than zero  
 15 (0), the amount is an Indiana net operating loss. If the amount  
 16 determined under this subdivision is equal to or greater than zero  
 17 (0), the Indiana net operating loss under this subdivision is zero  
 18 (0).
- 19 (3) The excess business loss deduction disallowed under  
 20 IC 6-3-1-3.5(a)(29) and IC 6-3-1-3.5(f)(14).
- 21 (d) For purposes of subsection (c), the modifications that are to be  
 22 applied are those modifications required under IC 6-3-1-3.5 for the  
 23 same taxable year in which each net operating loss was incurred,  
 24 except that the modifications do not include the modifications required  
 25 under:
- 26 (1) IC 6-3-1-3.5(a)(3);  
 27 (2) IC 6-3-1-3.5(a)(4);  
 28 (3) IC 6-3-1-3.5(a)(5);  
 29 (4) IC 6-3-1-3.5(a)(36);  
 30 (5) ~~IC 6-3-1-3.5(f)(19)~~; **IC 6-3-1-3.5(f)(20)**; and  
 31 (6) any modification required under Section 172(d) or Section  
 32 512(b) of the Internal Revenue Code that is also required under  
 33 IC 6-3-1-3.5 in determining Indiana adjusted gross income.
- 34 (e) Subject to the limitations contained in subsections (g), (h), and  
 35 (i), an Indiana net operating loss carryover shall be available as a  
 36 deduction from the taxpayer's adjusted gross income (as defined in  
 37 IC 6-3-1-3.5) in the carryover year provided in subsection (f), but not  
 38 in excess of the taxpayer's adjusted gross income (as defined in  
 39 IC 6-3-1-3.5) in the carryover year determined without regard to this  
 40 section.
- 41 (f) Carryovers shall be determined under this subsection as  
 42 follows:

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- 1 (1) An Indiana net operating loss shall be an Indiana net  
 2 operating loss carryover to each of the carryover years following  
 3 the taxable year of the loss.
- 4 (2) An Indiana net operating loss may not be carried over for  
 5 more than twenty (20) taxable years after the taxable year of the  
 6 loss.
- 7 (g) Except as provided in subsection (h), the entire amount of the  
 8 Indiana net operating loss for any taxable year shall be carried to the  
 9 earliest of the taxable years to which (as determined under subsection  
 10 (f)) the loss may be carried. The amount of the Indiana net operating  
 11 loss remaining after the deduction is taken under this section in a  
 12 taxable year may be carried over as provided in subsection (f). The  
 13 amount of the Indiana net operating loss carried over from year to year  
 14 shall be reduced to the extent that the Indiana net operating loss  
 15 carryover is used by the taxpayer to obtain a deduction in a taxable  
 16 year, or as required by subsection (i), until the occurrence of the earlier  
 17 of the following:
- 18 (1) The entire amount of the Indiana net operating loss has been  
 19 used as a deduction or reduced as required by subsection (i).
- 20 (2) The Indiana net operating loss has been carried over to each  
 21 of the carryover years provided by subsection (f).
- 22 (h) An Indiana net operating loss that arises after the application  
 23 of Section 512(a)(6) of the Internal Revenue Code shall be allowable  
 24 only:
- 25 (1) in a taxable year in which the trade or business that generated  
 26 the federal net operating loss has an adjusted gross income  
 27 greater than zero (0) as determined under IC 6-3-1-3.5; and  
 28 (2) against the trade's or business's adjusted gross income;
- 29 until the federal net operating loss from the trade or business has been  
 30 exhausted. When the federal net operating loss from the trade or  
 31 business has been exhausted, and subject to the limitations of this  
 32 section, any remaining Indiana net operating loss shall be allowable  
 33 against any trade or business of the taxpayer.
- 34 (i) The following rules apply to an Indiana net operating loss:
- 35 (1) If the taxpayer had a discharge of indebtedness that is  
 36 excluded from gross income under Section 108(a)(1)(A), Section  
 37 108(a)(1)(B), or Section 108(a)(1)(C) of the Internal Revenue  
 38 Code, the Indiana net operating loss shall be reduced by the  
 39 remainder of:
- 40 (A) the amount of discharge of indebtedness excluded from  
 41 federal gross income; minus  
 42 (B) the amount of discharge of indebtedness that reduced

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1 the tax attributes under Section 108(b)(2)(D), Section  
 2 108(b)(2)(E), or Section 108(b)(2)(F) of the Internal  
 3 Revenue Code or was applied for federal tax purposes under  
 4 Section 108(b)(5) of the Internal Revenue Code.

5 (2) Any reduction in an Indiana net operating loss shall be first  
 6 applied to the Indiana net operating loss for the taxable year of  
 7 the discharge, and then to any Indiana net operating loss  
 8 carryovers.

9 (3) The provisions of Section 108(d)(6) and Section 108(d)(7) of  
 10 the Internal Revenue Code shall apply to any discharge of  
 11 indebtedness for purposes of determining the reduction of net  
 12 operating losses under this section.

13 (j) The following apply for purposes of calculating an Indiana net  
 14 operating loss under subsection (c):

15 (1) An itemized deduction shall be applied first under subsection  
 16 (c)(1), and any amount not applied under subsection (c)(1) to  
 17 make the net operating loss equal to zero (0) shall be applied  
 18 under subsection (c)(2).

19 (2) In the case of a modification under IC 6-3-1-3.5 required to  
 20 modify a separately stated net operating loss or a preliminary  
 21 federal net operating loss, the amount of the modification may  
 22 not exceed the amount prescribed under IC 6-3-1-3.5 and must  
 23 be applied in the following order:

24 (A) Against a separately stated net operating loss under  
 25 subsection (c)(1)(B), but only to the extent necessary to  
 26 increase the separately stated net operating loss, after  
 27 application of subsection (c)(1)(A) and (c)(1)(B), to an  
 28 amount not greater than zero (0).

29 (B) Against a separately stated net operating loss under  
 30 subsection (c)(1)(C), but only to the extent necessary to  
 31 increase the separately stated net operating loss to an  
 32 amount not greater than zero (0).

33 (C) To compute a modification to a preliminary federal net  
 34 operating loss under subsection (c)(2).

35 SECTION 9. IC 6-3-2-2.6, AS AMENDED BY P.L.194-2023,  
 36 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 37 JULY 4, 2025 (RETROACTIVE)]: Sec. 2.6. (a) This section applies to  
 38 a corporation or a nonresident person.

39 (b) Corporations and nonresident persons are entitled to a net  
 40 operating loss deduction. The amount of the deduction taken in a  
 41 taxable year may not exceed the taxpayer's unused Indiana net  
 42 operating losses carried over to that year. A taxpayer is not entitled to

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1 carryback any net operating losses after December 31, 2011.  
 2 (c) An Indiana net operating loss equals the sum of the following:  
 3 (1) Subject to subsection (m), any separately stated net operating  
 4 loss derived from sources within Indiana, plus each of the  
 5 following, as applicable:  
 6 (A) In the case of an individual, any deductions allowable  
 7 in determining the separately stated net operating loss for  
 8 the taxable year that are derived from sources within  
 9 Indiana but not allowable in determining federal adjusted  
 10 gross income.  
 11 (B) In the case of a separately stated net operating loss that  
 12 results from an excess business loss (as defined in Section  
 13 461(l) of the Internal Revenue Code) for a taxable year  
 14 beginning after December 31, 2022, the modifications  
 15 required by IC 6-3-1-3.5, as set forth in subsection (d)(1),  
 16 that result in an increase of the taxpayer's Indiana adjusted  
 17 gross income and that arise from federal deductions that  
 18 resulted in the excess business loss.  
 19 (C) In the case of a separately stated net operating loss not  
 20 described in clause (B), the modifications required by  
 21 IC 6-3-1-3.5, as set forth in subsection (d)(1). For purposes  
 22 of this clause, a modification that results in an increase to a  
 23 taxpayer's adjusted gross income is considered an addition,  
 24 and a modification that results in a decrease to a taxpayer's  
 25 adjusted gross income is considered a subtraction.  
 26 If the amount determined under this subdivision is less than zero  
 27 (0), the amount is an Indiana net operating loss.  
 28 (2) Subject to subsection (m), the taxpayer's preliminary federal  
 29 net operating loss for a taxable year derived from sources within  
 30 Indiana plus the sum of the following:  
 31 (A) The application of certain modifications required by  
 32 IC 6-3-1-3.5 as set forth in subsection (d)(1). For purposes  
 33 of this clause, a modification that results in an increase to a  
 34 taxpayer's adjusted gross income is considered an addition,  
 35 and a modification that results in a decrease to a taxpayer's  
 36 adjusted gross income is considered a subtraction.  
 37 (B) In the case of an individual, any deductions derived  
 38 from sources within Indiana and allowable in determining  
 39 the preliminary federal net operating loss for the taxable  
 40 year but not allowable in determining federal adjusted gross  
 41 income.  
 42 If the amount determined under this subdivision is less than zero

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- 1 (0), the amount is an Indiana net operating loss. If the amount  
 2 determined under this subdivision is equal to or greater than zero  
 3 (0), the Indiana net operating loss under this subdivision is zero  
 4 (0).
- 5 (3) The excess business loss deduction disallowed under  
 6 IC 6-3-1-3.5(a)(29) and IC 6-3-1-3.5(f)(14) and incurred from  
 7 Indiana sources.
- 8 (d) The following provisions apply for purposes of subsection (c):  
 9 (1) The modifications that are to be applied are those  
 10 modifications required under IC 6-3-1-3.5 for the same taxable  
 11 year in which each net operating loss was incurred, except that  
 12 the modifications do not include the modifications required  
 13 under:
- 14 (A) IC 6-3-1-3.5(a)(3);  
 15 (B) IC 6-3-1-3.5(a)(4);  
 16 (C) IC 6-3-1-3.5(a)(5);  
 17 (D) IC 6-3-1-3.5(a)(36);  
 18 (E) ~~IC 6-3-1-3.5(b)(22)~~; **IC 6-3-1-3.5(b)(23)**;  
 19 (F) ~~IC 6-3-1-3.5(d)(20)~~; **IC 6-3-1-3.5(d)(21)**;  
 20 (G) ~~IC 6-3-1-3.5(e)(20)~~; **IC 6-3-1-3.5(e)(21)**;  
 21 (H) ~~IC 6-3-1-3.5(f)(19)~~; **IC 6-3-1-3.5(f)(20)**; and  
 22 (I) any modification required under Section 172(d) or  
 23 Section 512(b) of the Internal Revenue Code that is also  
 24 required under IC 6-3-1-3.5 in determining Indiana adjusted  
 25 gross income.
- 26 (2) The amount of the taxpayer's net operating loss that is  
 27 derived from sources within Indiana shall be determined in the  
 28 same manner that the amount of the taxpayer's adjusted gross  
 29 income derived from sources within Indiana is determined under  
 30 section 2 of this chapter for the same taxable year during which  
 31 each loss was incurred.
- 32 (e) Subject to the limitations contained in subsections (g) through  
 33 (l), an Indiana net operating loss carryover shall be available as a  
 34 deduction from the taxpayer's adjusted gross income derived from  
 35 sources within Indiana (as defined in section 2 of this chapter) in the  
 36 carryover year provided in subsection (f), but not in excess of the  
 37 taxpayer's adjusted gross income (as defined in IC 6-3-1-3.5) in the  
 38 carryover year determined without regard to the deduction allowable  
 39 under this section.
- 40 (f) Carryovers shall be determined under this subsection as  
 41 follows:  
 42 (1) An Indiana net operating loss shall be an Indiana net

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- 1 operating loss carryover to each of the carryover years following  
 2 the taxable year of the loss.
- 3 (2) An Indiana net operating loss may not be carried over for  
 4 more than twenty (20) taxable years after the taxable year of the  
 5 loss.
- 6 (g) The entire amount of the Indiana net operating loss for any  
 7 taxable year shall be carried to the earliest of the taxable years to which  
 8 (as determined under subsection (f)) the loss may be carried. The  
 9 amount of the Indiana net operating loss remaining after the deduction  
 10 is taken under this section in a taxable year may be carried over as  
 11 provided in subsection (f). The amount of the Indiana net operating loss  
 12 carried over from year to year shall be reduced to the extent that the  
 13 Indiana net operating loss carryover is used by the taxpayer to obtain  
 14 a deduction in a taxable year, or as required by subsection (i), until the  
 15 occurrence of the earlier of the following:
- 16 (1) The entire amount of the Indiana net operating loss has been  
 17 used as a deduction or reduced as required by subsection (i).
- 18 (2) The Indiana net operating loss has been carried over to each  
 19 of the carryover years provided by subsection (f).
- 20 (h) An Indiana net operating loss deduction determined under this  
 21 section shall be allowed notwithstanding the fact that in the year the  
 22 taxpayer incurred the net operating loss the taxpayer was not subject to  
 23 the tax imposed under section 1 of this chapter because the taxpayer  
 24 was:
- 25 (1) a life insurance company (as defined in Section 816(a) of the  
 26 Internal Revenue Code); or
- 27 (2) an insurance company subject to tax under Section 831 of the  
 28 Internal Revenue Code.
- 29 (i) Notwithstanding subsection (g), the following apply to an  
 30 Indiana net operating loss:
- 31 (1) An Indiana net operating loss that arises after the application  
 32 of Section 512(a)(6) of the Internal Revenue Code shall be  
 33 allowable only:
- 34 (A) in a taxable year in which the trade or business that  
 35 generated the federal net operating loss has an adjusted  
 36 gross income derived from sources within Indiana greater  
 37 than zero (0) as determined under IC 6-3-1-3.5; and
- 38 (B) against the trade's or business's adjusted gross income;  
 39 until the federal net operating loss from the trade or business has  
 40 been exhausted. When the federal net operating loss from the  
 41 trade or business has been exhausted, and subject to the  
 42 limitations of this section, any remaining Indiana net operating

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- 1 loss shall be allowable against any trade or business of the  
 2 taxpayer.
- 3 (2) In the case of a corporation described in section 2.8(2) of this  
 4 chapter, an Indiana net operating loss deduction that is  
 5 attributable to a preconversion year may not be greater than any  
 6 net recognized built-in gain of the corporation as defined in  
 7 Section 1374(d)(2) of the Internal Revenue Code derived from  
 8 sources within Indiana.
- 9 (j) The following rules apply to an Indiana net operating loss:  
 10 (1) If the taxpayer had a discharge of indebtedness derived from  
 11 Indiana sources that is excluded from gross income under  
 12 Section 108(a)(1)(A), Section 108(a)(1)(B), or Section  
 13 108(a)(1)(C) of the Internal Revenue Code, the Indiana net  
 14 operating loss shall be reduced by the remainder of:  
 15 (A) the amount of discharge of indebtedness excluded from  
 16 federal gross income derived from Indiana sources; minus  
 17 (B) the amount of discharge of indebtedness derived from  
 18 Indiana sources that reduced the tax attributes under Section  
 19 108(b)(2)(D), Section 108(b)(2)(E), or Section 108(b)(2)(F)  
 20 of the Internal Revenue Code or was applied for federal tax  
 21 purposes under Section 108(b)(5) of the Internal Revenue  
 22 Code.
- 23 (2) Any reduction in an Indiana net operating loss shall be first  
 24 applied to the Indiana net operating loss for the taxable year of  
 25 the discharge, and then to any Indiana net operating loss  
 26 carryovers.
- 27 (3) The provisions of Section 108(d)(6) and Section 108(d)(7) of  
 28 the Internal Revenue Code shall apply to any discharge of  
 29 indebtedness for purposes of determining the reduction of net  
 30 operating losses under this section.
- 31 (k) If a taxpayer has an ownership change for which the limitations  
 32 of net operating losses under Section 382 of the Internal Revenue Code  
 33 apply, the following shall apply:  
 34 (1) The amount a taxpayer may claim as an Indiana net operating  
 35 loss deduction for a taxable year beginning after December 31,  
 36 2022, shall not exceed the limitation imposed by Section  
 37 382(b)(1) of the Internal Revenue Code multiplied by the  
 38 apportionment percentage determined under section 2 of this  
 39 chapter for the year in which the net operating loss is being  
 40 claimed, unless otherwise provided by this subsection. The  
 41 following apply:  
 42 (A) The limitation under this subdivision does not apply to

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1 adjusted gross income accrued in the portion of the taxable  
 2 year on or before the change date (as defined in Section  
 3 382(j) of the Internal Revenue Code). For purposes of this  
 4 subdivision, the adjusted gross income of the taxpayer shall  
 5 be multiplied by the number of days in the taxable year on  
 6 or before the change date to the number of days in the  
 7 taxable year.

8 (B) For the portion of the taxable year after the change date  
 9 (as defined in Section 382(j) of the Internal Revenue Code),  
 10 the limitation under this subdivision shall be the limitation  
 11 otherwise computed in this subdivision multiplied by the  
 12 number of days in the taxable year after the change date to  
 13 the number of days in the taxable year.

14 (2) If a taxpayer's Indiana net operating loss determined under  
 15 this subsection is not fully deductible as a result of subsection (e)  
 16 for a taxable year, the limitation under this subsection for the  
 17 following taxable year shall be increased by the net operating  
 18 loss determined but not allowable as a deduction for the taxable  
 19 year.

20 (3) If the continuity of business requirements under Section  
 21 382(c) of the Internal Revenue Code are not met, the Indiana net  
 22 operating loss available for carryforward shall be zero (0) except  
 23 to the extent of recognized built in gains derived from Indiana  
 24 sources and amounts allowable under subdivision (2).

25 (4) If the limitation under Section 382(b) of the Internal Revenue  
 26 Code is increased for a taxable year under Section 382(h) of the  
 27 Internal Revenue Code, the limitation under subdivision (1) for  
 28 that taxable year shall be increased by the federal increase in the  
 29 net operating loss limitation for the taxable year multiplied by  
 30 the Indiana apportionment percentage for that taxable year.

31 (5) For purposes of any other matters not provided for in  
 32 subdivisions (1) through (4), the taxpayer and the department are  
 33 required to apply the limitations and rules under Section 382 of  
 34 the Internal Revenue Code in a manner consistent with this  
 35 subsection.

36 (6) This subsection applies to a taxpayer regardless of whether  
 37 the taxpayer actually has a federal net operating loss subject to  
 38 Section 382 of the Internal Revenue Code or whether any federal  
 39 net operating losses have been exhausted.

40 (1) If two (2) or more corporations file a consolidated return under  
 41 IC 6-3-4-14 or a combined return under this chapter and have an  
 42 Indiana net operating loss on a consolidated or combined basis for a

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1 taxable year:

2 (1) the Indiana net operating loss attributable to each corporation

3 included in the consolidated or combined return shall be

4 determined in a manner consistent with the attribution of federal

5 net operating losses for consolidated groups as provided under

6 the Internal Revenue Code and regulations promulgated

7 thereunder;

8 (2) the application of Indiana net operating losses and reduction

9 of losses attributable to each member shall be in a manner

10 consistent with the application and reduction of federal net

11 operating losses for consolidated groups as provided under the

12 Internal Revenue Code and regulations promulgated thereunder;

13 and

14 (3) the availability of net operating losses to each corporation

15 upon an ownership change or change in filing status shall be in

16 a manner consistent with the availability and use of federal net

17 operating losses for consolidated groups as provided under the

18 Internal Revenue Code and regulations promulgated thereunder.

19 (m) The following apply for purposes of calculating an Indiana net

20 operating loss under subsection (c):

21 (1) An itemized deduction shall be applied first under subsection

22 (c)(1), and any amount not applied under subsection (c)(1) to

23 make the net operating loss equal to zero (0) shall be applied

24 under subsection (c)(2).

25 (2) In the case of a modification under IC 6-3-1-3.5 required to

26 modify a separately stated net operating loss or a preliminary

27 federal net operating loss, the amount of the modification may

28 not exceed the amount prescribed under IC 6-3-1-3.5 and must

29 be applied in the following order:

30 (A) Against a separately stated net operating loss under

31 subsection (c)(1)(B), but only to the extent necessary to

32 increase the separately stated net operating loss, after

33 application of subsection (c)(1)(A) and (c)(1)(B), to an

34 amount not greater than zero (0).

35 (B) Against a separately stated net operating loss under

36 subsection (c)(1)(C), but only to the extent necessary to

37 increase the separately stated net operating loss to an

38 amount not greater than zero (0).

39 (C) To compute a modification to a preliminary federal net

40 operating loss under subsection (c)(2).

41 SECTION 10. IC 6-3-2-29, AS ADDED BY P.L.194-2023,

42 SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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1 JANUARY 1, 2025 (RETROACTIVE)]; Sec. 29. (a) As used in this  
2 section, "specified research or experimental expenditures" means:

- 3 **(1) for taxable years beginning before January 1, 2025,**  
4 **specified research or experimental expenditures (as defined in**  
5 **Section 174(b) of the Internal Revenue Code) Code as in effect**  
6 **December 31, 2024)** that the taxpayer is required to charge to  
7 capital account under Section 174(a)(2) of the Internal Revenue  
8 Code. The term does not include expenditures for which a  
9 deduction is disallowed as a result of Section 280C(c) of the  
10 Internal Revenue Code;  
11 **(2) for taxable years beginning after December 31, 2024,**  
12 **foreign research or experimental expenditures (as defined in**  
13 **Section 174(b) of the Internal Revenue Code); and**  
14 **(3) for taxable years beginning after December 31, 2024,**  
15 **domestic research or experimental expenditures (as defined**  
16 **in Section 174A(b) of the Internal Revenue Code).**

17 (b) Except as otherwise provided in this section, for taxable years  
18 beginning after December 31, 2021, a taxpayer, in determining the  
19 taxpayer's adjusted gross income for a particular taxable year, shall:

- 20 (1) deduct from the taxpayer's adjusted gross income an amount  
21 equal to the specified research or experimental expenditures  
22 charged to capital account under Section 174(a)(2)(A) of the  
23 Internal Revenue Code for the taxable year; and  
24 (2) add to the taxpayer's adjusted gross income the amount  
25 deducted under Section 174(a)(2)(B) of the Internal Revenue  
26 Code **or deducted pursuant to P.L. 119-21, Section 70302(f)(2)**  
27 for the taxable year.

28 (c) In the case of a taxpayer that owns an interest in a partnership  
29 or corporation described in section 2.8(2) of this chapter, the amount  
30 that must be deducted under subsection (b)(1) for a particular taxable  
31 year may not exceed the sum of:

- 32 (1) the taxpayer's adjusted basis in the partnership or corporation  
33 for federal tax purposes, as determined at the end of the  
34 taxpayer's taxable year and after application of any expenses,  
35 deductions, or losses; plus  
36 (2) the amount of any specified research or experimental  
37 expenditures claimed as a deduction under Section 174 of the  
38 Internal Revenue Code in determining the taxpayer's federal  
39 adjusted gross income for the taxable year.

40 (d) A deduction or part of a deduction that is disallowed under  
41 subsection (c) must be:

- 42 (1) carried forward to the subsequent taxable year;

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- 1 (2) treated as a specified research or experimental expenditure
- 2 that is paid or incurred in the subsequent taxable year; and
- 3 (3) applied under subsection (c) against the adjusted basis of the
- 4 partnership or corporation for the subsequent taxable year.

5 (e) If a taxpayer is eligible for a deduction under subsection (b)(1),  
 6 but the deduction would be treated as a passive deduction under  
 7 Section 469 of the Internal Revenue Code, the amount that may be  
 8 deducted under subsection (b)(1) for a particular taxable year may not  
 9 exceed the sum of:

- 10 (1) the amount of the taxpayer's passive income, as determined
- 11 for federal tax purposes, after application of any passive losses
- 12 or deductions for the taxable year and after application of any
- 13 passive loss carryovers for the taxable year, but not less than
- 14 zero (0); plus
- 15 (2) the amount of any specified research or experimental
- 16 expenditures claimed as a deduction under Section 174 of the
- 17 Internal Revenue Code in determining the taxpayer's federal
- 18 adjusted gross income for the taxable year.

19 The requirements under this subsection must be applied after  
 20 application of subsections (c) and (d). Any deduction or part of a  
 21 deduction that is disallowed under this subsection must be carried  
 22 forward to the subsequent taxable year and treated as a specified  
 23 research or experimental expenditure that is paid or incurred in the  
 24 subsequent taxable year from a trade or business that is a passive  
 25 activity for the taxpayer.

- 26 (f) If, before the effective date of this section, a taxpayer:
- 27 (1) is a pass through entity; and
- 28 (2) filed a return either:
- 29 (A) for a taxable year beginning before January 1, 2023,
- 30 that reported tax under IC 6-3-2.1 as an electing entity; or
- 31 (B) for a taxable year beginning before January 1, 2023,
- 32 passing through the tax paid under IC 6-3-2.1 by another
- 33 entity on the taxpayer's behalf as pass through entity to its
- 34 owners;

35 the taxpayer shall report the adjusted gross income subject to pass  
 36 through entity tax for purposes of IC 6-3-2.1 as if the modification  
 37 under this section was not in effect for taxable years beginning before  
 38 January 1, 2023. The taxpayer shall report the modifications otherwise  
 39 required under this section to its partners, shareholders, or beneficiaries  
 40 for the taxable year in the manner prescribed under this article.

- 41 (g) The modifications required under this section are not
- 42 applicable if a taxpayer is not required under federal law to charge

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1 specified research or experimental expenditures to capital account in  
 2 determining federal adjusted gross income, regardless of whether the  
 3 taxpayer elects to charge **specified** research or experimental  
 4 expenditures to capital account. **For purposes of this section:**

5 **(1) if the taxpayer is an eligible taxpayer permitted to**  
 6 **retroactively deduct certain specified research or**  
 7 **experimental expenditures as provided in P.L.119-21, Section**  
 8 **70302(f)(1); and**

9 **(2) does not make a retroactive election under this section;**  
 10 **the taxpayer shall be treated as if the taxpayer was required under**  
 11 **federal law to charge specified research or experimental**  
 12 **expenditures to capital account.**

13 **(h) If a taxpayer makes an election to retroactively deduct**  
 14 **certain specified research or experimental expenditures as**  
 15 **provided in P.L.119-21, Section 70302(f)(1):**

16 **(1) the taxpayer and the department shall treat the specified**  
 17 **research or experimental expenditures in the same manner**  
 18 **as elected for federal income tax purposes;**

19 **(2) the taxpayer shall be required to amend all tax returns**  
 20 **filed under this article or IC 6-5.5 for which the taxpayer**  
 21 **reported modifications under this section or filed an**  
 22 **amended return with the Internal Revenue Service; and**

23 **(3) any amended return filed with the Internal Revenue**  
 24 **Service shall be treated as being a final adjustment made by**  
 25 **the Internal Revenue Service on the date the amended return**  
 26 **is filed with the Internal Revenue Service or October 31,**  
 27 **2025, whichever is later.**

28 SECTION 11. IC 6-3-2-30 IS ADDED TO THE INDIANA CODE  
 29 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 30 4, 2025 (RETROACTIVE)]: **Sec. 30. (a) For purposes of this section,**  
 31 **"qualified production property" has the meaning provided in**  
 32 **Section 168(n)(2) of the Internal Revenue Code.**

33 **(b) Except as otherwise provided in this section, if a taxpayer**  
 34 **makes an election to claim the special depreciation allowance**  
 35 **under Section 168(n) of the Internal Revenue Code with regard to**  
 36 **qualified production property used by the taxpayer and placed in**  
 37 **service during the current taxable year or a previous taxable year,**  
 38 **the taxpayer shall add or subtract the amount required to make the**  
 39 **taxpayer's adjusted gross income (as defined in IC 6-3-1-3.5 or**  
 40 **IC 6-5.5-1-2) equal to the amount of adjusted gross income**  
 41 **determined as if an election had not been made under Section**  
 42 **168(n) of the Internal Revenue Code.**

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1 (c) If a taxpayer:

2 (1) makes an election under Section 168(n) of the Internal  
3 Revenue Code to claim the special depreciation allowance  
4 under that section; and

5 (2) the taxpayer is considered to have elected to not claim  
6 other special depreciation allowances under Section 168 of  
7 the Internal Revenue Code as a result of that election;

8 the taxpayer will be considered to have made an election to not  
9 claim the special depreciation allowances described in subdivision  
10 (2) for purposes of computing adjusted gross income under this  
11 article or IC 6-5.5.

12 (d) If a taxpayer is subject to recapture of the special  
13 depreciation allowance pursuant to Section 168(n)(5) of the  
14 Internal Revenue Code, the taxpayer:

15 (1) will be considered to have made an election under Section  
16 168(n) of the Internal Revenue Code;

17 (2) will be considered for purposes of this article and IC 6-5.5  
18 to have disposed of the qualified production property on the  
19 date specified in Section 168(n)(5) of the Internal Revenue  
20 Code and shall report any income from the property for that  
21 taxable year, subject to the modifications required under this  
22 section; and

23 (3) will be required to report any depreciation, gain, or loss  
24 from the qualified production property after the recapture  
25 of the special depreciation allowance in the same manner as  
26 otherwise provided by the Internal Revenue Code.

