
HOUSE BILL No. 1029

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 6-3-2-3.7.

Synopsis: Tax deduction for federal retirement benefits. Provides an adjusted gross income tax deduction for the entire taxable portion of amounts received by an individual from a federal civil service annuity. Repeals a provision that allows a deduction of up to \$2,000 received from a federal civil service annuity. Reconciles conflicts between statutes enacted by the 1999 general assembly (shown in italicized type).

Effective: January 1, 2001.

Steele, Cherry, Grubb, Leuck

January 10, 2000, read first time and referred to Committee on Ways and Means.

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Second Regular Session 111th General Assembly (2000)

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 1999 General Assembly.

HOUSE BILL No. 1029



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

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

1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.128-1999,
2 SECTION 1, P.L.238-1999, SECTION 1, P.L.249-1999, SECTION 1,
3 P.L.257-1999, SECTION 1, AND P.L.273-1999, SECTION 51, IS
4 AMENDED AND CORRECTED TO READ AS FOLLOWS
5 [EFFECTIVE JANUARY 1, 2001]: Sec. 3.5. When used in IC 6-3, the
6 term "adjusted gross income" shall mean the following:

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

10 (1) Subtract income that is exempt from taxation under IC 6-3 by
11 the Constitution and statutes of the United States.

12 (2) Add an amount equal to any deduction or deductions allowed
13 or allowable pursuant to Section 62 of the Internal Revenue Code
14 for taxes based on or measured by income and levied at the state
15 level by any state of the United States. ~~or for taxes on property~~
16 ~~levied by any subdivision of any state of the United States.~~

17 (3) Subtract one thousand dollars (\$1,000), or in the case of a



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1 joint return filed by a husband and wife, subtract for each spouse
2 one thousand dollars (\$1,000).

3 (4) Subtract one thousand dollars (\$1,000) for:

4 (A) each of the exemptions provided by Section 151(c) of the
5 Internal Revenue Code;

6 (B) each additional amount allowable under Section 63(f) of
7 the Internal Revenue Code; and

8 (C) the spouse of the taxpayer if a separate return is made by
9 the taxpayer, and if the spouse, for the calendar year in which
10 the taxable year of the taxpayer begins, has no gross income
11 and is not the dependent of another taxpayer.

12 (5) Subtract:

13 (A) *one thousand five hundred dollars* (~~\$500~~) (*\$1,500*) for each
14 of the exemptions allowed under Section 151(c)(1)(B) of the
15 Internal Revenue Code for taxable years beginning after
16 December 31, 1996; *and before January 1, 2001; and*

17 (B) *five hundred dollars* (\$500) *for each additional amount*
18 *allowable under Section 63(f)(1) of the Internal Revenue*
19 *Code, if the adjusted gross income of the taxpayer, or the*
20 *taxpayer and the taxpayer's spouse in the case of a joint*
21 *return, is less than forty thousand dollars (\$40,000).*

22 This amount is in addition to the amount subtracted under
23 subdivision (4).

24 (6) Subtract an amount equal to the lesser of:

25 (A) that part of the individual's adjusted gross income (as
26 defined in Section 62 of the Internal Revenue Code) for that
27 taxable year that is subject to a tax that is imposed by a
28 political subdivision of another state and that is imposed on or
29 measured by income; or

30 (B) two thousand dollars (\$2,000).

31 (7) Add an amount equal to the total capital gain portion of a
32 lump sum distribution (as defined in Section 402(e)(4)(D) of the
33 Internal Revenue Code), if the lump sum distribution is received
34 by the individual during the taxable year and if the capital gain
35 portion of the distribution is taxed in the manner provided in
36 Section 402 of the Internal Revenue Code.

37 (8) Subtract any amounts included in federal adjusted gross
38 income under Internal Revenue Code Section 111 as a recovery
39 of items previously deducted as an itemized deduction from
40 adjusted gross income.

