



IT-40PNR

Part-Year and Full-Year Nonresident
Individual Income Tax Booklet

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INDIANA

WAIT!

YOU MAY QUALIFY FOR FREE ONLINE TAX FILING!



More than 85 percent of Indiana taxpayers filed electronically in 2016. Consider the benefits of filing electronically:

- **Faster Refund.** Electronic filing reduces errors and expedites refund time – within 10 to 14 days (compared with 10 to 12 weeks for a paper return).
- **Fewer Errors.** Up to 20 percent of paper-filed returns have errors, which can result in delays and possible penalty and/or interest for the taxpayer. Returns filed electronically, however, are 98 percent accurate.
- **Easier Filing.** You won't have to complete the many complicated forms in this booklet. Instead, you go online, answer some easy questions, and before you know it your taxes are complete.

You may be eligible to file your taxes online for FREE with INfreefile. Go to www.freefile.dor.in.gov to see if you qualify or learn more about INfreefile on page 4.



About the cover: This year, Indiana's tax booklets showcase the Indiana Bicentennial Torch Relay, which inspired and unified Hoosiers as one of the major commemorative events of the 2016 Bicentennial celebration. The torch, passed from one torch bearer to another, passed through all of Indiana's 92 counties and covered 3,200 miles over a five week period between September 9, 2016 and October 15, 2016. Featured photos highlight relay stops in Elkhart, Noble and Starke counties. Upper left photo courtesy of Sadie Lebo. All other photos courtesy of Chris Flook.

Which Indiana Tax Form Should You File?

Indiana has three different individual income tax returns. Read the following to find the right one for you.

Form IT-40 for Full-Year Residents

Use Form IT-40 if you (and your spouse, if filing jointly) were full-year Indiana residents.

Form IT-40PNR for Part-Year and Full-Year Nonresidents

Use Form IT-40PNR if you (and/or your spouse, if filing jointly):

- Were Indiana residents for less than a full-year or not at all, or
- Are filing jointly and one was a full-year Indiana resident and the other was not a full-year Indiana resident, and
- Do not qualify to file Form IT-40RNR.

Form IT-40RNR for Full-Year Residents of Reciprocal States

Use Form IT-40RNR if you (and your spouse, if filing jointly) were:

- Full-year residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and
- The only type of income from Indiana was from wage, tip, salary or other compensation.*

*You are required to file Form IT-40PNR if you have any other kind of Indiana-source income.

Note. If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state.

Military Personnel

See the instructions on page 7 to determine which form to file. Military personnel stationed in a combat zone should see the instructions on page 7 for extensions of time to file procedures.

2016 Changes

Update: Line 37A of Form IT-40PNR, Schedule A, assumes conformity with the Internal Revenue Code for federal changes adopted after Jan. 1, 2016. If the 2017 Indiana General Assembly does not conform to the most current changes to the Internal Revenue Code, you may have to amend your tax return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check the Indiana Department of Revenue's homepage at www.in.gov/dor/index.htm for updates.

Civil Service Annuity Deduction Increase

The ceiling for the Civil Service Annuity Deduction has increased to \$16,000. See page 22 for more information.

Military Family Relief Fund Donation

You may donate all or a portion of your refund to help provide emergency grants to be used by military and veteran's families. See the instructions for Schedule IN-DONATE on page 43 for more information.

Several Add-Backs Eliminated

The following add-backs have been eliminated:

- Lump Sum Distribution
- Discharge of Debt of a Principal Residence
- Qualified Disaster Assistance Property**
- Qualified Refinery Property**
- Qualified Film or Television Production**
- Qualified Preferred Stock*
- Certain Trade of Business Deductions Based on Employment of Unauthorized Aliens

*See page 19 for information about this add-back.

**See instructions beginning on page 19 for information on how the elimination of these add-backs might impact your future state tax filings.

Several Deductions No Longer Available

The following deductions are no longer available:

- Indiana Lottery Winnings Deduction*
- Insulation Deduction
- Law Enforcement Reward Deduction
- Medical Care Savings Account Deduction (Indiana)
- Non-Indiana Locality Earnings Deduction
- Solar-Powered Roof Vents or Fans Deduction

*The Indiana Lottery Winnings *Annuity* Deduction is still available, although it has a new 3-digit identification code number (629). See instructions on page 24 for additional information.

Several Offset Credits No Longer Available

The following credits have been repealed:

- County Credit for the Elderly
- Employer Health Benefit Plan Credit
- Historic Building Rehabilitation Credit*
- Maternity Home Credit
- Small Employer Qualified Wellness Program Credit

***Note.** A credit may still be available to be carried forward provided there was an unused amount available prior to it being repealed. See instructions about this credit on page 49 for more information.

Lake County Residential Income Tax Credit Update

The Lake County Residential Income Tax Credit worksheet has changed. See page 42 for more information.

School Corporation Information

The school corporation information previously reported on the state income tax return is no longer requested.

Form IT-40EZ

Indiana's Form IT-40EZ is no longer available. Instead, full-year Indiana residents must file using Form IT-40.

Need Tax Forms Or Information Bulletins?

Use Your Personal Computer

Visit our website and download the forms you need. Our address is www.in.gov/dor.

Use Your Telephone

Call the Forms Order Request Line (317) 615-2581 to have forms mailed to you. Have the following information ready to leave on the voice mail system:

- Name of form or form number needed
 - Number of copies needed
 - Contact person's name
 - Daytime phone number
 - A complete mailing address (including city, state and zip code)
-

Need help with your return?

Local Help

You may be eligible to take advantage of the IRS Volunteer Return Preparation Program (VRPP). This program offers free tax return help to low income, elderly and special needs individuals. Volunteers will fill out federal and state forms for those who qualify. Call the IRS at (800) 829-1040 to find the nearest VRPP location. Be sure to take your W-2s and 1099s with you.

Automated Information Line

Call the automated information line at (317) 233-4018 to get the status of your refund, billing and payment plan information, a copy of your tax return, or prerecorded tax topics. If you wish to check for billing information, be sure to have a copy of your tax notice. The system will ask you to enter the tax identification number shown on the notice.

If you have a rotary phone, please call (317) 232-2240, 8 a.m. to 4:30 p.m., Monday - Friday, and a representative will help you.

Internet

If you need help deciding which form to file, or to get information bulletins or policy directives on specific topics, visit our website at www.in.gov/dor.

Telephone

Call us at (317) 232-2240 Monday - Friday, 8 a.m. to 4:30 p.m., for help with basic tax questions.

Ready to file your return?

Use an Electronic Filing Program

More than 85 percent of Hoosier taxpayers used an electronic filing program to file their 2015 state and federal individual income tax returns. Electronic filing provides Indiana taxpayers the opportunity to file their federal and state tax returns immediately, and receive their Indiana refunds in about half the time it takes to process a paper return. It takes even less time if you use direct deposit, which deposits your refund directly into your bank account. Even if there is an amount due on either return, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue (department). Use an electronic vendor or contact your tax preparer to see if he or she provides this service.

INfreefile

This tax season Indiana continues to offer a free tax filing service through the cooperation of the Free File Alliance.

Eligible Indiana taxpayers can file both the federal and Indiana individual tax returns using highly interactive and easy-to-use web-based applications that speed both returns and refunds. You can choose from a list of multiple vendors that provide this free service. The department estimates nearly 2 million Indiana taxpayers are eligible for this free service.

See if you are eligible to participate by visiting www.freefile.dor.in.gov.

Our Website

Our website offers tax filing options, downloadable blank forms and instructions, information bulletins, commissioner's directives, an online helpdesk, helpful email links and a calendar with filing due dates. Visit the department's website at www.in.gov/dor.

Moving?

You need to contact the department if you move to a new address after filing your tax return.

Change your address with us by doing one of the following:

- Go to <https://secure.in.gov/dor/4706.htm> and change your address online.
- Fax your request, including your Social Security number, new address and signature, to (317) 232-1021.
- Mail the request, including your Social Security number, new address and signature, to Indiana Department of Revenue, 100 N. Senate Ave., Indianapolis, IN 46204.

Filing an Amended (Corrected) Tax Return

Did you receive a late W-2 or other kind of income statement after you filed? Did you forget to claim an exemption or deduction? If you need to amend (correct) a tax return that has already been filed, use Form IT-40X, Amended Individual Income Tax Return, located at www.in.gov/dor/5506.htm.

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the department will conduct an annual public hearing in Indianapolis in June of 2017. Event details will be listed at www.in.gov/dor/4877.htm. Please come and share feedback or comments about how the department can better administer Indiana tax laws. If not able to attend, please submit feedback or comments in writing to: Indiana Department of Revenue, Commissioner's Office, MS# 101, 100 N. Senate Avenue, Indianapolis, IN 46204. Our homepage provides access to forms, information bulletins and directives, tax publications, email, and various filing options. Visit www.in.gov/dor.

Before You Begin

Important. You must complete your federal tax return first.

Filling in the Boxes – Please Use Ink Only

If you are filling out the form by hand, please use black or blue ink and print your letters and numbers neatly. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Social Security Number

Be sure to enter your Social Security number in the boxes at the top of the form. If filing a joint return, enter your Social Security number in the first set of boxes and your spouse's Social Security number in the second set of boxes. An incorrect or missing Social Security number can increase your tax due, reduce your refund, or delay timely processing of your filing.

Individual Taxpayer Identification Number (ITIN)

If you already have an ITIN, enter it wherever your Social Security number is requested on your tax return. If you are in the process of applying for an ITIN, check the box located directly beneath the Social Security number area at the top of the form. For information on how to get an ITIN, contact the IRS at (800) 829-3676 and request federal Form W-7, or find it online at www.irs.gov.

Name and Suffix

Please use all capital letters when entering your information. For example, Jim Smith Junior should be entered as JIM SMITH JR.

Name. If your last name includes an apostrophe, do not use it. For example, enter O'Shea as OSHEA. If your name includes a hyphen, use it. For example, enter SMITH-JONES.

Suffix. Enter the suffix associated with your name in the appropriate box.

- Use JR for junior and SR for senior.
- Numeric characters must be replaced by Roman Numerals. For example, if your last name is Charles 3rd, do not use 3rd; instead, enter III in the suffix field.
- **Do not** enter any titles or designations, such as M.D., Ph. D., RET., Minor or DEC'D.

Married Filing Requirements

Married filing jointly

If you filed your federal income tax return as married filing jointly, you must also file as married filing jointly with Indiana.

- **Married filing separately**

If you file your federal income tax return as married, filing separately, you must also file married, filing separately with Indiana. Enter both of your Social Security numbers in the boxes on the top of the form, and then check the box directly to the right of those boxes. Enter the name of the person filing the return on the top line, but do not enter the spouse's name on the second name line.

- **Married persons who live apart filing status**

If you were not divorced or legally separated in 2016, you may have qualified for and filed as 'head of household' on your federal income tax return. If you did, do not check the married filing separately box. Also, do not enter either your spouse's name or Social Security number.

- **Same-sex married tax filing guidelines**

Couples in same-sex marriages should file their taxes with Indiana using the same married filing status as they used for federal tax filing purposes (see above).

Military Address

Overseas military addresses must contain the APO, FPO designation in the "city field" along with a two-character "state" abbreviation of AE, AP, or AA and the zip code. Place these two- and three-letter designations in the city name area.

Zip/Postal Code

Enter your five or nine digit Zip code (do not use a dash). For example, enter 46217 or 462174540. If filing with a foreign address, enter the associated postal code.

Foreign Country Code

Complete this area if the address you are using is located in a foreign country. Enter the 2-character foreign country code, which may be found online at www.in.gov/dor/4432.htm.

County Information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on Jan. 1, 2016. You can find these code numbers on the chart on the back of Schedule CT-40PNR. See the instructions beginning on page 53 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, homemakers, unemployed individuals, out-of-state filers, etc.

Rounding Required

Each line on which an amount can be entered has a “.00” already filled-in. This is to let you know that rounding is now required when completing your tax return.

You must round your amounts to the nearest whole dollar.

To do this, drop amounts of less than \$0.50.

Example. \$432.49 rounds down to \$432.00.

Increase amounts of \$0.50 or more to the next higher dollar.

Example. \$432.50 rounds up to \$433.00.

Losses or Negative Entries

When reporting a loss or negative entry, use a negative sign. *Example.* Write a \$125 loss as -125.

Commas

Do not use commas when entering amounts. For instance, express 1,000 as 1000.

Enclosing Schedules, W-2s, IN K-1s. Etc.

You will find an enclosure sequence number in the upper right-hand corner of each schedule. Make sure to put your completed schedules in sequential order behind the IT-40PNR when assembling your tax return. Do not staple or paper clip your enclosures. If you have a schedule on which you've made no entry, do not enclose it unless you have completed information on the back of it.

Also, enclose:

- All W-2s, 1099s and IN K-1s on which Indiana state and/or county tax withholding amounts appear,
- Any 1099G showing unemployment compensation, and
- A check/money order, if applicable.

A note about your W-2s. It is important that your W-2 form is readable. The income and state and county tax amounts withheld are verified on every W-2 form that comes in with your tax return. We encourage you to enclose the best copy available when you file.

Who Should File?

You may need to file an Indiana income tax return if:

- You lived in Indiana and received income, or
- You lived outside Indiana and had any income from Indiana.

Note. If you and your spouse file a joint federal return, you must file a joint return with Indiana. If you and your spouse file separate federal returns, you must file separate returns with Indiana.

There are three types of tax returns available. The type you need to file is generally based on your residency status. Read the following to decide if you are a full-year resident, part-year resident, or nonresident of Indiana, and which type of return you should file.

Part-Year Residents and Full-Year Nonresidents

If you were a part-year resident and received income while you lived in Indiana, you must file Indiana Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return.

If you were a legal resident of another state (exception: see next paragraph) and had income from Indiana (except certain interest, dividends, or retirement income), you must file Form IT-40PNR.

Full-Year Residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin

If you were a full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and your only income from Indiana was from wages, salaries, and/or tips or commissions, then you need to file Form IT-40RNR, Indiana Reciprocal Nonresident Individual Income Tax Return.

Full-Year Residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax Return.

You are a full-year Indiana resident if you maintain your legal residence in Indiana from January 1 – December 31 of the tax year. You do not have to be physically present in Indiana the entire year to be considered a full-year resident. Residents, including military personnel, who leave Indiana for a temporary stay, are considered residents during their absence.

Retired persons spending the winter months in another state may still be full-year residents if:

- They maintain their legal residence in Indiana and intend to return to Indiana during part of the taxable year,
- They retain their Indiana driver's license,
- They retain their Indiana voting rights, and/or
- They claim a homestead deduction on their Indiana home for property tax purposes.

If you were a full-year resident of Indiana and your gross income (the total of all your income before deductions) was greater than your total exemptions, you must file Indiana Form IT-40.

Deceased Taxpayers

If an individual died during 2016, or died after Dec. 31, 2016, but before filing his/her tax return, the executor, administrator or surviving spouse must file a tax return for the individual if:

- The deceased was under the age of 65 and had gross income over \$1,000,
- The deceased was age 65 or older and had gross income over \$2,000, or
- The deceased was a nonresident and had gross income from Indiana.

Be sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on Schedule H. For example, a date of death of Jan. 9, 2016, would be entered as 01/09/2016.

Note. The date of death should not be entered here if the individual died after Dec. 31, 2016, but before filing the tax return. The date of death information will be shown on the individual's 2017 tax return.

Signing the Deceased Individual's Tax Return

If a joint return is filed by the surviving spouse, the surviving spouse should sign his or her own name and after the signature write: "**Filing as Surviving Spouse.**"

An executor or administrator appointed to the deceased's estate must file and sign the return (even if this isn't the final return), indicating their relationship after their signature (e.g. administrator).

If there is no executor, or if an administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew"). Only one tax return should be filed on behalf of the deceased.

Note. The department may ask for a copy of the death certificate, so make sure to keep a copy with your records.

Refund Check for a Deceased Individual

If you (the surviving spouse, administrator, executor or other) have received a refund check and cannot cash it, contact the department to get a widow's affidavit (POA-30) or a distributee's affidavit (POA-20) at www.in.gov/dor/3508.htm. Send the completed affidavit, the refund check and a copy of the death certificate to the State Auditor's Office so a refund check can be issued to you.

Military Personnel – Residency

If you were an Indiana resident when you enlisted, you remain an Indiana resident no matter where you are stationed. You must report all your income to Indiana.

If you changed your legal residence (military home of record) during the tax year, you are a part-year resident and should file Form IT-40PNR. You must also attach a copy of Military Form DD-2058 to the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, plus any income from Indiana sources.

If you are stationed in Indiana and you are a resident of another state, you won't need to file with Indiana unless you have non-military income from Indiana sources.

Example. Annie, who is a Kansas resident, is stationed in Indiana. She earned \$1,300 from her Indiana part-time job. She will need to report that income to Indiana on Form IT-40PNR.

If you are a full-year Indiana resident in the military, your spouse is a legal resident of another state and you filed a joint federal return, you will need to file Form IT-40PNR.

Important. Refer to the instructions on page 54 for an explanation of county of residence for military personnel.

When Should You File?

Your tax return is due April 18, 2017. If you file after this date and owe tax, you may have to pay interest and penalty. See page 11 for more information.

Fiscal year tax returns are due by the fifteenth (15) day of the fourth (4th) month after the close of the fiscal year. You must complete the fiscal year filing period information at the top of the form.

Extension of Time to File — What if You Can't File on Time?

