

Adopted	Rejected
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COMMITTEE REPORT

YES:	23
NO:	0

MR. SPEAKER:

*Your Committee on Ways and Means, to which was referred Senate Bill 258, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Delete the title and insert the following:
- 2 A BILL FOR AN ACT to amend the Indiana Code concerning state
- 3 and local administration and taxation.
- 4 Page 1, between the enacting clause and line 1, begin a new
- 5 paragraph and insert:
- 6 "SECTION 1. IC 4-3-1-7 IS ADDED TO THE INDIANA CODE
- 7 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE
- 8 JULY 1, 2006]: **Sec. 7. The governor, with the assistance of the**
- 9 **budget director, is responsible for establishing and maintaining**
- 10 **internal controls (as defined in IC 4-12-1-1.5) on the collection,**
- 11 **recording, processing, summarizing, and reporting of accounting**
- 12 **and financial information in all state agencies in the executive**
- 13 **department of state government. The governor and the budget**
- 14 **director shall work with the state board of accounts to formulate,**
- 15 **prescribe, and install systems of accounting and reporting under**

1 **IC 5-11-1-2, IC 5-11-1-21, and IC 5-11-1-26 to ensure sufficient**
 2 **internal control over accounting and financial information to**
 3 **enable the governor and budget director to make the certifications**
 4 **required by IC 4-12-1-19.**

5 SECTION 2. IC 4-12-1-1.5 IS ADDED TO THE INDIANA CODE
 6 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 7 JULY 1, 2006]: **Sec. 1.5. As used in this chapter, "internal control"**
 8 **means a process, effected by the governor, the state board of**
 9 **accounts, and other personnel in the executive department of state**
 10 **government, designed to provide reasonable assurance regarding**
 11 **the achievement of the following objectives:**

12 (1) **Effectiveness and efficiency of operations, including the use**
 13 **of the resources at the disposal of the executive department of**
 14 **state government.**

15 (2) **The reliability of financial reporting, including the**
 16 **following:**

17 (A) **Reports on budget execution.**

18 (B) **Financial statements.**

19 (C) **Other reports for internal and external use.**

20 (3) **Compliance with applicable laws and rules.**

21 (4) **Safeguarding assets.**

22 SECTION 3. IC 4-12-1-19 IS ADDED TO THE INDIANA CODE
 23 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 24 JULY 1, 2006]: **Sec. 19. (a) This section applies to the following**
 25 **statements:**

26 (1) **Year end closing statements that:**

27 (A) **include financial information about the state cash or**
 28 **fund balances, revenues, or expenditures; and**

29 (B) **are prepared by the budget agency, the budget**
 30 **committee, or another entity for the budget agency or the**
 31 **budget committee.**

32 (2) **Any other interim or biennial statement that:**

33 (A) **concerns state cash or state fund balances, revenues, or**
 34 **expenditures;**

35 (B) **is prepared by the budget agency, the budget**
 36 **committee, or another entity for the budget agency or the**
 37 **budget committee; and**

38 (C) **is distributed outside the budget agency.**

- 1 **(3) A comprehensive annual financial report prepared by the**
2 **auditor of state.**
- 3 **(4) To the extent provided in subsection (c), budget reports**
4 **prepared under this chapter and surplus statements prepared**
5 **by the budget agency, the budget committee, or another entity**
6 **for the budget agency or the budget committee that:**
- 7 **(A) forecast the effect of appropriations or expenditures on**
8 **cash or fund balances in a future period; and**
9 **(B) are distributed outside the budget agency.**
- 10 **(b) The budget director and the governor both shall certify in a**
11 **statement described in subsection (a) that:**
- 12 **(1) the signing officers have reviewed the statement;**
13 **(2) based on the signing officers' knowledge, the statement**
14 **does not:**
- 15 **(A) contain any untrue statement of a material fact; or**
16 **(B) omit a material fact necessary to make the statements**
17 **made, in light of the circumstances under which the**
18 **statements are made, not misleading;**
- 19 **(3) based on the signing officer's knowledge, the information**
20 **in the statement fairly presents in all material respects the**
21 **financial condition and results of operations of the state**
22 **covered by the statement as of and for the periods presented**
23 **in the statement;**
- 24 **(4) the signing officers:**
- 25 **(A) are responsible for establishing and maintaining**
26 **internal controls on the collection, recording, and reporting**
27 **of accounting and financial information in the executive**
28 **department of state government;**
- 29 **(B) have designed the internal controls to ensure that**
30 **material information relating to the executive department**
31 **of state government is made known to the signing officers**
32 **by others within those entities, particularly during the**
33 **period for which the statement is prepared;**
- 34 **(C) have evaluated the effectiveness of the state's internal**
35 **controls within ninety (90) days before the date of the**
36 **statement; and**
- 37 **(D) have presented in the statement their conclusions about**
38 **the effectiveness of the internal controls based on their**