27 SECTION 12. IC 6-3-2-31 IS ADDED TO THE INDIANA CODE  
28 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
29 JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 31. (a) This section**  
30 **applies to the taxable year beginning after December 31, 2025, and**  
31 **ending before January 1, 2027.**

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

39 SECTION 13. IC 6-3-2-32 IS ADDED TO THE INDIANA CODE  
40 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
41 JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 32. (a) This section**  
42 **applies to the taxable year beginning after December 31, 2025, and**

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1 ending before January 1, 2027.

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

9 SECTION 14. IC 6-3-2-33 IS ADDED TO THE INDIANA CODE  
10 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
11 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 33. (a) This section  
12 applies to the taxable year beginning after December 31, 2025, and  
13 ending before January 1, 2027.

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

23 SECTION 15. IC 6-3-2.1-5, AS AMENDED BY P.L.230-2025,  
24 SECTION 71, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
25 JANUARY 1, 2025 (RETROACTIVE)]: Sec. 5. (a) Each electing  
26 entity shall compute each direct owner's share of the tax imposed by  
27 section 4 of this chapter and reflect that amount in the form and manner  
28 prescribed by the department.

29 (b) Each entity owner shall be entitled to a refundable credit in an  
30 amount equal to the amount of tax under this chapter credited to the  
31 entity owner.

32 (c) An electing entity or pass through entity shall be permitted to  
33 claim a credit for taxes withheld or paid on the entity's behalf.

34 (d) An electing entity that has direct owners that would be  
35 permitted to claim a credit under IC 6-3-3-3 for taxes paid to another  
36 state with regard to a taxable year may elect to claim a credit under this  
37 chapter for:

- 38 (1) an amount equal to the income of a resident direct owner  
39 attributable to a state other than Indiana multiplied by the rate  
40 imposed by IC 6-3-2-1(a) (before July 1, 2025) or IC 6-3-2-1(b)  
41 (after June 30, 2025) or maximum individual income tax rate  
42 imposed by that other state, whichever rate is less, if:

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- 1 (A) the electing entity makes an election to tax resident  
 2 direct owners in the manner prescribed in section 4(a)(2)(A)  
 3 of this chapter; and  
 4 (B) the other state grants a credit to ~~the Indiana~~ its residents  
 5 substantially similar to the credit as provided under  
 6 ~~IC 6-3-3-3; IC 6-3-3-3(a)~~; and  
 7 (2) an amount equal to the income attributable to Indiana  
 8 multiplied by the rate imposed by IC 6-3-2-1(a) (before July 1,  
 9 2025) or IC 6-3-2-1(b) (after June 30, 2025) or the maximum  
 10 individual income tax rate by the nonresident direct owner's state  
 11 of residence, whichever rate is less, if the nonresident direct  
 12 owner would be permitted a credit under IC 6-3-3-3(b) for the  
 13 income attributable to Indiana and derived from the electing  
 14 entity.  
 15 (e) An electing entity may elect to claim a credit for any credit  
 16 under IC 6-3-3 or IC 6-3.1, other than the credits under subsections (b)  
 17 through (d), and arising from the operations of the electing entity, or  
 18 which are passed through to or assigned to the electing entity for the  
 19 taxable year. For purposes of this subsection, the following apply:  
 20 (1) The credit must be allowable to pass through to the direct  
 21 owners of the electing entity under the provisions of the credit.  
 22 (2) The credit must be first allowable to the direct owners of the  
 23 pass through entity in a taxable year ending on or after the  
 24 taxable year of the electing entity.  
 25 (3) The amount of the credit that the entity may claim against the  
 26 tax attributable to any direct owner under subsection (a) may not  
 27 exceed the credit that is available to be passed through to the  
 28 direct owner.  
 29 (f) For purposes of subsections (d) and (e), the following apply:  
 30 (1) The elections under subsections (d) and (e) are separate  
 31 elections to which the following apply:  
 32 (A) An election under subsection (e) applies to all credits  
 33 other than the credits described in subsections (b) through  
 34 (d). No allowance for an election to apply to one (1) or more  
 35 credits and to not apply to one (1) or more credits is  
 36 permitted.  
 37 (B) The election to claim the credits under subsections (d)  
 38 and (e) must be made on the original return filed by the  
 39 electing entity. A failure to claim a credit shall be treated as  
 40 if the credit was not allowable to the electing entity.  
 41 (C) An election to apply a credit applies to the tax for all  
 42 direct owners of the electing entity, provided that an

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1 election under subsection (d) applies only to direct owners  
2 that are individuals, estates, or trusts.

3 (2) If an electing entity claims credits under both subsections (d)  
4 and (e), the electing entity shall apply the credit under subsection  
5 (d) first, then any amount allowable under subsection (e).

6 (3) The sum of the credits attributable to a direct owner of an  
7 electing entity shall not exceed the tax computed by the electing  
8 entity for the direct owner under this chapter.

9 (4) A provision under IC 6-3-3 or IC 6-3.1 requiring a credit to  
10 be passed through shall not prevent an electing entity from  
11 applying the credit against the tax imposed under this chapter.

12 (5) An entity owner shall be permitted to claim any credit  
13 otherwise allowable to the owner to the extent otherwise  
14 permitted by IC 6-3-3 or IC 6-3.1.

15 SECTION 16. IC 6-3-3-12.1, AS AMENDED BY P.L.205-2025,  
16 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
17 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 12.1. (a) As used in this  
18 section, "ABLE account" has the meaning set forth in IC 12-11-14-1.

19 (b) As used in this section, "contribution" means the amount of  
20 money directly provided to an Indiana ABLE 529A savings plan  
21 account by a taxpayer. A contribution does not include any of the  
22 following:

23 (1) Money credited to an ABLE account as a result of bonus  
24 points or other forms of consideration earned by the taxpayer  
25 that result in a transfer of money to the ABLE account.

26 (2) Money transferred from any qualified ABLE program under  
27 Section 529A of the Internal Revenue Code or from any other  
28 similar plan.

29 (3) Money transferred from any qualified tuition program under  
30 Section 529 of the Internal Revenue Code or from any other  
31 similar plan.

32 **(4) Money transferred in a qualified ABLE rollover**  
33 **contribution described in Section 530A(d)(4)(B) of the**  
34 **Internal Revenue Code.**

35 (c) As used in this section, "designated beneficiary" has the  
36 meaning set forth in IC 12-11-14-5.

37 (d) As used in this section, "Indiana ABLE 529A savings plan"  
38 refers to the Achieving a Better Life Experience (ABLE) 529A plan  
39 established under IC 12-11.

40 (e) As used in this section, "nonqualified withdrawal" means a  
41 withdrawal or distribution from an Indiana ABLE 529A savings plan  
42 that is not a qualified withdrawal.

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1 (f) As used in this section, "qualified disability expense" has the  
2 meaning set forth in IC 12-11-14-8.

3 (g) As used in this section, "qualified withdrawal" means a  
4 withdrawal or distribution from an Indiana ABLE 529A savings plan  
5 that is made:

6 (1) to pay for qualified disability expenses, excluding any  
7 withdrawals or distributions used to pay for qualified disability  
8 expenses, if the withdrawals or distributions are made from an  
9 Indiana ABLE 529A savings plan that is terminated within  
10 twelve (12) months after the ABLE account is opened;

11 (2) as a result of the death of a designated beneficiary; or

12 (3) by an Indiana ABLE 529A savings plan as the result of a  
13 transfer of funds by an Indiana ABLE 529A savings plan from  
14 one (1) third party custodian to another.

15 A qualified withdrawal does not include a rollover distribution or  
16 transfer of assets from an Indiana ABLE 529A savings plan to any  
17 other qualified ABLE program under Section 529A of the Internal  
18 Revenue Code, or to any qualified tuition program under Section 529  
19 of the Internal Revenue Code other than an Indiana 529 plan established  
20 under IC 21-9, or to any other similar plan.

21 (h) As used in this section, "taxpayer" means:

22 (1) an individual filing a single return;

23 (2) a married couple filing a joint return; or

24 (3) a married individual filing a separate return.

25 (i) A taxpayer is entitled to a credit against the taxpayer's adjusted  
26 gross income tax imposed by IC 6-3-1 through IC 6-3-7 for a taxable  
27 year equal to the least of the following:

28 (1) Twenty percent (20%) of the amount of the total  
29 contributions made by the taxpayer to an ABLE account or  
30 accounts of an Indiana ABLE 529A savings plan during the  
31 taxable year.

32 (2) Five hundred dollars (\$500).

33 (3) The amount of the taxpayer's adjusted gross income tax  
34 imposed by IC 6-3-1 through IC 6-3-7 for the taxable year,  
35 reduced by the sum of all credits (as determined without regard  
36 to this section) allowed by IC 6-3-1 through IC 6-3-7.

37 (j) A taxpayer is not entitled to a carryback, carryover, or refund  
38 of an unused credit.

39 (k) A taxpayer may not sell, assign, convey, or otherwise transfer  
40 the tax credit provided by this section.

41 (l) To receive the credit provided by this section, a taxpayer must  
42 claim the credit on the taxpayer's annual state tax return or returns in

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1 the manner prescribed by the department. The taxpayer shall submit to  
 2 the department all information that the department determines is  
 3 necessary for the calculation of the credit provided by this section.

4 (m) An owner of an ABLE account of an Indiana ABLE 529A  
 5 savings plan must repay all or a part of the credit in a taxable year in  
 6 which any nonqualified withdrawal is made from the ABLE account.  
 7 The amount the taxpayer must repay is equal to the lesser of:

8 (1) twenty percent (20%) of the total amount of nonqualified  
 9 withdrawals made during the taxable year from the ABLE  
 10 account; or

11 (2) the excess of:

12 (A) the cumulative amount of all credits provided by this  
 13 section that are claimed by any taxpayer with respect to the  
 14 taxpayer's contributions to the ABLE account for all prior  
 15 taxable years; over

16 (B) the cumulative amount of repayments paid by the owner  
 17 of the ABLE account under this subsection for all prior  
 18 taxable years.

19 (n) Any required repayment under subsection (m) must be  
 20 reported by the owner of the ABLE account on the owner's annual state  
 21 income tax return for any taxable year in which a nonqualified  
 22 withdrawal is made.

23 (o) A nonresident owner of an ABLE account who is not required  
 24 to file an annual income tax return for a taxable year in which a  
 25 nonqualified withdrawal is made shall make any required repayment on  
 26 the form required under IC 6-3-4-1(2). If the nonresident owner of the  
 27 ABLE account does not make the required repayment, the department  
 28 shall issue a demand notice in accordance with IC 6-8.1-5-1.

29 (p) The executive director of the Indiana ABLE authority shall  
 30 submit or cause to be submitted to the department a copy of all  
 31 information returns or statements issued to ABLE account owners,  
 32 designated beneficiaries, and other taxpayers for each taxable year with  
 33 respect to:

34 (1) nonqualified withdrawals made from ABLE accounts for the  
 35 taxable year; or

36 (2) ABLE account closings for the taxable year.

37 (q) The following apply to contributions made after December 31,  
 38 2023:

39 (1) For purposes of this section, all or part of a contribution  
 40 made after the end of a taxable year, and not later than the due  
 41 date of the taxpayer's adjusted gross income tax return for the  
 42 taxable year under this article (as determined without regard to

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1 any allowable extensions), shall be considered as having been  
2 made during the taxable year preceding the contribution if:

3 (A) the taxpayer elects to treat all or part of a contribution  
4 as occurring in the taxable year preceding the contribution;

5 (B) the taxpayer designates the amounts of the contribution  
6 to be treated as occurring in each taxable year, in the case  
7 of a single contribution that is to be allowable under this  
8 section in two (2) separate years; and

9 (C) the taxpayer irrevocably waives the right to claim the  
10 contribution claimed in the taxable year preceding the  
11 contribution as occurring in the taxable year of the  
12 contribution.

13 (2) An irrevocable election under this subsection must be made  
14 in writing at the time the contribution is made.

15 (3) The Indiana ABLE authority may prescribe any forms  
16 necessary for purposes of this subsection.

17 SECTION 17. IC 6-3-3-13, AS AMENDED BY P.L. 180-2022(ss),  
18 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
19 JANUARY 1, 2022 (RETROACTIVE)]: Sec. 13. (a) This section  
20 applies only to taxable years beginning after December 31, 2014.

21 (b) Each taxable year, an individual **who is a resident of Indiana**  
22 **during the taxable year and** who is eligible to claim the credit  
23 provided by Section 23 of the Internal Revenue Code on the  
24 individual's federal return for the taxable year is entitled to a credit  
25 against the individual's adjusted gross income tax liability for the  
26 taxable year equal to the lesser of:

27 (1) the amount of the credit allowable under Section 23 of the  
28 Internal Revenue Code for each eligible child on the individual's  
29 federal return for the taxable year multiplied by twenty percent  
30 (20%); or

31 (2) two thousand five hundred dollars (\$2,500) for each eligible  
32 child.

33 (c) If the amount of the credit under this section exceeds the  
34 taxpayer's state income tax liability for the taxable year, the excess  
35 shall be refunded to the taxpayer.

36 (d) If all or part of the credit allowed under Section 23 of the  
37 Internal Revenue Code for a taxable year beginning after December 31,  
38 2014, is required to be claimed in, or carried forward to, a taxable year  
39 after the taxable year in which the credit is first allowed, the part  
40 carried forward and allowed to be claimed as a credit shall be treated  
41 as allowable under subsection (b), however, to the extent that a portion  
42 of a taxpayer's federal credit under Section 23 of the Internal Revenue

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Code is carried forward to a subsequent taxable year, the aggregate sum of credits claimed by the taxpayer under this section over the applicable taxable years may not exceed two thousand five hundred dollars (\$2,500). A credit first allowed under Section 23 of the Internal Revenue Code for a taxable year beginning before January 1, 2015, and required to be claimed in, or carried forward to, a taxable year after the taxable year in which the credit is first allowed shall not be treated as allowable under subsection (b).

**(e) If an individual is a resident of Indiana for part of the taxable year and a nonresident of Indiana for part of the taxable year, the credit allowable under Section 23 of the Internal Revenue Code for purposes of subsection (b) shall be:**

- (1) the credit allowable under Section 23 of the Internal Revenue Code;**
- (2) multiplied by the number of days the individual was a resident of Indiana; and**
- (3) divided by the number of days the individual was a resident of all states.**

**(f) If an individual and the individual's spouse file a joint return under this article for a taxable year, the calculation under subsection (e) for the taxable year shall be made based on the combined resident and nonresident days of the individual and the individual's spouse.**

SECTION 18. IC 6-3-4-4.1, AS AMENDED BY P.L.205-2025, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 4.1. (a) Any individual required by the Internal Revenue Code or this section to file estimated tax returns and to make payments on account of such estimated tax shall file estimated tax returns and make payments of the tax imposed by this article to the department at the time or times and in the installments as provided by Section 6654 of the Internal Revenue Code. However, the following apply to estimated tax returns filed and payments made under this subsection:

- (1) In applying Section 6654 of the Internal Revenue Code for the purposes of this article, "estimated tax" means the amount which the individual estimates as the sum of the amount of the adjusted gross income tax imposed by this article for the taxable year and the sum of the amount of local income tax under IC 6-3.6, including any amounts of credits required to be recaptured under IC 6-3-3 and IC 6-3.1, minus the amount which the individual estimates as the sum of any credits against the tax provided by IC 6-3-3, IC 6-3.1, and IC 6-3.6, other than the

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1 amounts of tax withheld under this chapter.  
 2 (2) Estimated tax for a nonresident alien (as defined in Section  
 3 7701 of the Internal Revenue Code) must be computed by  
 4 applying not more than one (1) exclusion under  
 5 IC 6-3-1-3.5(a)(3) and IC 6-3-1-3.5(a)(4), regardless of the total  
 6 number of exclusions that IC 6-3-1-3.5(a)(3) and  
 7 IC 6-3-1-3.5(a)(4) permit the taxpayer to apply on the taxpayer's  
 8 final return for the taxable year.  
 9 (3) If an individual does not file a return for the preceding  
 10 taxable year and the individual can establish that the individual  
 11 did not have a liability under IC 6-3 and IC 6-3.6, Section 6654  
 12 of the Internal Revenue Code shall be applied as if the tax  
 13 liability for the preceding taxable year under IC 6-3 and IC 6-3.6  
 14 was zero dollars (\$0).  
 15 (b) Every individual who has adjusted gross income subject to the  
 16 tax imposed by this article and from which tax is not withheld under  
 17 the requirements of this chapter or for which tax is not remitted on  
 18 behalf of the individual under IC 6-3-2.1 shall make a declaration of  
 19 estimated tax for the taxable year. However, no such declaration shall  
 20 be required if the estimated tax can reasonably be expected to be less  
 21 than one thousand dollars (\$1,000). In the case of an underpayment of  
 22 the estimated tax as provided in Section 6654 of the Internal Revenue  
 23 Code, there shall be added to the tax a penalty **in an amount at the rate**  
 24 prescribed by IC 6-8.1-10-2.1(b).  
 25 (c) An individual filing an estimated tax return and making an  
 26 estimated tax payment under this section must designate:  
 27 (1) the portion of the estimated tax payment that represents  
 28 estimated state adjusted gross income tax liability; and  
 29 (2) the portion of the estimated tax payment that represents  
 30 estimated local income tax liability under IC 6-3.6.  
 31 The department shall adopt guidelines and issue instructions as  
 32 necessary to assist individuals in making the designations required by  
 33 this subsection.  
 34 SECTION 19. IC 6-3-4-4.2, AS ADDED BY P.L.205-2025,  
 35 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 36 JULY 1, 2026]: Sec. 4.2. (a) The following apply for purposes of this  
 37 section:  
 38 (1) "Final tax liability" for a taxable year means the reported tax  
 39 liability of a taxpayer, except that:  
 40 (A) for purposes of determining the final tax liability for a  
 41 previous taxable year of less than twelve (12) months, the  
 42 final tax liability shall be:

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- 1 (i) the reported adjusted gross income tax liability;  
 2 divided by  
 3 (ii) the number of estimated payments otherwise  
 4 required under this chapter; multiplied by  
 5 (iii) four (4);  
 6 (B) if the taxpayer does not have a reported tax liability for  
 7 the previous year and properly does not file an adjusted  
 8 gross income tax return under IC 6-3 or financial  
 9 institutions tax under IC 6-5.5, the taxpayer's final tax  
 10 liability shall be considered to be zero dollars (\$0); and  
 11 (C) if the taxpayer has a reported tax liability of zero dollars  
 12 (\$0) for the previous taxable year, the taxpayer shall be  
 13 treated as having a tax liability of zero dollars (\$0).  
 14 (2) "Reported tax liability" means the adjusted gross income tax  
 15 under IC 6-3 or financial institutions tax under IC 6-5.5 as  
 16 reported by the taxpayer for the taxable year on the taxpayer's  
 17 return after application of any credits allowable to the taxpayer  
 18 under IC 6-3-3, IC 6-3.1, or IC 6-5.5 other than credits for:  
 19 (A) estimated taxes paid under this section or IC 6-5.5-6-3;  
 20 (B) taxes withheld on behalf of the taxpayer under this  
 21 chapter or IC 6-5.5-2-8; or  
 22 (C) taxes paid by a pass through entity on behalf of the  
 23 taxpayer under IC 6-3-2.1.  
 24 The term reported tax liability includes the recapture of any tax  
 25 credits under IC 6-3-3 or IC 6-3.1 reported on the tax return for  
 26 the taxable year. If the taxpayer fails to file a tax return for a  
 27 taxable year under IC 6-3 or IC 6-5.5, and the department  
 28 determines that the taxpayer owes adjusted gross income tax  
 29 under IC 6-3 or financial institutions tax under IC 6-5.5, the  
 30 reported tax liability shall be the greater of the amount for the  
 31 taxable year under IC 6-3 or IC 6-5.5 as determined by the  
 32 department or the amount for the immediately following taxable  
 33 year under IC 6-3 or IC 6-5.5.  
 34 (b) Except as otherwise provided in this section, every corporation  
 35 subject to the adjusted gross income tax liability imposed by this article  
 36 shall be required to report and pay an estimated tax equal to twenty-five  
 37 percent (25%) of such corporation's estimated adjusted gross income  
 38 tax liability for the taxable year. The following apply:  
 39 (1) A taxpayer who uses a taxable year that ends on December  
 40 31 shall file the taxpayer's estimated adjusted gross income tax  
 41 returns and pay the tax to the department on or before April 20,  
 42 June 20, September 20, and December 20 of the taxable year.

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- 1 (2) If a taxpayer uses a taxable year that does not end on  
 2 December 31, the due dates for filing estimated adjusted gross  
 3 income tax returns and paying the tax are on or before the  
 4 twentieth day of the fourth, sixth, ninth, and twelfth months of  
 5 the taxpayer's taxable year. The department shall prescribe the  
 6 manner and forms for such reporting and payment.
- 7 (3) Any taxes withheld on behalf of the corporation under this  
 8 chapter or IC 6-5.5-2-8, and any taxes remitted on behalf of the  
 9 corporation under IC 6-3-2.1, shall be treated as estimated tax  
 10 payments on behalf of the corporation for purposes of this  
 11 section. Such taxes shall be attributed to each required payment  
 12 in the manner the underlying income is attributed under Section  
 13 6655 of the Internal Revenue Code.
- 14 (4) If the taxpayer has a taxable year that is less than twelve (12)  
 15 months, the estimated payments under this section shall be  
 16 adjusted in the manner prescribed by Section 6655 of the  
 17 Internal Revenue Code and applicable regulations.
- 18 (c) If a corporation determines that its estimated tax payment using  
 19 an annualized method under Section 6655(e) of the Internal Revenue  
 20 Code is lower than the amount required under subsection (b), the  
 21 corporation shall be permitted to use an annualized method under  
 22 Section 6655(e) of the Internal Revenue Code to determine its  
 23 estimated tax payment under subsection (b), and shall recapture any  
 24 reduction in the estimated tax payment in the manner prescribed by  
 25 Section 6655(e) of the Internal Revenue Code. The corporation may not  
 26 use an annualized method under this section that would not be  
 27 allowable to the corporation under Section 6655 of the Internal  
 28 Revenue Code.
- 29 (d) The penalty ~~in the amount at the rate~~ prescribed by  
 30 IC 6-8.1-10-2.1(b) shall be assessed by the department on corporations  
 31 failing to make payments as required in subsection (b). However, no  
 32 penalty shall be assessed as to any estimated payments of adjusted  
 33 gross income tax which equal or exceed:
- 34 (1) the amount calculated under subsection (b); or  
 35 (2) twenty-five percent (25%) of the final tax liability for the  
 36 taxpayer's previous taxable year.
- 37 In addition, the penalty as to any underpayment of tax on an estimated  
 38 return shall only be assessed on the difference between the actual  
 39 amount paid by the corporation on such estimated return and the  
 40 amount determined under subsection (b).
- 41 (e) The provisions of subsection (b) requiring the reporting and  
 42 estimated payment of adjusted gross income tax shall be applicable

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1 only to corporations having an adjusted gross income tax liability  
 2 which exceeds two thousand five hundred dollars (\$2,500) for its  
 3 taxable year.

4 (f) If the department determines that a corporation's:

5 (1) estimated quarterly adjusted gross income tax liability for the  
 6 current year; or

7 (2) average estimated quarterly adjusted gross income tax  
 8 liability for the preceding year;

9 exceeds five thousand dollars (\$5,000), the corporation shall pay the  
 10 estimated adjusted gross income taxes due by electronic funds transfer  
 11 (as defined in IC 4-8.1-2-7) or by delivering in person or overnight by  
 12 courier a payment by cashier's check, certified check, or money order  
 13 to the department. The transfer or payment shall be made on or before  
 14 the date the tax is due. A failure to make a payment in the manner  
 15 prescribed under this subsection shall be subject to penalty as provided  
 16 in IC 6-8.1-10-2.1(b)(5).

17 (g) In the case of corporations that switch filing status, the final tax  
 18 liability shall be determined in the manner consistent with Section  
 19 1502 of the Internal Revenue Code and regulations thereunder.

20 SECTION 20. IC 6-3-4-6, AS AMENDED BY P.L.159-2021,  
 21 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 22 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 6. (a) Any taxpayer, upon  
 23 request by the department, shall furnish to the department a true and  
 24 correct copy of any tax return which the taxpayer has filed with the  
 25 United States Internal Revenue Service which copy shall be certified  
 26 to by the taxpayer under penalties of perjury.

27 (b) Each taxpayer shall notify the department of any modification  
 28 as provided in subsection (c) of:

29 (1) a federal income tax return filed by the taxpayer after January  
 30 1, 1978; or

31 (2) the taxpayer's federal income tax liability for a taxable year  
 32 which begins after December 31, 1977.

33 The taxpayer shall file the notice ~~on the form~~ **in the form and manner**  
 34 prescribed by the department within one hundred twenty (120) days  
 35 after the modification is made if the modification was made before  
 36 January 1, 2011, ~~and~~ one hundred eighty (180) days after the  
 37 modification is made if the modification is made after December 31,  
 38 2010, **but before January 1, 2026, and one (1) year after the**  
 39 **modification is made if the modification is made after December**  
 40 **31, 2025.**

41 (c) For purposes of subsection (b), a modification occurs on the  
 42 date on which a:

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- 1 (1) taxpayer files an amended federal income tax return;
- 2 (2) final determination is made concerning an assessment of
- 3 deficiency;
- 4 (3) final determination is made concerning a claim for a refund;
- 5 (4) taxpayer waives the restrictions on assessment and collection
- 6 of all, or any part, of an underpayment of federal income tax by
- 7 signing a federal Form 870, or any other Form prescribed by the
- 8 Internal Revenue Service for that purpose. For purposes of this
- 9 subdivision:
- 10 (A) a final determination does not occur with respect to any
- 11 part of the underpayment that is not covered by the waiver;
- 12 and
- 13 (B) if the signature of an authorized representative of the
- 14 Internal Revenue Service is required to execute a waiver,
- 15 the date of the final determination is the date of signing by
- 16 the authorized representative of the Internal Revenue
- 17 Service or by the taxpayer, whichever is later;
- 18 (5) taxpayer enters into a closing agreement with the Internal
- 19 Revenue Service concerning the taxpayer's tax liability under
- 20 Section 7121 of the Internal Revenue Code that is a final
- 21 determination. The date the taxpayer enters into a closing
- 22 agreement under this subdivision is the date the closing
- 23 agreement is signed by an authorized representative of the
- 24 Internal Revenue Service or by the taxpayer, whichever is later;
- 25 or
- 26 (6) modification or alteration in an amount of tax, adjusted gross
- 27 income, taxable income, credit, or other tax attribute is otherwise
- 28 made that is a final determination;
- 29 for a taxable year, regardless of whether a modification results in an
- 30 underpayment or overpayment of tax. In the case of a taxpayer that files
- 31 a consolidated return under section 14 of this chapter or either files or
- 32 is required to be included by the department in a combined return
- 33 under IC 6-3-2-2, the date on which the alteration or modification is
- 34 made shall be considered to be the last day on which an alteration or
- 35 modification occurs for any entity filing as part of the consolidated or
- 36 combined return.
- 37 (d) For purposes of subsection (c)(2) through (c)(6), a final
- 38 determination means an action or decision by a taxpayer, the Internal
- 39 Revenue Service (including the Appeals Division), the United States
- 40 Tax Court, or any other United States federal court concerning any
- 41 disputed tax issue that:
- 42 (1) is final and conclusive; and

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1 (2) cannot be reopened or appealed by a taxpayer or the Internal  
2 Revenue Service as a matter of law.

3 (e) If the federal modification results in a change in the taxpayer's  
4 federal or Indiana adjusted gross income, the taxpayer shall file an  
5 Indiana amended return within one hundred twenty (120) days after the  
6 modification is made if the modification was made before January 1,  
7 2011, ~~and~~ one hundred eighty (180) days after the modification is made  
8 if the modification is made after December 31, 2010, **but before**  
9 **January 1, 2026, and one (1) year after the modification is made if**  
10 **the modification is made after December 31, 2025.**

11 SECTION 21. IC 6-3-4-8.2, AS AMENDED BY P.L.58-2019,  
12 SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
13 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 8.2. (a) Each person in  
14 Indiana who is required under the Internal Revenue Code to withhold  
15 federal tax from winnings shall deduct and retain adjusted gross  
16 income tax at the time and in the amount described in withholding  
17 instructions issued by the department.