You must get an extension of time to file if you:

- Are required to file (your income is more than your exemptions), and
- You cannot file your tax return by the April 18, 2017 due date.

Whether you owe additional tax, are due a refund, or are breaking even, you still need to get an extension if filing after April 18, 2017.

Note. Indiana's extension of time to file, Form IT-9, extends the filing date to Nov. 14, 2017.

If you owe...

Option 1. File Indiana's extension of time to file, Form IT-9, and send in a payment. This must be filed by April 18, 2017, for the extension to be valid. Then, make sure to file your tax return by Nov. 14, 2017, paying any remaining balance due with that filing. While interest is due on any amount paid after April 18, penalty will be waived if both of the following conditions are met:

- The remaining balance is paid in full by Nov. 14, 2017, and
- You paid at least 90 percent of the tax expected to be owed by the original April 18 due date.

Note. You may file for a state extension of time to file online if you make a payment with it. Access the department's ePay system at www.in.gov/dor/4340.htm by April 18, and follow the directions for making an extension payment.

Option 2. Filing for a federal extension of time to file with the IRS will automatically provide for a state extension of time to file. You must file your state tax return by Nov. 14, 2017, paying any balance due with that filing. While interest is due on any amount paid after the original April 18, 2017 due date, penalty will be waived if both of the following conditions are met:

- The remaining balance due is paid in full by Nov. 14, 2017, and
- You paid at least 90 percent of the tax expected to be owed by the original April 18, 2017 due date.

If you don't owe...

You'll need to file for an extension if:

- You are due a refund, or
- You don't expect to owe any tax when filing your tax return, and
- You are unable to file your return by April 18, 2017.

There are two ways to accomplish this:

- If you have a valid federal extension (you filed Form 4868, or made an extension payment via an electronic filing method), you automatically have an extension with Indiana and do not have to file for a separate state extension (Form IT-9).
- If you do not have a valid federal extension, file Form IT-9 by April 18, 2017.

Extension Filing Deadline.

Both state Form IT-9 and federal Form 4868 extend your state filing time to Nov. 14, 2017.

Will You Owe Penalty and/or Interest?

Interest is owed on all amounts paid after April 18, 2017. See page 11 for instructions on how to figure interest.

Penalty will not be owed if you have:

- Paid 90 percent of the tax you expect to owe by April 18, 2017;
- Filed your tax return by Nov. 14, 2017; and
- Paid any remaining amount due with that filing.

Indiana's Extension of Time to File, Form IT-9

You may get Form IT-9 online at <http://in.gov/dor/5506.htm>. You may also file for an extension online (if making a payment) at www.in.gov/dor/4340.htm (make sure to do this by April 18, 2017).

Where to Report Your Extension Payment.

Add your state extension payment to any estimated tax paid. Report the total on Schedule F, line 3.

Military personnel on duty outside of the United States and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be enclosed with the return verifying that you were outside of the United States or Puerto Rico on April 18, 2017.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. In addition, if they are hospitalized outside the United States because of such service, the 180-day extension period begins after being released from the hospital. The spouse of such service member must use the same method of filing for both federal and Indiana (e.g. single or joint). When filing the return, write "Combat Zone" across the top of the form (above your Social Security number).

Nonresidency and Income Taxable to Indiana

A part-year resident owes tax on taxable income received from all sources while being a resident of Indiana. A part-year or full-year nonresident also owes tax on income from Indiana sources as listed below while a legal resident of another state.

Indiana income includes income from the following sources:

1. Winnings from Indiana riverboats, pari-mutuel wagering, and lotteries;
2. Labor or services performed in Indiana, including salaries, wages, tips, commissions, etc.;
3. A farm, business, trade or profession doing business in Indiana;
4. Any personal property located in Indiana;
5. A partnership or an S corporation doing business in Indiana;
6. Stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other property where earnings are a part of an Indiana business;
7. Trusts and estates given to nonresident heirs; and
8. Pensions and most interest and dividends are taxed by your state of residence when you receive them.

Note. If you were a full-year nonresident and your only income from Indiana sources was from pensions, interest and/or dividends (which were not a basic part of the business in Indiana) and/or unemployment compensation, you are not required to file an Indiana income tax return.

Reciprocal States: Special Filing and Income Reporting Instructions

If you are a resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and:

- You received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this is the only type of income you received from Indiana, you should file Form IT-40RNR, reciprocal nonresident Indiana individual income tax return. See the "Need Tax Forms or Information Bulletins?" section on page 4 for options; or
- You received other types of Indiana-source income besides wages tips, salaries or commissions (see items 1 through 8 above), you must file Form IT-40PNR instead of Form IT40RNR; or
- You received both Indiana-source income (see items 1 through 8 above) and wage income from Indiana, you must file form IT-40PNR. The wage income will not be subject to Indiana adjusted gross income tax. However, see the county tax instructions for **Reciprocal state residents** on page 56 if these wages were earned in an Indiana county that has a county tax.

Example. Fred and Deanna are full-year residents of Michigan, and filed a 2016 joint federal income tax return. During 2016 Fred received \$10,000 winnings from an Indiana riverboat, and Deanna earned \$55,000 wage income from an Elkhart, Indiana employer.

Fred's riverboat winnings will be taxed by Indiana. Enter Fred's \$10,000 winnings on Indiana Schedule A, line 20, Columns A and B. Deanna's wage income is not subject to Indiana adjusted gross income tax. Therefore, enter Deanna's wage income in Column A only.

Note. See county tax instructions for **Reciprocal state residents** on page 56 to determine if county tax is due on her wage income.

Completing Form IT-40PNR

Line 1 – Income Taxed by Indiana

Complete Indiana Schedule A: Income or Loss; Proration; and Adjustments to Income. Instructions for Schedule A begin on page 13. Carry the line 37B amount to line 1 on the front of Form IT-40PNR. Make sure to enclose Schedule A when filing.

Line 2 – Add-Backs

Enter on this line any add-backs from Schedule B: Add-Backs. Instructions for Schedule B begin on page 17. Make sure to enclose Schedule B when filing.

Line 4 – Deductions

Enter on this line any deductions from Schedule C: Deductions. Instructions for Schedule C begin on page 19. Make sure to enclose Schedule C when filing.

Line 6 – Exemptions

Enter any exemptions from Schedule D: Exemptions on this line. Instructions for Schedule D begin on page 26. Make sure to enclose Schedule D when filing.

Line 9 – County Tax

Complete Schedule CT-40PNR to figure your county tax. Instructions for Schedule CT-40PNR begin on page 53.

Line 10 – Other Taxes

Enter any other taxes from Schedule E: Other Taxes on this line. Instructions for Schedule E begin on page 27. Make sure to enclose Schedule E when filing.

Line 12 – Credits

Enter your credits from Schedule F: Credits on this line. Instructions for Schedule F begin on page 28. Make sure to enclose Schedule F when filing.

Line 13 – Offset Credits

Enter any offset credits from Schedule G: Offset Credits on this line. Instructions for Schedule G begin on page 44. Make sure to enclose Schedule G when filing.

Line 17 – Donation Check-Offs

Enter on this line the total of any donations made on Schedule IN-DONATE. Make sure to enclose Schedule IN-DONATE, which is located at the bottom of Schedule F: Credits, when filing. See page 43 for more information.

Line 19 – Amount to be Applied as a 2017 Estimated Tax Installment Payment

You should pay estimated tax if you expect to have income during the 2017 tax year that:

- Will not have Indiana income taxes withheld, or
- If you think the amount withheld will not be enough to pay your tax liability, and
- You expect to owe more than \$1,000 when you file your tax return.

There are several ways you can make estimated tax payments. First, visit our website at www.in.gov/dor/5506.htm to get Form ES-40. Use the worksheet on Form ES-40 to see how much you will owe. Then, if you have an overpayment showing on line 18 of your tax return, you can have some or all of the overpayment applied to next year's estimated tax account. To do so, enter any portion of the overpayment:

- On line a, if you want to apply an amount to offset estimated county tax due (from Form ES-40 worksheet, line K). Also, enter the 2-digit county code from line K; and/or
- On line b, if your spouse lived in a different county than you did on Jan. 1, 2017, and you want to apply an amount to offset your spouse's estimated county tax due (from Form ES-40 worksheet, line L). Also, enter the 2-digit county code from line L; and/or
- On line c, if you want to apply an amount to offset your estimated state tax due (from Form ES-40 worksheet, line J).

Example. Mark and Megan have a \$420 overpayment, and want to apply some of it to their 2017 estimated tax account. Their worksheet from Form ES-40 has the following breakdown:

- Line I (each installment payment) is \$300;
- Line J (portion that represents state tax due) is \$270; and
- Line K (portion that represents county tax due) is \$30.

They will enter \$30 on line 19a (along with their 2-digit county code), \$270 on line 19c, and the \$300 total amount to be applied will be entered on line 19d. They will get a \$120 refund (\$420 overpayment minus \$300 applied to their 2017 estimated tax account).

Example. Stu wants to pay \$500 in estimated tax for each installment period. He has a \$30 overpayment on his tax return. He chooses to enter the full \$30 overpayment on line 19c (Indiana adjusted gross income tax amount), and carries it to line 19d. (He will pay the \$470 additional amount by filing the Form ES-40.)

Important. Estimated tax installment payments made for the 2017 tax year are due by April 18, 2017, June 15, 2017, Sept. 15, 2017 and Jan. 16, 2018. Any installment payment amount entered on line 19d will be considered to be paid on the day your tax return is filed (post-marked). For instance, an installment payment shown on a return filed on: April 18, 2017, will be considered to be a 2017 first installment payment; June 3, 2017, will be considered to be a 2017 second installment payment; and July 22, 2017, will be considered to be a 2017 third installment payment.

Note. You may use Form ES-40 to make a payment by check or money order. Estimated tax payments may also be made online, via credit card or check, at www.in.gov/dor/4340.htm. See line 26 instructions on page 11 for details about payment options.

See Income Tax Information Bulletin #3 at www.in.gov/dor/3650.htm for additional information about estimated taxes.

Line 20 – Penalty for Underpayment of Estimated Tax

You might owe a penalty for the underpayment of estimated tax if you did not have taxes withheld from your income and/or you did not pay enough estimated tax throughout the year.

In fact, not properly paying estimated tax is one of the most common errors made in filing Indiana tax returns. Generally, if you owe \$1,000 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

You might owe this penalty if:

- The total of your credits, including timely made estimated tax payments, is less than 90 percent of this year's tax due or 100 percent* of last year's tax due, ** or
- You underpaid the minimum amount due for one or more of the installment periods.

If either of these cases apply to you, you must complete either Schedule IT-2210 or IT-2210A to see if you owe a penalty or if you meet an exception. If you owe this penalty, enclose Schedule IT-2210 or IT-2210A with your tax return and write the penalty amount on Form IT-40PNR, line 20.

*You must have timely paid 100 percent of lines 8 and 9 of your 2015 IT-40 or IT-40PNR. Note: If last year's **Indiana adjusted income** was more than \$150,000 (\$75,000 for married filing separately), you must pay 110 percent of last year's tax (instead of 100 percent).

**Farmers and fishermen should see the special instructions in the next column.

Important. The department will automatically assess an underpayment penalty if it looks like you owe a penalty for the underpayment of estimated tax, and:

- You didn't report a penalty amount on line 20, and
- You didn't enclose Schedule IT-2210 or Schedule IT-2210A showing you meet an exception to owing a penalty.

Should you Use Schedule IT-2210 or Schedule IT-2210A?

Schedule IT-2210 should be used by individuals who receive income (not subject to withholding tax) on a fairly even basis throughout the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Jim and Sarah together received \$4,500 in pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception to the penalty.

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, Complete Schedule IT-2210, using the Section D Short Method.

Schedule IT-2210A may be used by individuals who receive income (not subject to withholding tax) unevenly during the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Bill's income is from selling fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 18, 2016, first installment due date.

Example. Rachael received a sizeable lump sum distribution in Dec. of 2016. She figured how much estimated tax was due, and paid it by the Jan. 17, 2017, fourth period installment due date. By completing Schedule IT-2210A, she shows she owes no penalty for the first three installment periods, and that a proper payment was made for the fourth installment period. She will owe no penalty.

Farmers and Fishermen.

Special options are available if more than two-thirds of your gross income for 2015 and/or 2016 was from farming or fishing.

Option 1. Pay your estimated tax in one payment on or before Jan. 17, 2017, and file your tax return by April 18, 2017; or

Option 2. Make no estimated tax payment, and file your tax return and pay all the tax due by March 1, 2017.

Example. More than two-thirds of Henry's gross income is from farming. He should complete Schedule IT-2210. He will be able to use the Section D Short Method to figure his penalty or to show he meets an exception to owing a penalty.

Visit our website at www.in.gov/dor/5506.htm to get Schedule IT-2210 or IT-2210A.

Line 21 – Refund

You have a refund if line 18 is greater than the combined amounts entered on lines 19d and 20.

Important. If the combination of line 19d plus line 20 is greater than the amount on line 18, you must make an adjustment. The estimated tax carryover amount on line 19d is limited; it cannot be greater than the remainder of line 18 minus line 20. See the second example about Stu under the Line 19 instructions on page 9.

A Note About Refund Offsets

Indiana law requires that money you owe to the state, its agencies, and certain federal agencies, be deducted from your refund or credit before a refund is issued. This includes money owed for past-due taxes, student loans, child support, food stamps or an IRS levy. If the department applies your refund to any of these debts, you will receive a letter explaining the situation.

When to Expect Your Refund

Generally, 10 to 14 days is the average wait for a refund if the tax return is electronically filed; it can take up to 10 to 12 weeks for the refund to be issued if you mail in your tax return.

Where's Your Refund?

There are several ways to check the status of your refund. You will need to know the exact amount of your refund, and a Social Security number entered on your tax return. Then, do one of the following:

- Call (317) 233-4018 for automated refund information.
- Go to www.in.gov/dor/4339.htm and click Check the Status of Your Refund.
- Call (317) 232-2240 from 8 a.m. to 4:30 p.m. Monday - Friday, and a representative will help you.

A refund directly deposited to your bank account may be listed on your bank statement as a credit, deposit, etc. If you have received information from the department that your refund has been issued, and you are not sure if it has been deposited in your bank account, call the ACH Section of your bank or financial institution for clarification.

Important. If we are unable to deposit your refund to the listed account (incorrect/incomplete account numbers; account closed; refund to go to an account outside the United States; etc.), the department will mail a paper check to the address on the front of the tax form.

Note. A refund deposited directly to your Hoosier MasterCard account will appear on your monthly statement.

Statute of Limitations for Refund Claims

There is a **statute of limitations** when filing for a refund. In general, a claim for refund must be made by April 20, 2020 (Nov. 14, 2020 if the original return was filed under extension). The claim for refund is considered to be made on the day your tax return is postmarked. If you file your 2016 tax return after the statute of limitations has expired, no refund will be issued.

Line 22 – Direct Deposit

You may choose to have your refund deposited in your checking, savings or Hoosier Works Master Card account. If you want your refund directed into your checking or savings account, complete lines 22a, b, c and d.

Caution. If you choose this option, make sure to verify the account information after you have entered it. This will help ensure your refund is deposited into your desired account.

The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number. The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank.

Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.

To comply with banking rules, you must place an X in the box on line d if your refund is going to an account outside the United States. If you check the box, we will mail you a paper check.

If you currently have a **Hoosier Works MasterCard** and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 22b, where it says "Account Number" (do not write anything on line 22a "Routing Number"). You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.

Note. DO NOT use your MasterCard 16-digit number. Make sure to check the "Hoosier Works MC" box on line 22c.

Line 23

If line 21 is less than zero, you have an amount due. Enter here as a positive number and skip to line 24.

OR

If line 15 is greater than line 14, complete the following steps:

Subtract line 14 from line 15 and enter the total here.....	A _____
Enter any amount from line 20.....	B _____
Add lines A + B. Enter total here and on line 23.....	C _____

Line 24 – Penalty

You may owe a penalty if your tax return is filed after the April 18, 2017, due date and you have an amount due. Penalty is 10 percent of the amount due (line 23 minus line 20) or \$5, whichever is greater.

Exception. No penalty will be due if you have:

- An extension of time to file;
- Are filing and paying the remaining tax due by the extended filing due date, and have
- Prepaid at least 90 percent of the amount due by April 18, 2017.

Line 25 – Interest

You will owe interest (even if you have an extension of time to file) if your tax return is filed after the April 18, 2017, due date and you have an amount due. Interest should be figured on the sum of line 23 minus line 20. Contact the department at (317) 232-2240 or visit our website at www.in.gov/dor/3618.htm to get departmental Notice #3 for the current interest rate.

Line 26 – Amount Due – Payment Options

There are several ways to pay the amount you owe.

Make your check, money order or cashier's check payable to Indiana Department of Revenue. Just include the payment loose in the envelope. **Do not staple** it to the return. **Do not send cash.**

You may also pay using the electronic **eCheck** payment method. This service uses a paperless check and may be used to pay the tax due with your Indiana individual income tax return, as well as any billings issued by the Indiana Department of Revenue for any tax type. To pay, go to www.in.gov/dor/4340.htm and follow the step-by-step instructions. You will receive a confirmation number and should keep this with your tax filing records. The fee for using this service is \$1.

Note. All payments made to the Indiana Department of Revenue must be made with U.S. funds.

You may also pay by using your MasterCard® or VISA® by calling (800) 2-PAY TAX ((800) 272-9829). Or, log on to www.in.gov/dor/4340.htm and use your MasterCard® or VISA® to make a payment.

A convenience fee will be charged *by the credit card processor* based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction.