- 1 **evaluation as of that date;**
- 2 **(5) the signing officers have disclosed to the auditor of state,**
- 3 **the members of the state board of finance, and the state board**
- 4 **of accounts:**
- 5 **(A) all significant deficiencies in the design or operation of**
- 6 **internal controls in the executive department of state**
- 7 **government and, to the extent known to the signing**
- 8 **officers, in any other agency or component unit covered by**
- 9 **the statement that could adversely affect the state's ability**
- 10 **to collect, record, process, summarize, and report**
- 11 **accounting and financial data, and have identified for the**
- 12 **auditor of state, the members of the state board of finance,**
- 13 **and the state board of accounts any material weaknesses in**
- 14 **internal controls; and**
- 15 **(B) any fraud, whether or not material, that involves**
- 16 **officials or other employees who have a significant role in**
- 17 **the state's internal controls of the executive department of**
- 18 **state government and, to the extent known to the signing**
- 19 **officers, in any other agency or component unit covered by**
- 20 **the statement; and**
- 21 **(6) the signing officers have indicated in the statement**
- 22 **whether or not there were significant changes in internal**
- 23 **controls or in other factors that could significantly affect**
- 24 **internal controls subsequent to the date of their evaluation,**
- 25 **including any corrective actions with regard to significant**
- 26 **deficiencies and material weaknesses.**
- 27 **(c) This subsection applies to a statement described in subsection**
- 28 **(a)(3). The certifications described in subsection (b)(1) and (b)(2)**
- 29 **must be included with the statement. The budget director and the**
- 30 **governor also must include a certification that information in the**
- 31 **statement is reported using the same accounting and reporting**
- 32 **principles and methods that apply to the reporting of historical**
- 33 **financial information. However, if there is a change in accounting**
- 34 **principles and methods, the budget director and the governor shall**
- 35 **indicate the change in accounting principles and methods as an**
- 36 **exception and explain the effect of the change in accounting**
- 37 **principles and methods on the financial information.**
- 38 **(d) The auditor of state shall include a statement prepared**

1 **under this section for a comprehensive annual financial report as**
 2 **supplemental information.**

3 SECTION 4. IC 5-1-1-1 IS AMENDED TO READ AS FOLLOWS
 4 [EFFECTIVE MARCH 15, 2006 (RETROACTIVE)]: Sec. 1. (a) **The**
 5 **following definitions apply throughout this section:**

6 **(1) "Agreement" means any agreement that includes terms,**
 7 **representations, or provisions relating to:**

8 **(A) credit enhancement of, or rate covenants supporting,**
 9 **any bonds, notes, evidences of indebtedness, leases, swap**
 10 **agreements, or other written obligations described in**
 11 **subsection (b);**

12 **(B) any indenture or provision regarding any indenture**
 13 **relating to any bonds, notes, evidences of indebtedness,**
 14 **leases, swap agreements, or other written obligations**
 15 **described in subsection (b);**

16 **(C) payment of any bonds, notes, evidences of**
 17 **indebtedness, leases, swap agreements, or other written**
 18 **obligations described in subsection (b) in the event of a**
 19 **termination of the agreement; or**