18 (b) In addition to amounts withheld under subsection (a), every  
19 person engaged in a gambling operation (as defined in IC 4-33-2-10)  
20 or a gambling game (as defined in IC 4-35-2-5) and making a payment  
21 in the course of the gambling operation (as defined in IC 4-33-2-10) or  
22 a gambling game (as defined in IC 4-35-2-5) of:

23 (1) winnings (not reduced by the wager) valued at ~~one thousand~~  
24 ~~two hundred dollars (\$1,200)~~ **one thousand five hundred**  
25 **dollars (\$1,500)** or more from slot machine play; or

26 (2) winnings (reduced by the wager) valued at one thousand five  
27 hundred dollars (\$1,500) or more from a keno game;

28 shall deduct and retain adjusted gross income tax at the time and in the  
29 amount described in withholding instructions issued by the department.  
30 The department's instructions must provide that amounts withheld shall  
31 be paid to the department on the twenty-fourth calendar day of each  
32 month. Any taxes collected during the month but after the day on which  
33 the taxes are required to be paid shall be paid to the department at the  
34 same time the following month's taxes are due. Slot machine and keno  
35 winnings from a gambling operation (as defined in IC 4-33-2-10) or a  
36 gambling game (as defined in IC 4-35-2-5) that are reportable for  
37 federal income tax purposes shall be treated as subject to withholding  
38 under this section, even if federal tax withholding is not required.

39 (c) The adjusted gross income tax due on prize money or prizes:

40 (1) received from a winning lottery ticket purchased under  
41 IC 4-30; and

42 (2) exceeding ~~one thousand~~ **one thousand five hundred dollars**

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1            ~~(\$1,500) hundred dollars (\$1,200) two~~ in value;  
 2 shall be deducted and retained at the time and in the amount described  
 3 in withholding instructions issued by the department, even if federal  
 4 withholding is not required.

5            (d) In addition to the amounts withheld under subsection (a), a  
 6 qualified organization (as defined in IC 4-32.3-2-31(a)) that awards a  
 7 prize under IC 4-32.3 exceeding ~~one thousand two hundred dollars~~  
 8 ~~(\$1,200) one thousand five hundred dollars (\$1,500)~~ in value shall  
 9 deduct and retain adjusted gross income tax at the time and in the  
 10 amount described in withholding instructions issued by the department.  
 11 The department's instructions must provide that amounts withheld shall  
 12 be paid to the department before the close of the business day following  
 13 the day the winnings are paid, actually or constructively.

14            **(e) For 2027 and later, if the amount for which a payor is**  
 15 **required to provide a statement to a recipient under Section 6041**  
 16 **of the Internal Revenue Code is increased to reflect inflation as**  
 17 **provided in Section 6041(h) of the Internal Revenue Code, the**  
 18 **amounts under subsections (b), (c), and (d) shall be the amount**  
 19 **increased to reflect inflation.**

20            SECTION 22. IC 6-3-4.5-2, AS AMENDED BY P.L.137-2022,  
 21 SECTION 42, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 22 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 2. The following apply  
 23 for purposes of this chapter:

24            (1) If a taxpayer has not filed a return under IC 6-3 or IC 6-5.5  
 25 for a taxable year, review year, or adjustment year, any reference  
 26 to an amended return shall be a reference to an original return  
 27 that includes any adjustments under this chapter.

28            (2) If a taxpayer is a partnership or pass through entity and has  
 29 not issued a statement to its owners or beneficiaries, any  
 30 reference to an amended statement shall be a reference to an  
 31 original statement that includes any adjustment under this  
 32 chapter.

33            (3) Any reference to tax shall include interest under  
 34 IC 6-8.1-10-1 and penalties under IC 6-8.1.

35            (4) In the case of a final federal adjustment for a review year that  
 36 is required, the adjustment shall be treated as:

37            (A) occurring in the review year, if and to the extent the  
 38 adjustment:

39            (i) results in an imputed underpayment for federal  
 40 purposes to the partnership;

41            (ii) would result in an imputed underpayment for  
 42 federal purposes to the partnership for the review year

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- 1                   except that the adjustment is reported by the partners  
 2                   of the partnership in the manner provided under  
 3                   Section 6225(c)(2) of the Internal Revenue Code; or  
 4                   (iii) results in an adjustment that is passed through to  
 5                   the review year partners for federal tax purposes, in the  
 6                   case of a partnership that makes a valid election  
 7                   pursuant to Section 6226 of the Internal Revenue  
 8                   Code; or  
 9                   (B) occurring in the adjustment year, to the extent a tax  
 10                  attribute is taken into account by the partnership as  
 11                  provided under Section 6225(a)(2) of the Internal Revenue  
 12                  Code and regardless of whether the item is a separately  
 13                  stated item for partners for federal income tax purposes.  
 14                  (C) For purposes of clauses (A) and (B):  
 15                   (i) a federal adjustment netted against another federal  
 16                   adjustment for purposes of determining an imputed  
 17                   underpayment for federal purposes to the partnership,  
 18                   or for purposes of determining a partner's federal tax  
 19                   due with respect to a review year, is considered to  
 20                   occur in the review year;  
 21                   (ii) a federal adjustment permitted to reduce the  
 22                   imputed underpayment for federal purposes for a  
 23                   partnership, or permitted for purposes of determining  
 24                   a partner's federal tax due or federal tax attributes with  
 25                   respect to a review year, and not otherwise described  
 26                   in item (i), is considered to occur in the review year;  
 27                   and  
 28                   (iii) if an adjustment related to a review year affects a  
 29                   tax attribute of a partner such that the partner is  
 30                   required to change one (1) or more tax attributes for  
 31                   federal purposes for a year other than the review year,  
 32                   the partner shall treat the change in the tax attribute as  
 33                   occurring for Indiana purposes in the same year as the  
 34                   change is required for federal purposes.  
 35                  (5) In the case of a state adjustment, the change shall be treated  
 36                  as occurring in the taxable year to which the state adjustment  
 37                  relates, unless the adjustment is treated as occurring in a  
 38                  different year as a result of subdivision (4).  
 39                  (6) For taxable years beginning before January 1, 2017, any  
 40                  reference to IC 6-3.6 shall be construed to include IC 6-3.5-1.1,  
 41                  IC 6-3.5-6, and IC 6-3.5-7, prior to their repeal.  
 42                  (7) With respect to partnerships and tiered partners:

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- 1 (A) a partner that is a partnership that receives a report of
- 2 partnership adjustments, receives a final federal adjustment,
- 3 or files an amended return is considered a tier one (1)
- 4 entity;
- 5 (B) a tiered partner that is a direct partner of a tier one (1)
- 6 entity is considered a tier two (2) entity; and
- 7 (C) each tiered partner that is an owner, beneficiary, or
- 8 partner of an entity that is a tier two (2) entity or higher
- 9 shall be assigned a tier number that is one (1) tier higher
- 10 and is considered an entity in that tier.

11 If, after application of this subdivision, a tiered partner is  
 12 assigned to more than one (1) tier, the tiered partner shall be  
 13 treated as being assigned to the highest numerical tier to which  
 14 the tiered partner could be assigned.

15 (8) In the case of a partnership or tiered partner that is assigned  
 16 a numerical tier, the applicable deadline for purposes of this  
 17 chapter is:

- 18 (A) in the case of a tier one (1) entity receiving a report of
- 19 partnership adjustments, ninety (90) days from the date the
- 20 report of partnership adjustments is final;
- 21 (B) in the case of a tier one (1) entity that has received a
- 22 final federal adjustment, one hundred eighty (180) days
- 23 from the final determination date **for a final determination**
- 24 **date before January 1, 2026, and one (1) year from the**
- 25 **final determination date for a final determination date**
- 26 **after December 31, 2025;**
- 27 (C) in the case of a tier one (1) entity that has filed an
- 28 amended return under this chapter other than an amended
- 29 return resulting from a final federal adjustment, zero (0)
- 30 days; and
- 31 (D) in the case of a tiered partner that has received
- 32 adjustments resulting from a tier one (1) partnership, a
- 33 number of days equal to:
  - 34 (i) the number of days described in clauses (A) through
  - 35 (C), as applicable; plus
  - 36 (ii) thirty (30) multiplied by the tier number assigned
  - 37 to the tiered partner; minus
  - 38 (iii) thirty (30).

39 However, if a tiered partner receives an adjustment reported on  
 40 a partnership audit tracking report under Section 6226 of the  
 41 Internal Revenue Code, the time period applicable for the tiered  
 42 partner is the longer of the time period described in clause (D)

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1 or ninety (90) days from the date prescribed in Section  
2 6226(b)(4)(B) of the Internal Revenue Code, and any other  
3 applicable deadlines under this subdivision or subdivision (9).

4 (9) Any reference to an election under section 9(c) of this  
5 chapter includes an election under sections 6(d) and 8(c) of this  
6 chapter.

7 (10) In the case of a direct partner or indirect partner that is not  
8 a tiered partner, the applicable deadline for purposes of this  
9 chapter is ninety (90) days after the applicable deadline that is  
10 determined for the partnership or tiered partner under  
11 subdivision (8). If a direct partner or indirect partner described  
12 in this subdivision is subject to more than one (1) applicable  
13 deadline, the applicable deadline is the latest date determined  
14 under this subdivision.

15 SECTION 23. IC 6-3-4.5-14, AS AMENDED BY P.L.137-2022,  
16 SECTION 47, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
17 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 14. For purposes of this  
18 chapter and IC 6-8.1-5-2, an assessment may not be issued against a  
19 direct or indirect partner or partnership with regard to changes related  
20 to a report of final partnership adjustments if the report of proposed  
21 partnership adjustments is issued by the department to a partnership  
22 after the latest of:

23 (1) three (3) years after the due date of the partnership's return,  
24 including any valid extension granted under IC 6-8.1-6-1;

25 (2) three (3) years after the date the partnership's return is filed  
26 with the department;

27 (3) in the case of the partnership's underreporting of its adjusted  
28 gross income by more than twenty-five percent (25%), the  
29 periods provided in subdivisions (1) and (2) shall be six (6)  
30 years;

31 (4) if the partnership fails to file a return required under  
32 IC 6-3-4-10, files a fraudulent return, or files a substantially  
33 blank return, no time limit;

34 (5) in the case of a report of proposed partnership adjustments  
35 arising from final federal adjustments:

36 (A) ~~one hundred eighty (180) days~~ **one (1) year** after the  
37 date on which the department receives the final federal  
38 adjustments from the partnership in the manner prescribed  
39 by the department; or

40 (B) December 31, 2021;

41 whichever is later; or

42 (6) in the case of a report of proposed partnership adjustments

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1 issued to a tiered partner that is a partnership as a direct or  
 2 indirect result of another partnership's report of final partnership  
 3 adjustments, final federal adjustments, or an amended return,  
 4 ~~one hundred eighty (180) days~~ **one (1) year** after the applicable  
 5 deadline for the tiered partner or the date otherwise determined  
 6 under this section for the partnership, whichever is later.

7 SECTION 24. IC 6-5.5-1-2, AS AMENDED BY P.L.194-2023,  
 8 SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 9 JULY 4, 2025 (RETROACTIVE)]: Sec. 2. (a) Except as provided in  
 10 subsections (b) through (d), "adjusted gross income" means taxable  
 11 income as defined in Section 63 of the Internal Revenue Code, adjusted  
 12 as follows:

13 (1) Add the following amounts:

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

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

19 (C) An amount equal to a deduction or deductions allowed  
 20 or allowable under Section 63 of the Internal Revenue Code  
 21 for taxes based on or measured by income and levied at the  
 22 state level by a state of the United States or levied at the  
 23 local level by any subdivision of a state of the United States.

24 (D) The amount of interest excluded under Section 103 of  
 25 the Internal Revenue Code or under any other federal law,  
 26 minus the associated expenses disallowed in the  
 27 computation of taxable income under Section 265 of the  
 28 Internal Revenue Code.

29 (E) An amount equal to the deduction allowed under  
 30 Section 172 or 1212 of the Internal Revenue Code for net  
 31 operating losses or net capital losses.

32 (F) For a taxpayer that is not a large bank (as defined in  
 33 Section 585(c)(2) of the Internal Revenue Code), an amount  
 34 equal to the recovery of a debt, or part of a debt, that  
 35 becomes worthless to the extent a deduction was allowed  
 36 from gross income in a prior taxable year under Section  
 37 166(a) of the Internal Revenue Code.

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

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1           been made under Section 168(k) of the Internal Revenue  
2           Code to **not** apply bonus depreciation to the property in the  
3           year that it was placed in service.  
4           (H) Add the amount necessary to make the adjusted gross  
5           income of any taxpayer that placed Section 179 property (as  
6           defined in Section 179 of the Internal Revenue Code) in  
7           service in the current taxable year or in an earlier taxable  
8           year equal to the amount of adjusted gross income that  
9           would have been computed had an election for federal  
10          income tax purposes not been made for the year in which  
11          the property was placed in service to take deductions under  
12          Section 179 of the Internal Revenue Code in a total amount  
13          exceeding the sum of:  
14                (i) twenty-five thousand dollars (\$25,000) to the extent  
15                deductions under Section 179 of the Internal Revenue  
16                Code were not elected as provided in item (ii); and  
17                (ii) for taxable years beginning after December 31,  
18                2017, the deductions elected under Section 179 of the  
19                Internal Revenue Code on property acquired in an  
20                exchange if the exchange would have been eligible for  
21                nonrecognition of gain or loss under Section 1031 of  
22                the Internal Revenue Code in effect on January 1,  
23                2017, the exchange is not eligible for nonrecognition  
24                of gain or loss under Section 1031 of the Internal  
25                Revenue Code, and the taxpayer made an election to  
26                take deductions under Section 179 of the Internal  
27                Revenue Code with regard to the acquired property in  
28                the year that the property was placed into service. The  
29                amount of deductions allowable for an item of property  
30                under this item may not exceed the amount of adjusted  
31                gross income realized on the property that would have  
32                been deferred under the Internal Revenue Code in  
33                effect on January 1, 2017.  
34           (I) Add an amount equal to any income not included in  
35           gross income as a result of the deferral of income arising  
36           from business indebtedness discharged in connection with  
37           the reacquisition after December 31, 2008, and before  
38           January 1, 2011, of an applicable debt instrument, as  
39           provided in Section 108(i) of the Internal Revenue Code.  
40           Subtract from the adjusted gross income of any taxpayer  
41           that added an amount to adjusted gross income in a previous  
42           year the amount necessary to offset the amount included in

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1 federal gross income as a result of the deferral of income  
 2 arising from business indebtedness discharged in  
 3 connection with the reacquisition after December 31, 2008,  
 4 and before January 1, 2011, of an applicable debt  
 5 instrument, as provided in Section 108(i) of the Internal  
 6 Revenue Code.

7 (J) Add an amount equal to any exempt insurance income  
 8 under Section 953(e) of the Internal Revenue Code for  
 9 active financing income under Subpart F, Subtitle A,  
 10 Chapter 1, Subchapter N of the Internal Revenue Code.

11 (K) Add an amount equal to the remainder of:

12 (i) the amount allowable as a deduction under Section  
 13 274(n) of the Internal Revenue Code; minus

14 (ii) the amount otherwise allowable as a deduction  
 15 under Section 274(n) of the Internal Revenue Code, if  
 16 Section 274(n)(2)(D) of the Internal Revenue Code  
 17 was not in effect for amounts paid or incurred after  
 18 December 31, 2020.

19 (2) Subtract the following amounts:

20 (A) Income that the United States Constitution or any  
 21 statute of the United States prohibits from being used to  
 22 measure the tax imposed by this chapter.

23 (B) Income that is derived from sources outside the United  
 24 States, as defined by the Internal Revenue Code.

25 (C) An amount equal to a debt or part of a debt that  
 26 becomes worthless, as permitted under Section 166(a) of  
 27 the Internal Revenue Code.

28 (D) An amount equal to any bad debt reserves that are  
 29 included in federal income because of accounting method  
 30 changes required by Section 585(c)(3)(A) or Section 593 of  
 31 the Internal Revenue Code.

32 (E) The amount necessary to make the adjusted gross  
 33 income of any taxpayer that owns property for which bonus  
 34 depreciation was allowed in the current taxable year or in an  
 35 earlier taxable year equal to the amount of adjusted gross  
 36 income that would have been computed had an election ~~not~~  
 37 been made under Section 168(k) of the Internal Revenue  
 38 Code to **not** apply bonus depreciation.

39 (F) The amount necessary to make the adjusted gross  
 40 income of any taxpayer that placed Section 179 property (as  
 41 defined in Section 179 of the Internal Revenue Code) in  
 42 service in the current taxable year or in an earlier taxable

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year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding the sum of:

- (i) twenty-five thousand dollars (\$25,000) to the extent deductions under Section 179 of the Internal Revenue Code were not elected as provided in item (ii); and
- (ii) for taxable years beginning after December 31, 2017, the deductions elected under Section 179 of the Internal Revenue Code on property acquired in an exchange if the exchange would have been eligible for nonrecognition of gain or loss under Section 1031 of the Internal Revenue Code in effect on January 1, 2017, the exchange is not eligible for nonrecognition of gain or loss under Section 1031 of the Internal Revenue Code, and the taxpayer made an election to take deductions under Section 179 of the Internal Revenue Code with regard to the acquired property in the year that the property was placed into service. The amount of deductions allowable for an item of property under this item may not exceed the amount of adjusted gross income realized on the property that would have been deferred under the Internal Revenue Code in effect on January 1, 2017.

(G) Income that is:

- (i) exempt from taxation under IC 6-3-2-21.7; and
- (ii) included in the taxpayer's taxable income under the Internal Revenue Code.

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

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

- (i) Section 2301(e) of the CARES Act (Public Law 116-136), as modified by Sections 206 and 207 of the Taxpayer Certainty and Disaster Relief Tax Act (Division EE of Public Law 116-260); and
- (ii) Section 3134(e) of the Internal Revenue Code.

(J) Subtract an amount equal to the deduction disallowed

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1 under Section 280C(h) of the Internal Revenue Code.

2 (3) Make the following adjustments:

3 (A) Subtract the amount of any interest expense paid or  
4 accrued in the current taxable year but not deducted as a  
5 result of the limitation imposed under Section 163(j)(1) of  
6 the Internal Revenue Code.

7 (B) Add any interest expense paid or accrued in a previous  
8 taxable year but allowed as a deduction under Section 163  
9 of the Internal Revenue Code in the current taxable year.

10 (C) For taxable years beginning after December 31, 2021,  
11 add or subtract amounts related to specified research or  
12 experimental ~~procedures~~ **expenditures** as required under  
13 IC 6-3-2-29.

14 **(D) Add or subtract an amount equal to the**  
15 **modifications required for qualified production**  
16 **property under IC 6-3-2-30.**

17 For purposes of this subdivision, an interest expense is  
18 considered paid or accrued only in the first taxable year the  
19 deduction would have been allowable under Section 163 of the  
20 Internal Revenue Code if the limitation under Section 163(j)(1)  
21 of the Internal Revenue Code did not exist.

22 (b) In the case of a credit union, "adjusted gross income" for a  
23 taxable year means the total transfers to undivided earnings minus  
24 dividends for that taxable year after statutory reserves are set aside  
25 under IC 28-7-1-24.

26 (c) In the case of an investment company, "adjusted gross income"  
27 means the company's federal taxable income adjusted as follows:

28 (1) Add the amount excluded from federal gross income under  
29 Section 103 of the Internal Revenue Code for interest received  
30 on 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 (2) Make the following adjustments:

34 (A) Subtract the amount of any interest expense paid or  
35 accrued in the current taxable year but not deducted as a  
36 result of the limitation imposed under Section 163(j)(1) of  
37 the Internal Revenue Code.

38 (B) Add any interest expense paid or accrued in a previous  
39 taxable year but allowed as a deduction under Section 163  
40 of the Internal Revenue Code in the current taxable year.

41 For purposes of this subdivision, an interest expense is  
42 considered paid or accrued only in the first taxable year the

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1 deduction would have been allowable under Section 163 of the  
 2 Internal Revenue Code if the limitation under Section 163(j)(1)  
 3 of the Internal Revenue Code did not exist.

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

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

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

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

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

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

21 (A) a so-called bond;

22 (B) a share;

23 (C) a coupon;

24 (D) a certificate of membership;

25 (E) an agreement;

26 (F) a pretended agreement; or

27 (G) other evidences of obligation;

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

40 (e) If a partner is required to include an item of income, a  
 41 deduction, or another tax attribute in the partner's adjusted gross  
 42 income tax return pursuant to IC 6-3-4.5, such item shall be considered

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1 to be includible in the partner's federal adjusted gross income or federal  
 2 taxable income, regardless of whether such item is actually required to  
 3 be reported by the partner for federal income tax purposes. For  
 4 purposes of this subsection:

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

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

13 SECTION 25. IC 6-5.5-6-6, AS AMENDED BY P.L.159-2021,  
 14 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 15 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 6. (a) Each taxpayer shall  
 16 notify the department in writing of any alteration or modification of a  
 17 federal income tax return filed with the United States Internal Revenue  
 18 Service for a taxable year that begins after December 31, 1988,  
 19 including any modification or alteration in the amount of tax,  
 20 regardless of whether the modification or assessment results from an  
 21 assessment.

22 (b) The taxpayer shall file the notice in the form required by the  
 23 department within ~~one hundred eighty (180) days~~ **one (1) year** after the  
 24 alteration or modification is made. In the case of a taxpayer that files  
 25 a combined return under this article, the date on which the alteration or  
 26 modification is made shall be considered to be the last day on which an  
 27 alteration or modification occurs for any entity filing as part of the  
 28 combined return.

29 (c) For purposes of this section, a modification or alteration occurs  
 30 on the date on which a:

- 31 (1) taxpayer files an amended federal income tax return;  
 32 (2) final determination is made concerning an assessment of  
 33 deficiency;  
 34 (3) final determination is made concerning a claim for refund;  
 35 (4) taxpayer waives the restrictions on assessment and collection  
 36 of all, or any part, of an underpayment of federal income tax by  
 37 signing a federal Form 870, or any other Form prescribed by the  
 38 Internal Revenue Service for that purpose. For purposes of this  
 39 subdivision:

40 (A) a final determination does not occur with respect to any  
 41 part of the underpayment that is not covered by the waiver;  
 42 and

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- 1 (B) if the signature of an authorized representative of the  
 2 Internal Revenue Service is required to execute a waiver,  
 3 the date of the final determination is the date of signing by  
 4 the authorized representative of the Internal Revenue  
 5 Service or by the taxpayer, whichever is later;  
 6 (5) taxpayer enters into a closing agreement with the Internal  
 7 Revenue Service concerning the taxpayer's tax liability under  
 8 Section 7121 of the Internal Revenue Code that is a final  
 9 determination. The date the taxpayer enters into a closing  
 10 agreement under this subdivision is the date the closing  
 11 agreement is signed by an authorized representative of the  
 12 Internal Revenue Service or by the taxpayer, whichever is later;  
 13 or  
 14 (6) modification or alteration in an amount of tax, adjusted gross  
 15 income, taxable income, credit, or other tax attribute is otherwise  
 16 made that is a final determination;  
 17 for a taxable year, regardless of whether a modification or alteration  
 18 results in an underpayment or overpayment of tax.  
 19 (d) For purposes of subsection (c)(2) through (c)(6), a final  
 20 determination means an action or decision by a taxpayer, the Internal  
 21 Revenue Service (including the Appeals Division), the United States  
 22 Tax Court, or any other United States federal court concerning any  
 23 disputed tax issue that:  
 24 (1) is final and conclusive; and  
 25 (2) cannot be reopened or appealed by a taxpayer or the Internal  
 26 Revenue Service as a matter of law.  
 27 (e) If the federal modification or alteration results in a change in  
 28 the taxpayer's federal adjusted gross income or income within Indiana,  
 29 the taxpayer shall file an amended Indiana financial institutions tax  
 30 return (as required by the department) and a copy of the taxpayer's  
 31 amended federal income tax return with the department not later than  
 32 the date that is one hundred eighty (180) days after the modification or  
 33 alteration is made, **if the modification or alteration occurs before**  
 34 **January 1, 2026, and one (1) year if the modification or alteration**  
 35 **occurs after December 31, 2025.**  
 36 (f) The taxpayer shall pay an additional tax or penalty due under  
 37 this article upon notice or demand from the department.  
 38 SECTION 26. IC 6-5.5-7-1, AS AMENDED BY P.L.205-2025,  
 39 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 40 JULY 1, 2026]: Sec. 1. (a) For purposes of this section, "final tax  
 41 liability" has the meaning set forth in IC 6-3-4-4.2(a)(1).  
 42 (b) The penalty ~~in the amount at the rate~~ prescribed by

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1 IC 6-8.1-10-2.1(b) shall be assessed by the department on a taxpayer  
 2 who fails to make payments as required in IC 6-5.5-6. However, no  
 3 penalty shall be assessed for a quarterly payment if the payment equals  
 4 or exceeds:

5 (1) twenty percent (20%) of the final tax liability for the taxable  
 6 year; or

7 (2) twenty-five percent (25%) of the final tax liability for the  
 8 taxpayer's previous taxable year.

9 (c) The penalty for an underpayment of tax on a quarterly return  
 10 shall only be assessed on the difference between the actual amount paid  
 11 by the taxpayer on the quarterly return and the lesser of:

12 (1) twenty percent (20%) of the taxpayer's final tax liability for  
 13 the taxable year; or

14 (2) twenty-five percent (25%) of the taxpayer's final tax liability  
 15 for the taxpayer's previous taxable year.

16 A payment required to be made in the manner prescribed in  
 17 IC 6-5.5-6-3(c), but not paid in such a prescribed manner, shall be  
 18 subject to the penalty provided in IC 6-8.1-10-2.1(b)(5).

19 (d) For a corporation required to make estimated payments under  
 20 this section:

21 (1) if a corporation has a current taxable year that is less than  
 22 twelve (12) months, the amounts under subsections (b) and (c)  
 23 shall be adjusted in the same manner as an estimated payment  
 24 required under IC 6-3-4-4.2; and

25 (2) any taxes withheld on behalf of the corporation under  
 26 IC 6-3-4 or IC 6-5.5-2-8, and any taxes remitted on behalf of the  
 27 corporation under IC 6-3-2.1, shall be treated as estimated tax  
 28 payments on behalf of the corporation for purposes of this  
 29 section. Such taxes shall be attributed to each required payment  
 30 in the manner the underlying income is attributed under Section  
 31 6655 of the Internal Revenue Code.

32 SECTION 27. IC 6-6-6.5-9, AS AMENDED BY P.L.214-2019,  
 33 SECTION 27, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 34 JULY 1, 2026]: Sec. 9. (a) The provisions of this chapter pertaining to  
 35 registration and taxation shall not apply to any of the following:

36 (1) An aircraft owned by and used exclusively in the service of:

37 (A) the United States government;

38 (B) a state (except Indiana), territory, or possession of the  
 39 United States;

40 (C) the District of Columbia; or

41 (D) a political subdivision of an entity listed in clause (A),  
 42 (B), or (C).

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- 1 (2) An aircraft owned by a resident of another state and  
 2 registered in accordance with the laws of that state. However, the  
 3 aircraft shall not be exempt under this subdivision if a  
 4 nonresident establishes a base for the aircraft inside this state  
 5 and the base is used for a period of sixty (60) days or more.
- 6 (3) An aircraft which this state is prohibited from taxing under  
 7 this chapter by the Constitution or the laws of the United States.
- 8 (4) An aircraft owned or operated by a person who is either an  
 9 air carrier certificated under Federal Air Regulation Part 121 or  
 10 a scheduled air taxi operator certified under Federal Air  
 11 Regulation Part 135, unless such person is a corporation  
 12 incorporated under the laws of the state of Indiana, an individual  
 13 who is a resident of Indiana, or a domestic corporation having a  
 14 physical presence in Indiana that results in Indiana being the  
 15 regular or principal place of business of its chief executive,  
 16 operating, and financial officers.
- 17 (5) An aircraft which has been scrapped, dismantled, or  
 18 destroyed, and for which the airworthiness certificate and federal  
 19 certificate of registration have been surrendered to the Federal  
 20 Aviation Administration by the owner.
- 21 (6) An aircraft owned by a resident of this state that is not a  
 22 dealer and that is not based in this state at any time, if the owner  
 23 files the required form not later than thirty-one (31) days after  
 24 the date of purchase; and furnishes the department with  
 25 evidence, satisfactory to the department, verifying ~~where the~~  
 26 **that aircraft is not based during the year: in this state.**
- 27 (7) An aircraft owned by a dealer for not more than five (5) days  
 28 if the ownership is part of an ultimate sale or transfer of an  
 29 aircraft that will not be based in this state at any time. However,  
 30 the dealer described in this subdivision is required to file a report  
 31 of the transaction within thirty-one (31) days after the ultimate  
 32 sale or transfer of ownership of the aircraft. The report is not  
 33 required to identify the seller or purchaser but must list the  
 34 aircraft's origin, destination, N number, date of each transaction,  
 35 and ultimate sales price.
- 36 (8) An aircraft owned by a registered nonprofit museum, if the  
 37 owner furnishes the department with evidence satisfactory to the  
 38 department not later than thirty-one (31) days after the purchase  
 39 date. The aircraft must be reported for registration, but the  
 40 department shall issue the registration without charge.
- 41 (b) The provisions of this chapter pertaining to taxation shall not  
 42 apply to an aircraft owned by and used exclusively in the service of

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1 Indiana or a political subdivision of Indiana or any university or college  
2 supported in part by state funds. That aircraft must be reported for  
3 registration, but the department will issue the registration without  
4 charge.