Payment plan option. If you cannot pay the full amount due at the time you file, you may be eligible to set up a payment plan online. **After you get a tax bill,** log on to www.intaxpay.in.gov and select the *Individual Eligibility* tab. **Important.** If using the payment plan option, penalty and interest will be due on all amounts paid after the April 18, 2017, due date.

Returned Checks and Other Types of Payments

If you make a tax payment with a check, credit card, debit card or electronic funds transfer, and the department is unable to obtain payment for its full amount when it is presented for payment, a 10 percent penalty of the unpaid tax or the face value of the check, credit card, debit card, or electronic funds transfer, whichever is smaller, is due.

The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not received within 10 days after the notice was mailed, the penalty is increased to 30 percent multiplied by the value of the check, credit card, debit card, or electronic funds transfer, or the unpaid tax, whichever is smaller. Also, *any permits and/or licenses issued by the department may be revoked if the assessed amount is not paid immediately.*

Signatures and Signing Dates

First, read the *Authorization* area on Schedule H. Then, sign and date the tax return. If this is a jointly filed tax return, both you and your spouse must sign and date it. Make sure to enclose the completed Schedule H when filing.

Taxpayer Advocate

As prescribed by the Taxpayer Bill of Rights, the department has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of taxpayer complaints and complex tax issues. If you have a complex tax issue, you must first pursue resolution through normal channels, such as contacting the tax administration division (317-232-2240). If you are still unable to resolve your tax issue, or a tax assessment places an undue hardship on you, you may receive assistance from the Office of the Taxpayer Advocate.

For more information, and to get required schedules if filing for an offer in compromise or a hardship case, visit our website at www.in.gov/dor/3883.htm. You may also contact the Office of the

Taxpayer Advocate directly at taxpayeradvocate@dor.in.gov, or by telephone at (317) 232-4692. Submit supporting information and documents to Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, Ind. 46206-6155.

Where to Mail Your Tax Return – Use Labels for Envelope

You'll find mailing labels with the envelope enclosed in this booklet. **Returns with payments enclosed have a different post office box number for mailing purposes.**

If you are enclosing a payment, please mail your tax return with all enclosures to:

**Indiana Department of Revenue
P.O. Box 7224
Indianapolis, IN 46207-7224**

For all other filings, please mail your tax return with all enclosures to:

**Indiana Department of Revenue
P.O. Box 40
Indianapolis, IN 46206-0040**

Envelope – Don't Forget the Stamp!

Make sure to put a stamp(s) on the envelope. The U.S. Post Office will not deliver your tax return without the proper postage.

Schedule A

Sections 1, 2 and 3 Instructions

Sections 1, 2 and 3 will help you to separate the income to be taxed and adjustments to be allowed by Indiana.

General Information

Income received from Indiana sources should be reported as Indiana income by nonresidents, except certain types of Indiana-source income that are subject to tax only by your state of residence at the time you receive it.

For part-year residents, the portion of the following types of income from Indiana sources that were *received while a nonresident* should not be reported as income taxed by Indiana: interest, dividends, unemployment compensation, royalties and gains from the sale of capital assets, unless such income results from the conduct of a trade or business. For example, dividends received from an S corporation doing business in Indiana should be reported by nonresidents as income taxable in Indiana.

For full-year nonresidents, the portion of the following types of income from Indiana sources should not be reported as income taxed by Indiana: interest, dividends, unemployment compensation, royalties and gains from the sale of capital assets, unless such income results from the conduct of trade or business.

Example. Dividends received from an S corporation doing business in Indiana must be reported by nonresidents as income taxable in Indiana.

Schedule A continued

Example. Interest income received by an Illinois resident from an Indiana personal savings account is not income taxable to Indiana.

Read the following line-by-line instructions for more information. Also, see Income Tax Information Bulletin #28 at www.in.gov/dor/3650.htm for more information.

Important Information about Possible Year-End Federal Legislation

This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of the income/loss and adjustments reported may need to be adjusted.

You may wish to periodically check the department's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

How to Report a Loss

When reporting a loss or negative entry, use a negative sign. Example. Write a \$125 loss as -125.

Schedule A

Section 1: Income or Loss

You must complete your federal income tax return first. The instructions for lines 1, 2, 3 and 4 do not reference a particular federal form: these amounts will be taken from the federal Form 1040, 1040A or 1040EZ. The remaining Indiana Schedule A instructions generally reference certain federal forms and specific line numbers. For example, the line 7 "Business Income or Loss" instruction references the line on federal Form 1040, line 12.

Unless otherwise stated:

- Enter in Column A your income and adjustments as they appear on your federal return; and
- Enter in Column B the portion of your income and adjustments that is subject to Indiana income tax.

Lines 1 and 2 — Wages, Salaries, Tips, Etc.

Enter wages, salaries, tips and/or other compensation received as an employee. You should report your income on line 1 and your spouse's income on line 2. Enter in Column B income received while you were an Indiana resident, and income from Indiana sources received while you were not an Indiana resident.

Note for part-year or full-year nonresidents: do not enter that portion of your Indiana source wage, salary, tip or commission income in Column B earned while you were a resident of a reciprocal agreement state (see *Reciprocal States: Special Filing and Income Reporting Instructions* on page 8).

Lines 3 and 4 — Interest and Dividend Income

Enter in Column A your taxable interest and dividend income as reported on your federal return, and report the interest and dividend income attributable to Indiana in Column B. If any of the interest reported in Column B is from U.S. savings bonds, Treasury notes, T-Bills, etc., you may deduct these amounts on Form IT-40PNR, Schedule C, line 4.

Interest from municipal obligations. Do not report any interest from municipal obligations on line 3. However, if you were an Indiana resident when receiving interest from a non-Indiana municipal obligation, see *OOS municipal obligation interest add-back* on page 18 to see if you are required to add it to your Indiana income to be taxed. See Income Tax Information Bulletin #19 at www.in.gov/dor/3650.htm for more information.

Line 5 — Taxable Refunds, Credits or Offsets

Enter in Column A the amount of taxable refunds, credits or offsets of state and local income taxes that was reported on your federal Form 1040, line 10. Enter in Column B that portion received while you were an Indiana resident.

Line 6 — Alimony Received

Enter in Column A the amount of alimony reported on your federal Form 1040, line 11. Enter in Column B that portion you received while you were an Indiana resident.

Lines 7, 12 – 16

Important. The amounts on line 7 and lines 12 through 16 should reflect the amounts reported on your federal Form 1040 (after any application of passive activity loss limitations from federal Form 8582).

Line 7 — Business Income or Loss

Enter in Column A the business income from Schedules C or C-EZ that is reported on federal Form 1040, line 12. Enter in Column B that portion of business income subject to tax in Indiana. Also, see the instructions for Tax Add-Back on Schedule B, line 1, on page 18; Apportionment on line 19 if this income is from a business doing business both within and outside Indiana; and Other Income on line 20.

Line 8 — Capital Gain or Loss from Sale or Exchange of Property

Enter in Column A the capital gain or loss from federal Schedule D that is reported on federal Form 1040, line 13 or Form 1040A, line 10. Enter in Column B that portion received while you were an Indiana resident and/or from the sale or exchange of property located in Indiana.

Note. Any capital loss claimed is subject to the same capital loss limitations that apply for federal tax purposes. For more information about federal capital loss limitations, get federal Schedule D, Capital Gains and Losses.

Example. Jessica had a \$4,000 long term capital loss while living in Indiana from Jan. 1, 2016, through Sep. 30, 2016. She moved to Utah on Oct. 1, and lived there the rest of the year. She realized a \$5,000 long term capital gain while she was a resident of Utah. She reported \$1,000 capital gain income on her federal Form 1040. She will report a \$3,000 loss to Indiana. The remaining \$1,000 loss will be available to offset income on Indiana tax return(s) for other years.

Line 9 — Other Gains or Losses from Form 4797

Enter the gain or loss from the sale or exchange of property as reported for federal tax purposes on Form 1040, line 14. Enter in Column B that portion received:

- If the property was Indiana property, and/or
- While you were an Indiana resident, regardless of the source.

Line 10 — IRA Distributions

Enter in Column A the taxable portion of the IRA distribution reported on your federal Form 1040, line 15b, or Form 1040A, line 11b. Enter in Column B that portion received while you were an Indiana resident.

Line 11 — Pensions and Annuities

Enter in Column A the taxable portion of all pensions, annuities and other retirement income as reported on your federal Form 1040, line 16b, or Form 1040A, line 12b. Enter in Column B that portion received while you were an Indiana resident.

Note. You will be eligible for a deduction if you included any railroad retirement benefits issued by the U.S. Railroad Retirement Board on this line. See Schedule C, line 6 instructions for more information.

Line 12 — Net Rent or Royalty Income or Loss

Enter in Column A the net rent and royalty income or loss included in the total on federal Form 1040, line 17.

Enter in Column B the net royalty income/loss:

- Received while you were an Indiana resident; and
- Received while you were an Indiana nonresident if the income/loss results from the conduct of a trade or business conducted in Indiana.

Enter in Column B the net rental income/loss:

- Received while you were an Indiana resident; or
- From real property located in Indiana received while you were a nonresident; and
- In general, from personal property located in Indiana.

Also, see the instructions for tax add-back for Section B, line 1, on page 18.

Lines 13, 14 and 15 — Partnership, Trust and Estates, and S Corporation Income or Loss

Enter in Column A the income or loss from partnerships, trusts and estates, and S corporations, that is included in the total on federal Form 1040, line 17.

Enter in Column B that portion of income received from the partnerships, trusts and estates, and S corporations while you were an Indiana resident.

Fiduciary. If you are a nonresident, the Indiana fiduciary(s) should provide to you an apportioned amount to be taxed by Indiana. If the fiduciary does not apportion its income, then enter in Column B the same amount as you entered in Column A.

Partnership and S Corporation. If you are a nonresident, the Indiana partnership/S corporation should provide to you an apportioned amount to be taxed by Indiana on Form IN K-1. If that Indiana entity(s) does not apportion the income, then enter in Column B the same amount from that entity(s) as you entered in Column A.

Information for Nonresidents. Indiana partnerships and S corporations are required to:

- File an annual return, Form IT-65/Form IT-20S;
- Withhold Indiana state and county income tax on behalf of their nonresident partners/shareholders*; and,
- Figure and pay (with the filing of that annual return) Indiana state and county income tax due on their nonresident partners and shareholders.

Therefore, you are not required to file Form IT-40PNR if:

- You are a full-year nonresident of Indiana, and
- Your only Indiana-source income is from partnership/S corporation (entity) income.

*This withholding requirement does not apply to the residents of Arizona, Oregon and Washington D.C. who are subject to and pay income taxes at rates of 3.3 percent or higher to their resident state.

However, if you have any other Indiana-source income, you are required to file Form IT-40PNR, reporting both that income and any income already reported and taxed on Form IT-65/IT-20S (all Indiana-source income).

You will need to include Schedule IN K-1 with the filing for the Indiana income tax return, and report any withholding from that schedule on Indiana's Schedule F, lines 1 and 2.

Note. See the instructions for tax add-back for Schedule B, line 1, on page 18.

Line 16 — Farm Income or Loss

Enter in Column A the farm income/loss from federal Form 1040, line 18. Enter in Column B that portion of farm income/loss subject to tax in Indiana.

Also, see the instructions for:

- Apportionment on Section 1, line 19 if this income is from a farm doing business both within and outside Indiana, and
- Tax add-back for Schedule B, line 1, on page 18.

Line 17 — Unemployment Compensation

Enter in Column A the unemployment income from federal Forms 1040, line 19, 1040A, line 13, or 1040EZ, line 3. Enter in Column B that portion of unemployment income received while you were an Indiana resident.

Important. You may qualify for a deduction if you received unemployment compensation while you were an Indiana resident. For more information, see page 22 for Schedule C, line 10 instructions.

Line 18 — Social Security and Railroad Retirement Benefits

Enter in Column A the portion of Social Security and/or railroad retirement benefits that are taxed on your federal Forms 1040 or 1040A. Enter in Column B* the portion received while you were an Indiana resident.

***Note.** Indiana will not tax Social Security benefits or railroad retirement benefits which are issued by the U.S. Railroad Retirement Board. Therefore, if you listed any of these benefits in Column B, then look at Indiana Schedule C: Deductions. Enter those same amounts on line 5 and/or line 6 on Schedule C.

Line 19 — Indiana Apportioned Income

Apportioned business income from Schedule IT-40PNRA is reported on this line. The apportionment schedule is used only by nonresidents with income or losses from a business that does business both within and outside Indiana. Report the amount from Schedule(s) IT-40PNRA, Part 3, line 3. You may access Schedule IT-40PNRA at www.n.gov/dor/5506.htm.

Note. If you are apportioning business income, make sure to:

- Report the full amount from your federal return onto Indiana Schedule A, Section 1, Column A, and
- Not report any of that income in the corresponding Column B. Instead, you will report the amount to be taxed by Indiana in Column B on this line.

Example. Mark is a full-year nonresident of Indiana. His company did business both within Indiana and in other states. On Indiana Schedule A, Section 1, line 7, Column A, he reported the same amount of business income as he reported on his federal Form 1040. He left line 7, Column B blank. He entered the amount apportioned to Indiana on Section 1, line 19, Column B.

Line 20 — Other Income

Enter any other income or loss for which there is no named line provided on the IT-40PNR return.

- Report any NOL from your federal Form 1040, line 21 as a negative amount in Column A only. You will show the Indiana portion of your Indiana net operating loss deduction on Schedule C under line 11. See instructions for *Indiana net operating loss deduction* on page 22 for more information.
- Other types of income or loss would include riverboat winnings, prizes, awards, amounts recovered from bad debts, gross lottery and other gambling winnings, etc., as reported on your federal return.

List the source(s) of the income or loss reported on this line.

Schedule A Proration

The purpose of this section is to compare the Indiana Schedule A, Section 1, line 21A income taxed on your federal return to the line 21B income taxed by Indiana. To do this, divide the amount on line 21B by the amount on line 21A. Please round your answer to a decimal followed by three numbers.

Example. $\$3,100 \div \$8,000 = .3875$, which rounds to .388. Enter the result here and on Schedule D: Exemptions, line 6.

Note. If line 21B is a loss, enter zero (0) in Box 21D and on Schedule D: Exemptions, line 6. If line 21A (or Box 21C) is a loss, and line 21B is a positive amount, enter 1.00 (100 percent) in Box 21D and on Schedule D: Exemptions, line 6.

Special instructions for non-Indiana military personnel. If you are in the military and Indiana is not your home of record, your military income will not be used to reduce your Indiana exemptions. Complete the following worksheet.

Step 1 Enter the amount from Schedule A, line 21A..... 1 _____

Step 2 Enter any non-Indiana service member's military income included on Schedule A, lines 1A and/or 2A..... 2 _____

Step 3 Subtract Step 2 from Step 1. **Enter result here and in Box 21C** on Schedule A, Proration Section 3 _____

Step 4 Enter the amount from Schedule A, line 21B 4 _____

Step 5 Divide Step 4 by Step 3. Round the result to a decimal followed by three numbers. **Enter result here and in Box 21D** of the Proration Section on Schedule A 5 _____

Schedule A

Section 2: Adjustments to Income

Adjustments to income from federal Form 1040, 1040A or 1040EZ.

List the adjustments used in arriving at your federal adjusted gross income.

Unless otherwise stated:

- Enter in Column A your adjustments as they appear on your federal return; and
- Enter in Column B the portion of your adjustments that are available to offset Indiana income tax.

Important information about possible year-end federal legislation.

This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of these adjustments may need to be eliminated and/or refigured. You may wish to periodically check the Department's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

Line 22 — Educator Expense

Enter in Column A any educator expense deduction claimed on your federal tax return, Form 1040, line 23 or Form 1040A, line 16. Enter in Column B the portion of the expense that was spent while you were an Indiana resident.

Line 23 — Certain Business Expenses of Reservists, Performing Artists, Etc.

Enter in Column A the adjustment claimed for certain business expenses of reservists, performing artists and fee-based government officials claimed on your federal Form 1040, line 24. Enter in Column B that portion of the deduction that is directly related to the reported income (in Section 1, Column B) produced in conjunction with those expenses.

Line 24 — Health Savings Account Deduction

If you are eligible to take this adjustment on your federal Form 1040, line 25, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

Line 25 — Moving Expenses

Enter in Column A the amount of moving expense deduction reported on your federal Form 1040, line 26. If you moved to or within Indiana, report this amount in Column B. If you moved from Indiana to another state, do not report this amount in Column B.

Line 26 — Deductible Part of Self-Employment Tax

Enter in Column A the amount claimed on federal Form 1040, line 27. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

If some or all of your self-employment tax is figured on income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A to arrive at the amount to be reported in Column B. Use the formula below to figure your deduction for Column B.

$$\frac{\text{IN self-employment income}}{\text{Federal self-employment income}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Deduction (Column B)}$$

Line 27 — Payments to Self-Employed, SEP, SIMPLE and Qualified Retirement Plans

Enter in Column A the deduction reported on your federal Form 1040, line 28. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to qualified self-employment retirement plans to the extent allowed in arriving at your federal adjusted gross income.

If you have self-employment income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A between the other states and Indiana. Therefore, the allowable Indiana adjustment to be reported in Column B is limited to the percent of your federal adjustment that your Indiana self-employment income bears to your total self-employment income. Use the formula below to figure your deduction for Column B.

$$\frac{\text{IN self-employment income}}{\text{Federal self-employment income}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Deduction (Column B)}$$

If both you and your spouse have Indiana self-employment income and qualify for the deduction on the federal return, you both are allowed a deduction on the Indiana tax return.