20 **(D) public works, capital improvements, or economic**
 21 **development projects.**

22 **(2) "Leasing body" means a not-for-profit corporation, limited**
 23 **purpose corporation, or authority that has leased land and a**
 24 **building or buildings to an entity named in subsection (b) other**
 25 **than another leasing body.**

26 **(3) "Swap agreement" has the meaning set forth in**
 27 **IC 8-9.5-9-4.**

28 **(b) All bonds, notes, evidences of indebtedness, swap agreements,**
 29 **agreements, leases, or other written obligations issued or executed by**
 30 **or in the name of any:**

31 **(1) state agency, county, township, city, incorporated town, school**
 32 **corporation, state educational institution, state supported**
 33 **institution of higher learning, political subdivision, joint agency**
 34 **created under IC 8-1-2.2, leasing body, separate body corporate**
 35 **and politic, or any other political, municipal, public or**
 36 **quasi-public corporation; or in the name of any**

37 **(2) special assessment or taxing district; or in the name of any**

38 **(3) board, commission, authority, or authorized body of any such**

1 entity; and
 2 any pledge, dedication or designation of revenues, conveyance, or
 3 mortgage securing these bonds, notes, evidences of indebtedness,
 4 leases, **swap agreements, agreements**, or other written obligations are
 5 hereby legalized and declared valid if these bonds, notes, evidences of
 6 indebtedness, leases, **swap agreements, agreements**, or other written
 7 obligations have been executed before March 15, ~~2000~~: **2006**. All
 8 **governance, organizational, or other** proceedings had and actions
 9 taken under which the bonds, notes, evidences of indebtedness, leases,
 10 **swap agreements, agreements**, or other written obligations were
 11 issued **or executed** or the pledge, dedication or designation of
 12 revenues, conveyance, or mortgage was granted, are hereby fully
 13 legalized and declared valid.

14 (c) All contracts for the purchase of electric power and energy or
 15 utility capacity or service:

16 **(1)** entered into by a joint agency created under IC 8-1-2.2; and
 17 **(2)** its members used for the purpose of securing payment of
 18 principal and interest on bonds, notes, evidences of indebtedness,
 19 leases, or other written obligations issued by or in the name of
 20 such joint agency;

21 are hereby legalized and declared valid if entered into before March 15,
 22 ~~2000~~: **2006**. All proceedings held and actions taken under which
 23 contracts for the purchase of electric power and energy or utility
 24 capacity or service were executed or entered into are hereby fully
 25 legalized and declared valid.

26 (d) All interlocal cooperation agreements entered into by political
 27 subdivisions or governmental entities under IC 36-1-7 are hereby
 28 legalized and declared valid if entered into before March 15, ~~2000~~:
 29 **2006**. All proceedings held and actions taken under which interlocal
 30 cooperation agreements were executed or entered into are hereby fully
 31 legalized and validated."

32 Page 8, between lines 17 and 18, begin a new paragraph and insert:

33 "SECTION 11. IC 6-3-1-3.5, AS AMENDED BY P.L.246-2005,
 34 SECTION 69, IS AMENDED TO READ AS FOLLOWS
 35 [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]: Sec. 3.5. When
 36 used in this article, the term "adjusted gross income" shall mean the
 37 following:

38 (a) In the case of all individuals, "adjusted gross income" (as defined

- 1 in Section 62 of the Internal Revenue Code), modified as follows:
- 2 (1) Subtract income that is exempt from taxation under this article
- 3 by the Constitution and statutes of the United States.
- 4 (2) Add an amount equal to any deduction or deductions allowed
- 5 or allowable pursuant to Section 62 of the Internal Revenue Code
- 6 for taxes based on or measured by income and levied at the state
- 7 level by any state of the United States.
- 8 (3) Subtract one thousand dollars (\$1,000), or in the case of a joint
- 9 return filed by a husband and wife, subtract for each spouse one
- 10 thousand dollars (\$1,000).
- 11 (4) Subtract one thousand dollars (\$1,000) for:
- 12 (A) each of the exemptions provided by Section 151(c) of the
- 13 Internal Revenue Code;
- 14 (B) each additional amount allowable under Section 63(f) of
- 15 the Internal Revenue Code; and
- 16 (C) the spouse of the taxpayer if a separate return is made by
- 17 the taxpayer and if the spouse, for the calendar year in which
- 18 the taxable year of the taxpayer begins, has no gross income
- 19 and is not the dependent of another taxpayer.
- 20 (5) Subtract:
- 21 (A) **for taxable years beginning after December 31, 2004,**
- 22 **and before January 1, 2006,** one thousand five hundred
- 23 dollars (\$1,500) for each of the exemptions allowed under
- 24 Section 151(c)(1)(B) of the Internal Revenue Code ~~for taxable~~
- 25 ~~years beginning after December 31, 1996; (as effective~~
- 26 **January 1, 2004) and for taxable years beginning after**
- 27 **December 31, 2005, one thousand five hundred dollars**
- 28 **(\$1,500) for each of the exemptions allowed under Section**
- 29 **151(c) of the Internal Revenue Code for a dependent that**
- 30 **qualifies as a qualified child (as defined in Section 152 of**
- 31 **the Internal Revenue Code); and**
- 32 (B) five hundred dollars (\$500) for each additional amount
- 33 allowable under Section 63(f)(1) of the Internal Revenue Code
- 34 if the adjusted gross income of the taxpayer, or the taxpayer
- 35 and the taxpayer's spouse in the case of a joint return, is less
- 36 than forty thousand dollars (\$40,000).
- 37 This amount is in addition to the amount subtracted under
- 38 subdivision (4).

- 1 (6) Subtract an amount equal to the lesser of:
- 2 (A) that part of the individual's adjusted gross income (as
- 3 defined in Section 62 of the Internal Revenue Code) for that
- 4 taxable year that is subject to a tax that is imposed by a
- 5 political subdivision of another state and that is imposed on or
- 6 measured by income; or
- 7 (B) two thousand dollars (\$2,000).
- 8 (7) Add an amount equal to the total capital gain portion of a lump
- 9 sum distribution (as defined in Section 402(e)(4)(D) of the
- 10 Internal Revenue Code) if the lump sum distribution is received
- 11 by the individual during the taxable year and if the capital gain
- 12 portion of the distribution is taxed in the manner provided in
- 13 Section 402 of the Internal Revenue Code.
- 14 (8) Subtract any amounts included in federal adjusted gross
- 15 income under Section 111 of the Internal Revenue Code as a
- 16 recovery of items previously deducted as an itemized deduction
- 17 from adjusted gross income.
- 18 (9) Subtract any amounts included in federal adjusted gross
- 19 income under the Internal Revenue Code which amounts were
- 20 received by the individual as supplemental railroad retirement
- 21 annuities under 45 U.S.C. 231 and which are not deductible under
- 22 subdivision (1).
- 23 (10) Add an amount equal to the deduction allowed under Section
- 24 221 of the Internal Revenue Code for married couples filing joint
- 25 returns if the taxable year began before January 1, 1987.
- 26 (11) Add an amount equal to the interest excluded from federal
- 27 gross income by the individual for the taxable year under Section
- 28 128 of the Internal Revenue Code if the taxable year began before
- 29 January 1, 1985.
- 30 (12) Subtract an amount equal to the amount of federal Social
- 31 Security and Railroad Retirement benefits included in a taxpayer's
- 32 federal gross income by Section 86 of the Internal Revenue Code.
- 33 (13) In the case of a nonresident taxpayer or a resident taxpayer
- 34 residing in Indiana for a period of less than the taxpayer's entire
- 35 taxable year, the total amount of the deductions allowed pursuant
- 36 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
- 37 which bears the same ratio to the total as the taxpayer's income
- 38 taxable in Indiana bears to the taxpayer's total income.