5 SECTION 28. IC 6-6-6.5-13, AS AMENDED BY P.L.230-2025,  
6 SECTION 89, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
7 JULY 1, 2026]: Sec. 13. (a) As the basis for measuring the tax imposed  
8 by this chapter, the department shall classify every taxable aircraft in  
9 its proper class according to the following classification plan:

10 CLASS DESCRIPTION

- 11 A Piston-driven  
12 B Piston-driven,  
13 and Pressurized  
14 C Turbine driven  
15 or other Powered  
16 D Homebuilt, Gliders, or  
17 Hot Air Balloons

18 (b) The tax imposed under this chapter is based on the age, class,  
19 and maximum landing weight of the taxable aircraft. The amount of tax  
20 imposed on the taxable aircraft is based on the following table:

21 Age	Class A	Class B	Class C	Class D
22 0-4	\$.04/lb	\$.065/lb	\$.09/lb	\$.0175/lb
23 5-8	\$.035/lb	\$.055/lb	\$.08/lb	\$.015/lb
24 9-12	\$.03/lb	\$.05/lb	\$.07/lb	\$.0125/lb
25 13-16	\$.025/lb	\$.025/lb	\$.025/lb	\$.01/lb
26 17-25	\$.02/lb	\$.02/lb	\$.02/lb	\$.0075/lb
27 over 25	\$.01/lb	\$.01/lb	\$.01/lb	\$.005/lb

28 (c) An aircraft owner, who sells an aircraft on which the owner has  
29 paid the tax imposed under this chapter, is entitled to a credit for the  
30 tax paid. The credit equals excise tax paid on the aircraft that was sold,  
31 times the lesser of:

- 32 (1) ninety percent (90%); or  
33 (2) ten percent (10%) times the number of months remaining in  
34 the registration year after the sale of the aircraft.

35 The credit may only be used to reduce the tax imposed under this  
36 chapter on another aircraft purchased by that owner during the  
37 registration year in which the credit accrues. A person may not receive  
38 a refund for a credit under this subsection.

39 (d) A person who is entitled to a property tax deduction under  
40 IC 6-1.1-12-13 or IC 6-1.1-12-14 is entitled to a credit against the tax  
41 imposed on the person's aircraft under this chapter. The credit equals  
42 the amount of the property tax deduction to which the person is entitled

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1 under IC 6-1.1-12-13 and IC 6-1.1-12-14 minus the amount of that  
 2 deduction used to offset the person's property taxes or vehicle excise  
 3 taxes, times seven hundredths (.07). ~~The credit~~ **Additionally, a person**  
 4 **entitled to a property tax deduction under IC 6-1.1-51-10 is also**  
 5 **entitled to a credit against the tax imposed on the person's aircraft**  
 6 **under this chapter. Such credit equals the amount of the property**  
 7 **tax deduction to which the person is entitled under IC 6-1.1-51-10**  
 8 **minus the amount of that deduction used to offset the person's**  
 9 **property taxes (unless the aircraft is subject to both the aircraft**  
 10 **excise tax and personal property tax, in which case the deduction**  
 11 **shall apply to both property taxes and excise taxes). The credits in**  
 12 **this subsection** may not exceed the amount of the tax due under this  
 13 chapter. The county auditor shall, upon the person's request, furnish a  
 14 certified statement showing the credit allowable under this subsection.  
 15 The department may not allow a credit under this subsection until the  
 16 auditor's statement has been filed in the department's office.

17 SECTION 29. IC 6-7-1-0.3 IS REPEALED [EFFECTIVE JULY 1,  
 18 2026]. ~~Sec. 0.3. Notwithstanding section 14 of this chapter, revenue~~  
 19 ~~stamps paid for before July 1, 2002, and in the possession of a~~  
 20 ~~distributor may be used after June 30, 2002, only if the full amount of~~  
 21 ~~the tax imposed by section 12 of this chapter, as effective after June 30,~~  
 22 ~~2002, and as amended by P.L.192-2002(ss), is remitted to the~~  
 23 ~~department under the procedures prescribed by the department.~~

24 SECTION 30. IC 6-7-1-0.4 IS REPEALED [EFFECTIVE JULY 1,  
 25 2026]. ~~Sec. 0.4. (a) Notwithstanding section 14 of this chapter, revenue~~  
 26 ~~stamps paid for before July 1, 2007, and in the possession of a~~  
 27 ~~distributor may be used after June 30, 2007, only if the full amount of~~  
 28 ~~the tax imposed by section 12 of this chapter, as effective after June 30,~~  
 29 ~~2007, and as amended by P.L.218-2007, is remitted to the department~~  
 30 ~~under the procedures prescribed by the department.~~

31 ~~(b) Notwithstanding section 14 of this chapter, revenue stamps paid~~  
 32 ~~for before July 1, 2025, and in the possession of a distributor may be~~  
 33 ~~used after June 30, 2025, only if the full amount of the tax imposed by~~  
 34 ~~section 12 of this chapter, as amended and effective after June 30,~~  
 35 ~~2025, is remitted to the department under the procedures prescribed by~~  
 36 ~~the department.~~

37 SECTION 31. IC 6-7-1-1 IS AMENDED TO READ AS FOLLOWS  
 38 [EFFECTIVE JULY 1, 2026]: Sec. 1. **(a)** It is the intent and purpose of  
 39 this chapter to ~~levy impose~~ **impose** a tax on all cigarettes sold, used, consumed,  
 40 handled, or distributed within this state, ~~and to collect the tax which~~  
 41 **shall be collected** from the person who first sells, uses, consumes,  
 42 handles, or distributes the cigarettes.

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1 (b) It is further the intent and purpose of this chapter that whenever  
 2 any cigarettes are given for advertising or any purpose whatsoever, they  
 3 shall be taxed in the same manner as if they were sold, used, consumed,  
 4 handled, or distributed in this state. ~~Notwithstanding any other~~  
 5 ~~provisions contained in this chapter, the liability for the excise taxes~~  
 6 ~~imposed by this chapter shall be conclusively presumed to be on the~~  
 7 ~~retail purchaser or ultimate consumer, precollected for convenience~~  
 8 ~~and facility only. When such taxes are paid by any other person, such~~  
 9 ~~payment shall be considered as an advance payment and shall be added~~  
 10 ~~to the price of the cigarettes and recovered from the ultimate consumer~~  
 11 ~~or user. Distributors, wholesalers, or retailers may state the amount of~~  
 12 ~~the tax separately from the price of such cigarettes on all price display~~  
 13 ~~signs, sales or delivery slips, bills, and statements which advertise or~~  
 14 ~~indicate the price of such cigarettes.~~

15 SECTION 32. IC 6-7-1-2, AS AMENDED BY P.L.137-2022,  
 16 SECTION 57, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 17 JULY 1, 2026]: Sec. 2. (a) ~~Unless the context requires otherwise,~~  
 18 **Except as provided in subsection (b), as used in this chapter,**  
 19 **"cigarette" shall mean and include means and includes** any roll for  
 20 smoking or heating made wholly or in part of tobacco, irrespective of  
 21 size or shape and irrespective of tobacco being flavored, adulterated,  
 22 or mixed with any other ingredient, where such roll has a wrapper or  
 23 cover made of paper or any other material not containing tobacco.  
 24 ~~Provided the definition in this section shall not be construed to~~

25 (b) **The definition does not** include cigars (as defined in  
 26 IC 6-7-2-0.3). ~~Excepting where context clearly shows that cigarettes~~  
 27 ~~alone are intended,~~

28 (c) **For purposes of this chapter,** the term "cigarettes" ~~shall mean~~  
 29 ~~and include means and includes~~ cigarettes upon which a tax is  
 30 imposed by ~~sections section 12 and 13~~ of this chapter, **except where**  
 31 **context clearly shows that cigarettes alone are intended.**

32 SECTION 33. IC 6-7-1-3, AS AMENDED BY P.L.191-2016,  
 33 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 34 JULY 1, 2026]: Sec. 3. ~~Unless the context requires otherwise, As used~~  
 35 **in this chapter, "individual package" shall mean and include means**  
 36 **and includes** every individual packet, box, or other container used to  
 37 contain or to convey cigarettes to the consumer.

38 SECTION 34. IC 6-7-1-4 IS AMENDED TO READ AS FOLLOWS  
 39 [EFFECTIVE JULY 1, 2026]: Sec. 4. ~~Unless the context hereof~~  
 40 ~~requires otherwise, As used in this chapter,~~ the term "person" or the  
 41 term "company," ~~herein used interchangeably,~~ means and includes any  
 42 individual, assignee, receiver, commissioner, fiduciary, trustee,

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1 executor, administrator, institution, **national bank**, bank, consignee,  
 2 firm, partnership, limited liability company, joint venture, pool,  
 3 syndicate, bureau, association, cooperative association, society, club,  
 4 fraternity, sorority, lodge, corporation, ~~municipal corporation or any~~  
 5 ~~other Indiana~~ political subdivision of the state engaged in private or  
 6 proprietary activities or business, estate, trust, or any other group or  
 7 combination acting as a unit. ~~and the plural as well as the singular~~  
 8 ~~number, unless the intention to give a more limited meaning is~~  
 9 ~~disclosed by the context. For purposes of this chapter, the term~~  
 10 **"company" may be used interchangeably with the term "person".**

11 SECTION 35. IC 6-7-1-5 IS AMENDED TO READ AS FOLLOWS  
 12 [EFFECTIVE JULY 1, 2026]: Sec. 5. ~~Unless the context hereof~~  
 13 ~~requires otherwise; As used in this chapter, "department" shall mean~~  
 14 **means** the Indiana department of state revenue and its duly authorized  
 15 assistants and employees.

16 SECTION 36. IC 6-7-1-6 IS AMENDED TO READ AS FOLLOWS  
 17 [EFFECTIVE JULY 1, 2026]: Sec. 6. ~~Unless the context requires~~  
 18 ~~otherwise; As used in this chapter, "distributor" shall mean and~~  
 19 ~~include means and includes~~ every person who sells, barter,  
 20 exchanges, or distributes cigarettes in the state of Indiana to retail  
 21 dealers for the purpose of resale, or who purchases cigarettes directly  
 22 from a manufacturer of cigarettes, or who purchases for resale  
 23 cigarettes directly from a manufacturer of cigarettes, or from a  
 24 wholesaler, jobber, or distributor outside of the state of Indiana who is  
 25 not a distributor holding a registration certificate issued under this  
 26 chapter.

27 SECTION 37. IC 6-7-1-7 IS AMENDED TO READ AS FOLLOWS  
 28 [EFFECTIVE JULY 1, 2026]: Sec. 7. ~~Unless the context hereof~~  
 29 ~~requires otherwise; As used in this chapter, "retailer" shall mean~~  
 30 **means** every person, other than a distributor, who purchases, sells,  
 31 offers for sale, or distributes cigarettes, to consumers or to any person  
 32 for any purpose other than resale, irrespective of quantity or amount,  
 33 or the number of sales.

34 SECTION 38. IC 6-7-1-7.5 IS ADDED TO THE INDIANA CODE  
 35 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY  
 36 1, 2026]: **Sec. 7.5. As used in this chapter, "consumer" means a**  
 37 **person using a cigarette or cigarettes for the purpose of smoking.**

38 SECTION 39. IC 6-7-1-8 IS AMENDED TO READ AS FOLLOWS  
 39 [EFFECTIVE JULY 1, 2026]: Sec. 8. ~~Unless the context hereof~~  
 40 ~~requires otherwise; As used in this chapter, "consumption" shall mean~~  
 41 **or "consume" means** the possession for use or the use of a cigarette  
 42 or cigarettes for the purpose of smoking. ~~the same; the term~~

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1 "consumer" shall mean the person so using the same; and the term  
2 "consume" shall mean so to use the same.

3 SECTION 40. IC 6-7-1-9, AS AMENDED BY P.L.191-2016,  
4 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
5 JULY 1, 2026]: Sec. 9. ~~Unless the context requires otherwise;~~ **As used**  
6 **in this chapter, "stamps" shall mean means** the stamps printed,  
7 manufactured, or made by authority of the department, as provided in  
8 this chapter, and issued, sold, or circulated by it and by the use of  
9 which the tax levied under this chapter is paid. ~~or The term also~~  
10 **means** any impression, indicium, or character imprinted upon  
11 individual packages of cigarettes by a metered stamping machine or  
12 other device such as may be authorized by the department for use by  
13 the holder of a certificate under the provisions of this chapter and by  
14 the use of which the tax levied under this chapter shall be paid.

15 SECTION 41. IC 6-7-1-10 IS AMENDED TO READ AS  
16 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 10. ~~Unless the context~~  
17 **requires otherwise; **As used in this chapter, "counterfeit stamp" shall**  
18 **mean means** any stamp, label, print, indicium, or character which  
19 evidences, or purports to evidence the payment of any tax levied by this  
20 chapter, and which stamp, label, print, indicium, or character has not  
21 been printed, manufactured, or made by authority of the department as  
22 provided in this chapter, and issued, sold, or circulated by it.**

23 SECTION 42. IC 6-7-1-11 IS AMENDED TO READ AS  
24 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 11. ~~Unless the context~~  
25 **hereof requires otherwise; **As used in this chapter, "drop shipment"**  
26 **shall mean means** any shipment billed to one other than the person  
27 receiving such shipment.**

28 SECTION 43. IC 6-7-1-13 IS REPEALED [EFFECTIVE JULY 1,  
29 2026]. ~~Sec. 13: There is levied, assessed, and imposed, and shall be~~  
30 ~~collected and paid as provided in this chapter, upon the use,~~  
31 ~~consumption, or possession for use of cigarettes within the state of~~  
32 ~~Indiana, taxes at the rates set forth and in the manner provided in~~  
33 ~~section 12 of this chapter. Provided, that the tax levied, assessed, and~~  
34 ~~imposed by this section shall not be applicable to the use, consumption,~~  
35 ~~or possession for use of cigarettes upon which the tax levied, assessed,~~  
36 ~~and imposed by the provisions of section 12 of this chapter has been~~  
37 ~~paid.~~

38 SECTION 44. IC 6-7-1-14, AS AMENDED BY P.L.191-2016,  
39 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
40 JULY 1, 2026]: Sec. 14. (a) ~~At~~ **A tax is levied, assessed, and**  
41 **imposed upon the use, consumption, or possession for use of**  
42 **cigarettes within Indiana at the rates set forth and in the manner**

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1 **provided in section 12 of this chapter.**

2 **(b) Payment of the taxes levied, assessed, and imposed by this**  
 3 **chapter shall be paid and the payment thereof is evidenced by the**  
 4 **purchase of stamps purchasing and by affixing the same stamps to the**  
 5 **individual packages and duly cancelling these stamps; of cigarettes, or**  
 6 **otherwise by canceling the stamps, as provided in this chapter. but**  
 7 **there shall be Except as provided in subsection (e), a distributor**  
 8 **shall firmly and securely affix each individual package of cigarettes**  
 9 **(even those contained within a carton or larger containers of**  
 10 **cigarettes) with the requisite denomination and amount of stamps**  
 11 **upon the receipt of cigarettes taxed under this chapter.**

12 **(c) Once a stamp has been affixed to an individual package of**  
 13 **cigarettes, no further tax may be assessed, imposed, or collected by**  
 14 **virtue of this chapter upon the sale or use of any the package of**  
 15 **cigarettes. upon which these stamps have been previously affixed as**  
 16 **provided by this chapter. If a retailer receives cigarettes that do not**  
 17 **have the proper amount of stamps firmly affixed to each individual**  
 18 **package by a distributor, the retailer shall stamp or firmly affix**  
 19 **stamps immediately on each individual package.**

20 **(d) The payment and affixing of a stamp on an individual**  
 21 **package of cigarettes shall be considered as an advance payment,**  
 22 **precollected for convenience and facility only, and shall be added**  
 23 **to the price of the cigarettes and recovered from the ultimate**  
 24 **consumer or user. Notwithstanding any other provisions contained**  
 25 **in this chapter, the liability for the tax imposed by this chapter**  
 26 **shall be conclusively presumed to be on the retail purchaser or**  
 27 **ultimate consumer.**

28 **(e) A distributor engaged in interstate business shall be**  
 29 **permitted to set aside part of the distributor's stock of individual**  
 30 **packages as may be necessary for the conduct of such interstate**  
 31 **business without affixing the stamps required by this chapter.**

32 **(f) Distributors, wholesalers, or retailers may state the amount**  
 33 **of the tax separately from the price of such cigarettes on all price**  
 34 **display signs, sales or delivery slips, bills, and statements which**  
 35 **advertise or indicate the price of such cigarettes.**

36 **(g) Sample packages of cigarettes may not be distributed in this**  
 37 **state without stamps of the proper denomination affixed to the**  
 38 **package.**

39 SECTION 45. IC 6-7-1-15, AS AMENDED BY P.L.137-2022,  
 40 SECTION 58, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 41 JULY 1, 2026]: Sec. 15. (a) The department is the official agent of the  
 42 state for the administration and enforcement of this chapter. A

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1 sufficient sum to pay salaries and expenses is appropriated to the  
2 department out of the monies received by virtue of this chapter.

3 (b) The department may issue registration certificates, upon the  
4 terms and conditions provided in this chapter, and may revoke or  
5 suspend the same upon the violation of this chapter or a violation of  
6 IC 24-3-5.4-17 by the holder of such a certificate.

7 (c) The department may apply for membership in the National  
8 Tobacco Tax Association.

9 (d) The department may design and have printed or manufactured  
10 stamps of sizes and denominations to be affixed to each individual  
11 package. The stamps shall be firmly affixed on each individual package  
12 in such a manner that the stamps can not be removed without being  
13 mutilated or destroyed; however, the department may by regulation  
14 designate some other manner for cancellation of stamps. ~~In addition to~~  
15 ~~the stamps, the~~

16 (e) ~~The~~ department may ~~by rules and regulations~~ authorize  
17 distributors to use metered stamping machines or other devices which  
18 will imprint distinctive indicia evidencing the payment of the tax upon  
19 each individual package. The machines shall be constructed in such a  
20 manner as will accurately record or meter the number of impressions  
21 or tax stamps made. The tax meter machines or other devices shall be  
22 kept available at all reasonable times for inspection by the department,  
23 and the machines shall be maintained in proper operating condition.

24 (f) A person who knowingly tampers with the printing or recording  
25 mechanism of such a machine commits a Class B misdemeanor.

26 SECTION 46. IC 6-7-1-16.5 IS ADDED TO THE INDIANA CODE  
27 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
28 1, 2026]: **Sec. 16.5. (a) The department may institute a suit upon a  
29 distributor's bond or letter of credit for the entire amount of the  
30 liability and costs under any of the following circumstances:**

31 **(1) A registrant is convicted of a violation of any of the  
32 provisions of this chapter.**

33 **(2) The registrant's certificate is revoked and no review is  
34 requested of the order of the revocation under section 17.2 of  
35 this chapter.**

36 **(3) If on review of a revocation, the decision is adverse to the  
37 registrant, and the registrant refuses to pay any taxes,  
38 damages, fines, penalties, or costs adjudged against the  
39 registrant by reason of a violation of any of the provisions of  
40 this chapter.**

41 **(b) Any suit upon the bond shall be in addition to any other  
42 remedy provided for in this chapter.**

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1 SECTION 47. IC 6-7-1-17, AS AMENDED BY P.L.201-2023,  
 2 SECTION 109, IS AMENDED TO READ AS FOLLOWS  
 3 [EFFECTIVE JULY 1, 2026]: Sec. 17. (a) Distributors who hold  
 4 certificates and retailers shall be agents of the state in the collection of  
 5 the taxes imposed by this chapter and the amount of the tax levied,  
 6 assessed, and imposed by this chapter on cigarettes sold, exchanged,  
 7 bartered, furnished, given away, or otherwise disposed of by  
 8 distributors or to retailers. Distributors who hold certificates shall be  
 9 agents of the department to affix the required stamps and shall be  
 10 entitled to purchase the stamps from the department at a discount of  
 11 two cents (\$0.02) per individual package of cigarettes as compensation  
 12 for their labor and expense.

13 (b) The department may permit distributors who hold certificates  
 14 and who are admitted to do business in Indiana to pay for revenue  
 15 stamps within thirty (30) days after the date of purchase. However, the  
 16 privilege is extended upon the express condition that:

17 (1) except as provided in subsection (c), a bond or letter of credit  
 18 satisfactory to the department, in an amount not less than the sales  
 19 price of the stamps, is filed with the department;

20 (2) proof of payment is made of all property taxes, excise taxes,  
 21 and listed taxes (as defined in IC 6-8.1-1-1) for which any such  
 22 distributor may be liable; and

23 (3) payment for the revenue stamps must be made by electronic  
 24 funds transfer (as defined in IC 4-8.1-2-7).

25 **If payment is not received by the due date, the discount will be**  
 26 **disallowed and penalty and interest will be charged. Additionally,**  
 27 **no further stamps will be sold to the distributor until full payment**  
 28 **is made.**

29 (c) The bond or letter of credit, conditioned to secure payment for  
 30 the stamps, shall be executed by the distributor as principal and by a  
 31 corporation duly authorized to engage in business as a surety company  
 32 or financial institution in Indiana.

33 (d) If a distributor has at least five (5) consecutive years of good  
 34 credit standing with the state, the distributor shall not be required to  
 35 post a bond or letter of credit under subsection (b).

36 (e) **The department shall not sell tax stamps to anyone except**  
 37 **distributors holding active and valid registration certificates and**  
 38 **such others who established their need for tax stamps by written**  
 39 **statement satisfactory to the department.**

40 SECTION 48. IC 6-7-1-17.2 IS ADDED TO THE INDIANA CODE  
 41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 42 1, 2026]: Sec. 17.2. (a) The department may, after fifteen (15) days



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1 written notice, revoke or suspend the registration certificate of any  
 2 distributor for any violation of, or noncompliance with, the  
 3 provisions of this chapter, or for noncompliance with any lawful  
 4 rule or regulation promulgated by the department. Any such action  
 5 shall be subject to judicial review.

6 (b) The distributor may appear at the time and place given in  
 7 the notice to show cause at a hearing as to why the distributor's  
 8 registration certificate should not be revoked or suspended.  
 9 Hearings shall be held at the place and before the personnel as the  
 10 department may designate.

11 (c) If a certificate is revoked or suspended, no refund of  
 12 registration fees will be allowed.

13 (d) If a distributor's certificate is suspended, the suspension  
 14 shall mean the loss of all rights under the license for the period of  
 15 the suspension.

16 (e) The length of revocation or suspension will be at the  
 17 department's discretion.

18 (f) The department's administrative hearing procedures are  
 19 otherwise governed by IC 6-8.1-3. In the conduct of any  
 20 investigation or hearing under this section, neither the department  
 21 nor any officer or employee of the department shall be bound by  
 22 the technical rules of evidence, and no informality in the  
 23 proceedings, or in the manner of taking testimony, shall invalidate  
 24 the department's order or decision. The department may examine  
 25 books, papers, or memoranda bearing upon the sale or other  
 26 disposition of cigarettes by the distributor, and may require the  
 27 attendance of the distributor, or any officer or employee of the  
 28 distributor, or any person having knowledge of the facts, and may  
 29 take testimony and require proof.

30 SECTION 49. IC 6-7-1-18 IS AMENDED TO READ AS  
 31 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 18. Every distributor;  
 32 upon the receipt of cigarettes taxed under this chapter, shall cause each  
 33 individual package to have the requisite denomination and amount of  
 34 stamps firmly affixed. Every retailer, upon receipt of cigarettes not  
 35 having the proper amount of stamps firmly affixed, to each individual  
 36 package, or stamped by a meter stamping machine, by a distributor  
 37 shall stamp or firmly affix stamps immediately on each individual  
 38 package. Provided, however, that any distributor engaged in interstate  
 39 business, shall be permitted to set aside such part of his stock as may  
 40 be necessary for the conduct of such interstate business without  
 41 affixing the stamps required by this chapter.

42 (a) Every A distributor shall include with each shipment or



1 **delivery of cigarettes an invoice showing complete details of the**  
 2 **transactions. A distributor at the time of shipping or delivering any**  
 3 **cigarettes, shall also make a duplicate invoice at the time of shipping**  
 4 **or delivering any cigarettes, showing complete details of each**  
 5 **transaction, and shall retain the duplicate subject to the inspection by**  
 6 **the department or its agent. Every distributor shall include with each**  
 7 **shipment or delivery of cigarettes an invoice showing complete details**  
 8 **of the transactions.**

9 (b) Every A retailer shall retain for not less than two (2) weeks the  
 10 invoice included with each shipment or delivery of cigarettes subject  
 11 to inspection by the department or its agent.

12 (c) A retailer may request a duplicate invoice from a distributor.

13 SECTION 50. IC 6-7-1-18.5 IS ADDED TO THE INDIANA CODE  
 14 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 15 1, 2026]: **Sec. 18.5. (a) The tax imposed under this chapter does not**  
 16 **apply to the following types of sales or other dispositions:**

17 (1) Except as provided in subsection (b), sales or other  
 18 dispositions of cigarettes to the United States government or  
 19 its agencies and instrumentalities.

20 (2) Cigarettes that are shipped from within Indiana to a point  
 21 outside Indiana, not to be returned to Indiana.

22 (b) Sales or other dispositions of cigarettes within Indiana to  
 23 individuals, private stores, or concessionaires located upon federal  
 24 areas and engaged in the business of selling cigarettes are subject  
 25 to the tax imposed under this chapter. In these situations, the  
 26 distributor must affix tax stamps to each individual package of  
 27 cigarettes sold or dispositioned to individuals, private stores, or  
 28 concessionaires located upon federal areas as required by section  
 29 14 of this chapter before delivery pursuant to a sale or other  
 30 disposition.

31 (c) Distributors do not need to affix tax stamps to the individual  
 32 packages of cigarettes that are sold or dispositioned that qualify  
 33 under subsection (a). The burden of proof, however, is at all times  
 34 upon the Indiana distributor to show that such cigarettes actually  
 35 were:

36 (1) sold or dispositioned to the United States government or  
 37 its agencies and instrumentalities; or

38 (2) sold and shipped outside Indiana and did not return to  
 39 Indiana.

40 SECTION 51. IC 6-7-1-19 IS AMENDED TO READ AS  
 41 FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 19. (a) Every A**  
 42 **distributor of cigarettes shall keep and preserve for three (3) years**

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1 **complete and accurate books**, records, and invoices, showing the  
 2 purchase and sale of all cigarettes ~~Such distributors shall also keep~~  
 3 ~~separate invoices; held, purchased, sold, disposed of, manufactured,~~  
 4 **brought in, or caused to be brought in from outside Indiana, and**  
 5 **records as well as the purchase of stamps.** ~~purchased. All the~~  
 6 ~~above-mentioned~~

7 **(b) A distributor's books**, records, invoices, and stocks of  
 8 cigarettes and unused stamps on hand shall be open to inspection by  
 9 the department at all reasonable times, **and shall be kept at the**  
 10 **location of the registered certificate unless approval is given by the**  
 11 **department in writing to have such records kept at another**  
 12 **location.** ~~Provided, however, that all distributors, within fifteen (15)~~  
 13 ~~days after the first~~

14 **(c) Every Indiana registered distributor shall, on or before the**  
 15 **fifteenth day of each calendar month following the transaction, file**  
 16 **a return with the department.**

17 **(d) Before the fifteenth** day of each month, **each distributor** shall  
 18 file with the department a report of all drop shipment sales made by  
 19 them to other distributors within this state during the preceding month,  
 20 ~~which report shall give~~ **including** the name and address of the  
 21 distributor, the kind and quantity of the sales, and their dates of  
 22 delivery. ~~Provided, further, however, that every~~

23 **(e) Before the tenth day of each month, each** distributor engaged  
 24 in interstate business shall ~~within ten (10) days after the first day of~~  
 25 ~~each month,~~ file with the department a report of all ~~such~~ interstate sales  
 26 made during the preceding month, ~~which report shall give~~ **including**  
 27 the name and address of the person to whom sold, the kind and quantity  
 28 of the sales, and their dates of delivery.