Line 28 — Self-Employed Health Insurance Deduction

Enter in Column A the deduction claimed on your federal Form 1040, line 29. If some or all of the income on which this deduction is based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self-employment income and certain income from partnerships and/or S corporations. If some or all of your self-employed health insurance deduction is figured on income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A to arrive at the amount to be reported in Column B. Use the formula below to figure your deduction for Column B.

IN source: self-employment
income/certain income from
partnerships and/or
S corporations

X Federal Adjustment (Column A) = Indiana Deduction (Column B)

Federal self-employment
income/certain income
from partnerships and/or
S corporations

Line 29 — Penalty on Early Withdrawal of Savings

Enter in Column A the penalty on early withdrawal of savings reported on your federal Form 1040, line 30. Enter in Column B that portion that was forfeited while you were an Indiana resident (provided it is included on Section 1, line 3, Column B).

Line 30 — Alimony Paid

Enter in Column A the alimony claimed as a deduction on your federal Form 1040, line 31a. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 31 — IRA Deduction

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal Form 1040, line 32, or Form 1040A, line 17. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA (provided you qualify for the deduction for federal tax purposes). Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services.

To figure the IRA adjustment for Column B, you must use the percentage that your Indiana compensation bears to your federal compensation. Use the formula below to figure your deduction for Column B.

IN compensation X Federal Adjustment (Column A) = Indiana Deduction (Column B)
Federal compensation

Line 32 — Student Loan Interest Deduction

Enter in Column A the student loan interest deduction reported on your federal Form 1040, line 33 or Form 1040A, line 18. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 33 — Tuition and Fees

Enter in Column A any tuition and fees deduction properly claimed on your federal tax return, Form 1040, line 34 or Form 1040A, line 19. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 34 — Domestic Production Activities Deduction

Enter in Column A the domestic production activities deduction reported on your federal Form 1040, line 35. Do not report any of the Domestic Production Activities Deduction in Column B as Indiana does not allow this deduction.

Line 35 — Other Adjustments (Do Not Include Itemized Deductions)

Use this line to report certain deductions claimed on your federal income tax return for which no specific line was otherwise provided when arriving at federal adjusted gross income (Form 1040, line 37, or Form 1040A, line 21). If you have written in allowable deductions on your federal Form 1040, line 36, or Form 1040A, line 20, then enter those amounts here.

Following is a list of the most common allowable deductions:

- Enter in Column A the **Jury Duty Pay** deducted on your federal Form 1040. Enter in Column B the jury duty pay turned over to your employer that is in direct relation to the salary being taxed by Indiana (included in the line 21, Column B total).
- Enter in Column A the **Archer MSA Deduction** deducted on your federal Form 1040. Enter in Column B the portion of the deduction that is directly related to the reported Income in Section 1, Column B.
- Enter in Column A any adjustment claimed for **Scholarship and Fellowship Grants** excluded on federal Form 1040NR, line 30. Enter in Column B the portion excluded while residing in Indiana, or while being an Indiana resident, and attach a copy of your 1040NR.

Do not claim itemized deductions on this line.

Schedule B: Add-Backs

Some amounts reported on your federal tax return may require different treatment for Indiana income tax purposes. Listed in this area are those items that may need to be added back on your Indiana tax return. Please review the list carefully. When reporting these addbacks, maintain with your records the corresponding federal tax forms and schedules as the department can require you to provide them at a later date.

You may have to complete this schedule if:

- you were a nonresident and had Indiana-source income or loss; and/or
- you reported Indiana add-backs in prior years which impact this year's filing.

Enter those amounts which have a direct relationship to Indiana taxation.

Example. Juan lives in Illinois and owns and runs an Indiana farm. He will have to add-back on line 1 any taxes based on or measured by income that were deducted on his federal Schedule F.

Important Information about Possible Year-End Federal Legislation

This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of these add-backs may need to be adjusted. You may wish to periodically check the department's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

Treatment of Previously Discontinued Add-Back

Several discontinued add-backs were created as a result of timing differences between federal and Indiana allowable expenses. See *Certain Discontinued Add-Backs: How and When to Report a Difference* on page 19 for information about these add-backs.

Line 1 – Tax Add-Back

If you **did not complete Federal Schedules C, C-EZ, E, or F**, which include sole proprietorship income, farm income, rental, partnership, S corporation, and trust and estate income (or loss), **then do not complete this line.**

On those schedules you are allowed to claim a deduction for taxes paid which are:

- based on, or
- measured by income, and
- levied at a state level by any state in the United States.

If you claimed this kind of deduction on any of these schedules, then you must add it back to your Indiana income.

Do not add back property taxes on this line.

Note. Income, losses and/or expenses from other schedules and forms may flow through to federal Schedules C, E and F. For example, partnership income from federal Schedule K-1 (Form 1065) may be included on federal Schedule E, while expenses from federal Form 8829 may be included on federal Schedule C. Make sure to check these schedules and forms for any deduction that needs to be added back.

Line 2 – OOS Municipal Obligation Interest Add-Back

Interest earned from a direct obligation of a state or political subdivision other than Indiana (out of state, or OOS) is taxable by Indiana if:

- the obligation is acquired after Dec. 31, 2011, and
- you received this income while being an Indiana resident.

Interest earned from obligations held or acquired before Jan. 1, 2013, is not subject to Indiana income tax and should not be reported as an add-back.

Note. Interest earned from obligations of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana is not included in federal gross income and is exempt under federal law. There is no add-back for interest earned on these obligations.

For more information about this add-back, see Income Tax Information Bulletin #19 at www.in.gov/dor/3650.htm. Enter code 137 on Schedule B under line 5 if reporting this add-back.

Line 3 – Bonus Depreciation Add-Back

You must make an exception for any bonus depreciation deduction used for property placed in service after Sept. 11, 2001. Bonus depreciation is the additional first-year special depreciation deduction allowed under Section 168(k) of the Internal Revenue Code (IRC).

Figure the net income (or loss) that would have been included in federal adjusted gross income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount.

Example. Mack used the bonus depreciation method for federal income tax purposes. After refiguring the depreciation without using the bonus method, he has to add back \$1,500 on his Indiana tax return.

Note. After making an initial adjustment for bonus depreciation you'll need to refigure the amount of depreciation available for state tax purposes for subsequent years.

Example. Ann made an initial adjustment for bonus depreciation on last year's Indiana tax return. This year she figures she is entitled to a \$150 *additional* depreciation amount for state tax purposes. She should enter that amount as a negative entry, or -150, on line 3.

For additional information see Commissioner's Directive #19 at www.in.gov/dor/3617.htm.

Line 4 – Section 179 Expense Add-Back

You may have figured an IRC Section 179 expense using a ceiling or more than \$25,000 for federal tax purposes. Indiana allows you to figure IRC Section 179 expense using a ceiling of no more than \$25,000. If you figured IRC Section 179 expense using a ceiling amount of more than \$25,000, you will need to add back the difference between it and \$25,000 on this line.

Line 5 – Other Add-Backs

Each of the following add-backs has been assigned a 3-digit code number. When reporting the add-back, write its name, the associated 3-digit number and the amount.

Deferral of Business Indebtedness Discharge and Reacquisition Add-Back 107

Add an amount equal to any income not included as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition of a debt instrument (as provided in Section 108(i) of the IRC). Subtract the amount added to income in a previous year to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument.

Enter code 107 on Schedule B under line 5 if reporting this add-back.

Other (Current Year Conformity) Add-Back 120

Before this publication was finalized Indiana had not conformed to any changes to the Internal Revenue Code (IRC) that may have become law after January 1, 2016. Therefore, the IRC used to figure Indiana income may not be the same as the IRC used to figure federal income.

This add-back is specific to these annual current year conformity issues. If uncertainty exists as to whether or not Indiana will adopt some or all of the federal legislation passed during 2016 that acts to

Schedule B: Add-Backs continued

modify federal AGI, you may add-back those items as an “other” add-back. In the event those items are adopted, an amended return should be filed to recoup the add-back(s).

All entries marked as “other” must be reported as a positive amount on the original tax return. Negative entries will not be allowed.

This add-back is only for current year conformity issues. Conformity issues for preceding tax years must be addressed on the add-back line specific to the item in question.

If the state legislature does not conform to federal code changes enacted after January 1, 2016, you may have to amend your return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check the department’s homepage at www.in.gov/dor for updates. Enter code 120 on Schedule B under line 5 if reporting this add-back.

Qualified Preferred Stock (3-digit code: 113)

If an individual:

- had losses from the sale or exchange of preferred stock in either Federal National Mortgage Association or Federal Home Loan Mortgage Corporation;
- treated the loss from the sale or exchange as ordinary income for federal income tax purposes in the year the loss had been incurred; and
- had any amount previously added back that not been allowed as a deduction,

the individual is permitted to continue deducting the loss not previously allowed as a capital loss. However, the amount allowable as a capital loss must be computed in accordance with federal limitations on allowable capital losses. See IRC sections 1211 and 121 for further details on federal limitations.

Certain Discontinued Add-Backs: How and When to Report a Final Catch-Up Modification.

Required add-backs for the following modifications have been eliminated, effective Jan. 1, 2013:

- Motorsports Entertainment Complex, Code 130
- Qualified Advance Mining Safety Equipment, Code 126
- Qualified Electric Utility Amortization, Code 135
- Qualified Environmental Remediation Costs, Code 121
- Qualified Leasehold Improvement Property, Code 129
- Qualified Restaurant Improvement Property, Code 108
- Qualified Retail Improvement Property, Code 109
- Start-Up Expenditures, Code 131

Required add-backs for the following modifications have been eliminated, effective Jan. 1, 2016:

- Qualified Disaster Assistance Property, Code 110
- Qualified Refinery Property, Code 111
- Qualified Film or Television Production, Code 112

If you previously reported any of these add-backs, see the following example for guidance as to how to figure and report a final catch-up modification.

Example. Grant has qualified restaurant equipment. For federal tax purposes he used the accelerated 15-year recovery period for an asset placed in service since 2009. Since 2009 Grant had been adding back the depreciation expense taken for federal purposes that exceeded the amount allowable for Indiana purposes. The accumulated depreciation on such an asset through 2012 was, therefore, different for federal and state purposes. This difference will remain until the asset is fully depreciated or until the time of its disposition.

A simple illustration:

Asset – acquired January, 2009 – qualified restaurant property – purchase price \$120,000. This normally would have had a 39-year recovery period; IRC Sec. 168 allows for a 15-year recovery period.

Asset acquired Jan. 2009 \$120,000 purchase price	Federal Depreciation	Add- Back	Indiana Depreciation
Year 1 (2009)	8,000	4,924	3,076
Year 2 (2010)	8,000	4,924	3,076
Year 3 (2011)	8,000	4,924	3,076
Year 4 (2012)	8,000	4,924	3,076
Year 5 (2013) Accumulated Depreciation	8,000 40,000	0	8,000 20,304
Year 6 – 15 Accumulated Depreciation	80,000 120,000	0	80,000 100,304
Year 16 – 38 Accumulated Depreciation	0	0	0
Year 39 (or year of disposition) Add-back	0	-19,696	19,696

Tax year 2012 is the last year Grant reported an add-back until the end of the recovery period. Had this asset been sold before being fully depreciated, the catch-up modification would be reflected in the year of the sale. If this property is held through 2048 (the 39th year of depreciation), Grant will report a negative \$19,696 catch-up add-back on his 2048 state tax return.

Enter the associated 3-digit code on Schedule B under line 5 if reporting a final catch-up modification.

Schedule C: Deductions

Line 1 – Renter’s Deduction

You may be able to take the renter’s deduction if:

- You paid rent on your principal place of residence, and
- You rented a place that was located in Indiana and subject to Indiana property tax.

Your “principal place of residence” is the place where you have your true, fixed, permanent home and where you intend to return after being absent.

Schedule C: Deductions continued

If you rented a manufactured home in Indiana or paid rent for your manufactured home lot, you may claim the renter's deduction if the above requirements are met. Rent paid for summer homes or vacation homes is not deductible.

Important. You cannot claim the renter's deduction if the rental property was not subject to Indiana property tax.

How do I report my deduction? First, complete the information area by entering:

- The address where rented if it's different from the address on the front of the return (leave blank if it is not different),
- The landlord's name and address,
- The total amount of rent paid, and
- The number of months you lived there.

If you moved during the year or had more than one landlord, you must list the same information for each place that you rented. Attach additional pages if necessary.

How much rent can I deduct? You can deduct up to \$3,000 or the amount of rent paid, whichever is less.

Example. Bill paid \$400 rent for his first apartment, which was located in Indiana. He moved to another Indiana location during the year and paid \$2,800 rent for the rest of the year. His deduction will be limited to \$3,000, even though he paid \$3,200 altogether.

Important. Keep copies of your rental receipts, landlord identifying information and lease agreements as the department can require you to provide this information. For more information about this deduction, see Income Tax Information Bulletin #38 at www.in.gov/dor/3650.htm.

Line 2 – Homeowner's Residential Property Tax Deduction

You may be able to take a deduction of up to \$2,500 of the Indiana property taxes (residential real estate taxes) paid on your principal place of residence. Your "principal place of residence" is the place where you have your true, fixed home and where you intend to return after being absent.

Note. Property tax paid for summer homes or vacation homes is not deductible.

Important: You cannot claim this deduction for property tax paid in 2016 if you are claiming the Lake County residential income tax credit on Schedule F, line 6.

How do I claim my deduction? First, complete the information area on Schedule C, line 2. Enter the address of your principal residence where the Indiana property tax was paid if it's different from the address on the front of the return. If you had more than one principal residence during the year, and you paid Indiana property tax on both residences, list the additional residence on a separate piece of paper.

Example. Jamie and Ella married in 2016. They sold both of their Indiana homes during the year and began renting. They are eligible to claim a property tax deduction on the combined property taxes paid on both homes if they are filing a joint return (limited to \$2,500 altogether).

- Enter the number of months you lived there. If you claim more than one residence, enter the number of months lived at the other residence(s) on a separate sheet of paper.
- Enter the amount of Indiana property tax paid.* If you lived in more than one residence during the year, enter the combined amount of Indiana property tax paid on all principal residences.
- Enter the smaller of \$2,500 or the amount of Indiana property tax paid.

***No double benefit allowed.** If any portion of property taxes paid on your principal residence was deducted as an expense on federal Schedule C, C-EZ, E or F, then do not deduct that amount on this line.

Example. Jean paid \$1,200 in Indiana property tax on her home. She used one room of her home for her business, and deducted \$200 Indiana property tax as an expense on her federal Schedule C. Jean is allowed a deduction of \$1,000 (\$1,200 minus the \$200 deduction already taken on federal Schedule C).

How do I find out how much I paid in Indiana property tax on my principal residence? Indiana counties annually send statements to homeowners showing how much property tax is due on their property. Add together the 2016 spring and fall installments, if you paid both of them.

Sometimes mortgage companies pay the Indiana property tax from an escrow account. If your mortgage company pays it, they should send you a Form 1098 (or its equivalent) showing the amount of property tax paid.

Important. You must maintain copies of proof that you paid your Indiana property tax as the department can require you to provide this information. This could include the Form 1098, the property tax statement from your local assessor's office, cancelled checks, etc.

Line 3 – State Tax Refund Reported on Federal Return

If you entered a state tax refund amount on line 10 of your federal Form 1040, and you reported it on Indiana Schedule A, Section 1, lines 5A and 5B, then deduct here the amount from line 5B.

Line 4 – Interest on U.S. Government Obligations Deduction

If you reported interest income on Indiana Schedule A, Section 1, line 3B, you may be able to take a deduction. If any part of this interest income is from a direct obligation of the U.S. government, you can deduct it.

Examples of U.S. government obligations include U.S. savings bonds, U.S. Treasury bills and U.S. government certificates. This interest is usually reported on federal Schedule B.

Schedule C: Deductions continued

Interest income reported from a trust, estate, partnership or S corporation that is from U.S. government obligations is also deducted on this line.

Note. When certain U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from federal adjusted gross income. Therefore, do not enter any interest from U.S. savings bonds that is shown on your federal Schedule B, line 3 (because it has already been excluded from income). For more information about this deduction see Income Tax Information Bulletin #19 at www.in.gov/dor/3650.htm.

Lines 5 and 6 – Taxable Social Security and/or Railroad Retirement Benefits Deduction

Indiana does not tax Social Security income or Tier 1 or Tier 2 railroad retirement benefits issued by the U.S. Railroad Retirement Board. If you have included any of these benefits on Indiana Schedule A, Section 1, line 11B or line 18B, deduct those benefits on this line.

Note. See the *Railroad Unemployment and Sickness Benefits* deduction instructions on page 26 if you have received unemployment and/or sickness benefits from the Railroad Retirement Board.

Line 7 – Military Service Deduction

If the income on Indiana Schedule A, lines 1B and/or 2B includes active or reserve military pay you've received, you will be eligible to claim a deduction (regardless of your age).

Also, if you are retired from the military or are the surviving spouse of a person who was in the military, and you included military retirement income on Indiana Schedule A, line 11B, you may be able to take this deduction if:

- You were at least 60 years of age by Dec. 31, 2016,
- You were receiving military retirement or survivor's benefits in 2016, and
- The benefits received as retirement income were reported on your federal return.

Your deduction will be the actual amount of military income received (i.e. military pay, retirement pay and/or survivor's benefits) or \$5,000, whichever is less. If both you and your spouse received military income, you may each claim the deduction for a maximum of \$10,000.

