HOUSE BILL No. 1165

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2.

Synopsis: Taxation of civil service annuities. Provides a 100% income tax deduction, beginning in 2016, for federal civil service annuity income received by an individual or the individual's surviving spouse after subtracting Social Security benefits and railroad retirement benefits. Phases in the deduction from 2012 through 2015. Removes the requirement that an individual must be at least 62 years of age to be eligible for the federal civil service annuity income tax deduction. Provides that an individual's surviving spouse may be eligible for the federal civil service annuity income tax deduction.

Effective: July 1, 2011.

Kersey

January 10, 2011, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session 117th General Assembly (2011)

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 2010 Regular Session of the General Assembly.

HOUSE BILL No. 1165

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-3-2-3.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 3.7. **For** each taxable year **that begins before 2012,** an individual is entitled to an adjusted gross income tax deduction equal to the remainder of:

(1) the first two thousand dollars ($2,000) which is received by the individual during the taxable year from a federal civil service annuity, and which is included in adjusted gross income under Section 62 of the Internal Revenue Code; minus

(2) the total amount of Social Security benefits and railroad retirement benefits received by the individual during the taxable year.

However, the individual is only entitled to the deduction provided by this section if the individual is at least sixty-two (62) years of age before the end of the taxable year.

SECTION 2. IC 6-3-2-3.8 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 3.8. (a) For each taxable year beginning after 2011,**

an individual or the individual's surviving spouse who receives income from a federal civil service annuity is entitled to an adjusted gross income tax deduction.

(b) For a taxable year beginning after 2015, the amount of the deduction is one hundred percent (100%) of the federal civil service annuity received during the taxable year and included in adjusted gross income under Section 62 of the Internal Revenue Code minus the total amount of Social Security benefits and railroad retirement benefits received by the individual or the individual's surviving spouse during the taxable year.

(c) For a taxable year beginning in 2012 through 2015, the amount of the deduction is equal to the result determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of the federal civil service annuity received by the individual or the individual's surviving spouse during the taxable year and included in adjusted gross income under Section 62 of the Internal Revenue Code.

STEP TWO: Subtract the total amount of Social Security benefits and railroad retirement benefits received by the individual or the individual's surviving spouse during the taxable year from the STEP ONE result.

STEP THREE: Multiply:

(A) the STEP TWO result by:

(B) for the taxable year beginning in:

(i) 2012, twenty percent (20%);

(ii) 2013, forty percent (40%);

(iii) 2014, sixty percent (60%); and

(iv) 2015, eighty percent (80%).

STEP FOUR: Determine the lesser of the following:

(A) The STEP TWO result.

(B) Twelve thousand dollars ($12,000).

STEP FIVE: Determine the greater of the following:

(A) The STEP THREE result.

(B) The STEP FOUR result.