29 **(f) The reports required under this section shall be made upon**  
 30 **forms furnished and prescribed by the department and shall**  
 31 **contain such other information as the department may reasonably**  
 32 **require.**

33 ~~(b)~~ **(g)** All drop shipments made by manufacturers of cigarettes  
 34 within the state of Indiana must be shipped and billed through a  
 35 regularly licensed distributor licensed by the state of Indiana (as  
 36 defined in section 6 of this chapter).

37 SECTION 52. IC 6-7-1-21, AS AMENDED BY P.L.158-2013,  
 38 SECTION 101, IS AMENDED TO READ AS FOLLOWS  
 39 [EFFECTIVE JULY 1, 2026]: Sec. 21. **(a)** A distributor or other person  
 40 who knowingly sells or offers for sale an individual package ~~having~~  
 41 ~~affixed thereto any that has been affixed with a~~ fraudulent, spurious,  
 42 imitation, or counterfeit stamp, or stamp which has been previously

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1 affixed, commits a Level 5 felony.

2 (b) A person who knowingly affixes to an individual package either  
3 a fraudulent, spurious, imitation, or counterfeit stamp or a stamp which  
4 has previously been affixed to an individual package commits a Level  
5 5 felony.

6 SECTION 53. IC 6-7-1-27 IS AMENDED TO READ AS  
7 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 27. ~~Where (a)~~  
8 **Distributors shall notify the department when** stamps or individual  
9 packages to which stamps have been affixed have become mutilated,  
10 or otherwise unfit for use. ~~distributors shall notify the department, and;~~  
11 ~~if an investigation discloses that said stamps have not evidenced a~~  
12 ~~taxable transaction;~~ **The department shall issue** replacement stamps  
13 ~~shall be supplied~~ to the distributor without cost **if the department**  
14 **determines that the stamps have not evidenced a taxable**  
15 **transaction.**

16 (b) Any unused stamps may be returned to the department by the  
17 distributor who purchased such stamps, and the department shall then  
18 refund to such distributor an amount equal to that paid therefor.

19 (c) **Sales and transfers of stamps by one (1) registered cigarette**  
20 **distributor to another registered cigarette distributor are not**  
21 **permitted unless authorization is given in writing by the**  
22 **department.**

23 (d) **Cigarettes sold by registered distributors to other registered**  
24 **distributors must not be accompanied by loose stamps.**

25 SECTION 54. IC 6-8-1-1 IS AMENDED TO READ AS FOLLOWS  
26 [EFFECTIVE JULY 1, 2026]: Sec. 1. As used in this chapter, "person"  
27 means any individual, assignee, receiver, commissioner, fiduciary,  
28 trustee, executor, administrator, **institution, national bank, bank,**  
29 **consignee,** firm, partnership, joint venture, pool, syndicate, **bureau,**  
30 association, corporation, limited liability company, estate, trust, or any  
31 other group or combination acting as a unit.

32 SECTION 55. IC 6-8-1-5.5 IS ADDED TO THE INDIANA CODE  
33 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY  
34 1, 2026]: **Sec. 5.5. As used in this chapter, "petroleum gatherer"**  
35 **means the following:**

36 (1) **A person that purchases petroleum products.**

37 (2) **A person that gathers and transports petroleum products**  
38 **in which the person does not have the right, title, or interest.**

39 (3) **A person that possesses petroleum products upon which**  
40 **the petroleum severance tax has not been paid.**

41 SECTION 56. IC 6-8-1-6 IS AMENDED TO READ AS FOLLOWS  
42 [EFFECTIVE JULY 1, 2026]: Sec. 6. As used in this chapter,

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1 "producer" means a person engaged in severing petroleum **directly**  
 2 from the land. ~~direct.~~

3 SECTION 57. IC 6-8-1-6.5 IS ADDED TO THE INDIANA CODE  
 4 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**  
 5 **1, 2026]: Sec. 6.5. As used in this chapter, "purchaser" means any**  
 6 **person engaged in the purchase of petroleum products. The term**  
 7 **includes pipelines, refineries, and any other form of petroleum**  
 8 **purchasers for resale or use.**

9 SECTION 58. IC 6-8-1-7 IS AMENDED TO READ AS FOLLOWS  
 10 [EFFECTIVE JULY 1, 2026]: Sec. 7. As used in this chapter, "owner"  
 11 means a person receiving or entitled to receive a proportionate share of  
 12 petroleum or a proportionate share of the proceeds of the sale of  
 13 petroleum after production by an operator. ~~and without limitation of the~~  
 14 ~~foregoing.~~ **The term includes, but is not limited to, the owners of**  
 15 **royalties, excess royalty, overriding royalty, mineral rights, or working**  
 16 **interest.**

17 SECTION 59. IC 6-8-1-8 IS AMENDED TO READ AS FOLLOWS  
 18 [EFFECTIVE JULY 1, 2026]: Sec. 8. (a) ~~A tax~~ **Except as provided in**  
 19 **subsection (f), a tax is imposed on the privilege of severing**  
 20 **petroleum from the land and producing petroleum from a well.**

21 **(b) The tax described in subsection (a) is imposed at a rate equal**  
 22 **to the greater of:**

- 23 (1) one percent (1%) of the value of the petroleum; ~~or~~  
 24 (2) three cents (\$0.03) per one thousand (1,000) cubic feet (MCF)  
 25 for natural gas; ~~and or~~  
 26 (3) twenty-four cents (\$0.24) per barrel for oil;

27 ~~is hereby imposed as of at~~ the time of the severance of ~~such~~ petroleum  
 28 from the land upon all producers and owners thereof as an excise for  
 29 the privilege of severing the same from the land and producing the  
 30 same from the well, except when the gas from any well is used to pump  
 31 or treat the same or when such gas is of such petroleum.

32 **(c) The person purchasing petroleum products or having**  
 33 **petroleum products in the person's possession is responsible for**  
 34 **reporting and remitting the tax at the time of sale or delivery from**  
 35 **the place of production. The responsibility is imposed upon all**  
 36 **purchasers and those having possession of petroleum products**  
 37 **after severance from the ground, including petroleum gatherers.**

38 **(d) Each purchaser or petroleum gatherer shall file a report on**  
 39 **or before the last day of the month immediately following the**  
 40 **preceding monthly period. The person shall remit the tax due**  
 41 **under this section in conjunction with the filing of the monthly**  
 42 **report. The reporting and remittance is to be made upon forms**

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1 prescribed by the department.

2 (e) The purchaser or petroleum gatherer must report the

3 severance of petroleum products from the land and the payment of

4 the tax. The report must show:

5 (1) the total monthly amount of petroleum products severed

6 from the land;

7 (2) the amount and computation of the tax;

8 (3) the names and addresses of all owners or producers or

9 interest holders participating in the production of petroleum

10 products;

11 (4) the amounts paid to the various owners or producers as

12 their interest may be; and

13 (5) any other information the department may reasonably

14 require.

15 (f) The following shall not be considered taxable events under

16 this section:

17 (1) Petroleum produced from any well that is used to pump or

18 treat petroleum.

19 (2) Petroleum piped to a landowner's private buildings for the

20 landowner's own use.

21 SECTION 60. IC 6-8-1-9 IS AMENDED TO READ AS FOLLOWS

22 [EFFECTIVE JULY 1, 2026]: Sec. 9. (a) The tax imposed by section

23 8 of **under** this chapter is a lien upon such petroleum from the time of

24 its severance from the land until such tax, ~~and all~~ **plus any** penalties

25 and interest accruing by reason of nonpayment of the tax are

26 **attributable to those taxes, is fully paid. The responsibility for the**

27 **lien follows such petroleum products in the hands of the purchaser**

28 **or the petroleum gatherer.**

29 (b) Any person purchasing or receiving possession of petroleum

30 upon which tax (including any penalties and interest attributable

31 to the tax) has not been paid becomes personally liable for the lien

32 from the time of its severance from the land and must report and

33 pay the tax imposed under this chapter, plus any penalties and

34 interest attributable to the tax, to the state.

35 (c) If the purchaser or the person having possession of

36 petroleum products pays the amount of the petroleum severance

37 tax, the purchaser or person shall be entitled to reimbursement

38 from the owners or producers. By paying the petroleum severance

39 tax, these purchasers or possessors of petroleum products are not

40 subject to any suit or action for recovery by the owners or

41 producers of petroleum products. Any remedy of such owners or

42 producers is exclusively by way of claim for refund and litigation

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1 upon such claim for refund with the department.

2 (d) If a person responsible for paying this tax fails to do so in a  
3 timely fashion, that person shall be subject to standard penalties  
4 and interest under IC 6-8.1-10.

5 SECTION 61. IC 6-8-1-10 IS REPEALED [EFFECTIVE JULY 1,  
6 2026]. ~~Sec. 10. Any person purchasing or receiving possession of such  
7 petroleum prior to the discharge of such lien shall then and there be,  
8 become and remain personally liable to report and pay the amount of  
9 such lien until the same be paid.~~

10 SECTION 62. IC 6-8-1-11 IS AMENDED TO READ AS  
11 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 11. A person reporting  
12 and paying a tax levied under this chapter is entitled to be reimbursed  
13 by the owner or owners immediately upon ~~such~~ payment of the tax and  
14 shall deduct the amount of the payment from anything due to the  
15 owners. A person paying and deducting ~~such~~ the tax is not subject to  
16 any suit or action for recovery by any person, but the remedy of ~~such~~  
17 that person shall be exclusively by claim or suit for refund under the  
18 terms of this chapter.

19 SECTION 63. IC 6-8-1-12 IS AMENDED TO READ AS  
20 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 12. The department  
21 shall administer ~~and collect~~ the tax imposed under this chapter. ~~and~~  
22 ~~shall adopt rules fixing the time and manner of reporting, and paying,~~  
23 ~~at monthly intervals the tax imposed under this chapter. Any forms,~~  
24 ~~returns, or reports required to be filed under this chapter shall~~  
25 ~~contain the information as the department may reasonably require~~  
26 ~~for the administration of this chapter.~~

27 SECTION 64. IC 6-8-1-19, AS AMENDED BY P.L.158-2013,  
28 SECTION 104, IS AMENDED TO READ AS FOLLOWS  
29 [EFFECTIVE JULY 1, 2026]: Sec. 19. Any person charging against or  
30 deducting from any payment due to any other person any amount being  
31 or represented as being a tax levied by this chapter or receiving money  
32 or credits as or purporting to be ~~such~~ a tax is a trustee of the amounts  
33 so charged, deducted, or received. A trustee who fails to pay any of  
34 those amounts to the department when due, with intent to evade  
35 payment of the tax, commits a Level 6 felony.

36 SECTION 65. IC 6-8-1-19.5 IS ADDED TO THE INDIANA CODE  
37 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
38 1, 2026]: Sec. 19.5. A taxpayer may apply for a refund on forms  
39 prescribed by the department by identifying the amount and date  
40 of the alleged overpayment and the area in which the petroleum  
41 products were produced. The application for refund must include  
42 any supporting documentation as is reasonably requested by the

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1 **department.**

2 SECTION 66. IC 6-8-1-23 IS AMENDED TO READ AS  
3 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 23. (a) **Every taxpayer**  
4 **shall keep and maintain proper books and records sufficient to**  
5 **adequately reflect the severance of all petroleum products and**  
6 **their value for a period of three (3) years from the date of the filing**  
7 **of the return and the payment of the tax for each taxable period.**

8 (b) It is a Class C infraction for a person subject to taxation under  
9 this chapter to fail to keep and preserve ~~such~~ records, books, or  
10 accounts as may be necessary to determine the amount for which ~~he~~ **the**  
11 **person** is liable. It is a Class C infraction for ~~such~~ a person to fail to  
12 keep and preserve ~~such~~ records for a period of three (3) years, or to fail  
13 to keep them open for examination at any time by the department or its  
14 authorized agents.

15 ~~(b)~~ (c) It is a Class B misdemeanor for a person to make false entries  
16 in ~~his~~ **the person's** books, or to keep more than one (1) set of books,  
17 with intent to defraud the state or evade the payment of the tax, or any  
18 part thereof, imposed by this chapter.

19 SECTION 67. IC 6-8.1-1-4.7 IS ADDED TO THE INDIANA  
20 CODE AS A NEW SECTION TO READ AS FOLLOWS  
21 [EFFECTIVE JULY 1, 2026]: Sec. 4.7. "Taxes held in trust" means  
22 a listed tax:

23 (1) that is collected or received by a taxpayer from the  
24 taxpayer's customer;

25 (2) withheld by the taxpayer for amounts paid or credited to  
26 an individual or other entity pursuant to IC 6-3 or IC 6-5.5;  
27 or

28 (3) held in trust or as an agent of the state under the  
29 applicable listed tax;

30 which upon receipt or accrual becomes property of the state. The  
31 term includes, but is not limited to, the following listed taxes: the  
32 state gross retail and use taxes (IC 6-2.5); withholding for the  
33 adjusted gross income tax (IC 6-3); withholding for the local  
34 income tax (IC 6-3.6); withholding for the financial institutions tax  
35 (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the special fuel tax  
36 (IC 6-6-2.5); the auto rental excise tax (IC 6-6-9); the aviation fuel  
37 excise tax (IC 6-6-13); the heavy equipment rental excise tax  
38 (IC 6-6-15); the vehicle sharing excise tax (IC 6-6-16); the  
39 electronic cigarette tax (IC 6-7-4); the various innkeeper's taxes  
40 (IC 6-9); and the various food and beverage taxes (IC 6-9).

41 SECTION 68. IC 6-8.1-1-11 IS ADDED TO THE INDIANA CODE  
42 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY

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1 2026]: Sec. 11. (a) Except as provided in 6-8.1-18, "responsible  
 2 person" means a person that:

3 (1) is an individual conducting business as a sole proprietor or  
 4 an employee, contractor, officer, or member of an applicable  
 5 business entity; and

6 (2) has a duty to remit listed taxes held in trust for the  
 7 department or a political subdivision.

8 (b) For purposes of this section, "applicable business entity"  
 9 means a partnership, corporation, limited liability company, trust,  
 10 estate, or other combination of individuals or entities that is  
 11 required to collect, withhold, or remit a tax held in trust.

12 (c) The determination that a person is a responsible person for  
 13 a tax held in trust shall be made separately for each tax.

14 SECTION 69. IC 6-8.1-3-11, AS AMENDED BY P.L.257-2019,  
 15 SECTION 75, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 16 UPON PASSAGE]: Sec. 11. (a) As used in this section, "secure  
 17 electronic delivery service" means a service that:

18 (1) employs security procedures to provide, send, deliver, or  
 19 otherwise communicate electronic records to the intended  
 20 recipient using:

21 (A) security methods such as passwords, encryption, and  
 22 matching electronic addresses to United States postal  
 23 addresses; or

24 (B) other security methods that are consistent with applicable  
 25 law or industry standards; and

26 (2) operates subject to the applicable requirements of the  
 27 Electronic Signatures in Global and National Commerce Act (15  
 28 U.S.C. 7001 et seq.).

29 (b) When a statute specifies that the department is required to send  
 30 a document by mail, and the particular statute is silent as to the class  
 31 or type of mailing to be used, the department satisfies the mailing  
 32 requirement by mailing the document through any of the following  
 33 methods:

34 (1) United States first-class mail;

35 (2) United States registered mail, return receipt requested;

36 (3) United States certified mail;

37 (4) a certificate of mailing; or

38 (5) **electronically through the department's online tax system**  
 39 **or** a secure electronic delivery service, if the use of the secure  
 40 electronic delivery service is authorized under IC 6-8.1-6-7(b).

41 Subject to IC 6-8.1-6-7(b), the choice of the method is at the  
 42 department's discretion.

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1 (c) **The department may use any form of mailing in cases** Where a  
 2 mailing is not required by statute, **the department may send the**  
 3 **document:**

4 (1) **electronically through its online tax system if the taxpayer**  
 5 **has a registered account in the system; or**

6 (2) **by using any form of mailing.**

7 (d) **Notwithstanding subsection (b) or (c), a taxpayer may**  
 8 **affirmatively request to receive all documents from the department**  
 9 **electronically through the department's online tax system in lieu of**  
 10 **receiving such notifications and issuances through the mail.**

11 (e) The department shall adopt rules, guidelines, or other  
 12 instructions that set forth the procedures that department employees are  
 13 required to follow in sending a document that provides notice to a  
 14 taxpayer by mail under any of the methods described in subsection (b).

15 The procedures must include at least the following instructions:

16 (1) The date contained in the document must not precede the date  
 17 of the mailing.

18 (2) Each mailing of a document must be recorded in department  
 19 records, noting the date and time of the mailing.

20 SECTION 70. IC 6-8.1-3-17, AS AMENDED BY P.L.213-2025,  
 21 SECTION 92, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 22 UPON PASSAGE]: Sec. 17. (a) Before an original tax appeal is filed  
 23 with the tax court under IC 33-26, the commissioner, or the taxpayer  
 24 rights advocate office to the extent granted the authority by the  
 25 commissioner, may settle any tax liability dispute if a substantial doubt  
 26 exists as to:

27 (1) the constitutionality of the tax under the Constitution of the  
 28 State of Indiana;

29 (2) the right to impose the tax;

30 (3) the correct amount of tax due;

31 (4) the collectability of the tax; or

32 (5) whether the taxpayer is a resident or nonresident of Indiana.

33 (b) After an original tax appeal is filed with the tax court under  
 34 IC 33-26, and notwithstanding IC 4-6-2-11, the commissioner may  
 35 settle a tax liability dispute with an amount in contention of twenty-five  
 36 thousand dollars (\$25,000) or less. Notwithstanding IC 6-8.1-7-1(a),  
 37 the terms of a settlement under this subsection are available for public  
 38 inspection.

39 (c) The department shall establish an amnesty program for taxpayers  
 40 having an unpaid tax liability for a listed tax that was due and payable  
 41 for a tax period ending before January 1, ~~2023~~ 2024. A taxpayer is not  
 42 eligible for the amnesty program:

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- 1 (1) for any tax liability resulting from the taxpayer's failure to
- 2 comply with IC 6-3-1-3.5(b)(3) with regard to the **wagering**
- 3 **taxes; tax imposed by IC 4-33-13, or IC 4-35-8;** or
- 4 (2) if the taxpayer participated in any previous amnesty program
- 5 under:
- 6 (A) this section (as in effect on December 31, 2024); or
- 7 (B) IC 6-2.5-14.

8 The time in which a voluntary payment of tax liability may be made (or  
 9 the taxpayer may enter into a payment program acceptable to the  
 10 department for the payment of the unpaid listed taxes in full in the  
 11 manner and time established in a written payment program agreement  
 12 between the department and the taxpayer) under the amnesty program  
 13 is limited to the period determined by the department, not to exceed  
 14 eight (8) regular business weeks ending before the earlier of the date  
 15 set by the department or January 1, 2027.

16 (d) The amnesty program must provide that, upon payment by a  
 17 taxpayer to the department of all listed taxes due from the taxpayer for  
 18 a tax period (or payment of the unpaid listed taxes in full in the manner  
 19 and time established in a written payment program agreement between  
 20 the department and the taxpayer), entry into an agreement that the  
 21 taxpayer is not eligible for any other amnesty program that may be  
 22 established and waives any part of interest and penalties on the same  
 23 type of listed tax that is being granted amnesty in the current amnesty  
 24 program, and compliance with all other amnesty conditions adopted  
 25 under a rule of the department in effect on the date the voluntary  
 26 payment is made, the department:

- 27 (1) shall abate and not seek to collect any interest, penalties,
- 28 collection fees, or costs that would otherwise be applicable;
- 29 (2) shall release any liens imposed;
- 30 (3) shall not seek civil or criminal prosecution against any
- 31 individual or entity; and
- 32 (4) shall not issue, or, if issued, shall withdraw, an assessment, a
- 33 demand notice, or a warrant for payment under IC 6-8.1-5-1,
- 34 IC 6-8.1-5-3, IC 6-8.1-8-2, or another law against any individual
- 35 or entity;

36 for listed taxes due from the taxpayer for the tax period for which  
 37 amnesty has been granted to the taxpayer. Amnesty granted under  
 38 subsection (c) is binding on the state and its agents. However, failure  
 39 to pay to the department all listed taxes due for a tax period invalidates  
 40 any amnesty granted under subsection (c) for that tax period. The  
 41 department shall conduct an assessment of the impact of the tax  
 42 amnesty program on tax collections and an analysis of the costs of

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1 administering the tax amnesty program. As soon as practicable after the  
 2 end of the tax amnesty period, the department shall submit a copy of  
 3 the assessment and analysis to the legislative council in an electronic  
 4 format under IC 5-14-6. The department shall enforce an agreement  
 5 with a taxpayer that prohibits the taxpayer from receiving amnesty in  
 6 another amnesty program.

7 (e) For purposes of subsection (c), a liability for a listed tax is due  
 8 and payable if:

9 (1) the department has issued:

10 (A) an assessment of the listed tax under IC 6-8.1-5-1;

11 (B) a demand for payment under IC 6-8.1-5-3; or

12 (C) a demand notice for payment of the listed tax under  
 13 IC 6-8.1-8-2;

14 (2) the taxpayer has filed a return or an amended return in which  
 15 the taxpayer has reported a liability for the listed tax; or

16 (3) the taxpayer has filed a written statement of liability for the  
 17 listed tax in a form that is satisfactory to the department.

18 (f) The department may waive interest and penalties if the general  
 19 assembly enacts a change in a listed tax for a tax period that increases  
 20 a taxpayer's tax liability for that listed tax after the due date for that  
 21 listed tax and tax period. However, such a waiver shall apply only to  
 22 the extent of the increase in tax liability and only for a period not  
 23 exceeding sixty (60) days after the change is enacted. The department  
 24 may adopt rules under IC 4-22-2 or issue guidelines to carry out this  
 25 subsection.

26 SECTION 71. IC 6-8.1-3-25, AS AMENDED BY P.L.213-2025,  
 27 SECTION 94, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 28 UPON PASSAGE]: Sec. 25. Notwithstanding any other law, the  
 29 department shall deposit the amounts collected under a tax amnesty  
 30 program carried out under section 17 of this chapter after June 30,  
 31 2025, as follows: **in the same manner as a payment of the listed tax**  
 32 **occurring during the fiscal year in which the amnesty program**  
 33 **ends.**

34 (1) County income tax collected under IC 6-3.5-1.1, IC 6-3.5-6,  
 35 or IC 6-3.5-7 (all repealed January 1, 2017) shall be distributed to  
 36 counties in the same manner as otherwise provided by the  
 37 appropriate chapter of the Indiana Code:

38 (2) Eight percent (8%) of inheritance tax collected for resident  
 39 decedents shall be distributed to counties in the manner provided  
 40 under IC 6-4.1-9-6.

41 (3) County innkeeper's tax collected shall be deposited as required  
 42 by IC 6-9.

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- 1           (4) County and municipal food and beverage tax collected shall
- 2           be deposited as required by IC 6-9.
- 3           (5) County admissions taxes collected shall be deposited as
- 4           required by IC 6-9-13 and IC 6-9-28.
- 5           (6) Aircraft license excise tax collected shall be deposited as
- 6           required by IC 6-6-6.5-21.
- 7           (7) Auto rental excise tax collected shall be deposited as required
- 8           by IC 6-6-9-11.
- 9           (8) Supplemental auto rental excise tax shall be deposited as
- 10          otherwise required by the appropriate chapter of the Indiana
- 11          Code.
- 12          (9) Financial institutions tax collected shall be deposited as
- 13          required by IC 6-5.5-8-2.
- 14          (10) After making the deposits in subdivisions (1) through (9);
- 15          any remaining amounts collected must be deposited into the state
- 16          general fund.

17           SECTION 72. IC 6-8.1-4-5, AS ADDED BY P.L.242-2015,  
 18           SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 19           UPON PASSAGE]: Sec. 5. (a) The department may deny an  
 20           application under section 4(c) of this chapter if the applicant has had  
 21           a registration revoked under section 4(f) of this chapter or any other  
 22           applicable statute.

23           (b) The department may deny an application described in section  
 24           4(c) of this chapter if the applicant's business is operated, managed, or  
 25           otherwise controlled by or affiliated with a person, including the  
 26           applicant, a relative, family member, responsible ~~officer~~, **person**, or  
 27           shareholder, whom the department has determined is covered by any  
 28           of the following:

- 29           (1) Failed to file all tax returns or information reports with the
- 30           department required under IC 6, IC 8, or IC 9.
- 31           (2) Failed to pay all taxes, penalties, and interest required to the
- 32           department under IC 6, IC 8, or IC 9.
- 33           (3) Failed to pay any registration or license plate fees for vehicles
- 34           that were at any point owned or operated by the person or for
- 35           which the person was responsible for payment.
- 36           (4) Failed to return a license plate described in subdivision (3) to
- 37           the department.
- 38           (5) Has an unsatisfactory safety rating under 49 CFR Part 385.
- 39           (6) Has multiple violations of IC 9 or a rule adopted under IC 9.

40           (c) The department may deny any application described in section  
 41           4(c) of this chapter if the applicant is a motor carrier whose business is  
 42           operated, managed, or otherwise controlled by or affiliated with a

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1 person, including an owner, relative, family member, responsible  
2 ~~officer, person,~~ or shareholder, whom the department has determined  
3 is covered by any item listed in subsection (b).

4 (d) If the applicant has altered a cab card or permit, the department  
5 shall bill the carrier automatically for the violation.

6 SECTION 73. IC 6-8.1-5-2, AS AMENDED BY P.L.118-2024,  
7 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
8 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 2. (a) Except as  
9 otherwise provided in this section and section 2.5 of this chapter, the  
10 department may not issue a proposed assessment under section 1 of this  
11 chapter more than three (3) years after the latest of the date the return  
12 is filed, or the following:

- 13 (1) The due date of the return.
- 14 (2) In the case of a return filed for a periodic tax, thirty-one (31)  
15 days after the end of the calendar year which contains the taxable  
16 period for which the return is filed.
- 17 (3) In the case of the use tax, three (3) years and thirty-one (31)  
18 days from the end of the calendar year in which the first taxable  
19 use, other than an incidental nonexempt use, of the property  
20 occurred.

21 (b) If a person files a return for the utility receipts tax (IC 6-2.3)  
22 (repealed), adjusted gross income tax (IC 6-3), pass through entity tax  
23 (IC 6-3-2.1), supplemental net income tax (IC 6-3-8) (repealed), county  
24 adjusted gross income tax (IC 6-3.5-1.1) (repealed), county option  
25 income tax (IC 6-3.5-6) (repealed), local income tax (IC 6-3.6), or  
26 financial institutions tax (IC 6-5.5) that understates the person's  
27 income, as that term is defined in the particular income tax law, by at  
28 least twenty-five percent (25%), the proposed assessment limitation is  
29 six (6) years instead of the three (3) years provided in subsection (a).

30 (c) In the case of the vehicle excise tax (IC 6-6-5), the tax shall be  
31 assessed as provided in IC 6-6-5 and shall include the penalties and  
32 interest due on all listed taxes not paid by the due date. A person that  
33 fails to properly register a vehicle as required by IC 9-18 (before its  
34 expiration) or IC 9-18.1 and pay the tax due under IC 6-6-5 is  
35 considered to have failed to file a return for purposes of this article.

36 (d) In the case of the commercial vehicle excise tax imposed under  
37 IC 6-6-5.5, the tax shall be assessed as provided in IC 6-6-5.5 and shall  
38 include the penalties and interest due on all listed taxes not paid by the  
39 due date. A person that fails to properly register a commercial vehicle  
40 as required by IC 9-18 (before its expiration) or IC 9-18.1 and pay the  
41 tax due under IC 6-6-5.5 is considered to have failed to file a return for  
42 purposes of this article.

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1 (e) In the case of the excise tax imposed on recreational vehicles  
 2 and truck campers under IC 6-6-5.1, the tax shall be assessed as  
 3 provided in IC 6-6-5.1 and must include the penalties and interest due  
 4 on all listed taxes not paid by the due date. A person that fails to  
 5 properly register a recreational vehicle as required by IC 9-18 (before  
 6 its expiration) or IC 9-18.1 and pay the tax due under IC 6-6-5.1 is  
 7 considered to have failed to file a return for purposes of this article. A  
 8 person that fails to pay the tax due under IC 6-6-5.1 on a truck camper  
 9 is considered to have failed to file a return for purposes of this article.

10 (f) In the case of a credit against a listed tax based on payments of  
 11 taxes to a state or local jurisdiction outside Indiana or payments of  
 12 amounts that are subsequently refunded or returned, a proposed  
 13 assessment for the refunded or returned credit must be issued by the  
 14 later of:

15 (1) the date by which a proposed assessment must be issued under  
 16 this section; or

17 (2) one hundred eighty (180) days from the date the taxpayer  
 18 notifies the department of the refund or return of payment.