Important. If you served in the Indiana National Guard or the reserve component of the armed forces during the tax year, see the National Guard and Reserve Component Members Deduction on page 25.

Note. Military income earned while in a **combat zone** is not taxable on your federal or state income tax returns. Since Indiana is not taxing this income, your combat zone income is not eligible for a deduction.

Example. Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form shows the first month's regular military wage income of \$950, and \$19,000 income earned while being stationed in a combat zone. Only \$950 of his income is taxed on his federal return; likewise, Indiana will only tax \$950. Jim should claim a \$950 military deduction (the lesser of the income being taxed [\$950] or \$2,000).

Note. If you received a combination of military pay, retirement pay and/or survivor's benefits during the tax year, the total deduction cannot be greater than \$5,000 per qualifying person. For example, if you earned \$3,000 in military pay and \$1,500 in retirement pay, you can deduct only \$5,000 of your military income.

Important. You enclose your military W-2 form, retirement pay statement and/or survivor's benefit statement to the tax return if you are claiming this deduction. For more information about this deduction see Income Tax Information Bulletins #6 and #27 at www.in.gov/dor/3650.htm.

Line 8 – Private School/Homeschool Deduction

You may be eligible for a deduction based on education expenditures paid for each dependent child who is enrolled in a private school or is homeschooled.

Dependent child qualifications

- Your dependent child must be eligible to receive a free elementary or high school education (K-12 range) in an Indiana school corporation;
- You must be eligible to claim the child as a dependent on your federal tax return; and
- The child must be your natural or adopted child or, if not, you must have been awarded custody of the child in a court proceeding making you the court appointed guardian or custodian of the child.

Education expenditure. This refers to any expenditures made in connection with enrollment, attendance, or participation of your dependent child in a private elementary or high school education program. The term includes tuition, fees, computer software, textbooks, workbooks, curricula, school supplies (other than personal computers), and other written materials used primarily for academic instruction or for academic tutoring, or both. The term does not include the delivery of instructional service in a home setting to your dependent child who is enrolled in a school corporation or a charter school.

A "**private elementary or high school education program**" means attendance at a nonpublic school (including a private school, a parochial school and a homeschool) in Indiana that satisfies a child's obligation for compulsory attendance at a school.

The obligation for "compulsory attendance" means a child must be in attendance in a school (public and/or private) for a minimum of 180 days in a calendar year.

Note. No deduction will be available based on a child who is enrolled in school for a period of less than 180 days in a calendar year.

Figure your deduction. If you made an unreimbursed education expenditure during the year your deduction is:

- \$1,000; multiplied by
- the number of qualified dependent children for whom you made education expenditures.

Example. Greg and Constance have three children ages 7, 9 and 11. The two oldest children attend a private school. The youngest child attends the neighborhood public school. The parents purchased school-books for all three children. They will be eligible for a \$2,000 deduction (the youngest does not qualify as he attends a public school).

Note. A qualifying child may be claimed for this deduction only once per year. For example, if a husband and wife are married and filing separately, whichever parent is eligible to claim the child as a dependent for exemption purposes is eligible to claim this deduction.

Line 9 – Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2016.) Write the amount you deduct as a positive figure. Enclose Schedule A from federal Form 1045 and a completed Indiana Schedule IT-40NOL when claiming this deduction.

You must maintain with your records a copy of the federal Form 1040 from the loss year as the department can require you to provide this information at a later date.

Line 10 – Nontaxable Portion of Unemployment Compensation

You may be eligible for a deduction if you received unemployment compensation while being an Indiana resident. Complete the worksheet below to figure your deduction.

Important. Do not include any unemployment compensation issued by the U.S. Railroad Retirement Board on line 1 of the worksheet. Instead, see the instructions for the *Railroad Unemployment and Sickness Benefits* deduction on page 28 for more information.

Line 11 – Other Deductions

Each of the following deductions has been assigned a 3-digit code number. When claiming the deduction on Schedule C under line 11, write the name of the deduction, the three-digit code number and the amount claimed.

Civil Service Annuity Deduction 601

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be eligible to take a deduction if you were at least 62 years of age by the end of the tax year and/or are a surviving spouse of a civil service annuitant.

Unemployment Compensation Worksheet

Note. If you were married but filing separately, and you lived with your spouse at any time during the year, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter \$12,000 on line 3.

1. Unemployment compensation included on Schedule A, line 17B (do not include any unemployment compensation issued by the Railroad Retirement Board - see instructions).....	1		
2. Federal adjusted gross income from Form 1040 (line 37), Form 1040A (line 21), or Form 1040EZ (line 4)	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return.....	3		
4. Subtract line 3 from line 2. If zero or less, enter -0-.....	4		
5. Enter one-half of the amount on line 4 (divide line 4 by the number 2)	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6		
7. Subtract line 6 from line 1. Carry this amount to Schedule C, line 10.....	7		

Schedule C: Deductions continued

For each qualifying individual, the deduction is limited to:

- the lesser of the taxable amount of civil service annuity income included in federal adjusted gross income or \$16,000,
- less all amounts of Social Security income and tier 1 Railroad Retirement income (issued by the Railroad Retirement Board) received by the qualifying individual (as reported on Form 1040, line 20a, or Form 1040A, line 14a),
- multiplied by the ratio of civil service annuity income taxable to Indiana as compared to all taxable civil service annuity income.

Example. You were a full-year Indiana resident (your spouse was a part-year resident). The taxable amount of your civil service annuity reported on Schedule A, Lines 11A and 11B is \$6,000. You received \$1,200 in Social Security income. You are age 67.

Figure your deduction by using the following three-step method:

Step 1

Enter your amount of civil service annuity from Schedule A, line 11B **1A** \$6,000
 Enter your amount of civil service annuity from Schedule A, line 11A **1B** \$6,000
 Divide line 1A by line 1B (if the result is zero or less, STOP; there is no deduction) **1C** 1.00

Step 2

Enter the lesser of the taxable amount of your annuity or \$16,000 **2A** \$6,000
 Enter the total of your Social Security and tier 1 Railroad Retirement income **2B** -\$1,200
 Tentative allowable deduction **2C** \$4,800

Step 3

Multiply the amount on Line 1C (1.00) by the amount on Line 2C (\$4,800) = \$4,800. This is your deduction.

Both spouses receive a civil service annuity. If both you and your spouse received a civil service annuity, you may each be eligible to take this deduction for a maximum of up to \$16,000 per qualifying person. Each of you must figure your deduction separately.

Example. Matthew and Claire, both age 68, file a joint federal and state income tax return. They each receive a civil service annuity and Social Security income. They moved from Indiana to Arizona on July 1 of the tax year.

Matthew's taxable civil service annuity is \$13,700, which he reported on Schedule A, Line 11A. He reported the \$6,850 portion received while he was an Indiana resident on Line 11B. He also received \$17,500 in Social Security income. Since his Social Security income (regardless of where he lived when he received it) is greater than the total taxable amount of his annuity, he is not eligible for a deduction.

Claire's taxable civil service annuity is \$21,900, which she reported on Schedule A, Line 11A. She reported the \$10,950 portion received while she was an Indiana resident on Line 11B. She also received \$6,300 in Social Security income.

Here is how to figure Claire's deduction.

Step 1

Enter Claire's civil service annuity from Schedule A, line 11B **1A** \$10,950
 Enter Claire's civil service annuity from Schedule A, line 11A **1B** \$21,900
 Divide line 1A by line 1B **1C** .50

Step 2

Enter the lesser of the taxable amount of Claire's annuity or \$16,000 **2A** \$16,000
 Enter the total of Claire's Social Security and tier 1 Railroad Retirement income **2B** -\$6,300
 Tentative allowable deduction **2C** \$9,700

Step 3

Multiply the amount on Line 1C (.50) by the amount on Line 2C (9,700) = 4,850. This is Claire's deduction.

Surviving Spouse

A surviving spouse may be eligible to claim this deduction. There is no age requirement for the surviving spouse.

To figure the deduction, begin with the taxable amount of civil service annuity income or \$16,000, whichever is less. Subtract from that amount any Social Security income and tier 1 Railroad Retirement income (issued by the Railroad Retirement Board) the surviving spouse received.

Example. Marie is a surviving spouse. The taxable amount of her civil service annuity is \$14,500, and she received \$1,200 in Social Security income.

Example continued on page 24.

Schedule C: Deductions continued

Here is how to figure Marie's deduction.

Lesser of the taxable amount of the annuity or \$16,000	\$14,500
Marie's Social Security income.....	- \$1,200
Allowable deduction	\$13,300

You must maintain Form CSA 1099-R with your records as the department can require you to provide it at a later date.

For more information about this deduction see Income Tax Information Bulletin #6 at www.in.gov/dor/3650.htm.

Enter code 601 on Schedule C under line 11 if claiming this deduction.

Disability Retirement Deduction 602

To take this deduction you must have been:

- Permanently and totally disabled at the time of retirement,
- Retired on disability before the end of the tax year, and
- Received disability retirement income during the tax year.

If you meet these qualifications, you must complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. You must maintain the completed Schedule IT-2440 with your records as the department can require you to provide it at a later date. For more information about this deduction see Income Tax Information Bulletin #70 at www.in.gov/dor/3650.htm and Schedule IT-2440 at www.in.gov/dor/5506.htm.

This deduction is limited to a maximum of \$5,200 per qualifying individual.

Note. Social Security disability income does not qualify for this deduction because Indiana does not tax this income. Enter code 602 under line 11 if claiming this deduction.

Enterprise Zone Employee Deduction 603

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Your employer will provide Form IT-40QEC to you if you are eligible to claim this deduction. The amount of the deduction is one-half (½) of the earned income shown on Form IT-40QEC or \$7,500, whichever is less. If you and your spouse both have received Form IT-40QEC, you may each take this deduction for a combined maximum of \$15,000 (no more than \$7,500 per qualifying person). You must maintain Form IT-40QEC with your records. Enter code 602 under line 11 if claiming this deduction.

Human Services Deduction 605

The human services deduction is intended to alleviate any individual income tax burden that might be imposed on Medicaid recipients who are living in a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home or a certified Christian Science facility.* The goal of the human services deduction is to reduce the affected individual's adjusted gross income tax liability to zero.

*An eligible Christian Science facility must be listed with and certified by the Commission for Accreditation of Christian Science Nursing Organizations/Facilities, Inc.

Generally, the deduction should not be used in conjunction with most tax credits in order to create a refund. If you are a Medicaid recipient and live in one of the facilities listed above, to determine whether you are eligible for the deduction you must first prepare your tax return without claiming a human services deduction. Generally, if a refund is due, you are not eligible for a deduction. File your return without claiming the deduction and a refund will be issued. However, if an amount is due, you are eligible to use a deduction. Enter code 605 under line 11 if claiming this deduction.

Indiana Lottery Winnings Annuity Deduction 629

You may be eligible to deduct annuity payments received from a winning Hoosier Lottery ticket for a lottery held prior to July 1, 2002. This deduction applies only to prizes won from the Hoosier Lottery Commission; proceeds from other state lotteries or from other gambling sources, such as casinos, are not deductible. In addition, proceeds from winning Hoosier Lottery tickets for lotteries held after June 30, 2002, are not deductible.

Example. Jennifer won \$2,000,000 playing the Hoosier Lottery with a ticket purchased in June of 2002. She elected to receive annual installment payments of \$100,000. She received the payment before moving out-of-state, and reported the income on Indiana's Schedule A, line 20B. She is eligible to claim the full \$100,000 deduction.

Enter code 629 on Schedule C under line 11 if claiming this deduction.

Indiana Partnership Long-Term Care Policy Premiums Deduction 608

You may take a deduction for the amount of premiums paid for Indiana partnership long term-care insurance.

Important. The Indiana partnership policy will have the following box of information on the outline of coverage, the application or on the front page of the policy:

This policy qualifies under the Indiana long-term care program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana long-term care program.

If the information shown in the box above is not located in a box on your policy, you do not have a qualifying policy, and are not eligible to take this deduction. The deduction is the amount of premiums paid during the year on the policy for the taxpayer and/or spouse.

Schedule C: Deductions continued

No double benefit allowed. Certain self-employed individuals will claim these premiums as a deduction on the front page of federal Form 1040 and on Indiana Schedule A under Section 2. The Indiana deduction will be the actual amount of these premiums paid, minus any amount of these already reported on federal Form 1040.

More information about this program is available at the following website: www.in.gov/iltcp.

Important. Keep a copy of the premium statements as the department can require you to provide this information. Enter code 608 under line 11 if claiming this deduction.

National Guard and Reserve Component Members Deduction 621 (also see the *Military Service Deduction on page 21*)

There is a deduction available for certain Indiana residents who are members of the reserve components of the armed forces and the Indiana National Guard.

Who is Eligible?

You must be an Indiana resident who is member of the reserve components of:

- the Army;
- the Navy;
- the Air Force;
- the Coast Guard;
- the Marine Corps; or
- the Merchant Marine.

Or, a member of:

- the Indiana Army National Guard; or
- the Indiana Air National Guard.

What is Eligible to be Deducted?

If you are eligible (based on the above requirements), your deduction is the qualified military income* received during the period you were deployed and mobilized for full time service, or during the period your Indiana National Guard unit was federalized.

* Military income received due to service in a combat zone is not taxable on your federal or state income tax returns. Since Indiana is not taxing this income, your combat zone income is not eligible for this deduction.

What is Qualified Military Income?

Qualified military income is military wages paid to a member of a reserve component of the armed forces or the Indiana National Guard for the period during the member's full-time service in a reserve component of the armed forces or the period when Indiana National Guard unit was federalized.

Note. You cannot claim both this deduction and the *Military Service Deduction* (see page 21) based on the same income. See the following example.

Example. Brandon is a member of the Indiana National Guard.

- From January through Oct. 15, 2016, Brandon earned \$6,000 from the guard.
- His unit was federalized on Oct. 16, 2016. He earned \$7,000 from that point through Dec. 1, 2016.
- His unit was assigned to a combat zone on Dec. 2, 2016, and he earned \$3,000 from then until the end of the year.
- Brandon's military W-2 shows \$13,000 in Box 1, Wages, tips, other compensation (the combat zone income is not included in Box 1 because it is not taxable).

Brandon is eligible for both Indiana military deductions. First, he will claim the \$5,000 maximum Military Service Deduction on line 7 based on the \$6,000 income earned through October 15. Then, he will claim the National Guard and Reserve Components Deduction of \$7,000 (full amount of income earned after his unit was federalized) under line 11. Note: He will not deduct the \$3,000 income earned while stationed in a combat zone because it was not taxed to begin with.

Military withholding statements must be attached to the tax return when claiming this deduction. Enter code 621 under line 11 if claiming this deduction.

Nonresident Military Spouse Earned Income Deduction 625

A spouse of a nonresident military servicemember may not owe tax to Indiana on earned income from Indiana sources. The spouse may be eligible to claim a deduction if:

- Indiana is not the military servicemember's state of domicile as reported on the servicemember's Form DD-2058;
- The military servicemember and spouse are domiciliaries of the same state;
- The military servicemember is in Indiana on military orders;
- The military servicemember's spouse is in Indiana in order to live with the servicemember, and resides at the same address; or
- The military servicemember and spouse live together in a state other than Indiana, but the servicemember's spouse works in Indiana; and
- The Indiana-source income is included on Indiana Schedule A on line 1B, 2B and/or 7B.

To claim this deduction you must enclose a completed Schedule IN-2058SP, which is available at www.in.gov/dor/5506.htm. Enter code 625 under line 11 if claiming this deduction.

Olympic/Paralympic Medal Winners Deduction 627

You are eligible for a deduction if, while an Indiana resident, you won a gold, silver and/or bronze medal from participating in the Olympic/Paralympic games. The deduction equals the value of the medal(s) won plus the amount of income received during the taxable year from the United States Olympic Committee as prize money for winning the Olympic medal(s).

Enter code 627 under line 11 if claiming this deduction.

Qualified Patents Income Exemption Deduction 622

Some of the income from qualified patents included in federal taxable income may be exempt from Indiana adjusted gross income tax. A qualified patent is a utility patent or a plant patent issued after Dec. 31, 2007, for an invention resulting from a development process conducted in Indiana. The term does not include a design patent.

The exemption includes licensing fees or other income received for the use of the patent, royalties received for the infringement, receipts from the sale of a qualified patent, and income from the taxpayer's own use of the patent to produce the claimed invention.

You must maintain the completed Schedule IN-PAT with your records as the department can require you to provide it at a later date. You may get Schedule IN-Pat at www.in.gov/dor/5506.htm. For more information about this deduction see Income Tax Information Bulletin #104 at www.in.gov/dor/3650.htm.

Enter code 622 on Schedule C under line 11 if claiming this deduction.

Railroad Unemployment and Sickness Benefits 624

Benefits issued by the U.S. Railroad Retirement Board are not taxable by Indiana. Deduct unemployment and/or sick pay benefits issued by the U.S. Railroad Retirement Board on this line if:

- You included these benefits as taxable income on Indiana Schedule A: Section 1, Column B, and
- You did not already deduct these benefits on Schedule C, lines 5 and/or 6.

Do not include any supplemental sick pay benefits on this line.

Make sure to keep the statements (such as Form 1099G) issued by the U.S. Railroad Retirement Board as the department may request them at a later date. Enter code 624 on Schedule C under line 11 if claiming this deduction.

Recovery of Deductions 616

If you did not complete the "other income" line 20B on Indiana Schedule A: Section 1, then do not complete this line.