- 1 (14) In the case of an individual who is a recipient of assistance
2 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
3 subtract an amount equal to that portion of the individual's
4 adjusted gross income with respect to which the individual is not
5 allowed under federal law to retain an amount to pay state and
6 local income taxes.
- 7 (15) In the case of an eligible individual, subtract the amount of
8 a Holocaust victim's settlement payment included in the
9 individual's federal adjusted gross income.
- 10 (16) For taxable years beginning after December 31, 1999,
11 subtract an amount equal to the portion of any premiums paid
12 during the taxable year by the taxpayer for a qualified long term
13 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
14 taxpayer's spouse, or both.
- 15 (17) Subtract an amount equal to the lesser of:
16 (A) for a taxable year:
17 (i) including any part of 2004, the amount determined under
18 subsection (f); and
19 (ii) beginning after December 31, 2004, two thousand five
20 hundred dollars (\$2,500); or
21 (B) the amount of property taxes that are paid during the
22 taxable year in Indiana by the individual on the individual's
23 principal place of residence.
- 24 (18) Subtract an amount equal to the amount of a September 11
25 terrorist attack settlement payment included in the individual's
26 federal adjusted gross income.
- 27 (19) Add or subtract the amount necessary to make the adjusted
28 gross income of any taxpayer that owns property for which bonus
29 depreciation was allowed in the current taxable year or in an
30 earlier taxable year equal to the amount of adjusted gross income
31 that would have been computed had an election not been made
32 under Section 168(k) of the Internal Revenue Code to apply bonus
33 depreciation to the property in the year that it was placed in
34 service.
- 35 (20) Add an amount equal to any deduction allowed under Section
36 172 of the Internal Revenue Code.
- 37 (21) Add or subtract the amount necessary to make the adjusted
38 gross income of any taxpayer that placed Section 179 property (as

1 defined in Section 179 of the Internal Revenue Code) in service
2 in the current taxable year or in an earlier taxable year equal to the
3 amount of adjusted gross income that would have been computed
4 had an election for federal income tax purposes not been made for
5 the year in which the property was placed in service to take
6 deductions under Section 179 of the Internal Revenue Code in a
7 total amount exceeding twenty-five thousand dollars (\$25,000).

8 (22) Add an amount equal to the amount that a taxpayer claimed
9 as a deduction for domestic production activities for the taxable
10 year under Section 199 of the Internal Revenue Code for federal
11 income tax purposes.

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

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

17 (2) Add an amount equal to any deduction or deductions allowed
18 or allowable pursuant to Section 170 of the Internal Revenue
19 Code.

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

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

27 (5) Add or subtract the amount necessary to make the adjusted
28 gross income of any taxpayer that owns property for which bonus
29 depreciation was allowed in the current taxable year or in an
30 earlier taxable year equal to the amount of adjusted gross income
31 that would have been computed had an election not been made
32 under Section 168(k) of the Internal Revenue Code to apply bonus
33 depreciation to the property in the year that it was placed in
34 service.

35 (6) Add an amount equal to any deduction allowed under Section
36 172 of the Internal Revenue Code.

37 (7) Add or subtract the amount necessary to make the adjusted
38 gross income of any taxpayer that placed Section 179 property (as

1 defined in Section 179 of the Internal Revenue Code) in service
 2 in the current taxable year or in an earlier taxable year equal to the
 3 amount of adjusted gross income that would have been computed
 4 had an election for federal income tax purposes not been made for
 5 the year in which the property was placed in service to take
 6 deductions under Section 179 of the Internal Revenue Code in a
 7 total amount exceeding twenty-five thousand dollars (\$25,000).

8 (8) Add an amount equal to the amount that a taxpayer claimed as
 9 a deduction for domestic production activities for the taxable year
 10 under Section 199 of the Internal Revenue Code for federal
 11 income tax purposes.

12 (c) In the case of life insurance companies (as defined in Section
 13 816(a) of the Internal Revenue Code) that are organized under Indiana
 14 law, the same as "life insurance company taxable income" (as defined
 15 in Section 801 of the Internal Revenue Code), adjusted as follows:

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

18 (2) Add an amount equal to any deduction allowed or allowable
 19 under Section 170 of the Internal Revenue Code.