19 For purposes of this subsection, if a taxpayer receives a refund of an  
 20 amount paid by or on behalf of the taxpayer for a listed tax, that refund  
 21 shall not be considered the payment of an amount that is subsequently  
 22 refunded or returned.

23 (g) If a person files a fraudulent, unsigned, or substantially blank  
 24 return, or if a person does not file a return, there is no time limit within  
 25 which the department must issue its proposed assessment, except as  
 26 provided in subsection (1).

27 (h) If any part of a listed tax has been erroneously refunded by the  
 28 department, the erroneous refund may be recovered through the  
 29 assessment procedures established in this chapter. An assessment  
 30 issued for an erroneous refund must be issued within the later of:

31 (1) the period for which an assessment could otherwise be issued  
 32 under this section; or

33 (2) whichever is applicable:

34 (A) within two (2) years after making the refund; or

35 (B) within five (5) years after making the refund if the refund  
 36 was induced by fraud or misrepresentation.

37 (i) If, before the end of the time within which the department may  
 38 make an assessment, the department and the person agree to extend  
 39 that assessment period, the period may be extended according to the  
 40 terms of a written agreement signed by both the department and the  
 41 person. The agreement must contain:

42 (1) the date to which the extension is made; and

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1 (2) a statement that the person agrees to preserve the person's  
 2 records until the extension terminates.  
 3 The department and a person may agree to more than one (1) extension  
 4 under this subsection.  
 5 (j) Except as otherwise provided in subsection (k), if a taxpayer's  
 6 federal taxable income, federal adjusted gross income, or federal  
 7 income tax liability for a taxable year is modified due to a modification  
 8 as provided under IC 6-3-4-6(c) and IC 6-3-4-6(d) (for the adjusted  
 9 gross income tax), or a modification or alteration as provided under  
 10 IC 6-5.5-6-6(c) and IC 6-5.5-6-6(e) (for the financial institutions tax),  
 11 then the date by which the department must issue a proposed  
 12 assessment under section 1 of this chapter for tax imposed under IC 6-3  
 13 is extended to ~~six (6) months~~ **one (1) year** after the date on which the  
 14 notice of modification is filed with the department by the taxpayer.  
 15 (k) The following apply:  
 16 (1) This subsection applies to partnerships whose taxable year:  
 17 (A) begins after December 31, 2017;  
 18 (B) ends after August 12, 2018; or  
 19 (C) begins after November 2, 2015, and before January 1,  
 20 2018, and for which a valid election under United States  
 21 Treasury Regulation 301.9100-22 is in effect;  
 22 and to the partners of such partnerships, including any partners,  
 23 shareholders, or beneficiaries of a pass through entity that is a  
 24 partner in such partnership.  
 25 (2) Notwithstanding any other provision of this article, if a  
 26 partnership is subject to federal income tax liability or a federal  
 27 tax adjustment at the partnership level as the result of a  
 28 modification under Sections 6221 through 6241 of the Internal  
 29 Revenue Code, the date on which the department must issue a  
 30 proposed assessment to either the partners or the partnership shall  
 31 be the later of:  
 32 (A) the date on which a proposed assessment must otherwise  
 33 be issued to the partner or the partnership under this section or  
 34 IC 6-3-4.5 with regard to the taxable year of the partnership to  
 35 which the modification is taxed at the partnership level; or  
 36 (B) December 31, 2021.  
 37 (3) For purposes of this section and IC 6-8.1-9-1, a modification  
 38 under this subsection shall be considered a modification to the  
 39 federal taxable income, federal adjusted gross income, or federal  
 40 income tax liability of both the partners and the partnership within  
 41 the meaning of IC 6-3-4-6 and IC 6-5.5-6-6, and shall be  
 42 considered to be included in the federal taxable income or federal

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1 adjusted gross income of both the partners and partnerships for  
 2 purposes of this article and IC 6-5.5.  
 3 (4) If a modification made to a partnership for federal income tax  
 4 purposes is reported to the partners to determine the partners'  
 5 respective federal taxable income, federal adjusted gross income,  
 6 or federal income tax liability, including reporting to partners as  
 7 the result of an election made under Section 6226 of the Internal  
 8 Revenue Code, subdivision (2) shall not apply, and those  
 9 modifications shall be treated as modifications to the partners'  
 10 federal taxable income, federal adjusted gross income, or federal  
 11 income tax liability for purposes of the following:  
 12 (A) This section.  
 13 (B) IC 6-3-4-6.  
 14 (C) IC 6-5.5-6-6.  
 15 (D) IC 6-8.1-9-1.  
 16 (l) Notwithstanding any other provision, a nonresident individual is  
 17 considered to have filed a return for purposes of this section for a  
 18 taxable year if the individual does not file a return otherwise required  
 19 under IC 6-3-4-1 for a taxable year and all of the following apply:  
 20 (1) the:  
 21 (A) individual did not have income from sources within  
 22 Indiana; or  
 23 (B) only income derived from sources within Indiana and  
 24 includible in the individual's adjusted gross income is  
 25 distributive share income from one (1) or more pass through  
 26 entities (as defined by IC 6-3-1-35);  
 27 (2) the individual is not a resident of Indiana for any portion of  
 28 the taxable year;  
 29 (3) the individual does not request a reduction in tax withholding  
 30 for a pass through entity under IC 6-3-4-12, IC 6-3-4-13, or  
 31 IC 6-3-4-15 for the taxable year; and  
 32 (4) all pass through entities from which the individual derives  
 33 income from Indiana sources:  
 34 (A) file a composite return required under IC 6-3-4-12,  
 35 IC 6-3-4-13, or IC 6-3-4-15; and  
 36 (B) include the individual on the composite return.  
 37 (m) The following provisions apply to subsection (l):  
 38 (1) If an individual is married and files a joint federal tax return  
 39 with the individual's spouse, the individual is considered to have  
 40 filed a return for purposes of this section only if both the  
 41 individual and the individual's spouse meet the conditions under  
 42 subsection (l)(1) through (l)(4).

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1 (2) If an individual does not file a return, the last date for  
2 assessment with regard to the individual's share of income from  
3 a pass through entity shall be determined at the pass through  
4 entity and shall be determined separately for each pass through  
5 entity.

6 (3) In the event the individual files a return, the period for  
7 assessment shall be determined based on the individual's filing  
8 unless a different period for assessment is prescribed under this  
9 title.

10 (4) The individual is required to file a return to request a refund  
11 or carryforward of an overpayment for a taxable year.

12 (5) If the individual has a net operating loss deduction under  
13 IC 6-3-2-2.5 or IC 6-3-2-2.6, or a credit carryforward allowable  
14 under IC 6-3-3 or IC 6-3.1 for the taxable year, the amount of net  
15 operating loss or credit carryforward shall be reduced to reflect  
16 the amount of net operating loss or credit carryforward that  
17 otherwise would have been allowable for the taxable year.

18 SECTION 74. IC 6-8.1-6-7, AS AMENDED BY P.L.293-2013(ts),  
19 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
20 UPON PASSAGE]: Sec. 7. (a) Notwithstanding any other provisions  
21 of this title, the commissioner may permit the filing of any return or  
22 document by electronic data submission.

23 (b) This subsection applies to a taxpayer required to report and remit  
24 state gross retail taxes or amounts withheld under IC 6-3-4-8  
25 electronically. If the taxpayer provides written consent to the  
26 department, the department may provide the taxpayer with any  
27 documents that would otherwise require delivery by mail **either**  
28 **providing the documents electronically through the department's**  
29 **online tax system or** by using a secure electronic delivery service  
30 developed by the department under IC 6-8.1-3-11.

31 (c) The department may adopt rules to establish procedures to  
32 implement this section.

33 SECTION 75. IC 6-8.1-7-1, AS AMENDED BY P.L.126-2025,  
34 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
35 UPON PASSAGE]: Sec. 1. (a) This subsection does not apply to the  
36 disclosure of information concerning a conviction on a tax evasion  
37 charge. Unless in accordance with a judicial order or as otherwise  
38 provided in this chapter, the department, its employees, former  
39 employees, counsel, agents, or any other person may not divulge the  
40 amount of tax paid by any taxpayer, terms of a settlement agreement  
41 executed between a taxpayer and the department, investigation records,  
42 investigation reports, or any other information disclosed by the reports

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1 filed under the provisions of the law relating to any of the listed taxes,  
 2 including required information derived from a federal return, except to  
 3 any of the following when it is agreed that the information is to be  
 4 confidential and to be used solely for official purposes:

- 5 (1) Members and employees of the department.
- 6 (2) The governor, **including the governor's designee within the**  
 7 **governor's office.**
- 8 (3) A member of the general assembly or an employee of the  
 9 house of representatives or the senate when acting on behalf of a  
 10 taxpayer located in the member's legislative district who has  
 11 provided sufficient information to the member or employee for  
 12 the department to determine that the member or employee is  
 13 acting on behalf of the taxpayer.
- 14 (4) An employee of the legislative services agency to carry out the  
 15 responsibilities of the legislative services agency under  
 16 IC 2-5-1.1-7 or another law.
- 17 (5) The attorney general or any other legal representative of the  
 18 state in any action in respect to the amount of tax due under the  
 19 provisions of the law relating to any of the listed taxes.
- 20 (6) Any authorized officers of the United States.

21 (b) The information described in subsection (a) may be revealed  
 22 upon the receipt of a **certified written** request **from any of any the**  
 23 **following:**

- 24 (1) **Any** designated officer of the state tax department of any other  
 25 state, district, territory, or possession of the United States when:  
 26 (†) **(A)** the state, district, territory, or possession permits the  
 27 exchange of like information with the taxing officials of the  
 28 state; and  
 29 (‡) **(B)** it is agreed that the information is to be confidential  
 30 and to be used solely for tax collection purposes.
- 31 (2) **The administrative head of a state agency of Indiana**  
 32 **when:**  
 33 **(A) the state agency shows an official need for the**  
 34 **information; and**  
 35 **(B) the administrative head of the state agency agrees that**  
 36 **any information released will be kept confidential and will**  
 37 **be used solely for official purposes.**
- 38 (3) **The chief law enforcement officer of a state or local law**  
 39 **enforcement agency in Indiana when it is agreed that the**  
 40 **information is to be confidential and to be used solely for**  
 41 **official purposes.**

42 **The department may also proactively provide to the entities listed**

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1 **in this subsection the name, address, and federal identification**  
 2 **number or other identification number assigned by the department**  
 3 **for a taxpayer in order to facilitate the investigation of a taxpayer**  
 4 **suspected of a criminal matter in connection with a listed tax, so**  
 5 **long as it is agreed that any further information provided is to be**  
 6 **kept confidential and used solely for official purposes.**

7 (c) The information described in subsection (a) relating to a person  
 8 on public welfare or a person who has made application for public  
 9 welfare may be revealed to the office of the secretary of family and  
 10 social services for purposes of IC 12-15-1-24, the director of the  
 11 division of family resources, and to any director of a county office of  
 12 the division of family resources located in Indiana, upon receipt of a  
 13 written request from either director for the information. The  
 14 information shall be treated as confidential by the office and the  
 15 directors. In addition, the information described in subsection (a)  
 16 relating to a person who has been designated as an absent parent by the  
 17 state Title IV-D agency shall be made available to the state Title IV-D  
 18 agency upon request. The information shall be subject to the  
 19 information safeguarding provisions of the state and federal Title IV-D  
 20 programs.

21 (d) **The following taxpayer information may be revealed in**  
 22 **connection with a taxpayer's tax or other delinquency:**

23 (1) **All information relating to the delinquency or evasion of**  
 24 **an innkeeper's tax shall be provided to the appropriate**  
 25 **innkeeper's tax board, bureau, or commission that a taxpayer**  
 26 **is delinquent in remitting innkeeper's taxes under IC 6-9.**

27 (2) **All information relating to the delinquency or evasion of**  
 28 **the vehicle excise tax may be disclosed to the bureau of motor**  
 29 **vehicles in Indiana and may be disclosed to another state, if**  
 30 **the information is disclosed for the purpose of the**  
 31 **enforcement and collection of the taxes imposed by IC 6-6-5.**

32 (3) **All information relating to the delinquency or evasion of**  
 33 **commercial vehicle excise taxes payable to the bureau of**  
 34 **motor vehicles in Indiana may be disclosed to the bureau and**  
 35 **may be disclosed to another state, if the information is**  
 36 **disclosed for the purpose of the enforcement and collection of**  
 37 **the taxes imposed under IC 6-6-5.5.**

38 (4) **All information relating to the delinquency or evasion of**  
 39 **commercial vehicle excise taxes payable under the**  
 40 **International Registration Plan may be disclosed to another**  
 41 **state, if the information is disclosed for the purpose of the**  
 42 **enforcement and collection of the taxes imposed by IC 6-6-5.5.**

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1 (5) All information relating to the delinquency or evasion of  
2 the excise taxes imposed on recreational vehicles and truck  
3 campers that are payable to the bureau of motor vehicles in  
4 Indiana may be disclosed to the bureau and may be disclosed  
5 to another state if the information is disclosed for the purpose  
6 of the enforcement and collection of the taxes imposed by  
7 IC 6-6-5.1.

8 (6) The name, address, Social Security number, and place of  
9 employment relating to any individual who is delinquent in  
10 paying educational loans owed to a postsecondary educational  
11 institution may be revealed to that institution if it provides proof  
12 to the department that the individual is delinquent in paying for  
13 educational loans. This information shall be provided free of  
14 charge to approved postsecondary educational institutions (as  
15 defined by IC 21-7-13-6(a)). The department shall establish fees  
16 that all other institutions must pay to the department to obtain  
17 information under this subsection. However, these fees may not  
18 exceed the department's administrative costs in providing the  
19 information to the institution.

20 (e) The information described in subsection (a) relating to reports  
21 submitted under IC 6-6-1.1-502 concerning the number of gallons of  
22 gasoline sold by a distributor and IC 6-6-2.5 concerning the number of  
23 gallons of special fuel sold by a supplier and the number of gallons of  
24 special fuel exported by a licensed exporter or imported by a licensed  
25 transporter may be released by the commissioner upon receipt of a  
26 written request for the information:

27 (f) The information described in subsection (a) may be revealed  
28 upon the receipt of a written request from the administrative head of a  
29 state agency of Indiana when:

30 (1) the state agency shows an official need for the information;  
31 and

32 (2) the administrative head of the state agency agrees that any  
33 information released will be kept confidential and will be used  
34 solely for official purposes:

35 (g) The information described in subsection (a) may be revealed  
36 upon the receipt of a written request from the chief law enforcement  
37 officer of a state or local law enforcement agency in Indiana when it is  
38 agreed that the information is to be confidential and to be used solely  
39 for official purposes:

40 (h) (e) The name and address of retail a taxpayer may be released  
41 under the following circumstances:

42 (1) Retail merchants, including township, as specified in

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- 1 IC 6-2.5-8-1(k) ~~may be released~~ solely for tax collection purposes
- 2 to township assessors and county assessors.
- 3 **(2) Retail merchants within each county that sell tobacco**
- 4 **products, solely for the purpose of the list prepared under**
- 5 **IC 6-2.5-6-14.2 to the division of mental health and addiction**
- 6 **and the alcohol and tobacco commission.**
- 7 **(3) A person licensed by the department under IC 6-6 or**
- 8 **IC 6-7, or issued a registered retail merchant's certificate**
- 9 **under IC 6-2.5, for the purpose of reporting the status of the**
- 10 **person's license or certificate.**
- 11 **(4) All persons, corporations, or other entities that qualify or**
- 12 **have qualified for an exemption from sales tax under**
- 13 **IC 6-2.5-5-16, IC 6-2.5-5-25, or IC 6-2.5-5-26, or otherwise**
- 14 **provide information regarding a person's, corporation's, or**
- 15 **entity's exemption status under IC 6-2.5-5-16, IC 6-2.5-5-25,**
- 16 **or IC 6-2.5-5-26. Such information may be published as a list**
- 17 **by the department. In addition to the name and address of the**
- 18 **entity, information that may be published also includes:**
- 19 **(A) any federal identification number or other**
- 20 **identification number for the entity assigned by the**
- 21 **department;**
- 22 **(B) any expiration date of an exemption under**
- 23 **IC 6-2.5-5-25;**
- 24 **(C) whether any sales tax exemption has expired or has**
- 25 **been revoked by the department; and**
- 26 **(D) any other information reasonably necessary for a**
- 27 **recipient of an exemption certificate to determine if an**
- 28 **exemption certificate is valid.**
- 29 **(5) A taxpayer where the department suspects that a**
- 30 **fraudulent return has been filed on their behalf and that the**
- 31 **system of a taxpayer's previous year tax preparer or tax**
- 32 **preparation software provider has been breached for the**
- 33 **purposes of sharing with the tax preparer or tax preparation**
- 34 **software provider in such cases. Additionally, any reasonable**
- 35 **information needed to identify the taxpayer may be shared.**
- 36 **(6) A person that submits a request related to a vehicle**
- 37 **registered with the department under the International**
- 38 **Registration Plan or IC 9-18.1-13-3, as long as the use of the**
- 39 **information will be strictly limited to at least one (1) of the**
- 40 **reasons listed in IC 9-14-13-7.**
- 41 **(i) The department shall notify the appropriate innkeeper's tax**
- 42 **board, bureau, or commission that a taxpayer is delinquent in remitting**

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- 1 innkeepers' taxes under IC 6-9.
- 2 (j) All information relating to the delinquency or evasion of the
- 3 vehicle excise tax may be disclosed to the bureau of motor vehicles in
- 4 Indiana and may be disclosed to another state, if the information is
- 5 disclosed for the purpose of the enforcement and collection of the taxes
- 6 imposed by IC 6-6-5.
- 7 (k) All information relating to the delinquency or evasion of
- 8 commercial vehicle excise taxes payable to the bureau of motor
- 9 vehicles in Indiana may be disclosed to the bureau and may be
- 10 disclosed to another state, if the information is disclosed for the
- 11 purpose of the enforcement and collection of the taxes imposed by
- 12 IC 6-6-5.5.
- 13 (l) All information relating to the delinquency or evasion of
- 14 commercial vehicle excise taxes payable under the International
- 15 Registration Plan may be disclosed to another state, if the information
- 16 is disclosed for the purpose of the enforcement and collection of the
- 17 taxes imposed by IC 6-6-5.5.
- 18 (m) All information relating to the delinquency or evasion of the
- 19 excise taxes imposed on recreational vehicles and truck campers that
- 20 are payable to the bureau of motor vehicles in Indiana may be disclosed
- 21 to the bureau and may be disclosed to another state if the information
- 22 is disclosed for the purpose of the enforcement and collection of the
- 23 taxes imposed by IC 6-6-5.1.
- 24 (n) (f) This section does not apply to:
- 25 (1) the beer excise tax, including brand and packaged type
- 26 (IC 7.1-4-2);
- 27 (2) the liquor excise tax (IC 7.1-4-3);
- 28 (3) the wine excise tax (IC 7.1-4-4);
- 29 (4) the hard cider excise tax (IC 7.1-4-4.5);
- 30 (5) the vehicle excise tax (IC 6-6-5);
- 31 (6) the commercial vehicle excise tax (IC 6-6-5.5); and
- 32 (7) the fees under IC 13-23.
- 33 (o) The name and business address of retail merchants within each
- 34 county that sell tobacco products may be released to the division of
- 35 mental health and addiction and the alcohol and tobacco commission
- 36 solely for the purpose of the list prepared under IC 6-2.5-6-14.2.
- 37 (p) The name and business address of a person licensed by the
- 38 department under IC 6-6 or IC 6-7, or issued a registered retail
- 39 merchant's certificate under IC 6-2.5, may be released for the purpose
- 40 of reporting the status of the person's license or certificate.
- 41 (q) (g) The department may release **compiled tax** information
- 42 concerning **under the following circumstances:**

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1 (1) Information reports submitted under IC 6-6-1.1-502  
 2 concerning the number of gallons of gasoline sold by a  
 3 distributor, and IC 6-6-2.5 concerning the number of gallons  
 4 of special fuel sold by a supplier, the number of gallons of  
 5 special fuel exported by a licensed exporter, or the number of  
 6 gallons imported by a licensed transporter, may be released  
 7 by the commissioner upon receipt of a written request for the  
 8 information.

9 (2) The total incremental tax amounts under:

10 (⊕) (A) IC 5-28-26;

11 (⊖) (B) IC 36-7-13;

12 (⊗) (C) IC 36-7-26;

13 (⊕) (D) IC 36-7-27;

14 (⊖) (E) IC 36-7-31;

15 (⊗) (F) IC 36-7-31.3; or

16 (⊖) (G) any other statute providing for the calculation of  
 17 incremental state taxes that will be distributed to or retained by  
 18 a political subdivision or other entity;

19 to the fiscal officer of the political subdivision or other entity that  
 20 established the district or area from which the incremental taxes  
 21 were received if that fiscal officer enters into an agreement with  
 22 the department specifying that the political subdivision or other  
 23 entity will use the information solely for official purposes.

24 (3) The aggregate amounts of any of the listed taxes collected  
 25 on a particular date or within a date range may be released  
 26 upon written request.

27 (⊕) (h) The department may release the following information as  
 28 required in by statute:

29 (1) Information pursuant to IC 6-8.1-3-7.1 concerning:

30 (⊕) (A) an innkeeper's tax, a food and beverage tax, or an  
 31 admissions tax under IC 6-9;

32 (⊖) (B) the supplemental auto rental excise tax under  
 33 IC 6-6-9.7; and

34 (⊗) (C) the covered taxes allocated to a professional sports  
 35 development area fund, sports and convention facilities  
 36 operating fund, or other fund under IC 36-7-31 and  
 37 IC 36-7-31.3.

38 (⊖) (2) Information concerning state gross retail tax exemption  
 39 certificates that relate to a person who is exempt from the state  
 40 gross retail tax under IC 6-2.5-4-5 may be disclosed to a power  
 41 subsidiary (as defined in IC 6-2.5-1-22.5) or a person selling the  
 42 services or commodities listed in IC 6-2.5-4-5 for the purpose of

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1 enforcing and collecting the state gross retail and use taxes under  
2 IC 6-2.5.

3 ~~(i)~~ (i) The department may release a statement of tax withholding or  
4 other tax information statement provided on behalf of a taxpayer to the  
5 department to:

6 (1) the taxpayer on whose behalf the tax withholding or other tax  
7 information statement was provided to the department;

8 (2) the taxpayer's spouse, if:

9 (A) the taxpayer is deceased or incapacitated; and

10 (B) the taxpayer's spouse is filing a joint income tax return  
11 with the taxpayer; or

12 (3) an administrator, executor, trustee, or other fiduciary acting on  
13 behalf of the taxpayer if the taxpayer is deceased.

14 ~~(j)~~ (j) Information related to a listed tax regarding a taxpayer may  
15 be disclosed to an individual without a power of attorney under  
16 IC 6-8.1-3-8(a)(2) if:

17 (1) the individual is authorized to file returns and remit payments  
18 for one (1) or more listed taxes on behalf of the taxpayer through  
19 the department's online tax system before September 8, 2020;

20 (2) the information relates to a listed tax described in subdivision  
21 (1) for which the individual is authorized to file returns and remit  
22 payments;

23 (3) the taxpayer has been notified by the department of the  
24 individual's ability to access the taxpayer's information for the  
25 listed taxes described in subdivision (1) and the taxpayer has not  
26 objected to the individual's access;

27 (4) the individual's authorization or right to access the taxpayer's  
28 information for a listed tax described in subdivision (1) has not  
29 been withdrawn by the taxpayer; and

30 (5) disclosure of the information to the individual is not  
31 prohibited by federal law.

32 Except as otherwise provided by this article, this subsection does not  
33 authorize the disclosure of any correspondence from the department  
34 that is mailed or otherwise delivered to the taxpayer relating to the  
35 specified listed taxes for which the individual was given authorization  
36 by the taxpayer. The department shall establish a date, which may be  
37 earlier but not later than September 1, 2023, after which a taxpayer's  
38 information concerning returns and remittances for a listed tax may not  
39 be disclosed to an individual without a power of attorney under  
40 IC 6-8.1-3-8(a)(2) by providing notice to the affected taxpayers and  
41 previously authorized individuals, including notification published on  
42 the department's website. After the earlier of the date established by the

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1 department or September 1, 2023, the department may not disclose a  
2 taxpayer's information concerning returns and remittances for a listed  
3 tax to an individual unless the individual has a power of attorney under  
4 IC 6-8.1-3-8(a)(2) or the disclosure is otherwise allowed under this  
5 article.

6 (v) The department may publish a list of persons; corporations; or  
7 other entities that qualify or have qualified for an exemption for sales  
8 tax under IC 6-2.5-5-16; IC 6-2.5-5-25; or IC 6-2.5-5-26; or otherwise  
9 provide information regarding a person's; corporation's; or entity's  
10 exemption status under IC 6-2.5-5-16; IC 6-2.5-5-25; or IC 6-2.5-5-26.  
11 For purposes of this subsection; information that may be disclosed  
12 includes:

- 13 (1) any federal identification number or other identification
- 14 number for the entity assigned by the department;
- 15 (2) any expiration date of an exemption under IC 6-2.5-5-25;
- 16 (3) whether any sales tax exemption has expired or has been
- 17 revoked by the department; and
- 18 (4) any other information reasonably necessary for a recipient of
- 19 an exemption certificate to determine if an exemption certificate
- 20 is valid.

21 (w) The department may share a taxpayer's name and other personal  
22 identification information with a tax preparer or tax preparation  
23 software provider in cases where the department suspects that a  
24 fraudulent return has been filed on behalf of a taxpayer and the  
25 department suspects that the system of a taxpayer's previous year tax  
26 preparer or tax preparation software provider has been breached.

27 SECTION 76. IC 6-8.1-8-2, AS AMENDED BY P.L.234-2019,  
28 SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
29 JULY 1, 2026]: Sec. 2. (a) Except as provided in IC 6-8.1-5-3 and  
30 sections 16 and 17 of this chapter, the department must issue a demand  
31 notice for the payment of a tax and any interest or penalties accrued on  
32 the tax, if a person files a tax return without including full payment of  
33 the tax or if the department, after ruling on a protest, finds that a person  
34 owes the tax before the department issues a tax warrant. The demand  
35 notice must state the following:

- 36 (1) That the person has twenty (20) days from the date the
- 37 department mails the notice to either pay the amount demanded
- 38 or show reasonable cause for not paying the amount demanded.
- 39 (2) The statutory authority of the department for the issuance of
- 40 a tax warrant.
- 41 (3) The earliest date on which a tax warrant may be filed and
- 42 recorded.

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- 1 (4) The statutory authority for the department to levy against a
- 2 person's property that is held by a financial institution.
- 3 (5) The remedies available to the taxpayer to prevent the filing
- 4 and recording of the judgment.
- 5 If the department files a tax warrant in more than one (1) county, the
- 6 department is not required to issue more than one (1) demand notice.
- 7 The department may not issue a demand notice for a liability more than
- 8 nine (9) years after the first date the department is permitted to issue a
- 9 demand notice under this chapter.
- 10 (b) If the person does not pay the amount demanded or show
- 11 reasonable cause for not paying the amount demanded within the
- 12 twenty (20) day period, the department may issue a tax warrant for the
- 13 amount of the tax, interest, penalties, collection fee, sheriff's costs,
- 14 clerk's costs, and fees established under section 4(b) of this chapter
- 15 when applicable. When the department issues a tax warrant, a
- 16 collection fee of ten percent (10%) of the unpaid tax is added to the
- 17 total amount due.
- 18 (c) When the department issues a tax warrant, it may not file the
- 19 warrant with the circuit court clerk of any county in which the person
- 20 **resides, is domiciled, or** owns property until at least twenty (20) days
- 21 after the date the demand notice was mailed to the taxpayer. If a
- 22 taxpayer does not own property in Indiana, ~~or~~ if the department is
- 23 unable to determine whether the taxpayer owns property in Indiana, **the**
- 24 **taxpayer does not reside and is not domiciled in Indiana, or the**
- 25 **department is unable to determine the taxpayer's residence or**
- 26 **domicile**, the department may file the tax warrant with the circuit court
- 27 clerk of Marion County. The department may also send the warrant to
- 28 the sheriff of any county in which the person **resides, is domiciled, or**
- 29 owns property and direct the sheriff to file the warrant with the circuit
- 30 court clerk:
- 31 (1) at least twenty (20) days after the date the demand notice was
- 32 mailed to the taxpayer; and
- 33 (2) no later than five (5) days after the date the department issues
- 34 the warrant.
- 35 (d) When the circuit court clerk receives a tax warrant from the
- 36 department or the sheriff, the clerk shall record the warrant by making
- 37 an entry in the judgment debtor's column of the judgment record,
- 38 listing the following:
- 39 (1) The name of the person owing the tax.
- 40 (2) The amount of the tax, interest, penalties, collection fee,
- 41 sheriff's costs, clerk's costs, and fees established under section
- 42 4(b) of this chapter when applicable.

