

---

---

## SENATE BILL No. 560

---

### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-2.

**Synopsis:** Taxation of federal retiree benefits. Provides an adjusted gross income tax deduction for the part of a federal government pension (including a military pension) equal to the difference between: (1) the maximum benefits payable under Social Security that could have been excluded from federal gross income for the year; minus (2) the Social Security benefits actually received by the taxpayer during the year. Provides that a taxpayer may not claim both this deduction and the existing military service deduction or federal civil service deduction.

**Effective:** January 1, 2002.

---

---

### Simpson

---

---

January 23, 2001, read first time and referred to Committee on Pensions and Labor.

---

---

C  
O  
P  
Y



First Regular Session 112th General Assembly (2001)

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 2000 General Assembly.

C  
o  
p  
y

# SENATE BILL No. 560



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 6-3-2-3.7 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 3.7. Each taxable  
3 year, an individual is entitled to an adjusted gross income tax deduction  
4 equal to the remainder of:

- 5 (1) the first two thousand dollars (\$2,000) which is received by
- 6 the individual during the taxable year from a federal civil service
- 7 annuity, and which is included in adjusted gross income under
- 8 Section 62 of the Internal Revenue Code; minus
- 9 (2) the total amount of Social Security benefits and railroad
- 10 retirement benefits received by the individual during the taxable
- 11 year.

12 However, the individual is only entitled to the deduction provided by  
13 this section if the individual is at least sixty-two (62) years of age  
14 before the end of the taxable year. **A taxpayer may not claim both**  
15 **this deduction and the deduction available under section 3.9 of this**  
16 **chapter.**

17 SECTION 2. IC 6-3-2-3.9 IS ADDED TO THE INDIANA CODE



1 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
2 JANUARY 1, 2002]: **Sec. 3.9. (a) As used in this section, "applicable  
3 maximum benefit amount" means the following:**

4 **(1) In the case of an unmarried individual, the maximum  
5 individual Social Security benefit.**

6 **(2) In the case of a joint return, one hundred fifty percent  
7 (150%) of the maximum individual Social Security benefit.**

8 **(3) In the case of a married individual filing a separate return,  
9 seventy-five percent (75%) of the maximum individual Social  
10 Security benefit.**

11 **(b) As used in this section, "maximum excludable Social  
12 Security benefits" means an amount equal to that part of the  
13 applicable maximum benefit amount for the taxpayer for the  
14 taxable year that would be excluded from federal gross income  
15 under the Internal Revenue Code if the benefit amount were  
16 treated as Social Security benefits (within the meaning of Section  
17 86(d) of the Internal Revenue Code) received during the taxable  
18 year.**

19 **(c) As used in this section, "maximum individual Social Security  
20 benefit" means, with respect to a taxable year, the maximum total  
21 amount that could be paid for all months in the calendar year  
22 ending in the taxable year as old age insurance benefits under  
23 Section 202(a) of the federal Social Security Act (42 U.S.C. 402(a)),  
24 without regard to any reduction, deduction, or offset under Section  
25 202(k) or Section 203 of the federal Social Security Act (42 U.S.C.  
26 402(k) or 42 U.S.C. 403), to any individual who attained retirement  
27 age (as defined in Section 216(l) of the federal Social Security Act  
28 (42 U.S.C. 416(l)), and has filed an application for the benefits by  
29 the first day of the calendar year. However, in the case of an  
30 individual who receives a qualified governmental pension for less  
31 than a full taxable year, the maximum individual Social Security  
32 benefit for the individual for the year shall be reduced as provided  
33 in regulations prescribed by the United States Department of the  
34 Treasury.**

35 **(d) As used in this section, "public retirement system" means  
36 any pension, annuity, retirement, or similar fund or system  
37 established by the United States, including military retirement  
38 systems.**

39 **(e) As used in this section, "qualified governmental pension"  
40 means any pension or annuity received under a public retirement  
41 system to the extent the pension or annuity is not attributable to  
42 service that:**

C  
O  
P  
Y



1 (1) constitutes employment for purposes of Chapter 21 of the  
 2 Internal Revenue Code (relating to the Federal Insurance  
 3 Contributions Act); or

4 (2) is covered by an agreement made under Section 218 of the  
 5 federal Social Security Act (42 U.S.C. 418).

6 (f) Subject to subsection (g), each taxable year an individual, or  
 7 the individual's surviving spouse, is entitled to an adjusted gross  
 8 income tax deduction for amounts that are:

9 (1) received by the individual or surviving spouse as a  
 10 qualified governmental pension for service performed by the  
 11 individual; and

12 (2) included in federal adjusted gross income.

13 (g) The deduction under subsection (f) for a taxable year may  
 14 not exceed the result of:

15 (1) the maximum excludable Social Security benefits of the  
 16 individual or surviving spouse for the year; minus

17 (2) the Social Security benefits (within the meaning of Section  
 18 86(d) of the Internal Revenue Code) that:

19 (A) are received by the individual or surviving spouse  
 20 during the taxable year; and

21 (B) are excluded from federal gross income.

22 SECTION 3. IC 6-3-2-4 IS AMENDED TO READ AS FOLLOWS  
 23 [EFFECTIVE JANUARY 1, 2002]: Sec. 4. Each taxable year, an  
 24 individual, or the individual's surviving spouse, is entitled to an  
 25 adjusted gross income tax deduction for the first two thousand dollars  
 26 (\$2,000) of income, including retirement or survivor's benefits,  
 27 received during the taxable year by the individual, or the individual's  
 28 surviving spouse, for the individual's service in an active or reserve  
 29 component of the armed forces of the United States, including the  
 30 army, navy, air force, coast guard, marine corps, merchant marine,  
 31 Indiana army national guard, or Indiana air national guard. However,  
 32 a person who is less than sixty (60) years of age on the last day of the  
 33 person's taxable year, is not, for that taxable year, entitled to a  
 34 deduction under this section for retirement or survivor's benefits. **A  
 35 taxpayer may not claim both this deduction and the deduction  
 36 available under section 3.9 of this chapter.**

37 SECTION 4. [EFFECTIVE JANUARY 1, 2002] (a) **IC 6-3-2-3.9,**  
 38 **as added by this act, applies only to taxable years beginning after**  
 39 **December 31, 2001.**

40 (b) **IC 6-3-2-3.7 and IC 6-3-2-4, both as amended by this act,**  
 41 **applies only to taxable years beginning after December 31, 2001.**

C  
O  
P  
Y