Generally, Indiana does not allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your federal Form 1040, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line. Enter code 616 under line 11 if claiming this deduction.

Schedule D: Exemptions

Important. Keep detailed information about the exemption(s) you are claiming, such as full name(s), age(s), Social Security number(s), etc. The department can require you to provide this information at a later date.

Line 1 – Exemptions

You are allowed \$1,000 for each exemption claimed on your federal return. Enter in the box on line 1 the total number of exemptions claimed on your federal return. Multiply \$1,000 by that number, and enter the answer here.

Example. John and Lisa have a 12-year-old daughter. On John and Lisa's joint federal return they claim themselves and their daughter as exemptions. They will enter "3" in the box on line 1 for a total of \$3,000 exemptions.

If you do not have to file a federal return, you will need to complete a "sample" federal return to see how many federal exemptions you are allowed to claim.

Important. If no exemption is claimed on your federal return, you can still claim yourself (even if you are claimed on a parent's or guardian's return).

Line 2 – Additional Exemption for Dependent Child

Important. Schedule IN-DEP must be filed when claiming this exemption. Keep reading to find instructions for this schedule.

An additional \$1,500 exemption is allowed for certain dependent children. Carefully read the following *Dependent Child Definition* to see if you are eligible for this additional exemption(s).

Dependent Child Definition: According to state statute, a dependent child must be a son, stepson, daughter, stepdaughter and/or foster child (and/or your spouse's child, if filing a joint return). He/she must be either under the age of 19 by Dec. 31, 2016, or be a full-time student who is under the age of 24 by Dec. 31, 2016.

If any dependent(s) you are eligible to claim on your federal return also meets the *Dependent Child Definition* above, enter that number in the box on line 2.

Example. John and Lisa claimed their 12-year-old daughter as an exemption on their federal return. Since their daughter is under the age of 19, John and Lisa will claim one exemption on line 5 for a total of \$1,500.

Example. Jessie's elderly father and her nine-year-old daughter lived with her the entire year. She claimed both as dependents on her federal return. Jessie will claim her daughter for the additional exemption on line 2. She is not allowed to claim the additional exemption for her father.

Note. Not all dependent children are eligible for this additional exemption. For instance, if you claimed a grandson or nephew as an exemption on your federal return, you should also claim an exemption for him on line 1. However, since he doesn't qualify under the *Dependent Child Definition* above, you will not be able to claim the additional exemption for him on line 2.

Schedule D: Exemptions continued

Schedule IN-DEP. You must complete and enclose Indiana’s *Schedule IN-DEP: Additional Dependent Child Information*, listing every child for whom you are claiming this exemption. Enter the first and last name and Social Security number (SSN) of each child claimed for this exemption. If your child has an individual taxpayer identification number (ITIN) or adopted taxpayer identification number (ATIN), enter that number in the Child’s Social Security Number column.

No SSN/ITIN/ATIN. If you do not have the required SSN, ITIN or ATIN, you will not be eligible to claim this exemption. If you have applied for one of these numbers, but do not have it by the filing due date, you can file for an extension of time to file, Form IT-9 (www.in.gov/dor/5506.htm). Indiana also honors the federal extension of time to file, Form 4868.

Exception. If your qualified dependent child was born and died in 2016 and you do not have an SSN for the child, enter the word “Died” in the third (largest) Social Security Number box associated with your child’s name. You must keep a copy of the child’s birth certificate, death certificate and/or hospital records with your records as the department may request this information at a later date. The documents must show the child was born alive.

Example. Died

Line 3 – Age 65 or Older or Blind

If you and/or your spouse (if filing a joint return) are age 65 or older, you and/or your spouse can take an additional \$1,000 exemption. If you and/or your spouse (if filing a joint return) are legally blind, you and/or your spouse can take an additional \$1,000 exemption. Place an “X” in the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$1,000.

Line 4 – Additional Exemption for Age 65 or Older

An additional \$500 exemption is available for you and/or your spouse (if filing a joint return) if you are age 65 or older and the amount on Form IT-40PNR, Schedule A, Section 3: Totals, line 37A, is less than

\$40,000. Place an “X” in the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$500.

Line 6 – Proration Amount

At the top of the back of Indiana Schedule A is the Proration Section. The number in Box 21D represents the percentage of your total income being taxed by Indiana. For example, .450 means that Indiana is taxing 45 percent (.45) of your total income. Enter the amount from Box 21D on Schedule D, line 6.

Multiply the line 5 total by the amount on line 6; enter the result on line 7.

Example. If line 5 is \$1,000 and line 6 is .450, your line 7 total exemptions will be \$450. Since Indiana is taxing 45 percent (.450) of your total income, you’re allowed to deduct 45 percent of your total exemptions.

See instructions for the *Proration section* on page 15 for more information.

Schedule E: Other Taxes

Line 1 – Use Tax on Internet, Mail Order and/or Out-Of-State Purchases

If, while a resident of Indiana, you made purchases while you were outside Indiana, through the mail (for instance, by catalog or offer through the mail), through radio or television advertising and/or over the Internet, these purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called “use” tax, is figured at 7 percent (.07).

When you make purchases from a company in Indiana, that company is responsible for collecting the Indiana sales tax from you. When you make purchases from an out-of-state company, *you* are responsible

Sales/Use Tax Worksheet		
List all purchases made during the tax year from out-of-state retailers.		
Column A Description of personal property purchased from out-of-state retailer	Column B Date of purchase(s)	Column C Purchase Price of Property(s)
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax: enter total of Columns C		1
2. Sales/use tax: Multiply line 1 by .07 (7%)		2
3. Sales tax previously paid on the above items (up to 7% per item)		3
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40PNR, Schedule E, line 1. If the amount is negative, enter zero and put no entry on Schedule E, line 1		4

Schedule E: Other Taxes continued

for making sure the use tax is paid. Either the out-of-state company collects the tax from you or you must pay the tax directly to the State of Indiana.

Complete the worksheet on page 27 to figure your tax. If you paid sales tax to the state where the item was originally purchased, you are allowed a credit against your Indiana use tax for an amount paid up to 7 percent.

Line 2 – Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 2016 to an individual who is **not** your spouse, your child under age 21, your parent, and/or an employee under age 18; and the individual worked in and around your home as a baby-sitter, nanny, health aide, private nurse, maid, caretaker, yard worker or someone who does similar domestic duties, then that individual may be defined as your employee.

For more information on defining an employee, see federal Publication 926, Household Employer's Tax Guide, visit www.irs.gov/formspubs or call the IRS at (800) 829-1040.

If you paid cash wages over \$2,000 to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2015 or 2016 to all household employees, you should have withheld state and county income taxes. To pay these taxes on your Indiana income tax return, contact the department for Schedule IN-H, or download one from www.in.gov/dor/5506.htm.

Line 3 – Recapture of Indiana's CollegeChoice 529 Education Savings Plan Credit

You may be eligible for a credit if you made a contribution(s) to Indiana's CollegeChoice 529 education savings plan (see instructions on page 48 for credit details). However, if you made a non-qualified withdrawal(s) from this plan, you will probably have to repay some or all of any credits previously claimed.

Withdrawals made for higher education expenses tend to be qualified withdrawals. Other withdrawals may fall under the category of "nonqualified." For more information about withdrawals, contact the department for Income Tax Information Bulletin #98 at www.in.gov/dor/3650.htm. See Schedule IN-529R at www.in.gov/dor/5506.htm to figure any amount to be recaptured.

Schedule F: Credits

Lines 1 and 2 – Indiana State and County Tax Withheld

The amount of Indiana state tax withheld is usually shown on box 17 and the amount of Indiana county tax withheld is usually shown on box 19 of your W-2s. Indiana state withholding amounts may also be present on other forms, including W-2Gs, various 1099s, and Schedule IN K-1, etc.

You **must** enclose your (and your spouse's, if married filing jointly) withholding statements, including W-2s, W-2Gs, 1099s and Schedule IN K-1s, with your tax return to verify Indiana state and county taxes claimed as being withheld. If you had more than one job, a W-2 form for each job must be attached to the tax return so you can get credit for all Indiana state and county tax withheld. Failure to enclose all necessary withholding statements will result in a reduced refund or increase in the amount you owe.

If you had Indiana state tax and/or county tax withheld on any other form, such as a W-2G or 1099R, you must attach them to the tax return to get credit for the amount withheld. Use of substitute W-2s will delay the processing of your return and/or refund.

Do not claim credit for taxes withheld for states other than Indiana or for localities outside Indiana.

A note about your W-2s. It is important that your W-2 form is readable. The income and state and county tax amounts withheld are verified on every W-2 form that comes in with your tax return. If you are not filing electronically, we encourage you to enclose the best copy available when you file.

Special instructions for composite filers. Additional state/county withholdings may have been made on your behalf by a partnership and/or S corporation that files with Indiana. Information about these withholdings will be made available to you on Schedule IN K-1. Make sure to include any withholdings from Lines 8 and 9 of Schedule IN K-1, and enclose the schedule when filing.

Line 3 – Estimated tax paid for 2016

If you made estimated tax payments, enter the total paid for 2016 on this line. Also include any extension payment made with Form IT-9 "Extension of Time to File" for tax year 2016.

Note. Do not include on this line any estimated tax paid for tax year 2017.

Line 4 – Unified Tax Credit for The Elderly

You may be able to claim a credit if you or your spouse meet all the following requirements:

- You and/or your spouse must have been age 65 or older by Dec. 31, 2016,
- If married and living together at any time during the year, you must file a joint return,
- You must have been a resident of Indiana for at least six months during 2016,
- The amount on Indiana Schedule A, Section 3, line 37A must be less than \$10,000, and
- You must not have been in prison for 180 days or more in 2016.

Note. Disabled persons under age 65 do not qualify for this credit.

Important.

- If your spouse died after Jan. 1, 2016, you can claim this credit by filing a joint return.
- If a person dies and does not have a surviving spouse, then no one can claim the credit on behalf of the deceased person.

Schedule F: Credits continued

- If your income is low enough that you are not required to file a Form IT-40PNR, and you meet the requirements for claiming the Unified Tax Credit for the Elderly, do not file Form IT-40PNR. Instead, file the simplified Form SC-40 to claim this credit.*

*Form SC-40 can be found at www.in.gov/dor/5506.htm. Or, call (317) 615-2581. You can claim the credit on either Form IT-40PNR or Form SC-40, but *file only one of these forms, and only file once*.

Note. You must file the Form IT-40PNR if you are eligible to take the Lake County residential income tax credit. See line 6 instructions on page 42 for more information.

The Deadline for Claiming This Credit Is June 30, 2017

The only exception to this rule is if you have an extension of time to file, Form 4868 or Form IT-9, or by making an online extension payment. Having an extension will allow you to claim this credit through Nov. 14, 2017. See *Extension of Time to File – What if You Can't File on Time?* on page 7 for information about getting an extension of time to file.

To Figure Your Unified Tax Credit for the Elderly:

Use Table A if:

You meet all the requirements listed above, and:

- You are filing a joint return, lived with your spouse during 2016, both were Indiana residents for at least six months and both of you were age 65 or older by Dec. 31, 2016, or
- Both you and your spouse met all the requirements, and your spouse died after Jan. 1, 2016.

Table A

Joint Filers Both Age 65 or Older

If the income on Line 37A of Indiana Schedule A, Section 3 is:	Your Allowable Credit* is:
less than \$1,000	\$140
between \$1,000 and \$2,999	\$90
between \$3,000 and \$9,999	\$80

Use Table B if:

You meet all the requirements listed above, and:

- You are age 65 or older and are single or widowed,
- You are filing a joint return and only one of you is age 65 or older, or
- You are filing a joint return and only one was an Indiana resident for at least six months, or you are married but did not live with your spouse during 2016, are age 65 or older and are married filing separately.

Table B

Only One Person Age 65 or Older

If the income on Line 37A of.....	Your Allowable Indiana Schedule A, Section 3 is:	Credit* is:
less than \$1,000		\$100
between \$1,000 and \$2,999		\$50
between \$3,000 and \$9,999		\$40

*Once you have located your credit on Table A or Table B, enter that amount on line 4.

Line 5 Indiana's Earned Income Credit (EIC)

If you are eligible for an earned income credit on your federal tax return, you may be eligible for Indiana's earned income credit, too. Here are some important things to know:

- You must be eligible for and have claimed an EIC on your federal tax return. If not, **STOP**. You are not eligible to claim Indiana's EIC.
- Your income on Form IT-40, line 1 (or Indiana's Schedule A, line 37A), must be less than \$44,600. If it is the same amount or more, **STOP**. You are not eligible to claim Indiana's EIC.
- Schedule IN-EIC must be completed and enclosed by all filers claiming the EIC.

Indiana's Publication EIC is available for additional information. It may be viewed online at www.in.gov/dor/5506.htm.

What is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you don't owe any tax.

To figure your Indiana earned income credit:

- Follow the steps below.
- Complete the Worksheet(s) that apply to you.
- Complete and enclose Schedule IN-EIC.
- Enter on Schedule F, line 5:
- Box A, your Indiana Earned Income Credit from Schedule IN-EIC, line A-3;
- Box B, the number from Schedule A, Proration Section, line 21D; then
- Multiply the amount in Box A by the number in Box B. Enter the total on line 5.

Step 1 All Filers

Did you claim an EIC on your 2016 federal tax return (on federal Form 1040, line 66a; Form 1040A, line 42a; or on Form 1040EZ, line 8a)?

Yes. *Continue*

No. STOP. You cannot take the credit.

If, in 2016:

- 2 or more children lived with you, is the amount on Form IT-40, line 1 (Indiana's Schedule A, line 37A), less than \$44,600?

Schedule F: Credits continued

- 1 child lived with you, is the amount on Form IT-40, line 1 (Indiana’s Schedule A, line 37A), less than \$39,250?
- No children lived with you, is the amount on Form IT-40, line 1 (Indiana’s Schedule A, line 37A), less than \$14,800?

Yes. Continue

No. STOP. You cannot take the credit.

Step 2 Investment Income

1. Add amounts from:	
Federal Form 1040 or Form 1040A, Line 8a	+ _____
Federal Form 1040 or Form 1040A, Line 8b	+ _____
Federal Form 1040 or Form 1040A, Line 9a	+ _____
Federal Form 1040A, Line 10	+ _____
Federal Form 1040, Line 13*	+ _____
Investment Income	= _____

*If line 13 is a loss, enter -0-.

- Is your investment income more than \$3,400?

Yes. Continue.

No. Skip question 3; go to question 4.

- Did you file federal Form 4797 (relating to sales of business property)?

No. STOP. You cannot take the credit.

Yes. If the amount on federal Form 1040, line 13, includes an amount from federal Form 4797, you must use Worksheet 1 in Indiana’s Publication EIC (located online at www.in.gov/dor/5506.htm) to see if you can take the EIC. Otherwise, **STOP**; you cannot take the EIC.

- Do any of the following apply for 2016?
 - You filed federal Schedule E.
 - You are claiming a loss on federal Form 1040 line, 12, 13 and/or 18.
 - You are reporting income or a loss from the rental of personal property not used in a trade or business.
 - You and/or spouse if married filing jointly received a distribution from a pension, annuity, IRA or Coverdell ESA that is not fully taxable.
 - You reported income on federal Form 1040, line 21, from federal Form 8814 (relating to election to report child’s interest and dividends).

Yes. You must use Worksheet 3 in Indiana’s Publication EIC to see if you can take the credit. You may find Publication EIC at www.in.gov/dor/5506.htm.

No. Go to Step 3.

Step 3 Qualifying Child

Did a child live with you in 2016?

No. Go to Step 4.

Yes. Continue.

A qualifying child is a child who is your...

- Son
- Daughter
- Grandchild
- Stepchild
- Foster child and/or related child (see page 32)

AND, was...

- Under age 19 at the end of 2016 and younger than you (or your spouse, if filing jointly), or
- Under age 24 at the end of 2016, a student (see page 32), and younger than you (or your spouse, if filing jointly), or
- Any age and permanently and totally disabled (see page 32),

AND, who...

Is not filing a joint return for 2016, or is filing a joint return for 2016 only as a claim for refund,

AND, who...

Lived with you in the United States for more than half of 2016 or, if a foster child, for all of 2016. If the child did not live with you for the required time, see *Exception to “time lived with you”* on page 32.

Caution. If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2016, or the child was married, see page 32.

- Do you have at least one child who meets the conditions to be your qualifying child?

Yes. The child must have a valid Social Security number (SSN) unless the child was born and died in 2016*. If at least one qualifying child has a valid SSN (or was born and died in 2016), go to Step 5.

No. Continue to Step 4.

***Exception.** If your qualified dependent child was born and died in 2016 and you do not have an SSN for the child, you may be able to claim the child for earned income credit purposes (see page 32).

Step 4 Filers Without a Qualifying Child

If you have no qualifying child (see Step 3) but you claimed an EIC on your federal tax return (federal Form 1040, line 66a; Form 1040A, line 42a; or on Form 1040EZ, line 8a), then you may be eligible to claim Indiana’s EIC. Continue to Step 5.

Step 5 Modified Adjusted Gross Income (MAGI)

1. Add amounts from:

Federal Form 1040 or Form 1040A, Line 8b + _____

Federal Form 1040EZ, amount entered in the space to the left of line 2 designated as "TEI" + _____

Federal Form 1040, line 37; Form 1040A, Line 21; 1040EZ, line 4 + _____

Modified Adjusted Gross Income* =

Box A	
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***Note.** If you completed Worksheet 3 from Publication EIC, enter in Box A the amount from Worksheet 3, line 17.