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- 1           (3) The date the warrant was filed with the clerk.
- 2           (e) When the entry is made, the total amount of the tax warrant
- 3 becomes a judgment against the person owing the tax. The judgment
- 4 creates a lien in favor of the state that attaches to all the person's
- 5 interest in any:
- 6           (1) chose in action in the ~~county~~; **state**; and
- 7           (2) real or personal property in the ~~county~~; **state**;
- 8           excepting only negotiable instruments not yet due. The department may
- 9 domesticate a valid tax warrant in one (1) or more other states or
- 10 countries, or in the political subunits of other states or countries, in the
- 11 manner that any other civil judgment may be domesticated in that
- 12 jurisdiction. The department shall be permitted all rights and remedies
- 13 permitted in a jurisdiction in which a judgment is domesticated, even
- 14 if the rights or remedies would not be permitted under Indiana law.
- 15           (f) The following apply to a judgment on a tax warrant:
- 16           (1) A judgment on a tax warrant must be filed in at least one (1)
- 17 Indiana county not later than ten (10) years after the first date on
- 18 which a demand notice could be issued under this chapter.
- 19           (2) Except as provided in subdivision (3), if a judgment on a tax
- 20 warrant is entered in at least one (1) Indiana county, the
- 21 department may file an additional tax warrant in one (1) or more
- 22 Indiana counties during the period in which one (1) or more tax
- 23 warrants are valid under this section.
- 24           (3) A judgment obtained under this section is valid for ten (10)
- 25 years from the date the judgment is filed. The department may
- 26 renew the judgment for additional ten (10) year periods by filing
- 27 an alias tax warrant with the circuit court clerk of the county in
- 28 which the judgment previously existed. An amended tax warrant
- 29 under this section or section 4 of this chapter shall not constitute
- 30 an alias tax warrant. The failure to renew a tax warrant in a
- 31 particular county shall preclude the issuance of a new tax warrant
- 32 under subdivision (2).
- 33           (4) If the department does not:
- 34           (A) issue a timely demand notice under subsection (a);
- 35           (B) file a timely tax warrant under subdivision (1); or
- 36           (C) renew all tax warrants under subdivision (3);
- 37           the department shall extinguish the tax liability from which the
- 38 demand notice or judgment arose, and no state agency shall treat
- 39 the tax liability as a delinquency for purposes of Indiana law.
- 40           (g) A judgment arising from a tax warrant in a county shall be
- 41 released by the department:
- 42           (1) after the judgment, including all accrued interest to the date of

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1 payment, has been fully satisfied; or

2 (2) if the department determines that the tax assessment or the  
3 issuance of the tax warrant was in error.

4 (h) Subject to subsections (p) and (q), if the department determines  
5 that the filing of a tax warrant was in error or if the commissioner  
6 determines that the release of the judgment and expungement of the tax  
7 warrant are in the best interest of the state, the department shall mail a  
8 release of the judgment to the taxpayer and the circuit court clerk of  
9 each county where the warrant was filed. The circuit court clerk of each  
10 county where the warrant was filed shall expunge the warrant from the  
11 judgment debtor's column of the judgment record. The department shall  
12 mail the release and the order for the warrant to be expunged as soon  
13 as possible but no later than seven (7) days after:

14 (1) the determination by the department that the filing of the  
15 warrant was in error; and

16 (2) the receipt of information by the department that the judgment  
17 has been recorded under subsection (d).

18 (i) If the department determines that a judgment described in  
19 subsection (h) is obstructing a lawful transaction, the department shall  
20 immediately upon making the determination mail:

21 (1) a release of the judgment to the taxpayer; and

22 (2) an order requiring the circuit court clerk of each county where  
23 the judgment was filed to expunge the warrant.

24 (j) A release issued under subsection (h) or (i) must state that the  
25 filing of the tax warrant was in error. Upon the request of the taxpayer,  
26 the department shall mail a copy of a release and the order for the  
27 warrant to be expunged issued under subsection (h) or (i) to each major  
28 credit reporting company located in each county where the judgment  
29 was filed.

30 (k) The commissioner shall notify each state agency or officer  
31 supplied with a tax warrant list of the issuance of a release under  
32 subsection (h) or (i).

33 (l) If the sheriff collects the full amount of a tax warrant, the sheriff  
34 shall disburse the money collected in the manner provided in section  
35 3(c) of this chapter. If a judgment has been partially or fully satisfied  
36 by a person's surety, the surety becomes subrogated to the department's  
37 rights under the judgment. If a sheriff releases a judgment:

38 (1) before the judgment is fully satisfied;

39 (2) before the sheriff has properly disbursed the amount collected;

40 or

41 (3) after the sheriff has returned the tax warrant to the department;  
42 the sheriff commits a Class B misdemeanor and is personally liable for

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1 the part of the judgment not remitted to the department.  
 2 (m) A lien on real property described in subsection (e)(2) is void if  
 3 both of the following occur:  
 4 (1) The person owing the tax provides written notice to the  
 5 department to file an action to foreclose the lien.  
 6 (2) The department fails to file an action to foreclose the lien not  
 7 later than one hundred eighty (180) days after receiving the  
 8 notice.  
 9 (n) A person who gives notice under subsection (m) by registered  
 10 or certified mail to the department may file an affidavit of service of the  
 11 notice to file an action to foreclose the lien with the circuit court clerk  
 12 in the county in which ~~the property is located.~~ **the warrant was filed.**  
 13 The affidavit must state the following:  
 14 (1) The facts of the notice.  
 15 (2) That more than one hundred eighty (180) days have passed  
 16 since the notice was received by the department.  
 17 (3) That no action for foreclosure of the lien is pending.  
 18 (4) That no unsatisfied judgment has been rendered on the lien.  
 19 **If a taxpayer has tax warrants in multiple counties, the taxpayer**  
 20 **must file a separate affidavit for each county. If a taxpayer fails to**  
 21 **file an affidavit in each county in which a warrant is filed, the**  
 22 **affidavit is effective only for property in the counties in which the**  
 23 **taxpayer files the affidavit.**  
 24 (o) Upon receipt of the affidavit described in subsection (n), the  
 25 circuit court clerk shall make an entry showing the release of the  
 26 judgment lien in the judgment records for tax warrants.  
 27 ~~(p) The department shall adopt rules to define the circumstances~~  
 28 ~~under which a release and expungement may be granted based on a~~  
 29 ~~finding that the release and expungement would be in the best interest~~  
 30 ~~of the state. The rules may allow the commissioner to expunge a tax~~  
 31 ~~warrant in other circumstances not inconsistent with subsection (q) that~~  
 32 ~~the commissioner determines are appropriate. Any releases or~~  
 33 ~~expungements granted by the commissioner must be consistent with~~  
 34 ~~these rules:~~  
 35 ~~(q)~~ **(p)** The commissioner **or the commissioner's designee** may  
 36 expunge a tax warrant **if the taxpayer requests an expungement** in  
 37 the following circumstances:  
 38 (1) If the taxpayer has timely and fully filed and paid all of the  
 39 taxpayer's state taxes, or has otherwise resolved any outstanding  
 40 state tax issues, for the preceding five (5) years.  
 41 (2) If the **tax** warrant was issued more than ten (10) years prior to  
 42 the expungement.

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- 1 (3) If the tax warrant is not subject to pending litigation.
- 2 (4) **If the tax warrant is for one (1) or more tax liabilities that**
- 3 **have been resolved through the department. Other**
- 4 **circumstances not inconsistent with subdivisions (1) through (3)**
- 5 **that are specified in the rules adopted under subsection (p):**
- 6 (q) **Taxpayers must complete the form prescribed by the**
- 7 **department and submit any documentation that may support a**
- 8 **request under subsection (p). The department will grant requests**
- 9 **for tax warrant expungement if:**
  - 10 (1) **the department determines the filing of the tax warrant**
  - 11 **was in error;**
  - 12 (2) **the department determines the release of the judgment**
  - 13 **and expungement of the tax warrant are in the best interest of**
  - 14 **the state; or**
  - 15 (3) **the department determines that the expungement**
  - 16 **facilitates the collection of outstanding tax liabilities owed by**
  - 17 **the taxpayer as provided in subsection (r).**
- 18 (r) **The release of a judgment and an expungement of a tax**
- 19 **warrant are in the best interest of the state if the release and**
- 20 **expungement facilitates the collection of outstanding liabilities**
- 21 **owed by the taxpayer, including interest and penalties accrued to**
- 22 **the date of payment, which is demonstrated if each of the following**
- 23 **are true:**
  - 24 (1) **The taxpayer has satisfied all the outstanding liabilities**
  - 25 **owed, including penalties and interest accrued to the date of**
  - 26 **payment, associated with the judgment and warrant.**
  - 27 (2) **The taxpayer has filed the outstanding required returns**
  - 28 **for each listed tax associated with the judgment and warrant.**
  - 29 (3) **The taxpayer is, at the time of making the determination,**
  - 30 **in compliance regarding the filing of any other individual,**
  - 31 **business, and informational returns, and current on payments**
  - 32 **associated with those returns.**
  - 33 (4) **The judgment or warrant is not the subject of pending**
  - 34 **litigation.**
- 35 (s) **The department's determination that the release of a**
- 36 **judgment and an expungement of a warrant are in the best interest**
- 37 **of the state includes any of the following factors:**
  - 38 (1) **The age and amount of the underlying tax liability.**
  - 39 (2) **The taxpayer's history of compliance with respect to**
  - 40 **voluntarily paying taxes.**
  - 41 (3) **Other tax warrants or outstanding liabilities of the**
  - 42 **taxpayer.**

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- 1           **(4) Whether notice of the underlying liability was received by**
- 2           **the taxpayer before the issuance of the tax warrant.**
- 3           **(5) The taxpayer's attempts, if any, to communicate with the**
- 4           **department and resolve the liability before the issuance of the**
- 5           **warrant.**
- 6           **(6) Whether delays in paying or posting tax payments**
- 7           **associated with the underlying liability that caused the tax**
- 8           **warrant are attributable to the fault or negligence of the**
- 9           **taxpayer.**
- 10          **(7) If the taxpayer did not owe the underlying tax for which**
- 11          **the warrant was issued.**
- 12          **(8) If the warrant was not issued under, or authorized by,**
- 13          **statute.**
- 14          **(9) If the filing of the tax warrant was premature or otherwise**
- 15          **not in compliance with the department's procedures.**
- 16          **(10) Other required tax filings are on file.**

17          **(t) The department shall issue the letter granting or denying the**  
 18          **expungement request to the taxpayer.**

19          **(⊕) (u) Notwithstanding any other provision in this section, the**  
 20          **commissioner may decline to release a judgment or expunge a warrant**  
 21          **upon a finding that the warrant was issued based on the taxpayer's**  
 22          **fraudulent, intentional, or reckless conduct.**

23          **(s) The rules required under subsection (p) shall specify the process**  
 24          **for requesting that the commissioner release and expunge a tax**  
 25          **warrant:**

26          **SECTION 77. IC 6-8.1-8-2.1 IS ADDED TO THE INDIANA**  
 27          **CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:**  
 28          **Sec. 2.1. (a) A warrant filed by the**  
 29          **department under section 2 of this chapter must be filed using the**  
 30          **department's designated direct electronic interface.**

31          **(b) For purposes of section 3 of this chapter, the jurisdiction of**  
 32          **the sheriff of the county in which a warrant is filed is limited to the**  
 33          **taxpayer's choses in action and real and tangible personal property**  
 34          **located in that county.**

35          **SECTION 78. IC 6-8.1-8-18 IS ADDED TO THE INDIANA CODE**  
 36          **AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**  
 37          **1, 2026]:**  
 38          **Sec. 18. (a) Except as provided in the limited relief**  
 39          **provided for marketplace facilitators in IC 6-2.5-9-3.5 (before its**  
 40          **expiration), a responsible person that holds taxes in trust for the**  
 41          **state is personally liable for the payment of those taxes, plus any**  
 42          **penalties and interest attributable to those taxes, to the state. If the**  
         **individual knowingly fails to collect or remit those taxes to the**

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- 1 state, the individual commits a Level 6 felony.
- 2 (b) A business and each responsible person for a particular tax
- 3 held in trust for a period are jointly and severally liable for that
- 4 tax, including interest and penalties.
- 5 (c) If a business and one (1) or more responsible persons remit
- 6 more than the amount due, including penalties and interest, for a
- 7 tax held in trust, the following apply to refunding any
- 8 overpayment:
- 9 (1) If the business remitted the amount due or more than the
- 10 amount due, then any amounts paid by a responsible person
- 11 shall be refunded to the responsible person, and any excess
- 12 remaining refunded to the business.
- 13 (2) If the business remitted less than the amount due, then any
- 14 amounts paid by a responsible person shall be refunded upon
- 15 a refund request by a responsible person as determined in the
- 16 following STEPS:
- 17 STEP ONE: Determine the amount remitted by each
- 18 responsible person.
- 19 STEP TWO: Determine the total amount due, including
- 20 interest and penalties, less the amount remitted by the
- 21 business.
- 22 STEP THREE: Determine the total amount remitted by all
- 23 responsible persons in STEP ONE minus the STEP TWO
- 24 amount.
- 25 STEP FOUR: Determine the STEP ONE amount for each
- 26 responsible person divided by the total amount under
- 27 STEP ONE for all responsible persons.
- 28 STEP FIVE: The amount of the refund for the responsible
- 29 person is the amount determined under STEP THREE
- 30 multiplied by the ratio for that person determined under
- 31 STEP FOUR.
- 32 (3) If the amount remitted by a business or responsible person
- 33 includes amounts added pursuant to this chapter, those
- 34 amounts shall not be considered for purposes of determining
- 35 an overpayment under this subsection.
- 36 (4) Any amount of overpayment shall be considered to be the
- 37 overpayment of the business or person that remitted the tax.
- 38 (5) Any state or federal law permitting application or offset of
- 39 an overpayment shall apply to an overpayment under this
- 40 subsection.
- 41 (6) A refund under this subsection must be filed under
- 42 IC 6-8.1-9-1 separately by the business and each responsible

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1 person, and the determination under this subsection shall be  
2 made separately for the business and each responsible person.  
3 **(7) Notwithstanding this subsection, the business and one (1)**  
4 **or more responsible persons may agree to allocate or assign**  
5 **any overpayment between themselves, provided that:**

6 (A) the total amount allocated under the agreement does  
7 not exceed the amounts that are attributable to the  
8 business and responsible persons who are parties to the  
9 agreement under subdivisions (1) and (2); and

10 (B) the amount of refund allocated to any party does not  
11 exceed the amount actually paid by that party.

12 SECTION 79. IC 6-8.1-9-1, AS AMENDED BY P.L.118-2024,  
13 SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
14 JANUARY 1, 2026 (RETROACTIVE)]: Sec. 1. (a) If a person has paid  
15 more tax than the person determines is legally due for a particular  
16 taxable period, the person may file a claim for a refund with the  
17 department. Except as provided in subsections (j), (k), (l), (m), and (n),  
18 in order to obtain the refund, the person must file the claim with the  
19 department within three (3) years after the later of the following:

20 (1) The due date of the return.

21 (2) The date of payment.

22 For purposes of this section, the due date for a return filed for a  
23 periodic tax is thirty-one (31) days after the end of the calendar year  
24 which contains the taxable period for which the return is filed. The  
25 claim must set forth the amount of the refund to which the person is  
26 entitled and the reasons that the person is entitled to the refund.

27 (b) After considering the claim and all evidence relevant to the  
28 claim, the department shall issue a decision on the claim, stating the  
29 part, if any, of the refund allowed and containing a statement of the  
30 reasons for any part of the refund that is denied. The department shall  
31 mail a copy of the decision to the person that filed the claim. If the  
32 person disagrees with a part of the decision on the claim, the person  
33 may file a protest and request a hearing with the department. If the  
34 department allows the full amount of the refund claim, a warrant for the  
35 payment of the claim is sufficient notice of the decision.

36 (c) The tax court shall hear the appeal de novo and without a jury,  
37 and after the hearing may order or deny any part of the appealed  
38 refund. The court may assess the court costs in any manner that it feels  
39 is equitable. The court may enjoin the collection of any of the listed  
40 taxes under IC 33-26-6-2. The court may also allow a refund of taxes,  
41 interest, and penalties that have been paid to and collected by the  
42 department.

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1 (d) The decision on the claim must state that the person has sixty  
 2 (60) days from the date the decision is mailed to file a written protest.  
 3 If the person files a protest and requests a hearing on the protest, the  
 4 department shall:

- 5 (1) set the hearing at the department's earliest convenient time;
- 6 and
- 7 (2) notify the person by United States mail of the time, date, and
- 8 location of the hearing.

9 (e) The department may hold the hearing at the location of its choice  
 10 within Indiana if that location complies with IC 6-8.1-3-8.5.

11 (f) After conducting a hearing on a protest, or after making a  
 12 decision on a protest when no hearing is requested, the department  
 13 shall issue a memorandum of decision or order denying a refund and  
 14 shall send a copy of the decision through the United States mail to the  
 15 person that filed the protest. If the department allows the full amount  
 16 of the refund claim, a warrant for the payment of the claim is sufficient  
 17 notice of the decision. The department may continue the hearing until  
 18 a later date if the taxpayer presents additional information at the  
 19 hearing or the taxpayer requests an opportunity to present additional  
 20 information after the hearing.

21 (g) A person that disagrees with any part of the department's  
 22 determination in a memorandum of decision or order denying a refund  
 23 may request a rehearing not more than thirty (30) days after the date on  
 24 which the memorandum of decision or order denying a refund is issued  
 25 by the department. The department shall consider the request and may  
 26 grant the rehearing if the department reasonably believes that a  
 27 rehearing would be in the best interests of the taxpayer and the state.  
 28 If the department grants the rehearing, the department shall issue a  
 29 supplemental order denying a refund or a supplemental memorandum  
 30 of decision based on the rehearing, whichever is applicable.

31 (h) If the person disagrees with any part of the department's  
 32 determination, the person may appeal the determination, regardless of  
 33 whether or not the person protested the tax payment or whether or not  
 34 the person has accepted a refund. The person must file the appeal with  
 35 the tax court. The tax court does not have jurisdiction to hear a refund  
 36 appeal if:

- 37 (1) the appeal is filed more than ninety (90) days after the latest
- 38 of the dates on which:
- 39 (A) the memorandum of decision or order denying a refund is
- 40 issued by the department, if the person does not make a timely
- 41 request for a rehearing under subsection (g) on the
- 42 memorandum of decision or order denying a refund;

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1 (B) the department issues a denial of the person's timely  
2 request for a rehearing under subsection (g) on the  
3 memorandum of decision or order denying a refund; or  
4 (C) the department issues a supplemental memorandum of  
5 decision or supplemental order denying a refund following a  
6 rehearing granted under subsection (g); or  
7 (2) the appeal is filed both before the decision is issued and  
8 before the one hundred eighty-first day after the date the person  
9 files the claim for a refund with the department.  
10 The ninety (90) day period may be extended according to the terms of  
11 a written agreement signed by both the department and the person. The  
12 agreement must specify a date upon which the extension will terminate  
13 and include a statement that the person agrees to preserve the person's  
14 records until that specified termination date. The specified termination  
15 date agreed upon under this subsection may not be more than ninety  
16 (90) days after the expiration of the period otherwise specified by this  
17 subsection.  
18 (i) With respect to the vehicle excise tax, this section applies only  
19 to penalties and interest paid on assessments of the vehicle excise tax.  
20 Any other overpayment of the vehicle excise tax is subject to IC 6-6-5.  
21 (j) If a taxpayer's federal taxable income, federal adjusted gross  
22 income, or federal income tax liability for a taxable year is modified by  
23 the Internal Revenue Service, and the modification would result in a  
24 reduction of the tax legally due, the due date by which the taxpayer  
25 must file a claim for refund with the department is the latest of:  
26 (1) the date determined under subsection (a);  
27 (2) the date that is ~~one hundred eighty (180) days~~ **one (1) year**  
28 after the date of the modification by the Internal Revenue Service  
29 as provided under:  
30 (A) IC 6-3-4-6(c) and IC 6-3-4-6(d) (for the adjusted gross  
31 income tax); or  
32 (B) IC 6-5.5-6-6(c) and IC 6-5.5-6-6(d) (for the financial  
33 institutions tax); or  
34 (3) in the case of a modification described in IC 6-8.1-5-2(k)(1)  
35 through IC 6-8.1-5-2(k)(3), the date provided in IC 6-3-4.5  
36 for such refunds or December 31, 2021, whichever is later.  
37 (k) Notwithstanding any other provision of this section, if an  
38 individual received a severance payment described in Section  
39 3(a)(1)(A) of the Combat-Injured Veterans Tax Fairness Act of 2016  
40 (P.L. 114-292) and upon which the United States Secretary of Defense  
41 withheld tax under IC 6-3, IC 6-3.5-1.1 (before its repeal), IC 6-3.5-6  
42 (before its repeal), IC 6-3.5-7 (before its repeal), or IC 6-3.6, the

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1 individual must file a claim for refund for taxes that were overpaid and  
2 attributable to the severance payment not later than December 31,  
3 2020. Any refund under this subsection shall be computed without  
4 regard to subsection (a)(2). The department may establish procedures  
5 to provide standard refund amounts if a standard refund amount is  
6 requested from the Internal Revenue Service.

7 (l) Notwithstanding any other provision of this section, a taxpayer  
8 may file a claim for refund for any taxes under IC 6-3 or IC 6-5.5 that  
9 the taxpayer expected to be due as a result of an Internal Revenue  
10 Service audit not later than the date otherwise prescribed in this section  
11 or ~~one hundred eighty (180) days~~ **one (1) year** after the date the  
12 taxpayer is notified that the audit resulted in no change or, if the audit  
13 resulted in a modification, the date of the modification as provided  
14 under:

15 (1) IC 6-3-4-6(c) and IC 6-3-4-6(d) (for adjusted gross income  
16 tax); or

17 (2) IC 6-5.5-6-6(c) and IC 6-5.5-6-6(d) (for the financial  
18 institutions tax);

19 whichever is later.

20 (m) If a taxpayer has an overpayment for a listed tax as a result of  
21 a credit of taxes paid to another state, country, or local jurisdiction in  
22 another state or country, and those taxes were assessed by the state,  
23 country, or local jurisdiction after the period for which a refund could  
24 have been claimed for that listed tax under this section, the period for  
25 requesting the refund under this section is extended to one hundred  
26 eighty (180) days after payment of the tax to the state, country, or local  
27 jurisdiction.

28 (n) If an agreement to extend the assessment time period is entered  
29 into under IC 6-8.1-5-2(i), the period during which a person may file  
30 a claim for a refund under subsection (a) is extended to the same date  
31 to which the assessment time period is extended.

32 SECTION 80. IC 6-8.1-10-9.5, AS ADDED BY P.L.194-2023,  
33 SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
34 UPON PASSAGE]: Sec. 9.5. (a) As used in this section, the following  
35 terms have the following meanings:

36 (1) "Successor in liability" means a person that directly or  
37 indirectly purchases, acquires, is gifted, or succeeds to ownership  
38 of more than one-half (1/2) of all tangible personal property of a  
39 business, by value, including inventory, at all locations combined,  
40 as measured by the value of the property at the time of the  
41 transfer. "Successor in liability" does not include a personal  
42 representative or beneficiary of an estate, a trustee in bankruptcy,

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1 a debtor in possession, a receiver, a secured party, a mortgagee,  
 2 an assignee of rents, or any other lienholder. A person shall only  
 3 be considered a successor in liability to the extent that:  
 4 (A) a department lien or liens exist on tangible personal  
 5 property transferred to the person;  
 6 (B) all tax due by the transferring business to the extent that  
 7 notice was not provided to the department as required by  
 8 subsection (b); or  
 9 (C) any tax due was included in the summary mailed to the  
 10 successor in liability by the department pursuant to subsection  
 11 (c).  
 12 (2) "Purchase price" means the consideration paid or to be paid by  
 13 the successor in liability to the transferring business for the  
 14 transfer of tangible personal property. "Purchase price" also  
 15 includes debts assumed or forgiven by the successor in liability,  
 16 or real or personal property conveyed or to be conveyed by the  
 17 successor in liability to the transferring business.  
 18 (3) "Arm's-length transaction" means a transfer for adequate  
 19 consideration between independent parties both acting in their  
 20 own best interests. If the parties are related to each other, a  
 21 rebuttable presumption arises that the transaction is not at arm's  
 22 length.  
 23 (4) "Transfer" means every mode, direct or indirect, absolute or  
 24 conditional, voluntary or involuntary, of disposing of or parting  
 25 with a business or an interest in a business, or a stock of goods,  
 26 whether by gift or for consideration. "Transfer" includes a change  
 27 in the type of business entity or the name of the business, where  
 28 one (1) business is discontinued and a new business is started.  
 29 "Transfer" also includes the acquisition by a new corporation of  
 30 the assets of a prior business in exchange for the stock of the new  
 31 corporation. "Transfer" does not include an assignment for the  
 32 benefit of creditors, foreclosure or enforcement of a mortgage,  
 33 assignment of rents, security interest or lien, sale or disposition in  
 34 a bankruptcy proceeding, or sale or disposition by a receiver.  
 35 (5) "Transfer in bulk" means a transfer, other than in the ordinary  
 36 course of the transferor's trade or business, of more than one-half  
 37 (1/2) of all the tangible personal property of a business, by value,  
 38 including inventory, at all locations combined, as measured by the  
 39 value of the property at the time of the transfer.  
 40 (6) "Tax" means the gross retail tax imposed by IC 6-2.5-2-1, the  
 41 use tax imposed by IC 6-2.5-3-2, and any county innkeepers tax  
 42 or food and beverage tax imposed by IC 6-9.

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1 (7) "Good cause" means the inability to comply with the statutory  
 2 requirements of this section due to force majeure, fraud, failure of  
 3 delivery by a carrier, or similar circumstances beyond the control  
 4 of the successor. Lack of knowledge by the successor in liability  
 5 of the requirements of this section shall not be considered good  
 6 cause. Failure of a transferee or third party to provide the notice  
 7 required by subsection (b) pursuant to a contractual obligation or  
 8 informal understanding shall not be considered to be good cause.

9 (b) Whenever a business engages in a transfer in bulk, at least  
 10 forty-five (45) days before taking possession of the assets or paying the  
 11 purchase price, the potential successor in liability or the transferring  
 12 business shall notify the department of the transfer and the terms and  
 13 conditions related to the transfer on a form prescribed by the  
 14 department. The notice must include the tax identification number of  
 15 the transferring business and the potential successor in liability.

16 (c) The following apply:

17 (1) If the notice is not provided to the department as required in  
 18 subsection (b), the potential successor in liability becomes the  
 19 successor in liability and becomes liable for any unpaid taxes,  
 20 interest, and penalties due from the transferring business to the  
 21 extent of the purchase price.

22 (2) If the notice is provided as required in subsection (b) and,  
 23 within twenty (20) days after receipt of the notice, the department  
 24 places a summary in the United States mail addressed to the  
 25 successor in liability specifying that tax liabilities exist in addition  
 26 to those subject to a department lien or there are tax returns due  
 27 but not filed, the successor in liability is liable for all taxes,  
 28 interest, and penalties as stated in the department's summary to  
 29 the extent of the purchase price if the successor in liability pays  
 30 the purchase price or takes possession of the assets without  
 31 withholding and remitting the liability to the department. The  
 32 successor in liability is liable whether the purchase price is paid  
 33 or the assets are transferred prior to or after notification from the  
 34 department.

35 (3) If the department does not find any tax is due from the  
 36 transferring business or that the transferring business has failed  
 37 to file any returns that are due, the department must place a tax  
 38 clearance letter in the United States mail addressed to the  
 39 potential successor in liability within twenty (20) days after  
 40 receipt of the notice required by subsection (b) specifying that no  
 41 tax liabilities exist and that the transferee is not a successor in  
 42 liability. The department shall issue the tax clearance letter even

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1 if the department determines that the transfer at issue does not  
2 constitute a transfer in bulk pursuant to subsection (a).

3 (d) If, based upon the information available, the department  
4 determines that a transfer in bulk was not at arm's length or was a gift,  
5 the successor's liability under this section equals the value of the  
6 tangible personal property transferred. Upon such a determination, the  
7 department may require that the successor in liability provide a third  
8 party valuation of the tangible personal property transferred.

