
HOUSE BILL No. 1601

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5.

Synopsis: Taxation of railroad benefits. Provides an adjusted gross income tax exemption for railroad retirement benefits received by a spouse or survivor.

Effective: January 1, 2007 (retroactive).

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January 23, 2007, read first time and referred to Committee on Interstate and International Cooperation.

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First Regular Session 115th General Assembly (2007)

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 2006 Regular Session of the General Assembly.

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HOUSE BILL No. 1601



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.162-2006,
2 SECTION 24, AND AS AMENDED BY P.L.184-2006, SECTION 3,
3 IS CORRECTED AND AMENDED TO READ AS FOLLOWS
4 [EFFECTIVE JANUARY 1, 2007 (RETROACTIVE)]: Sec. 3.5. When
5 used in this article, the term "adjusted gross income" shall mean the
6 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 this article
- 11 by 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.
- 16 (3) Subtract one thousand dollars (\$1,000), or in the case of a
- 17 joint return filed by a husband and wife, subtract for each spouse



- 1 one thousand dollars (\$1,000).
- 2 (4) Subtract one thousand dollars (\$1,000) for:
- 3 (A) each of the exemptions provided by Section 151(c) of the
- 4 Internal Revenue Code;
- 5 (B) each additional amount allowable under Section 63(f) of
- 6 the Internal Revenue Code; and
- 7 (C) the spouse of the taxpayer if a separate return is made by
- 8 the taxpayer and if the spouse, for the calendar year in which
- 9 the taxable year of the taxpayer begins, has no gross income
- 10 and is not the dependent of another taxpayer.
- 11 (5) Subtract:
- 12 (A) *for taxable years beginning after December 31, 2004*, one
- 13 thousand five hundred dollars (\$1,500) for each of the
- 14 exemptions allowed under Section 151(c)(1)(B) of the Internal
- 15 Revenue Code *for taxable years beginning after December 31,*
- 16 ~~1996~~ *(as effective January 1, 2004)*; and
- 17 (B) five hundred dollars (\$500) for each additional amount
- 18 allowable under Section 63(f)(1) of the Internal Revenue Code
- 19 if the adjusted gross income of the taxpayer, or the taxpayer
- 20 and the taxpayer's spouse in the case of a joint return, is less
- 21 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 Section 111 of the Internal Revenue Code as a
- 39 recovery of items previously deducted as an itemized deduction
- 40 from adjusted gross income.
- 41 (9) Subtract any amounts included in federal adjusted gross
- 42 income under the Internal Revenue Code which amounts:

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- 1 (A) were received by the individual as supplemental railroad
- 2 retirement annuities under 45 U.S.C. 231 et seq. by:
- 3 (i) an individual eligible for an annuity under 45 U.S.C.
- 4 231a(a);
- 5 (ii) a spouse eligible for an annuity under 45 U.S.C.
- 6 231a(c); or
- 7 (iii) a survivor eligible for an annuity under 45 U.S.C.
- 8 231a(d); and which
- 9 (B) are not deductible under subdivision (1).
- 10 (10) Add an amount equal to the deduction allowed under Section
- 11 221 of the Internal Revenue Code for married couples filing joint
- 12 returns if the taxable year began before January 1, 1987.
- 13 (11) Add an amount equal to the interest excluded from federal
- 14 gross income by the individual for the taxable year under Section
- 15 128 of the Internal Revenue Code if the taxable year began before
- 16 January 1, 1985.
- 17 (12) Subtract an amount equal to the amount of federal Social
- 18 Security and Railroad Retirement benefits included in a taxpayer's
- 19 federal gross income by Section 86 of the Internal Revenue Code.
- 20 (13) In the case of a nonresident taxpayer or a resident taxpayer
- 21 residing in Indiana for a period of less than the taxpayer's entire
- 22 taxable year, the total amount of the deductions allowed pursuant
- 23 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
- 24 which bears the same ratio to the total as the taxpayer's income
- 25 taxable in Indiana bears to the taxpayer's total income.
- 26 (14) In the case of an individual who is a recipient of assistance
- 27 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
- 28 subtract an amount equal to that portion of the individual's
- 29 adjusted gross income with respect to which the individual is not
- 30 allowed under federal law to retain an amount to pay state and
- 31 local income taxes.
- 32 (15) In the case of an eligible individual, subtract the amount of
- 33 a Holocaust victim's settlement payment included in the
- 34 individual's federal adjusted gross income.
- 35 (16) For taxable years beginning after December 31, 1999,
- 36 subtract an amount equal to the portion of any premiums paid
- 37 during the taxable year by the taxpayer for a qualified long term
- 38 care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the
- 39 taxpayer's spouse, or both.
- 40 (17) Subtract an amount equal to the lesser of:
- 41 (A) for a taxable year:
- 42 (i) including any part of 2004, the amount determined under