20 (3) Add an amount equal to a deduction allowed or allowable
 21 under Section 805 or Section 831(c) of the Internal Revenue Code
 22 for taxes based on or measured by income and levied at the state
 23 level by any state.

24 (4) Subtract an amount equal to the amount included in the
 25 company's taxable income under Section 78 of the Internal
 26 Revenue Code.

27 (5) Add or subtract the amount necessary to make the adjusted
 28 gross income of any taxpayer that owns property for which bonus
 29 depreciation was allowed in the current taxable year or in an
 30 earlier taxable year equal to the amount of adjusted gross income
 31 that would have been computed had an election not been made
 32 under Section 168(k) of the Internal Revenue Code to apply bonus
 33 depreciation to the property in the year that it was placed in
 34 service.

35 (6) Add an amount equal to any deduction allowed under Section
 36 172 or Section 810 of the Internal Revenue Code.

37 (7) Add or subtract the amount necessary to make the adjusted
 38 gross income of any taxpayer that placed Section 179 property (as

- 1 defined in Section 179 of the Internal Revenue Code) in service
2 in the current taxable year or in an earlier taxable year equal to the
3 amount of adjusted gross income that would have been computed
4 had an election for federal income tax purposes not been made for
5 the year in which the property was placed in service to take
6 deductions under Section 179 of the Internal Revenue Code in a
7 total amount exceeding twenty-five thousand dollars (\$25,000).
- 8 (8) Add an amount equal to the amount that a taxpayer claimed as
9 a deduction for domestic production activities for the taxable year
10 under Section 199 of the Internal Revenue Code for federal
11 income tax purposes.
- 12 (d) In the case of insurance companies subject to tax under Section
13 831 of the Internal Revenue Code and organized under Indiana law, the
14 same as "taxable income" (as defined in Section 832 of the Internal
15 Revenue Code), adjusted as follows:
- 16 (1) Subtract income that is exempt from taxation under this article
17 by the Constitution and statutes of the United States.
- 18 (2) Add an amount equal to any deduction allowed or allowable
19 under Section 170 of the Internal Revenue Code.
- 20 (3) Add an amount equal to a deduction allowed or allowable
21 under Section 805 or Section 831(c) of the Internal Revenue Code
22 for taxes based on or measured by income and levied at the state
23 level by any state.
- 24 (4) Subtract an amount equal to the amount included in the
25 company's taxable income under Section 78 of the Internal
26 Revenue Code.
- 27 (5) Add or subtract the amount necessary to make the adjusted
28 gross income of any taxpayer that owns property for which bonus
29 depreciation was allowed in the current taxable year or in an
30 earlier taxable year equal to the amount of adjusted gross income
31 that would have been computed had an election not been made
32 under Section 168(k) of the Internal Revenue Code to apply bonus
33 depreciation to the property in the year that it was placed in
34 service.
- 35 (6) Add an amount equal to any deduction allowed under Section
36 172 of the Internal Revenue Code.
- 37 (7) Add or subtract the amount necessary to make the adjusted
38 gross income of any taxpayer that placed Section 179 property (as

1 defined in Section 179 of the Internal Revenue Code) in service
2 in the current taxable year or in an earlier taxable year equal to the
3 amount of adjusted gross income that would have been computed
4 had an election for federal income tax purposes not been made for
5 the year in which the property was placed in service to take
6 deductions under Section 179 of the Internal Revenue Code in a
7 total amount exceeding twenty-five thousand dollars (\$25,000).

8 (8) Add an amount equal to the amount that a taxpayer claimed as
9 a deduction for domestic production activities for the taxable year
10 under Section 199 of the Internal Revenue Code for federal
11 income tax purposes.

12 (e) In the case of trusts and estates, "taxable income" (as defined for
13 trusts and estates in Section 641(b) of the Internal Revenue Code)
14 adjusted as follows:

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

17 (2) Subtract an amount equal to the amount of a September 11
18 terrorist attack settlement payment included in the federal adjusted
19 gross income of the estate of a victim of the September 11 terrorist
20 attack or a trust to the extent the trust benefits a victim of the
21 September 11 terrorist attack.

