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# SENATE BILL No. 351

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-25.

**Synopsis:** Indiana displaced worker tax credit. Provides that a taxpayer that hires an Indiana displaced worker is eligible to claim a credit against state tax liability if the taxpayer: (1) pays the worker at least the federal minimum wage; and (2) is not an affiliate, parent, or subsidiary of or successor in interest to the worker's previous employer. Provides that the credit is equal to 10% of the annual compensation due to the worker. Provides that if the taxpayer does not retain the worker for at least three years, the taxpayer must pay the amount of the credit to the state.

**Effective:** January 1, 2007.

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January 10, 2006, read first time and referred to Committee on Tax and Fiscal Policy.

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Second Regular Session 114th General Assembly (2006)

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 2005 Regular Session of the General Assembly.

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# SENATE BILL No. 351



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 6-3.1-25 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2007]:

4 **Chapter 25. Tax Credit for the Employment of Displaced**  
5 **Workers**

6 **Sec. 1. As used in this chapter, "full-time job" means a position**  
7 **that requires at least thirty-five (35) hours of work each week and**  
8 **that is held during the entire year by an Indiana resident.**

9 **Sec. 2. (a) As used in this chapter, "Indiana displaced worker"**  
10 **means an Indiana resident who:**

11 (1) was employed in one (1) full-time job in Indiana for at  
12 least three (3) years; and

13 (2) lost the full-time job described in subdivision (1) due to  
14 economic factors affecting the individual's employer.

15 (b) The term does not include an individual whose employment  
16 was terminated for cause.

17 **Sec. 3. As used in this chapter, "pass through entity" means a:**



- 1           (1) corporation that is exempt from the adjusted gross income
- 2           tax under IC 6-3-2-2.8(2);
- 3           (2) partnership;
- 4           (3) trust;
- 5           (4) limited liability company; or
- 6           (5) limited liability partnership.

7           **Sec. 4.** As used in this chapter, "state tax liability" means a  
 8 taxpayer's total tax liability that is incurred under:

- 9           (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- 10          (2) IC 27-1-18-2 (the insurance premiums tax); and
- 11          (3) IC 6-5.5 (the financial institutions tax);

12 as computed after the application of the credits that under  
 13 IC 6-3.1-1-2 are to be applied before the credit provided by this  
 14 chapter.

15          **Sec. 5.** As used in this chapter, "taxpayer" means a person,  
 16 corporation, partnership, or other entity that has any state tax  
 17 liability.

18          **Sec. 6. (a)** Subject to this chapter, a taxpayer is entitled to a  
 19 credit against the taxpayer's state tax liability in the taxable year  
 20 during which the taxpayer hires an Indiana displaced worker.

21          **(b)** The amount of the credit allowed under this section is the  
 22 amount determined under STEP THREE of the following formula:

23           **STEP ONE:** Determine the total value of the wages and  
 24 benefits due each month to the Indiana displaced worker as of  
 25 the date the Indiana displaced worker is hired.

26           **STEP TWO:** Multiply the STEP ONE amount by twelve (12).

27           **STEP THREE:** Multiply the STEP TWO amount by ten  
 28 percent (10%).

29          **(c)** A taxpayer is not entitled to claim the credit provided by this  
 30 section for rehiring an individual previously terminated by the  
 31 taxpayer.

32          **(d)** A taxpayer may claim the credit under this chapter only if  
 33 the total value of the wages and benefits paid to the Indiana  
 34 displaced worker is equal to the following:

35           (1) In the case of an Indiana displaced worker whose hourly  
 36 salary is equal to or greater than one hundred thirty-four  
 37 percent (134%) of the federal minimum wage, at least  
 38 seventy-five percent (75%) of the total value of the wages and  
 39 benefits paid to the individual in the individual's previous  
 40 employment.

41           (2) In the case of an Indiana displaced worker whose hourly  
 42 salary is less than one hundred thirty-four percent (134%) of

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1 the federal minimum wage, one hundred percent (100%) of  
2 the total value of the wages and benefits paid to the individual  
3 in the individual's previous employment.

4 (e) A taxpayer that is:

- 5 (1) an affiliate;
- 6 (2) a parent;
- 7 (3) a subsidiary; or
- 8 (4) a successor in interest;

9 of the taxpayer that is the immediate previous employer of the  
10 Indiana displaced worker may not claim the credit under this  
11 chapter.

12 Sec. 7. To receive the credit provided by section 6 of this  
13 chapter, a taxpayer must claim the credit on the taxpayer's annual  
14 state tax return or returns in the manner prescribed by the  
15 department. The taxpayer shall submit to the department proof of  
16 the taxpayer's employment of an Indiana displaced worker and all  
17 other information that the department determines is necessary for  
18 the calculation of the credit provided by this chapter.

19 Sec. 8. If the amount of the credit provided by section 6 of this  
20 chapter exceeds the taxpayer's state tax liability, the taxpayer may  
21 carry forward the amount of the excess for five (5) successive  
22 taxable years. The credit provided under this chapter is not  
23 refundable.

24 Sec. 9. If a taxpayer does not retain the Indiana displaced  
25 worker for whom the taxpayer claims a credit under this chapter  
26 for at least three (3) years, the taxpayer shall pay a penalty to the  
27 department unless the Indiana displaced worker is terminated for  
28 cause. The amount of the penalty is equal to the amount of the  
29 credit taken under section 6 of this chapter.

30 Sec. 10. If a pass through entity does not have state income tax  
31 liability against which the tax credit may be applied, a shareholder  
32 or partner of the pass through entity is entitled to a tax credit equal  
33 to:

- 34 (1) the tax credit determined for the pass through entity for  
35 the taxable year; multiplied by
- 36 (2) the percentage of the pass through entity's distributive  
37 income to which the shareholder or partner is entitled.

38 SECTION 2. [EFFECTIVE JANUARY 1, 2007] IC 6-3.1-25, as  
39 added by this act, applies to taxable years beginning after  
40 December 31, 2006.

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