



January 26, 2001

SENATE BILL No. 319

DIGEST OF SB 319 (Updated January 25, 2001 10:54 AM - DI 44)

Citations Affected: IC 6-3; noncode.

Synopsis: Income tax deductions. Provides an individual adjusted gross income tax deduction for insurance premiums paid for medical care coverage by sole proprietors, S corporation shareholders, or partners to the extent the premiums are not deductible under the federal Internal Revenue Code.

Effective: January 1, 2001 (retroactive).

Clark, Simpson, Jackman

January 16, 2001, read first time and referred to Committee on Finance.
January 25, 2001, reported favorably — Do Pass.

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SB 319—LS 6402/DI 73+



January 26, 2001

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.

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SENATE BILL No. 319

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.14-2000,
2 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2001 (RETROACTIVE)]: Sec. 3.5. When used in
4 IC 6-3, the term "adjusted gross income" shall mean the following:
5 (a) In the case of all individuals, "adjusted gross income" (as
6 defined in Section 62 of the Internal Revenue Code), modified as
7 follows:
8 (1) Subtract income that is exempt from taxation under IC 6-3 by
9 the Constitution and statutes of the United States.
10 (2) Add an amount equal to any deduction or deductions allowed
11 or allowable pursuant to Section 62 of the Internal Revenue Code
12 for taxes based on or measured by income and levied at the state
13 level by any state of the United States.
14 (3) Subtract one thousand dollars (\$1,000), or in the case of a
15 joint return filed by a husband and wife, subtract for each spouse
16 one thousand dollars (\$1,000).
17 (4) Subtract one thousand dollars (\$1,000) for:

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- 1 (A) each of the exemptions provided by Section 151(c) of the
 2 Internal Revenue Code;
 3 (B) each additional amount allowable under Section 63(f) of
 4 the Internal Revenue Code; and
 5 (C) the spouse of the taxpayer if a separate return is made by
 6 the taxpayer and if the spouse, for the calendar year in which
 7 the taxable year of the taxpayer begins, has no gross income
 8 and is not the dependent of another taxpayer.
- 9 (5) Subtract:
- 10 (A) one thousand five hundred dollars (\$1,500) for each of the
 11 exemptions allowed under Section 151(c)(1)(B) of the Internal
 12 Revenue Code for taxable years beginning after December 31,
 13 1996; and
 14 (B) five hundred dollars (\$500) for each additional amount
 15 allowable under Section 63(f)(1) of the Internal Revenue Code
 16 if the adjusted gross income of the taxpayer, or the taxpayer
 17 and the taxpayer's spouse in the case of a joint return, is less
 18 than forty thousand dollars (\$40,000).
- 19 This amount is in addition to the amount subtracted under
 20 subdivision (4).
- 21 (6) Subtract an amount equal to the lesser of:
- 22 (A) that part of the individual's adjusted gross income (as
 23 defined in Section 62 of the Internal Revenue Code) for that
 24 taxable year that is subject to a tax that is imposed by a
 25 political subdivision of another state and that is imposed on or
 26 measured by income; or
 27 (B) two thousand dollars (\$2,000).
- 28 (7) Add an amount equal to the total capital gain portion of a
 29 lump sum distribution (as defined in Section 402(e)(4)(D) of the
 30 Internal Revenue Code) if the lump sum distribution is received
 31 by the individual during the taxable year and if the capital gain
 32 portion of the distribution is taxed in the manner provided in
 33 Section 402 of the Internal Revenue Code.
- 34 (8) Subtract any amounts included in federal adjusted gross
 35 income under Internal Revenue Code Section 111 as a recovery
 36 of items previously deducted as an itemized deduction from
 37 adjusted gross income.
- 38 (9) Subtract any amounts included in federal adjusted gross
 39 income under the Internal Revenue Code which amounts were
 40 received by the individual as supplemental railroad retirement
 41 annuities under 45 U.S.C. 231 and which are not deductible under
 42 subdivision (1).