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- 1 subsection (f); and
- 2 (ii) beginning after December 31, 2004, two thousand five
- 3 hundred dollars (\$2,500); or
- 4 (B) the amount of property taxes that are paid during the
- 5 taxable year in Indiana by the individual on the individual's
- 6 principal place of residence.
- 7 (18) Subtract an amount equal to the amount of a September 11
- 8 terrorist attack settlement payment included in the individual's
- 9 federal adjusted gross income.
- 10 (19) Add or subtract the amount necessary to make the adjusted
- 11 gross income of any taxpayer that owns property for which bonus
- 12 depreciation was allowed in the current taxable year or in an
- 13 earlier taxable year equal to the amount of adjusted gross income
- 14 that would have been computed had an election not been made
- 15 under Section 168(k) of the Internal Revenue Code to apply bonus
- 16 depreciation to the property in the year that it was placed in
- 17 service.
- 18 (20) Add an amount equal to any deduction allowed under
- 19 Section 172 of the Internal Revenue Code.
- 20 (21) Add or subtract the amount necessary to make the adjusted
- 21 gross income of any taxpayer that placed Section 179 property (as
- 22 defined in Section 179 of the Internal Revenue Code) in service
- 23 in the current taxable year or in an earlier taxable year equal to
- 24 the amount of adjusted gross income that would have been
- 25 computed had an election for federal income tax purposes not
- 26 been made for the year in which the property was placed in
- 27 service to take deductions under Section 179 of the Internal
- 28 Revenue Code in a total amount exceeding twenty-five thousand
- 29 dollars (\$25,000).
- 30 (22) Add an amount equal to the amount that a taxpayer claimed
- 31 as a deduction for domestic production activities for the taxable
- 32 year under Section 199 of the Internal Revenue Code for federal
- 33 income tax purposes.
- 34 (b) In the case of corporations, the same as "taxable income" (as
- 35 defined in Section 63 of the Internal Revenue Code) adjusted as
- 36 follows:
- 37 (1) Subtract income that is exempt from taxation under this article
- 38 by the Constitution and statutes of the United States.
- 39 (2) Add an amount equal to any deduction or deductions allowed
- 40 or allowable pursuant to Section 170 of the Internal Revenue
- 41 Code.
- 42 (3) Add an amount equal to any deduction or deductions allowed

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1 or allowable pursuant to Section 63 of the Internal Revenue Code
 2 for taxes based on or measured by income and levied at the state
 3 level by any state of the United States.

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

7 (5) Add or subtract the amount necessary to make the adjusted
 8 gross income of any taxpayer that owns property for which bonus
 9 depreciation was allowed in the current taxable year or in an
 10 earlier taxable year equal to the amount of adjusted gross income
 11 that would have been computed had an election not been made
 12 under Section 168(k) of the Internal Revenue Code to apply bonus
 13 depreciation to the property in the year that it was placed in
 14 service.

15 (6) Add an amount equal to any deduction allowed under Section
 16 172 of the Internal Revenue Code.

17 (7) Add or subtract the amount necessary to make the adjusted
 18 gross income of any taxpayer that placed Section 179 property (as
 19 defined in Section 179 of the Internal Revenue Code) in service
 20 in the current taxable year or in an earlier taxable year equal to
 21 the amount of adjusted gross income that would have been
 22 computed had an election for federal income tax purposes not
 23 been made for the year in which the property was placed in
 24 service to take deductions under Section 179 of the Internal
 25 Revenue Code in a total amount exceeding twenty-five thousand
 26 dollars (\$25,000).

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

31 *(9) Add to the extent required by IC 6-3-2-20 the amount of*
 32 *intangible expenses (as defined in IC 6-3-2-20) and any directly*
 33 *related intangible interest expenses (as defined in IC 6-3-2-20)*
 34 *for the taxable year that reduced the corporation's taxable*
 35 *income (as defined in Section 63 of the Internal Revenue Code)*
 36 *for federal income tax purposes.*

37 (c) In the case of life insurance companies (as defined in Section
 38 816(a) of the Internal Revenue Code) that are organized under Indiana
 39 law, the same as "life insurance company taxable income" (as defined
 40 in Section 801 of the Internal Revenue Code), adjusted as follows:

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

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- 1 (2) Add an amount equal to any deduction allowed or allowable
- 2 under Section 170 of the Internal Revenue Code.
- 3 (3) Add an amount equal to a deduction allowed or allowable
- 4 under Section 805 or Section 831(c) of the Internal Revenue Code
- 5 for taxes based on or measured by income and levied at the state
- 6 level by any state.
- 7 (4) Subtract an amount equal to the amount included in the
- 8 company's taxable income under Section 78 of the Internal
- 9 Revenue Code.
- 10 (5) Add or subtract the amount necessary to make the adjusted
- 11 gross income of any taxpayer that owns property for which bonus
- 12 depreciation was allowed in the current taxable year or in an
- 13 earlier taxable year equal to the amount of adjusted gross income
- 14 that would have been computed had an election not been made
- 15 under Section 168(k) of the Internal Revenue Code to apply bonus
- 16 depreciation to the property in the year that it was placed in
- 17 service.
- 18 (6) Add an amount equal to any deduction allowed under Section
- 19 172 or Section 810 of the Internal Revenue Code.
- 20 (7) Add or subtract the amount necessary to make the adjusted
- 21 gross income of any taxpayer that placed Section 179 property (as
- 22 defined in Section 179 of the Internal Revenue Code) in service
- 23 in the current taxable year or in an earlier taxable year equal to
- 24 the amount of adjusted gross income that would have been
- 25 computed had an election for federal income tax purposes not
- 26 been made for the year in which the property was placed in
- 27 service to take deductions under Section 179 of the Internal
- 28 Revenue Code in a total amount exceeding twenty-five thousand
- 29 dollars (\$25,000).
- 30 (8) Add an amount equal to the amount that a taxpayer claimed as
- 31 a deduction for domestic production activities for the taxable year
- 32 under Section 199 of the Internal Revenue Code for federal
- 33 income tax purposes.
- 34 (d) In the case of insurance companies subject to tax under Section
- 35 831 of the Internal Revenue Code and organized under Indiana law, the
- 36 same as "taxable income" (as defined in Section 832 of the Internal
- 37 Revenue Code), adjusted as follows:
- 38 (1) Subtract income that is exempt from taxation under this article
- 39 by the Constitution and statutes of the United States.
- 40 (2) Add an amount equal to any deduction allowed or allowable
- 41 under Section 170 of the Internal Revenue Code.
- 42 (3) Add an amount equal to a deduction allowed or allowable

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1 under Section 805 or Section 831(c) of the Internal Revenue Code
 2 for taxes based on or measured by income and levied at the state
 3 level by any state.

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

7 (5) Add or subtract the amount necessary to make the adjusted
 8 gross income of any taxpayer that owns property for which bonus
 9 depreciation was allowed in the current taxable year or in an
 10 earlier taxable year equal to the amount of adjusted gross income
 11 that would have been computed had an election not been made
 12 under Section 168(k) of the Internal Revenue Code to apply bonus
 13 depreciation to the property in the year that it was placed in
 14 service.

15 (6) Add an amount equal to any deduction allowed under Section
 16 172 of the Internal Revenue Code.

17 (7) Add or subtract the amount necessary to make the adjusted
 18 gross income of any taxpayer that placed Section 179 property (as
 19 defined in Section 179 of the Internal Revenue Code) in service
 20 in the current taxable year or in an earlier taxable year equal to
 21 the amount of adjusted gross income that would have been
 22 computed had an election for federal income tax purposes not
 23 been made for the year in which the property was placed in
 24 service to take deductions under Section 179 of the Internal
 25 Revenue Code in a total amount exceeding twenty-five thousand
 26 dollars (\$25,000).

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

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

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

36 (2) Subtract an amount equal to the amount of a September 11
 37 terrorist attack settlement payment included in the federal
 38 adjusted gross income of the estate of a victim of the September
 39 11 terrorist attack or a trust to the extent the trust benefits a victim
 40 of the September 11 terrorist attack.

41 (3) Add or subtract the amount necessary to make the adjusted
 42 gross income of any taxpayer that owns property for which bonus

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1 depreciation was allowed in the current taxable year or in an
2 earlier taxable year equal to the amount of adjusted gross income
3 that would have been computed had an election not been made
4 under Section 168(k) of the Internal Revenue Code to apply bonus
5 depreciation to the property in the year that it was placed in
6 service.

7 (4) Add an amount equal to any deduction allowed under Section
8 172 of the Internal Revenue Code.

9 (5) Add or subtract the amount necessary to make the adjusted
10 gross income of any taxpayer that placed Section 179 property (as
11 defined in Section 179 of the Internal Revenue Code) in service
12 in the current taxable year or in an earlier taxable year equal to
13 the amount of adjusted gross income that would have been
14 computed had an election for federal income tax purposes not
15 been made for the year in which the property was placed in
16 service to take deductions under Section 179 of the Internal
17 Revenue Code in a total amount exceeding twenty-five thousand
18 dollars (\$25,000).

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

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

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

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

35 STEP THREE: Determine the result of the STEP ONE amount
36 divided by the STEP TWO amount.

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

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

41 SECTION 2. [EFFECTIVE JANUARY 1, 2007 (RETROACTIVE)]
42 **IC 6-3-1-3.5, as amended by this act, applies to taxable years**

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1 **beginning after December 31, 2006.**
2 **SECTION 3. An emergency is declared for this act.**

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