41 (9) Subtract any amounts included in federal adjusted gross
42 income under the Internal Revenue Code which amounts were

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1 received by the individual as supplemental railroad retirement
 2 annuities under 45 U.S.C. 231 and which are not deductible under
 3 subdivision (1).

4 (10) Add an amount equal to the deduction allowed under Section
 5 221 of the Internal Revenue Code for married couples filing joint
 6 returns if the taxable year began before January 1, 1987.

7 (11) Add an amount equal to the interest excluded from federal
 8 gross income by the individual for the taxable year under Section
 9 128 of the Internal Revenue Code, if the taxable year began
 10 before January 1, 1985.

11 (12) Subtract an amount equal to the amount of federal Social
 12 Security and Railroad Retirement benefits included in a taxpayer's
 13 federal gross income by Section 86 of the Internal Revenue Code.

14 (13) In the case of a nonresident taxpayer or a resident taxpayer
 15 residing in Indiana for a period of less than the taxpayer's entire
 16 taxable year, the total amount of the deductions allowed pursuant
 17 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
 18 which bears the same ratio to the total as the taxpayer's income
 19 taxable in Indiana bears to the taxpayer's total income.

20 (14) In the case of an individual who is a recipient of assistance
 21 under IC 12-10-6-1, IC 12-10-6-2, ~~IC 12-10-6-3~~, IC 12-15-2-2, or
 22 IC 12-15-7, subtract an amount equal to that portion of the
 23 individual's adjusted gross income with respect to which the
 24 individual is not allowed under federal law to retain an amount to
 25 pay state and local income taxes.

26 *(15) In the case of an eligible individual, subtract the amount of*
 27 *a Holocaust victim's settlement payment included in the*
 28 *individual's federal adjusted gross income.*

29 **(16) For taxable years beginning after December 31, 1999,**
 30 *subtract an amount equal to the portion of any premiums paid*
 31 *during the taxable year by the taxpayer for a qualified long term*
 32 *care policy (as defined in IC 12-15-39.6-5) for the taxpayer or*
 33 *the taxpayer's spouse, or both.*

34 *(17) Subtract an amount equal to the lesser of:*

35 *(A) two thousand five hundred dollars (\$2,500); or*

36 *(B) the amount of property taxes that are paid during the*
 37 *taxable year in Indiana by the individual on the individual's*
 38 *principal place of residence.*

39 **(18) Subtract an amount equal to the amount that is received**
 40 **by the individual during the taxable year from a federal civil**
 41 **service annuity and included in adjusted gross income under**
 42 **Section 62 of the Internal Revenue Code.**

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

4 (1) Subtract income that is exempt from taxation under IC 6-3 by
 5 the Constitution and statutes of the United States.

6 (2) Add an amount equal to any deduction or deductions allowed
 7 or allowable pursuant to Section 170 of the Internal Revenue
 8 Code.

9 (3) Add an amount equal to any deduction or deductions allowed
 10 or allowable pursuant to Section 63 of the Internal Revenue Code
 11 for taxes based on or measured by income and levied at the state
 12 level by any state of the United States. *or for taxes on property*
 13 *levied by any subdivision of any state of the United States.*

14 (4) Subtract an amount equal to the amount included in the
 15 corporation's taxable income under Section 78 of the Internal
 16 Revenue Code.

17 (c) In the case of trusts and estates, "taxable income" (as defined for
 18 trusts and estates in Section 641(b) of the Internal Revenue Code)
 19 reduced by income that is exempt from taxation under IC 6-3 by the
 20 Constitution and statutes of the United States.

21 SECTION 2. IC 6-3-2-3.7 IS REPEALED [EFFECTIVE JANUARY
 22 1, 2001].

23 SECTION 3. [EFFECTIVE JANUARY 1, 2001]
 24 **IC 6-3-1-3.5(a)(18), as added by this act, applies to taxable years**
 25 **beginning after December 31, 2000.**

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