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- 1 (10) Add an amount equal to the deduction allowed under Section
 2 221 of the Internal Revenue Code for married couples filing joint
 3 returns if the taxable year began before January 1, 1987.
 4 (11) Add an amount equal to the interest excluded from federal
 5 gross income by the individual for the taxable year under Section
 6 128 of the Internal Revenue Code if the taxable year began before
 7 January 1, 1985.
 8 (12) Subtract an amount equal to the amount of federal Social
 9 Security and Railroad Retirement benefits included in a taxpayer's
 10 federal gross income by Section 86 of the Internal Revenue Code.
 11 (13) In the case of a nonresident taxpayer or a resident taxpayer
 12 residing in Indiana for a period of less than the taxpayer's entire
 13 taxable year, the total amount of the deductions allowed pursuant
 14 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
 15 which bears the same ratio to the total as the taxpayer's income
 16 taxable in Indiana bears to the taxpayer's total income.
 17 (14) In the case of an individual who is a recipient of assistance
 18 under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7,
 19 subtract an amount equal to that portion of the individual's
 20 adjusted gross income with respect to which the individual is not
 21 allowed under federal law to retain an amount to pay state and
 22 local income taxes.
 23 (15) In the case of an eligible individual, subtract the amount of
 24 a Holocaust victim's settlement payment included in the
 25 individual's federal adjusted gross income.
 26 (16) For taxable years beginning after December 31, 1999,
 27 subtract an amount equal to the portion of any premiums paid
 28 during the taxable year by the taxpayer for a qualified long term
 29 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
 30 taxpayer's spouse, or both.
 31 (17) Subtract an amount equal to the lesser of:
 32 (A) two thousand five hundred dollars (\$2,500); or
 33 (B) the amount of property taxes that are paid during the
 34 taxable year in Indiana by the individual on the individual's
 35 principal place of residence.
 36 **(18) For an individual who qualifies for a deduction under**
 37 **Section 162(l) of the Internal Revenue Code, subtract the part**
 38 **of the amounts paid during the taxable year for insurance that**
 39 **constitutes medical care for the individual and the individual's**
 40 **spouse and dependents and that is not allowed as a deduction**
 41 **under Section 162(l) of the Internal Revenue Code because of**
 42 **Section 162(l)(1)(B). However, in the case of an individual who**

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1 is a shareholder of a corporation described in IC 6-3-2-2.8(2)
 2 that conducts business both within Indiana and outside
 3 Indiana or who is a partner in a partnership that conducts
 4 business both within Indiana and outside Indiana, subtract an
 5 amount equal to the payments made by the corporation or
 6 partnership during the taxable year that constitute medical
 7 care for the individual and the individual's spouse and
 8 dependents and that are not allowed as a deduction under
 9 Section 162(l) of the Internal Revenue Code because of
 10 Section 162(l)(1)(B), multiplied by a fraction. The numerator
 11 of the fraction is the individual's distributive share of income
 12 or loss of the corporation or partnership that the individual
 13 includes in adjusted gross income, in the case of a resident
 14 person, or includes in adjusted gross income derived from
 15 sources within Indiana, in the case of a nonresident person,
 16 for purposes of IC 6-3-2-1. The denominator of the fraction is
 17 the individual's total distributive share of income or loss of
 18 the corporation or partnership. The limitations set forth in
 19 Section 162(l)(2) of the Internal Revenue Code apply for
 20 purposes of this subdivision.

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

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

26 (2) Add an amount equal to any deduction or deductions allowed
 27 or allowable pursuant to Section 170 of the Internal Revenue
 28 Code.

29 (3) Add an amount equal to any deduction or deductions allowed
 30 or allowable pursuant to Section 63 of the Internal Revenue Code
 31 for taxes based on or measured by income and levied at the state
 32 level by any state of the United States.

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

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

40 SECTION 2. [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]
 41 IC 6-3-1-3.5, as amended by this act, applies only to taxable years
 42 beginning after December 31, 2000.



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1 **SECTION 3. An emergency is declared for this act.**

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SENATE MOTION

Mr. President: I move that Senator Simpson be added as second author of Senate Bill 319.

CLARK

SENATE MOTION

Mr. President: I move that Senator Jackman be added as coauthor of Senate Bill 319.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 319, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to Senate Bill 319 as introduced.)

BORST, Chairperson

Committee Vote: Yeas 14, Nays 0.

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