9 (e) In the case of a gift resulting in successor liability under this  
10 section, the return of the gifted property by the donee to the donor  
11 releases the donee's successor liability.

12 (f) A potential successor in liability that complies with the  
13 requirements of subsections (b) and (c) is not liable for any  
14 assessments of taxes of the transferring business made after the  
15 department provides a summary to the potential successor in liability  
16 under subsection (c), except for taxes assessed on returns filed to  
17 comply with the summary. If the department fails to place the required  
18 summary in the United States mail within the twenty (20) day period,  
19 the potential successor in liability is not liable for any taxes of the  
20 transferring business, except with regard to transfers subject to  
21 subsection (d), if the purchase price is paid and the potential successor  
22 in liability takes possession of the assets within sixty (60) days of the  
23 mailing date the notice required pursuant to subsection (b). If the  
24 purchase price is not paid or the potential successor in liability does not  
25 take possession of the assets within sixty (60) days of the mailing date  
26 of the notice required pursuant to subsection (b), the potential  
27 successor in liability or the transferring business must submit a new  
28 notice pursuant to subsection (b).

29 (g) If the required notice under subsection (b) is not filed or any tax  
30 liability included in a summary mailed by the department pursuant to  
31 subsection (c)(2) remains due after the purchase price is paid or the  
32 successor in liability takes possession of the assets, the department  
33 must issue a notice of proposed assessment to the successor in liability  
34 for any such tax due.

35 (h) A successor in liability may protest the underlying tax unless the  
36 transferring business has already exhausted its protest rights with  
37 regard to the underlying tax. A successor in liability may also protest  
38 whether they qualify as a successor in liability with regard to the tax.  
39 In addition, the successor in liability may protest by submitting  
40 evidence showing good cause for not submitting the required notice or  
41 completing the purchase before receiving a clearance letter from the  
42 department. In the event that the transferring business has protested any

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1 taxes identified in the department's notice mailed pursuant to  
2 subsection (c)(2), the potential successor in liability shall not be  
3 considered a successor in liability with respect to such taxes if the  
4 potential successor in liability places an amount in escrow sufficient to  
5 satisfy such taxes pending resolution of the transferring business's  
6 administrative and legal process protesting such taxes.

7 (i) A transfer in bulk shall not constitute a retail transaction except  
8 for any inventory, motor vehicles, watercraft, aircraft, or rental property  
9 transferred.

10 (j) A transferor in bulk and any responsible **officer person** thereof  
11 shall not be relieved of liability for any tax, interest, or penalties when  
12 a successor in interest also becomes liable for the tax, interest, and  
13 penalties. No owner, shareholder, director, officer, or employee of a  
14 successor in liability shall be considered to be a responsible **officer**  
15 **person** relative to any tax, interest or penalties owed by the purchaser  
16 as a successor.

17 (k) The department has discretion in assessing and collecting the tax  
18 due from any liable party, but the department cannot collect more than  
19 the total tax, interest, and penalties imposed. The ability of the  
20 department to impose collections fees on the liable parties as otherwise  
21 allowed by this article shall not be impacted by this section.

22 SECTION 81. IC 6-8.1-10-12, AS AMENDED BY P.L.213-2025,  
23 SECTION 95, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
24 UPON PASSAGE]: Sec. 12. (a) This section applies to a penalty  
25 related to a tax liability to the extent that the:

- 26 (1) tax liability is for a listed tax;
- 27 (2) tax liability was due and payable, as determined under
- 28 IC 6-8.1-3-17(e), for a tax period ending before January 1, 2023;
- 29 (3) department establishes an amnesty program for the tax
- 30 liability under IC 6-8.1-3-17(c);
- 31 (4) individual or entity from which the tax liability is due was
- 32 eligible to participate in the amnesty program described in
- 33 subdivision (3); and
- 34 (5) tax liability is not paid:

35 (A) in conformity with a payment program acceptable to the  
36 department that provides for payment of the unpaid listed  
37 taxes in full in the manner and time established in a written  
38 payment program agreement entered into between the  
39 department and the taxpayer under IC 6-8.1-3-17(c); or

40 (B) if clause (A) does not apply, before the end of the amnesty  
41 period established by the department.

42 (b) Subject to subsection (c), if a penalty is imposed or otherwise

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1 calculated under any combination of:  
 2 (1) IC 6-8.1-1-8;  
 3 (2) section 2.1 of this chapter;  
 4 (3) section 3 of this chapter;  
 5 (4) section 3.5 of this chapter;  
 6 (5) section 4 of this chapter;  
 7 (6) section 5 of this chapter;  
 8 (7) section 6 of this chapter;  
 9 (8) section 7 of this chapter;  
 10 (9) section 9 of this chapter; or  
 11 (10) IC 6-6;  
 12 an additional penalty is imposed under this section. The amount of the  
 13 additional penalty imposed under this section is equal to the sum of the  
 14 penalties imposed or otherwise calculated under the provisions listed  
 15 in subdivisions (1) through (10).  
 16 (c) The additional penalty provided by subsection (b) does not apply  
 17 if all of the following apply:  
 18 (1) The department imposes a penalty on a taxpayer or otherwise  
 19 calculates the penalty under the provisions described in  
 20 subsection (b)(1) through (b)(10).  
 21 (2) The taxpayer against whom the penalty is imposed:  
 22 (A) timely files an original tax appeal in the tax court under  
 23 IC 6-8.1-5-1; and  
 24 (B) contests the department's imposition of the penalty or the  
 25 tax on which the penalty is based.  
 26 (3) The taxpayer meets all other jurisdictional requirements to  
 27 initiate the original tax appeal.  
 28 (4) Either the:  
 29 (A) tax court enjoins collection of the penalty or the tax on  
 30 which the penalty is based under IC 33-26-6-2; or  
 31 (B) department consents to an injunction against collection of  
 32 the penalty or tax without entry of an order by the tax court.  
 33 (d) The additional penalty provided by subsection (b) does not apply  
 34 if the taxpayer:  
 35 (1) has a legitimate hold on making the payment as a result of an  
 36 audit, bankruptcy, protest, taxpayer advocate action, or another  
 37 reason permitted by the department;  
 38 (2) had established a payment plan with the department before  
 39 ~~May 15, 2025~~; **April 1, 2026**; or  
 40 (3) verifies with reasonable particularity that is satisfactory to the  
 41 commissioner that the taxpayer did not ever receive notice of the  
 42 outstanding tax liability; or

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1           **(4) has a liability that consists only of a penalty imposed with**  
 2           **regard to a listed tax for a tax period or has a liability for**  
 3           **penalties that is greater than one hundred percent (100%) of**  
 4           **the total liabilities for listed taxes eligible for participation in**  
 5           **the tax amnesty program.**

6           SECTION 82. IC 7.1-4-2-1 IS AMENDED TO READ AS  
 7 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 1. An excise tax,  
 8 referred to **known** as the beer excise tax, **is imposed** at the rate of  
 9 eleven and one-half cents (\$.115) a gallon ~~is imposed~~ upon the sale of  
 10 beer or flavored malt beverage within Indiana.

11           SECTION 83. IC 7.1-4-2-7 IS AMENDED TO READ AS  
 12 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 7. ~~Copy of Invoice:~~ A  
 13 brewer or beer wholesaler in this state ~~when he delivers beer to a~~  
 14 ~~person~~, shall make a ~~true duplicate~~ **copy of each** invoice **when**  
 15 **delivering beer to a person**, showing the date of delivery, the amount  
 16 and value of the shipment and the name of the purchaser. The brewer  
 17 or wholesaler shall give one (1) copy of the invoice to the purchaser,  
 18 and ~~he also shall~~ retain one (1) copy for the use and inspection of the  
 19 commission and the department, for a period of two (2) years. A beer  
 20 wholesaler shall ~~keep~~, **also keep** and retain for a period of two (2)  
 21 years, a copy of all invoices for beer purchased or received by ~~him~~.  
 22 **them.**

23           SECTION 84. IC 7.1-4-2-8 IS AMENDED TO READ AS  
 24 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 8. A beer wholesaler  
 25 within Indiana who receives beer or flavored malt beverage upon which  
 26 the beer excise tax has been paid shall be entitled to a refund of the  
 27 amount of the tax on all tax-paid beer or flavored malt beverage  
 28 shipped from Indiana by the wholesaler for sale outside Indiana. ~~or sold~~  
 29 ~~within Indiana under circumstances exempting the beer or flavored~~  
 30 ~~malt beverage from the excise tax.~~ The department shall promulgate  
 31 rules and regulations governing the form of application for and the  
 32 evidence required to establish the right to a refund.

33           SECTION 85. IC 7.1-4-3-1 IS AMENDED TO READ AS  
 34 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 1. ~~Rate of Tax:~~ An  
 35 excise tax, **known as the liquor excise tax, is imposed** at the rate of  
 36 two dollars and sixty-eight cents (\$2.68) a gallon ~~is imposed~~ upon the  
 37 sale, gift, or the withdrawal for sale or gift, of liquor and wine that  
 38 contains twenty-one percent (21%), or more, of absolute alcohol  
 39 reckoned by volume.

40           SECTION 86. IC 7.1-4-3-5 IS AMENDED TO READ AS  
 41 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 5. ~~Transactions Exempt~~  
 42 ~~from Tax:~~ The liquor excise tax shall not apply to **the following**

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**transactions:**

(1) The sale for delivery outside this state, or the withdrawal for sale for delivery outside this state, of liquor and wine that contains more than twenty-one percent (21%) of absolute alcohol reckoned by volume.

(2) The liquor excise tax shall not apply to the sale or withdrawal for sale of wine to a pastor, rabbi, or priest for sacramental or religious purposes only.

SECTION 87. IC 7.1-4-4-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 1. An excise tax, **known as the wine excise tax, is imposed** at the rate of forty-seven cents (\$0.47) a gallon is imposed upon the manufacture and sale or gift, or withdrawal for sale or gift, of wine, except hard cider, within this state.

SECTION 88. IC 7.1-4-4-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2. ~~(a) Beverages to which tax is applicable.~~ The wine excise tax shall apply to **the following beverages:**

(1) Wine ~~that contains~~ **containing** less than twenty-one percent (21%), of absolute alcohol reckoned by volume. ~~The wine excise tax also shall apply to an alcoholic beverage that contains~~

(2) **Alcoholic beverages containing** fifteen percent (15%), or less, of absolute alcohol reckoned by volume, mixed with either carbonated water or other potable ingredients, or both, by either the manufacturer or the bottler, or both of them, and sold in a container filled by the manufacturer or bottler, and which is suitable for immediate consumption directly from the original container.

(b) An alcoholic beverage that is subject to the wine excise tax shall not be also subject to the liquor excise tax.

SECTION 89. IC 7.1-4-4-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 5. ~~Power of Commission and Department.~~ The commission and the department shall have the power to prescribe regulations and maintain gauges in a winery, farm winery, or a wholesaler's premises for the proper gauging of the alcoholic beverages to which the wine excise tax is applicable and the assessment of that tax.

SECTION 90. IC 7.1-4-4-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 6. ~~Transactions Exempt from Tax.~~ The wine excise tax shall not apply to the sale or withdrawal for sale of wine to a pastor, rabbi, or priest for sacramental or religious purposes only.

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1 SECTION 91. IC 7.1-4-4.5-1 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 1. An excise tax,  
3 **known as the hard cider excise tax, is imposed** at the rate of eleven  
4 and one-half cents (\$0.115) a gallon ~~is imposed~~ upon the manufacture  
5 and sale or gift, or withdrawal for sale or gift, of hard cider within  
6 Indiana.

7 SECTION 92. IC 7.1-4-6-2 IS AMENDED TO READ AS  
8 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2. (a) The ~~presence on~~  
9 ~~the owner, possessor, or person in control of~~ premises ~~of, or the~~  
10 ~~possession by, a person of where there is the presence of~~ alcoholic  
11 beverages or other articles subject to excise taxes or other fees  
12 **imposed under this article, but that have not been paid, and upon**  
13 **which the taxes and fees have not been paid shall impose upon the**  
14 **possessor, or the owner, or person in control, of the premises, the duty**  
15 **to pay be liable for** all the taxes and fees due and unpaid, even though  
16 the presence or the possession is unlawful under this title. In addition,  
17 penalties for unpaid fees shall be assessed as follows:

18 (1) In the case of fraud the department shall assess and collect a  
19 penalty in an amount equal to the unpaid fees.

20 (2) In the case of mistake, inadvertence, or negligence, not  
21 amounting to fraud, the department shall assess and collect a  
22 penalty in an amount equal to ten percent (10%) of the unpaid  
23 fees.

24 (b) **A person that is liable for the payment of any tax or other fee**  
25 **under this article is subject to the penalty imposed under**  
26 **subsection (a) if the person fails to:**

27 (1) **timely remit the full tax or fee; or**

28 (2) **timely submit an alcoholic beverage excise tax return,**  
29 **including an information return or report, or a return**  
30 **showing no tax liability, and all required attachments.**

31 (c) With regard to unpaid taxes described under subsection (a),  
32 penalties shall be assessed under IC 6-8.1.

33 (d) **If a person fails to pay the full amount of tax due on or**  
34 **before the due date, the discount for timely payment will be**  
35 **disallowed.**

36 SECTION 93. IC 7.1-4-6-2.1 IS AMENDED TO READ AS  
37 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2.1. (a) ~~The department~~  
38 ~~shall adopt rules under IC 4-22-2 to govern the assessment and~~  
39 ~~collection of penalties provided in section 2 of this chapter.~~

40 (b) The commission may adopt rules under IC 4-22-2 to coordinate  
41 compliance with the laws, rules, and administrative policies governing  
42 the assessment and collection of sales taxes.

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1 SECTION 94. IC 7.1-4-6-3 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 3. (a) ~~Collection of~~  
3 ~~Excise Taxes~~. The department shall collect the excise taxes imposed by  
4 this title.

5 (b) An alcoholic beverage subject to a tax under this article shall  
6 be taxed only once, at the first sale or withdrawal for sale, in the  
7 following manner:

8 (1) When a primary source of supply located within Indiana  
9 sells, or withdraws for sale, alcohol to a person in Indiana, the  
10 primary source of alcohol is responsible for paying the tax.

11 (2) When a wholesaler located within Indiana receives alcohol  
12 from a primary source of supply not located in Indiana, the  
13 wholesaler located within Indiana is responsible for paying  
14 the tax.

15 (3) When a permit holder sells, or withdraws for sale, alcohol  
16 directly to a retailer or consumer, the permit holder is  
17 responsible for paying the tax.

18 SECTION 95. IC 7.1-4-6-3.6 IS REPEALED [EFFECTIVE JULY  
19 1, 2026]. Sec. 3-6. Rules and Regulations. The department, in  
20 consultation with the commission, shall have the power to promulgate  
21 rules and regulations governing the use of a unified system of reporting  
22 alcoholic beverage excise tax liability and the form of the returns.

23 SECTION 96. IC 7.1-4-6-3.7 IS ADDED TO THE INDIANA  
24 CODE AS A NEW SECTION TO READ AS FOLLOWS  
25 [EFFECTIVE JULY 1, 2026]: Sec. 3.7. (a) A person may claim a  
26 deduction on the monthly return under the following  
27 circumstances:

28 (1) the person made an exempt sale or withdrawal for sale of  
29 an alcoholic beverage under section 5.5 of this chapter.

30 (2) an alcoholic beverage was damaged or destroyed while in  
31 the person's possession; or

32 (2) an alcoholic beverage was returned by the person to the  
33 primary source of supply.

34 (b) In order to claim a deduction or receive a refund of an  
35 alcoholic beverage excise tax, the following proof must be retained:

36 (1) For an exempt sale under section 5.5 of this chapter, the  
37 following:

38 (A) If the sale is to the United States government, its  
39 agencies, or its instrumentalities, copies of the invoice  
40 stating the regular selling price less the excise tax.

41 (B) If the sale is to a person other than the United States  
42 government, its agencies, or its instrumentalities, copies of

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- 1           **the invoice showing:**
- 2           **(i) the purchaser's name;**
- 3           **(ii) the address;**
- 4           **(iii) the date;**
- 5           **(iv) the amount of beer sold; and**
- 6           **(v) any other information reasonably required by the**
- 7           **department.**
- 8           **(2) For returned alcoholic beverages, copies of the invoice or**
- 9           **invoices showing the following:**
- 10           **(A) Name of the primary source of supply.**
- 11           **(B) Credit invoice number.**
- 12           **(C) Date returned.**
- 13           **(D) Date excise tax was paid.**
- 14           **(E) Gallons returned.**
- 15           **(3) For alcoholic beverages that have been damaged or**
- 16           **destroyed, any information reasonably required by the**
- 17           **department.**
- 18           **(c) If this deduction exceeds the liabilities owed to the state on**
- 19           **that monthly return, the department shall refund the tax to the**
- 20           **person.**
- 21           **(d) If the person does not claim the deduction on the monthly**
- 22           **return, the refund procedures under IC 6-8.1-9-1 will apply.**
- 23           **(e) The tax paid on alcoholic beverages subsequently lost or**
- 24           **stolen cannot be deducted, refunded, or credited.**
- 25           SECTION 97. IC 7.1-4-6-4 IS AMENDED TO READ AS
- 26           FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 4. ~~Discount for Timely~~
- 27           ~~Payment.~~ The department shall allow a taxpayer a discount of one and
- 28           one-half percent (1 1/2%) of the amount of excise taxes otherwise due
- 29           for the accurate reporting and timely remitting of the excise taxes
- 30           imposed by this title.
- 31           SECTION 98. IC 7.1-4-6-5 IS AMENDED TO READ AS
- 32           FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 5. ~~When Sale is Made.~~
- 33           For alcoholic beverage excise tax purposes, a sale shall not be deemed
- 34           to have been made until the goods leave the custody of the seller.
- 35           SECTION 99. IC 7.1-4-6-5.5 IS ADDED TO THE INDIANA
- 36           CODE AS A NEW SECTION TO READ AS FOLLOWS
- 37           [EFFECTIVE JULY 1, 2026]: **Sec. 5.5. (a) Sales or withdrawals from**
- 38           **sale of alcoholic beverages intended for export to a state outside**
- 39           **Indiana are exempt from alcoholic beverage excise tax.**
- 40           **(b) Sales or withdrawals of alcoholic beverages for sale to the**
- 41           **United States government, its agencies, and instrumentalities,**
- 42           **including military facilities, are exempt from alcoholic beverage**

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1 excise tax. However, sales to individuals, private stores, or  
2 concessionaires located upon federal areas are not exempt.

3 (c) Sales or withdrawals for sale of wine to a pastor, rabbi, or  
4 priest for sacramental or religious purposes are exempt only from  
5 the liquor excise tax (IC 7.1-4-3) and the wine excise tax  
6 (IC 7.1-4-4).

7 (d) Lost or stolen alcoholic beverages are not exempt from the  
8 alcoholic beverage excise tax.

9 SECTION 100. IC 7.1-4-6-6 IS AMENDED TO READ AS  
10 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 6. ~~Floor Stock Tax Not~~  
11 ~~Imposed~~. The provisions of this article shall not be construed as  
12 imposing a floor stock tax on the goods held by a permittee of any type  
13 under this title.

14 SECTION 101. IC 7.1-4-6-7, AS AMENDED BY P.L.9-2024,  
15 SECTION 272, IS AMENDED TO READ AS FOLLOWS  
16 [EFFECTIVE JULY 1, 2026]: Sec. 7. ~~Appropriation for~~  
17 ~~Administration~~. There shall be an annual appropriation, from the sum  
18 of money allocated to the general fund by this title, of a sum of money  
19 necessary for the purpose of carrying out the provisions of this title.  
20 The claims for operating expenses incurred under the provisions of this  
21 title shall be filed with and paid by the state comptroller. Equipment  
22 shall be purchased only upon a requisition approved by the department  
23 of administration.

24 SECTION 102. IC 7.1-4-6-8 IS AMENDED TO READ AS  
25 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 8. (a) ~~Duty of Attorney~~  
26 ~~General and Local Prosecutor~~. If a person who holds a permit under  
27 this title:

28 (1) fails to account for, or pay over to the chairman or the  
29 department, or both, an annual license fee, or excise tax, or other  
30 levy imposed by this title; ~~or~~

31 (2) defaults in a condition of ~~his~~ **the person's** bond; or if a ~~person,~~  
32 ~~licensed under this title or not,~~ (3) fails or refuses to pay to the  
33 chairman or the department an obligation, liability, forfeiture, or  
34 penalty imposed upon ~~him~~ **the person** by this title, **whether the**  
35 **person is licensed under this title or not;**

36 the chairman or the department shall report that fact to the attorney  
37 general of Indiana who shall immediately institute the necessary action  
38 for the recovery of the sum due the state by reason of this title.

39 (b) The state shall be entitled to all liens and remedies allowed by  
40 law for the collection of the sum due the state.

41 (c) It is the duty of the prosecuting attorney of the proper county to  
42 assist the attorney general in these matters whenever the attorney

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1 general requests his assistance.

2 SECTION 103. IC 7.1-4-9-8 IS AMENDED TO READ AS  
 3 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 8. ~~Basis of Distribution~~  
 4 ~~and Use~~. The monies in the excise fund that is distributed to a county,  
 5 city or town shall be distributed in direct proportion to the amount of  
 6 retailer's or dealer's annual license fees paid in respect to licensed  
 7 premises situated in a city or town, or situated within a county but  
 8 outside the corporate limits of a city or town. The money distributed  
 9 shall be credited to the general fund of the county, city or town and the  
 10 funds shall be budgeted according to law.

11 SECTION 104. IC 7.1-4-9-9, AS AMENDED BY P.L.9-2024,  
 12 SECTION 275, IS AMENDED TO READ AS FOLLOWS  
 13 [EFFECTIVE JULY 1, 2026]: Sec. 9. ~~Time of Distribution~~. The  
 14 distribution of the excise fund to be paid into the general fund of a  
 15 county, city or town shall be distributed by the state treasurer  
 16 semi-annually on the first day of June and the first day of December of  
 17 each year. The state comptroller is authorized to draw the state  
 18 comptroller's warrants to the treasurers of the several governmental  
 19 subdivisions when the distribution is presented to the state comptroller.

20 SECTION 105. IC 7.1-4-9-10, AS AMENDED BY P.L.9-2024,  
 21 SECTION 276, IS AMENDED TO READ AS FOLLOWS  
 22 [EFFECTIVE JULY 1, 2026]: Sec. 10. ~~Appropriation from General~~  
 23 ~~Fund~~. There is appropriated from the monies allocated to the general  
 24 fund under this title, a necessary sum of money to make up any  
 25 deficiency between the sums from the excise fund actually paid over to  
 26 the treasuries of the several governmental subdivisions during their  
 27 respective current fiscal years, and the estimate of funds to be  
 28 distributed to them during the current fiscal year as computed by the  
 29 state board of accounts and as considered by the governmental unit in  
 30 preparation of its budget for the current fiscal year. The state board of  
 31 accounts shall determine whether a deficiency exists at the close of the  
 32 current fiscal year of each governmental unit. The amount of a  
 33 deficiency so determined shall be paid to the governmental unit on  
 34 warrant issued by the state comptroller not later than one (1) month  
 35 after the close of the respective current fiscal year.

36 SECTION 106. IC 7.1-4-10-2 IS AMENDED TO READ AS  
 37 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2. ~~Use of Funds~~. The  
 38 monies in the enforcement and administration fund shall be used and  
 39 disbursed solely for the enforcement and administration of this title,  
 40 and for no other purpose. Any unexpended balance remaining in the  
 41 fund at the end of a fiscal year shall not lapse but shall remain  
 42 exclusively appropriated and available only for the purpose of the

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1 enforcement and administration of this title.

2 SECTION 107. IC 23-15-13 IS ADDED TO THE INDIANA CODE  
3 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
4 JANUARY 1, 2027]:

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

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

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

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

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

24 **Sec. 3. (a) For a total transaction amount payable to a business**  
25 **entity, except as provided in subsection (b), the business entity**  
26 **must round the total transaction amount to the nearest five cent**  
27 **(\$0.05) increment as follows:**

- 28 (1) For a total transaction amount with one (1), two (2), six
- 29 (6), or seven (7), in the second decimal place, round the total
- 30 transaction amount downward to the next amount divisible by
- 31 five cents (\$0.05).
- 32 (2) For a total transaction amount with three (3), four (4),
- 33 eight (8), or nine (9) in the second decimal place, round the
- 34 total transaction amount upward to the next amount divisible
- 35 by five cents (\$0.05).

36 **(b) For a total transaction amount that is less than five cents**  
37 **(\$0.05), the business entity must round the amount down to zero**  
38 **cents (\$0.00).**

39 SECTION 108. IC 35-52-6-62.5 IS ADDED TO THE INDIANA  
40 CODE AS A NEW SECTION TO READ AS FOLLOWS  
41 [EFFECTIVE UPON PASSAGE]: **Sec. 62.5. IC 6-8.1-8-18 defines a**  
42 **crime concerning taxes.**

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1 SECTION 109. [EFFECTIVE JULY 1, 2023 (RETROACTIVE)] (a)  
2 IC 6-2.5-9-12, as added by this act, is effective for transactions  
3 occurring after June 30, 2023.

4 (b) For purposes of IC 6-2.5-9-12, as added by this act, all  
5 transactions shall be considered as having occurred after June 30,  
6 2023, to the extent that delivery of the vehicle, aircraft, cargo  
7 trailer, or watercraft constituting selling at retail is made after that  
8 date to the purchaser or to the place of delivery designated by the  
9 purchaser. However, a transaction shall be considered as having  
10 occurred before July 1, 2023, to the extent that the agreement of  
11 the parties to the transaction was entered into before July 1, 2023,  
12 and payment for the vehicle, aircraft, cargo trailer, or watercraft  
13 furnished in the transaction is made before July 1, 2023,  
14 notwithstanding the delivery of the vehicle after June 30, 2023.

15 (c) This SECTION expires July 1, 2029.

16 SECTION 110. [EFFECTIVE JULY 4, 2025 (RETROACTIVE)] (a)  
17 IC 6-3-1-3.5, IC 6-3-2-2.5, IC 6-3-2-2.6, and IC 6-5.5-1-2, all as  
18 amended by this act, apply to taxable years ending after July 4,  
19 2025.

20 (b) IC 6-3-2-30, as added by this act, applies to qualified  
21 production property placed in service after July 4, 2025.

22 (c) This SECTION expires July 1, 2030.

23 SECTION 111. [EFFECTIVE JANUARY 1, 2026  
24 (RETROACTIVE)] (a) IC 6-3-4.5-14 and IC 6-8.1-5-2, as amended  
25 by this act, are effective for final adjustments and modifications  
26 received by the department after December 31, 2025.

27 (b) IC 6-8.1-9-1, as amended by this act, is effective for  
28 modifications issued by the Internal Revenue Service after  
29 December 31, 2025.

30 (c) This SECTION expires July 1, 2029.

31 SECTION 112. [EFFECTIVE JULY 1, 2026] (a) IC 6-8.1-8-2, as  
32 amended by this act, is effective for tax warrants filed after June  
33 30, 2026.

34 (b) For purposes of a tax warrant renewal filed under  
35 IC 6-8.1-8-2(f)(3), the extension of the tax warrant to all choses in  
36 action in the state or real or tangible personal property in this state  
37 apply to renewals filed with a county after June 30, 2026.

38 (c) If the department wishes to extend a tax warrant filed before  
39 July 1, 2026, to the entire state, the department must amend the tax  
40 warrant with one (1) or more counties in which the department  
41 previously has filed the tax warrant, or file an additional tax  
42 warrant in one (1) or more counties in which the department would

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1 be permitted to file a tax warrant, after June 30, 2026.  
 2 (d) This SECTION expires July 1, 2029.  
 3 SECTION 113. [EFFECTIVE JANUARY 1, 2027] (a) IC 6-2.5-2-2,  
 4 as amended by this act, and IC 5-36.5 and IC 23-15-13, both as  
 5 added by this act, apply only to cash transactions occurring after  
 6 December 31, 2026.  
 7 (b) Except as provided in subsection (c), a retail transaction is  
 8 considered to have occurred after December 31, 2026, if the  
 9 property whose transfer constitutes selling at retail is delivered to  
 10 the purchaser or to the place of delivery designated by the  
 11 purchaser after December 31, 2026.  
 12 (c) Notwithstanding the delivery of the property constituting  
 13 selling at retail after December 31, 2026, a transaction is  
 14 considered to have occurred before January 1, 2027, to the extent  
 15 that:  
 16 (1) the agreement of the parties to the transaction is entered  
 17 into before January 1, 2027; and  
 18 (2) payment for the property furnished in the transaction is  
 19 made before January 1, 2027.  
 20 (d) This SECTION expires January 1, 2030.  
 21 SECTION 114. An emergency is declared for this act.

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