22 (3) 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 apply bonus
28 depreciation to the property in the year that it was placed in
29 service.

30 (4) Add an amount equal to any deduction allowed under Section
31 172 of the Internal Revenue Code.

32 (5) Add or subtract the amount necessary to make the adjusted
33 gross income of any taxpayer that placed Section 179 property (as
34 defined in Section 179 of the Internal Revenue Code) in service
35 in the current taxable year or in an earlier taxable year equal to the
36 amount of adjusted gross income that would have been computed
37 had an election for federal income tax purposes not been made for
38 the year in which the property was placed in service to take

1 deductions under Section 179 of the Internal Revenue Code in a
2 total amount exceeding twenty-five thousand dollars (\$25,000).

3 (6) Add an amount equal to the amount that a taxpayer claimed as
4 a deduction for domestic production activities for the taxable year
5 under Section 199 of the Internal Revenue Code for federal
6 income tax purposes.

7 (f) This subsection applies only to the extent that an individual paid
8 property taxes in 2004 that were imposed for the March 1, 2002,
9 assessment date or the January 15, 2003, assessment date. The
10 maximum amount of the deduction under subsection (a)(17) is equal to
11 the amount determined under STEP FIVE of the following formula:

12 STEP ONE: Determine the amount of property taxes that the
13 taxpayer paid after December 31, 2003, in the taxable year for
14 property taxes imposed for the March 1, 2002, assessment date
15 and the January 15, 2003, assessment date.

16 STEP TWO: Determine the amount of property taxes that the
17 taxpayer paid in the taxable year for the March 1, 2003,
18 assessment date and the January 15, 2004, assessment date.

19 STEP THREE: Determine the result of the STEP ONE amount
20 divided by the STEP TWO amount.

21 STEP FOUR: Multiply the STEP THREE amount by two
22 thousand five hundred dollars (\$2,500).

23 STEP FIVE: Determine the sum of the STEP FOUR amount and
24 two thousand five hundred dollars (\$2,500).

25 SECTION 12. IC 6-3-1-11, AS AMENDED BY P.L.246-2005,
26 SECTION 70, IS AMENDED TO READ AS FOLLOWS
27 [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: Sec. 11. (a)
28 The term "Internal Revenue Code" means the Internal Revenue Code
29 of 1986 of the United States as amended and in effect on January 1,
30 ~~2005~~ **2006**.

31 (b) Whenever the Internal Revenue Code is mentioned in this article,
32 the particular provisions that are referred to, together with all the other
33 provisions of the Internal Revenue Code in effect on January 1, ~~2005~~;
34 **2006**, that pertain to the provisions specifically mentioned, shall be
35 regarded as incorporated in this article by reference and have the same
36 force and effect as though fully set forth in this article. To the extent the
37 provisions apply to this article, regulations adopted under Section
38 7805(a) of the Internal Revenue Code and in effect on January 1, ~~2005~~;

1 **2006**, shall be regarded as rules adopted by the department under this
2 article, unless the department adopts specific rules that supersede the
3 regulation.

4 (c) An amendment to the Internal Revenue Code made by an act
5 passed by Congress before January 1, ~~2005~~, **2006**, that is effective for
6 any taxable year that began before January 1, ~~2005~~, **2006**, and that
7 affects:

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

20 is also effective for that same taxable year for purposes of determining
21 adjusted gross income under section 3.5 of this chapter.

1 SECTION 13. [EFFECTIVE JULY 1, 2006] **IC 4-12-1-19, as**
2 **added by this act, applies to statements prepared for fiscal years**
3 **beginning after June 30, 2007, regardless of the accounting periods**
4 **that are covered in the statement."**

5 Renumber all SECTIONS consecutively.
 (Reference is to SB 258 as reprinted January 24, 2006.)

and when so amended that said bill do pass.

Representative Espich