2. If you have:

- 2 or more qualifying children, is Box A less than \$44,600?
- 1 qualifying child, is Box A less than \$39,250?
- No qualifying children, is Box A less than \$14,800?

Yes. Go to Step 6.

No. STOP. You cannot take the credit.

Step 6 Earned Income

1. Did you file federal Schedule SE because you are a member of the clergy or you had church employee income of \$108.28 or more?

Yes. See *Clergy or Church employees*, whichever applies, on page 33.

No. Continue.

2. Figure earned income:

A. Enter amount from federal Form 1040 or 1040A, line 7, or Form 1040EZ, line 1 _____

Subtract, if included on line A above, any:

- Taxable scholarship or fellowship grant not reported on a Form W-2.
- Amount received for work performed while an inmate in a penal institution.
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan. This amount may be shown in Box 11 of form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.
- Amount of the qualified foster care payments included in Box 1 of Form W-2 that you have elected to exclude from your federal adjusted gross income

Add all of your nontaxable combat pay if you elect to include it in earned income.* + _____

Earned Income =

Box B	
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***Caution.** Electing to include nontaxable combat pay may increase or decrease your EIC. Figure the credit with and without your nontaxable combat pay before making the election.

3. Were you self-employed at any time in 2016, or did you file federal Schedule SE because you were a member of the clergy or you had church employee income, or did you file federal Schedule C or C-EZ as a statutory employee?

Yes. Skip question 4 and Step 7; go to **Worksheet B** on page 35.

No. Continue.

4. If you have:

- 2 or more qualifying children, is your total earned income (Box B) less than \$44,600?
- 1 qualifying child, is your total earned income (Box B) less than \$39,250?
- No qualifying children, is your total earned income (Box B) less than \$14,800?

Yes. Go to Step 7.

No. STOP. You cannot take the credit.

Step 7 How to Figure the Credit

Go to **Worksheet A** on page 34.

Definitions and Special Rules*

(listed in alphabetical order)

Adopted child. An adopted child is always treated as your own child. The term "adopted child" includes a child who was lawfully placed with you for legal adoption, even if the adoption is not final.

Church employees. A church employee means an employee (other than a minister or member of a religious order) of a church or qualified church-controlled organization that is exempt from employer Social Security and Medicare taxes. Determine how much of the amount on federal Form 1040, line 7, was also reported on federal Schedule SE, Section B, line 5a. Subtract that amount from the amount on federal Form 1040, line 7, and enter the result in the first space of Step 6, line 2. Be sure to answer "Yes" to question 1 in Step 6.

Claim for refund. A claim for refund is a federal return filed only to get a refund of withheld income tax or estimated tax paid. A federal return is not a claim for refund if the EIC or any other similar refundable credit is claimed on it.

Clergy. The following instructions apply to ministers, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners. If you are filing federal Schedule SE and the

Schedule F: Credits continued

amount on line 2 of that schedule includes an amount that was also reported on federal Form 1040, line 7;

- Determine how much of the amount on federal Form 1040, line 7, was also reported on federal Schedule SE, Section A, line 2, or Section B, Line 2.
- Subtract that amount from the amount on federal Form 1040, line 7. Enter the result in the first space of Step 6, line 2.
- Be sure to answer “yes” to question 1 in Step 6.

Combat pay, nontaxable. If you were a member of the U.S. Armed Forces who served in a combat zone, certain pay is excluded from your income.

- If you included your combat pay when figuring your federal EIC, then enter the same amount in Step 6, line 2.
- If you did not include it when figuring your federal EIC, then do not enter any amount in Step 6, line 2.

Exception to “time lived with you” condition. A child is considered to have lived with you for all of 2016 if the child was born or died in 2016 and your home was this child’s home for the entire time he or she was alive in 2016. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Indiana’s Pub. EIC to find out if that child is a qualifying child for the EIC. If you were in the military stationed outside the United States, see *Members of the military* below.

Federal Form 4797 filers. If the amount on Form 1040, line 13, includes an amount from federal Form 4797, you must use Worksheet 1 in Indiana’s Pub. EIC to see if you can take the EIC. Otherwise, **STOP**; you cannot take the EIC.

Foster child.

- Any child you cared for as your own child and who is (a) your brother, sister, stepbrother, or stepsister; (b) a descendant (such as a child, including an adopted child) of your brother, sister, stepbrother, or stepsister; or (c) a child placed with you by an authorized placement agency. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.
- The qualifying foster child must live with you for the entire year (except for temporary absences).

Grandchild. For the EIC, this means any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

***Indiana’s Publication EIC**, available online at www.in.gov/dor/5506.htm, has additional information, including rules if you have a qualifying child, an investment income calculation worksheet, additional definitions, tiebreaker rules, etc.

Married child. A child who was married at the end of 2016 is a qualifying child only if (a) you can claim him or her as your dependent on federal Form 1040 or 1040A, line 6c, or (b) you could have claimed him or her as your dependent except for the special rule for *Children of divorced or parents who lived apart*. Get Indiana’s Pub. EIC for more information about this special rule.

Members of the military. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the EIC. Extended active duty is military duty ordered for an indefinite period or a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you do not serve more than 90 days.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time during 2016, the person could not engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition (a) has lasted or can be expected to last continuously for at least a year, or (b) can be expected to lead to death.

Qualifying child of more than one person. If the child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified adjusted gross income (MAGI) for 2016 may treat that child as a qualifying child. The other person(s) cannot take the EIC for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you have the highest MAGI, this child is your qualifying child. If you do not have the highest MAGI, **STOP**; you cannot take the EIC. See Step 5 to figure your modified adjusted gross income.

Example. You and your 8-year-old daughter moved in with your mother in 2016. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your MAGI for 2016 was \$8,000 and your mother’s was \$14,000. Because your mother’s MAGI was higher, your daughter is your mother’s qualifying child for EIC purposes. You **cannot** figure an EIC using your child as a qualifying child, even if your mother does not claim the credit.

Social Security Number. Your child must have a valid Social Security number (SSN) unless the child was born and died in 2016. If your dependent child was born and died in 2016 and you do not have an SSN for the child, you will be able to claim the child for purposes of claiming Indiana’s earned income credit as long as all the other requirements have been met. For more information, see the instructions on Schedule IN-EIC.

Student. A student is a child who, during any 5 months of 2016, was enrolled as a full-time student at a school that has a regular teaching staff, course of study, and regular student body at the school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school does not include a technical, trade or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

Schedule F: Credits continued

Temporary absences. Count time that you or your child is away from home on a temporary absence due to a special circumstance as time the child lived with you. Examples of a special circumstance include illness, school attendance, business, vacation, military service, and detention in a juvenile facility.

*Indiana's Publication EIC, available online at www.in.gov/dor/5506.htm, has additional information, including rules if you have a qualifying child, an investment income calculation worksheet, additional definitions, tiebreaker rules, etc.

Worksheet A – Indiana’s Earned Income Credit (EIC)

Keep for your records

Before you begin: Be sure you are using the correct worksheet. Use Worksheet A if you answered “No” to Step 6, question 3. Use Worksheet B if you answered “Yes” to Step 6, question 3.

Part 1: All filers using Worksheet A

1. Enter your earned income from Step 6, Box B. 1 _____
2. Look up the amount on line 1 above in the *Indiana Earned Income Credit Table* (right after Worksheet B) to find the credit. Be sure you use the correct column for the number of children you can claim. Enter the credit here..... 2 _____

If line 2 is zero, **STOP**. You cannot claim the credit.

3. Enter your modified adjusted gross income from Step 5, Box A 3 _____
4. Are the amounts on lines 3 and 1 the same?
Yes. Skip line 5; enter the amount from line 2 on line 6.
No. Go to line 5.

Part 2: Filers who answered “No” on line 4

5. If you have:
 - No qualifying children, is the amount on line 3 less than \$8,400?
 - 1 or more qualifying children, is the amount on line 3 less than \$18,200?

Yes. Leave line 5 blank; enter the amount from line 2 on line 6.

No. Look up the amount on line 3 in the *Indiana Earned Income Credit Table* to find the credit. Be sure you use the correct column for the number of children you can claim.

Enter the credit here..... 5 _____

Look at the amounts on line 5 and 2. Then, enter the **smaller** amount on line 6.

Part 3: Your Indiana earned income credit

6. This is the amount from Part 1 or Part 2 above..... 6 _____
7. If you have an alternative minimum tax on either your federal Form 1040, line 45, or included in the total on federal Form 1040A, line 28, then multiply that amount by 9 percent (.09) and enter the result here..... 7 _____
8. Subtract line 7 from line 6 (if zero or less, **STOP**. You cannot take a credit). Enter this amount here..... 8 _____
9. Enter the earned income credit claimed on your federal income tax return (Form 1040, line 66a; Form 1040A, line 42a; or Form 1040EZ, line 8a)..... 9 _____
10. Multiply line 9 by .09 (9%). Enter result here. 10 _____
11. Look at the amount on line 8 and on line 10. Then, enter the **smaller** amount here and on Schedule IN-EIC, line A-3. **Indiana Earned Income Credit** 11 _____

Final Step – You must complete Schedule IN-EIC and enclose it with your filing.

Worksheet B – Indiana’s Earned Income Credit (EIC)

Keep for your records

Use this worksheet if you answered “Yes” to Step 6, question 3.

- Complete the parts below (Parts 1 through 3) that apply to you. Then, continue to Part 4.
- If you are married filing a joint return, include your spouse’s amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

Part 1: Self-employed, members of the clergy, and people with church employee income filing federal Schedule SE.

- 1a. Enter the amount from federal Schedule SE, Section A, line 3, or Section B, line 3, whichever applies..... 1a _____
- b. Enter any amount from federal Schedule SE, Section B, line 4b, and line 5a..... + 1b _____
- c. Add lines 1a and 1b = 1c _____
- d. Enter the amount from federal Schedule SE, Section A, line 6, or Section B, line 13, whichever applies..... - 1d _____
- e. Subtract line 1d from 1c..... = 1e _____
-

Part 2: Self-employed NOT required to file federal Schedule SE

For example, your net earnings from self-employment were less than \$400.

2. Do not include on these lines any statutory employee income, any net profit from services performed as a notary public, any amount exempt from self-employment tax as the result of filing and approval of federal Form 4029 or Form 4361, or any other amounts exempt from self-employment tax.
- a. Enter any net farm income or (loss) from federal Schedule F, line 34, and from farm partnerships, Schedule K-1 (federal Form 1065), box 14, code A..... 2a _____
- b. Enter any net profit or (loss) from federal Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (federal Form 1065), box 9, code J1..... + 2b _____
- c. Add lines 2a and 2b..... = 2c _____
-

Part 3: Statutory employees filing federal Schedule C or C-EZ

3. Enter the amount from federal Schedule C or Schedule C-EZ, line 1c, that you are filing as a statutory employee..... 3 _____
-

Part 4: All filers using Worksheet B

- 4a. Enter your earned income from Step 6, Box B..... 4a _____
- b. Add lines 1e, 2c, 3 and 4a. **This is your total earned income.**..... 4b _____

If line 4b is zero or less, **STOP**. You cannot take the credit.

5. If you have:
- 2 or more qualifying children, is line 4b less than \$44,600?
 - 1 qualifying child, is line 4b less than \$39,250?
 - No qualifying children, is line 4b less than \$14,800?

Yes. Enter the amount from line 4b on line 6 of this worksheet.

No. STOP. You cannot take the credit.

Part 5: All filers using Worksheet B

- 6. Enter your total earned income from Part 4, line 4b. 6 _____
- 7. Look up the amount on line 6 above in the *Indiana Earned Income Credit Table* to find the credit.
Be sure you use the correct column for the number of children you can claim. Enter the credit here. 7 _____

If line 7 is zero, **STOP**. You cannot take the credit.

- 8. Enter your modified adjusted gross income from Step 5, Box A. (If you filled out Worksheet 3, enter the amount from line 17.)..... 8 _____
- 9. Are the amounts on lines 8 and 6 the same?

Yes. Skip line 10; enter the amount from line 7 on line 11.

No. Go to line 10.

Part 6: Filers who answered “No” on line 9

- 10. If you have:
 - No qualifying children, is the amount on line 8 less than \$8,400?
 - 1 or more qualifying children, is the amount on line 8 less than \$18,200?

Yes. Leave line 10 blank; enter the amount from line 7 on line 11.

No. Look up the amount on line 8 in the *Indiana Earned Income Credit Table* to find the credit. Be sure you use the correct column for the number of children you can claim. Enter the credit here..... 10 _____

Look at the amounts on lines 10 and 7. Then, enter the smaller amount on line 11.

Part 7: Your Indiana earned income credit.

- 11. This is the amount from Part 5 or Part 6 above..... 11 _____
- 12. If you have an alternative minimum tax on either your federal Form 1040, line 45, or included in the total on federal Form 1040A, line 28, then multiply that amount by 9 percent (.09) and enter the result here..... 12 _____
- 13. Subtract line 12 from line 11 (if zero or less, **STOP**. You cannot take a credit). Enter this amount here..... 13 _____
- 14. Enter the earned income credit claimed on your federal income tax return (Form 1040, line 66a; Form 1040A, line 42a; or Form 1040EZ, line 8a)..... 14 _____
- 15. Multiply line 14 by .09 (9%). Enter result here. 15 _____
- 16. Look at the amount on line 13 and on line 15. Then, enter the smaller amount here and on Schedule IN-EIC, line A-3..... **Indiana Earned Income Credit** 16 _____

Final Step – You must complete Schedule IN-EIC and enclose it with your tax return when you file.

2016 Indiana Earned Income Credit (EIC) Table

1. To find your credit, read down the "At least-But less than" columns and find the line that includes the amount you were told to look up from your EIC Worksheet.

2. Then, read across to the column that includes the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If you have one qualifying child and the amount you are looking up from your EIC Worksheet is \$2,455, you would enter \$76.

If the amount you are looking up from the worksheet is —		And you have —		
		No children	One child	Two children
At least	But less than	Your credit is —		
2,400	2,450	17	74	87
2,450	2,500	17	76	89

If the amount you are looking up from the worksheet is —		And you have —		
		No children	One child	Two children
At least	But less than	Your credit is —		

If the amount you are looking up from the worksheet is —		And you have —		
		No children	One child	Two children
At least	But less than	Your credit is —		

If the amount you are looking up from the worksheet is —		And you have —		
		No children	One child	Two children
At least	But less than	Your credit is —		

If the amount you are looking up from the worksheet is —		And you have —		
		No children	One child	Two children
At least	But less than	Your credit is —		

0	50	0	1	1
50	100	1	2	3
100	150	1	4	5
150	200	1	5	6
200	250	2	7	8
250	300	2	8	10
300	350	2	10	12
350	400	3	12	14
400	450	3	13	15
450	500	3	15	17
500	550	4	16	19
550	600	4	18	21
600	650	4	19	23
650	700	5	21	24
700	750	5	22	26
750	800	5	24	28
800	850	6	25	30
850	900	6	27	32
900	950	6	28	33
950	1000	7	30	35
1000	1050	7	31	37
1050	1100	7	33	39
1100	1150	8	34	41
1150	1200	8	36	42
1200	1250	8	38	44
1250	1300	9	39	46
1300	1350	9	41	48
1350	1400	9	42	50
1400	1450	10	44	51
1450	1500	10	45	53
1500	1550	11	47	55
1550	1600	11	48	57
1600	1650	11	50	59
1650	1700	12	51	60
1700	1750	12	53	62
1750	1800	12	54	64
1800	1850	13	56	66
1850	1900	13	57	68
1900	1950	13	59	69
1950	2000	14	60	71

2000	2050	14	62	73
2050	2100	14	64	75
2100	2150	15	65	77
2150	2200	15	67	78
2200	2250	15	68	80
2250	2300	16	70	82
2300	2350	16	71	84
2350	2400	16	73	86
2400	2450	17	74	87
2450	2500	17	76	89
2500	2550	17	77	91
2550	2600	18	79	93
2600	2650	18	80	95
2650	2700	18	82	96
2700	2750	19	83	98
2750	2800	19	85	100
2800	2850	19	86	102
2850	2900	20	88	104
2900	2950	20	90	105
2950	3000	21	91	107
3000	3050	21	93	109
3050	3100	21	94	111
3100	3150	22	96	113
3150	3200	22	97	114
3200	3250	22	99	116
3250	3300	23	100	118
3300	3350	23	102	120
3350	3400	23	103	122
3400	3450	24	105	123
3450	3500	24	106	125
3500	3550	24	108	127
3550	3600	25	109	129
3600	3650	25	111	131
3650	3700	25	113	132
3700	3750	26	114	134
3750	3800	26	116	136
3800	3850	26	117	138
3850	3900	27	119	140
3900	3950	27	120	141
3950	4000	27	122	143

4000	4050	28	123	145
4050	4100	28	125	147
4100	4150	28	126	149
4150	4200	29	128	150
4200	4250	29	129	152
4250	4300	29	131	154
4300	4350	30	132	156
4350	4400	30	134	158
4400	4450	31	135	159
4450	4500	31	137	161
4500	4550	31	139	163
4550	4600	32	140	165
4600	4650	32	142	167
4650	4700	32	143	168
4700	4750	32	145	170
4750	4800	33	146	172
4800	4850	33	148	174
4850	4900	34	149	176
4900	4950	34	151	177
4950	5000	34	152	179
5000	5050	35	154	181
5050	5100	35	155	183
5100	5150	35	157	185
5150	5200	36	158	186
5200	5250	36	160	188
5250	5300	36	161	190
5300	5350	37	163	192
5350	5400	37	165	194
5400	5450	37	166	195
5450	5500	38	168	197
5500	5550	38	169	199
5550	5600	38	171	201
5600	5650	39	172	203
5650	5700	39	174	204
5700	5750	39	175	206
5750	5800	40	177	208
5800	5850	40	178	210
5850	5900	40	180	212
5900	5950	41	181	213
5950	6000	41	183	215

6000	6050	41	184	217
6050	6100	42	186	219
6100	6150	42	187	221
6150	6200	42	189	222
6200	6250	43	191	224
6250	6300	43	192	226
6300	6350	44	194	228
6350	6400	44	195	230
6400	6450	44	197	231
6450	6500	45	198	233
6500	6550	45	200	235
6550	6600	45	201	237
6600	6650	46	203	239
6650	6700	46	204	240
6700	6750	46	206	242
6750	6800	46	207	244
6800	6850	46	209	246
6850	6900	46	210	248
6900	6950	46	212	249
6950	7000	46	213	251
7000	7050	46	215	253
7050	7100	46	217	255
7100	7150	46	218	257
7150	7200	46	220	258
7200	7250	46	221	260
7250	7300	46	223	262
7300	7350	46	224	264
7350	7400	46	226	266
7400	7450	46	227	267
7450	7500	46	229	269
7500	7550	46	230	271
7550	7600	46	232	273
7600	7650	46	233	275
7650	7700	46	235	276
7700	7750	46	236	278
7750	7800	46	238	280
7800	7850	46	239	282
7850	7900	46	241	284
7900	7950	46	243	285
7950	8000	46	244	287

2016 Indiana Earned Income Credit (EIC) Table — *Continued*

If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —		
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children
		Your credit is —					Your credit is —					Your credit is —		
17600	17650	304	501		20000	20050	277	467		22400	22450	243	421	
17650	17700	304	501		20050	20100	276	466		22450	22500	242	420	
17700	17750	304	501		20100	20150	276	465		22500	22550	241	419	
17750	17800	304	501		20150	20200	275	464		22550	22600	240	418	
17800	17850	304	501		20200	20250	274	463		22600	22650	240	417	
17850	17900	304	501		20250	20300	274	462		22650	22700	239	416	
17900	17950	304	501		20300	20350	273	461		22700	22750	238	416	
17950	18000	304	501		20350	20400	272	460		22750	22800	238	415	
18000	18050	304	501		20400	20450	271	459		22800	22850	237	414	
18050	18100	304	501		20450	20500	271	458		22850	22900	236	413	
18100	18150	304	501		20500	20550	270	457		22900	22950	235	412	
18150	18200	304	501		20550	20600	269	456		22950	23000	235	411	
18200	18250	303	501		20600	20650	269	455		23000	23050	234	410	
18250	18300	302	500		20650	20700	268	454		23050	23100	233	409	
18300	18350	302	499		20700	20750	267	453		23100	23150	233	408	
18350	18400	301	498		20750	20800	266	453		23150	23200	232	407	
18400	18450	300	497		20800	20850	266	452		23200	23250	231	406	
18450	18500	299	496		20850	20900	265	451		23250	23300	230	405	
18500	18550	299	495		20900	20950	264	450		23300	23350	230	404	
18550	18600	298	494		20950	21000	264	449		23350	23400	229	403	
18600	18650	297	493		21000	21050	263	448		23400	23450	228	402	
18650	18700	297	492		21050	21100	262	447		23450	23500	228	401	
18700	18750	296	491		21100	21150	261	446		23500	23550	227	400	
18750	18800	295	490		21150	21200	261	445		23550	23600	226	399	
18800	18850	294	489		21200	21250	260	444		23600	23650	225	398	
18850	18900	294	489		21250	21300	259	443		23650	23700	225	398	
18900	18950	293	488		21300	21350	258	442		23700	23750	224	397	
18950	19000	292	487		21350	21400	258	441		23750	23800	223	396	
19000	19050	292	486		21400	21450	257	440		23800	23850	222	395	
19050	19100	291	485		21450	21500	256	439		23850	23900	222	394	
19100	19150	290	484		21500	21550	256	438		23900	23950	221	393	
19150	19200	289	483		21550	21600	255	437		23950	24000	220	392	
19200	19250	289	482		21600	21650	254	436		24000	24050	220	391	
19250	19300	288	481		21650	21700	253	435		24050	24100	219	390	
19300	19350	287	480		21700	21750	253	435		24100	24150	218	389	
19350	19400	286	479		21750	21800	252	434		24150	24200	217	388	
19400	19450	286	478		21800	21850	251	433		24200	24250	217	387	
19450	19500	285	477		21850	21900	251	432		24250	24300	216	386	
19500	19550	284	476		21900	21950	250	431		24300	24350	215	385	
19550	19600	284	475		21950	22000	249	430		24350	24400	215	384	
19600	19650	283	474		22000	22050	248	429		24400	24450	214	383	
19650	19700	282	473		22050	22100	248	428		24450	24500	213	382	
19700	19750	282	472		22100	22150	247	427		24500	24550	212	381	
19750	19800	281	471		22150	22200	246	426		24550	24600	212	380	
19800	19850	280	471		22200	22250	246	425		24600	24650	211	380	
19850	19900	279	470		22250	22300	245	424		24650	24700	210	379	
19900	19950	279	469		22300	22350	244	423		24700	24750	210	378	
19950	20000	278	468		22350	22400	243	422		24750	24800	209	377	
24800	24850	208	376							24800	24850	208	376	
24850	24900	207	375							24850	24900	207	375	
24900	24950	207	374							24900	24950	207	374	
24950	25000	206	373							24950	25000	206	373	
25000	25050	205	372							25000	25050	205	372	
25050	25100	205	371							25050	25100	205	371	
25100	25150	204	370							25100	25150	204	370	
25150	25200	203	369							25150	25200	203	369	
25200	25250	202	368							25200	25250	202	368	
25250	25300	202	367							25250	25300	202	367	
25300	25350	201	366							25300	25350	201	366	
25350	25400	200	365							25350	25400	200	365	
25400	25450	200	364							25400	25450	200	364	
25450	25500	199	363							25450	25500	199	363	
25500	25550	198	362							25500	25550	198	362	
25550	25600	197	362							25550	25600	197	362	
25600	25650	197	361							25600	25650	197	361	
25650	25700	196	360							25650	25700	196	360	
25700	25750	195	359							25700	25750	195	359	
25750	25800	194	358							25750	25800	194	358	
25800	25850	194	357							25800	25850	194	357	
25850	25900	193	356							25850	25900	193	356	
25900	25950	192	355							25900	25950	192	355	
25950	26000	192	354							25950	26000	192	354	
26000	26050	191	353							26000	26050	191	353	
26050	26100	190	352							26050	26100	190	352	
26100	26150	189	351							26100	26150	189	351	
26150	26200	189	350							26150	26200	189	350	
26200	26250	188	349							26200	26250	188	349	
26250	26300	187	348							26250	26300	187	348	
26300	26350	187	347							26300	26350	187	347	
26350	26400	186	346							26350	26400	186	346	
26400	26450	185	345							26400	26450	185	345	
26450	26500	184	344							26450	26500	184	344	
26500	26550	184	344							26500	26550	184	344	
26550	26600	183	343							26550	26600	183	343	
26600	26650	182	342							26600	26650	182	342	
26650	26700	182	341							26650	26700	182	341	
26700	26750	181	340							26700	26750	181	340	
26750	26800	180	339							26750	26800	180	339	
26800	26850	179	338							26800	26850	179	338	
26850	26900	179	337							26850	26900	179	337	
26900	26950	178	336							26900	26950	178	336	
26950	27000	177	335							26950	27000	177	335	
27000	27050	176	334							27000	27050	176	334	
27050	27100	176	333							27050	27100	176	333	
27100	27150	175	332							27100	27150	175	332	
27150	27200	174	331							27150	27200	174	331	

2016 Indiana Earned Income Credit (EIC) Table — *Continued*

If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —			
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children	
At least	But less than	Your credit is —		At least	But less than	Your credit is —		At least	But less than	Your credit is —		At least	But less than	Your credit is —	
27200	27250	174	330	29600	29650	139	285	32000	32050	105	239	34400	34450	70	194
27250	27300	173	329	29650	29700	138	284	32050	32100	104	238	34450	34500	69	193
27300	27350	172	328	29700	29750	138	283	32100	32150	103	237	34500	34550	69	192
27350	27400	171	327	29750	29800	137	282	32150	32200	102	236	34550	34600	68	191
27400	27450	171	326	29800	29850	136	281	32200	32250	102	235	34600	34650	67	190
27450	27500	170	326	29850	29900	136	280	32250	32300	101	235	34650	34700	66	189
27500	27550	169	325	29900	29950	135	279	32300	32350	100	234	34700	34750	66	188
27550	27600	169	324	29950	30000	134	278	32350	32400	100	233	34750	34800	65	187
27600	27650	168	323	30000	30050	133	277	32400	32450	99	232	34800	34850	64	186
27650	27700	167	322	30050	30100	133	276	32450	32500	98	231	34850	34900	64	185
27700	27750	166	321	30100	30150	132	275	32500	32550	97	230	34900	34950	63	184
27750	27800	166	320	30150	30200	131	274	32550	32600	97	229	34950	35000	62	183
27800	27850	165	319	30200	30250	131	273	32600	32650	96	228	35000	35050	61	182
27850	27900	164	318	30250	30300	130	272	32650	32700	95	227	35050	35100	61	181
27900	27950	164	317	30300	30350	129	271	32700	32750	95	226	35100	35150	60	180
27950	28000	163	316	30350	30400	128	271	32750	32800	94	225	35150	35200	59	180
28000	28050	162	315	30400	30450	128	270	32800	32850	93	224	35200	35250	59	179
28050	28100	161	314	30450	30500	127	269	32850	32900	92	223	35250	35300	58	178
28100	28150	161	313	30500	30550	126	268	32900	32950	92	222	35300	35350	57	177
28150	28200	160	312	30550	30600	125	267	32950	33000	91	221	35350	35400	56	176
28200	28250	159	311	30600	30650	125	266	33000	33050	90	220	35400	35450	56	175
28250	28300	158	310	30650	30700	124	265	33050	33100	89	219	35450	35500	55	174
28300	28350	158	309	30700	30750	123	264	33100	33150	89	218	35500	35550	54	173
28350	28400	157	308	30750	30800	123	263	33150	33200	88	217	35550	35600	54	172
28400	28450	156	308	30800	30850	122	262	33200	33250	87	217	35600	35650	53	171
28450	28500	156	307	30850	30900	121	261	33250	33300	87	216	35650	35700	52	170
28500	28550	155	306	30900	30950	120	260	33300	33350	86	215	35700	35750	51	169
28550	28600	154	305	30950	31000	120	259	33350	33400	85	214	35750	35800	51	168
28600	28650	153	304	31000	31050	119	258	33400	33450	84	213	35800	35850	50	167
28650	28700	153	303	31050	31100	118	257	33450	33500	84	212	35850	35900	49	166
28700	28750	152	302	31100	31150	118	256	33500	33550	83	211	35900	35950	49	165
28750	28800	151	301	31150	31200	117	255	33550	33600	82	210	35950	36000	48	164
28800	28850	151	300	31200	31250	116	254	33600	33650	82	209	36000	36050	47	163
28850	28900	150	299	31250	31300	115	253	33650	33700	81	208	36050	36100	46	162
28900	28950	149	298	31300	31350	115	253	33700	33750	80	207	36100	36150	46	162
28950	29000	148	297	31350	31400	114	252	33750	33800	79	206	36150	36200	45	161
29000	29050	148	296	31400	31450	113	251	33800	33850	79	205	36200	36250	44	160
29050	29100	147	295	31450	31500	113	250	33850	33900	78	204	36250	36300	43	159
29100	29150	146	294	31500	31550	112	249	33900	33950	77	203	36300	36350	43	158
29150	29200	146	293	31550	31600	111	248	33950	34000	77	202	36350	36400	42	157
29200	29250	145	292	31600	31650	110	247	34000	34050	76	201	36400	36450	41	156
29250	29300	144	291	31650	31700	110	246	34050	34100	75	200	36450	36500	41	155
29300	29350	143	290	31700	31750	109	245	34100	34150	74	199	36500	36550	40	154
29350	29400	143	289	31750	31800	108	244	34150	34200	74	199	36550	36600	39	153
29400	29450	142	289	31800	31850	107	243	34200	34250	73	198	36600	36650	38	152
29450	29500	141	288	31850	31900	107	242	34250	34300	72	197	36650	36700	38	151
29500	29550	140	287	31900	31950	106	241	34300	34350	71	196	36700	36750	37	150
29550	29600	140	286	31950	32000	105	240	34350	34400	71	195	36750	36800	36	149

2016 Indiana Earned Income Credit (EIC) Table — *Continued*

If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —			If the amount you are looking up from the worksheet is —		And you have —			
		No child- ren	One child	Two child- ren			No child- ren	One child	Two child- ren			No child- ren	One child	Two child- ren	
At least	But less than	Your credit is —		At least	But less than	Your credit is —		At least	But less than	Your credit is —		At least	But less than	Your credit is —	
36800	36850	36	148	39200	39250	1	103	41600	41650	57		44000	44050	12	
36850	36900	35	147	39250	39300	0	102	41650	41700	56		44050	44100	11	
36900	36950	34	146	39300	39350		101	41700	41750	55		44100	44150	10	
36950	37000	33	145	39350	39400		100	41750	41800	54		44150	44200	9	
37000	37050	33	144	39400	39450		99	41800	41850	53		44200	44250	8	
37050	37100	32	144	39450	39500		98	41850	41900	53		44250	44300	7	
37100	37150	31	143	39500	39550		97	41900	41950	52		44300	44350	6	
37150	37200	31	142	39550	39600		96	41950	42000	51		44350	44400	5	
37200	37250	30	141	39600	39650		95	42000	42050	50		44400	44450	4	
37250	37300	29	140	39650	39700		94	42050	42100	49		44450	44500	3	
37300	37350	28	139	39700	39750		93	42100	42150	48		44500	44550	2	
37350	37400	28	138	39750	39800		92	42150	42200	47		44550	44600	1	
37400	37450	27	137	39800	39850		91	42200	42250	46					
37450	37500	26	136	39850	39900		90	42250	42300	45					
37500	37550	25	135	39900	39950		90	42300	42350	44					
37550	37600	25	134	39950	40000		89	42350	42400	43					
37600	37650	24	133	40000	40050		88	42400	42450	42					
37650	37700	23	132	40050	40100		87	42450	42500	41					
37700	37750	23	131	40100	40150		86	42500	42550	40					
37750	37800	22	130	40150	40200		85	42550	42600	39					
37800	37850	21	129	40200	40250		84	42600	42650	38					
37850	37900	20	128	40250	40300		83	42650	42700	37					
37900	37950	20	127	40300	40350		82	42700	42750	36					
37950	38000	19	126	40350	40400		81	42750	42800	35					
38000	38050	18	126	40400	40450		80	42800	42850	35					
38050	38100	18	125	40450	40500		79	42850	42900	34					
38100	38150	17	124	40500	40550		78	42900	42950	33					
38150	38200	16	123	40550	40600		77	42950	43000	32					
38200	38250	15	122	40600	40650		76	43000	43050	31					
38250	38300	15	121	40650	40700		75	43050	43100	30					
38300	38350	14	120	40700	40750		74	43100	43150	29					
38350	38400	13	119	40750	40800		73	43150	43200	28					
38400	38450	13	118	40800	40850		72	43200	43250	27					
38450	38500	12	117	40850	40900		72	43250	43300	26					
38500	38550	11	116	40900	40950		71	43300	43350	25					
38550	38600	10	115	40950	41000		70	43350	43400	24					
38600	38650	10	114	41000	41050		69	43400	43450	23					
38650	38700	9	113	41050	41100		68	43450	43500	22					
38700	38750	8	112	41100	41150		67	43500	43550	21					
38750	38800	7	111	41150	41200		66	43550	43600	20					
38800	38850	7	110	41200	41250		65	43600	43650	19					
38850	38900	6	109	41250	41300		64	43650	43700	18					
38900	38950	5	108	41300	41350		63	43700	43750	17					
38950	39000	5	108	41350	41400		62	43750	43800	17					
39000	39050	4	107	41400	41450		61	43800	43850	16					
39050	39100	3	106	41450	41500		60	43850	43900	15					
39100	39150	2	105	41500	41550		59	43900	43950	14					
39150	39200	2	104	41550	41600		58	43950	44000	13					

Line 6 – Lake County (Indiana) Residential Income Tax Credit

You may be eligible to claim a Lake County (Indiana) Residential Income Tax credit if you meet **all three** of the following requirements.

1. **You paid property tax to Lake County (Indiana) on your residence.** Your “residence” is your principal dwelling. You must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.
2. **Your Indiana Adjusted Gross Income (AGI) is less than \$18,600.** You must complete the *Indiana AGI Worksheet* below to figure your Indiana AGI.
3. **You are not claiming the homeowner’s residential property tax deduction on Indiana Schedule C, line 2.**

Complete the following steps to see if you are eligible to claim this credit.

STEP 1

Did you pay property tax to Lake County (Indiana) on your residence during the year? Yes No

- If you answered no, **STOP**. You do not qualify for this credit.
- If you answered yes, complete the *Indiana AGI Worksheet*.*

*Important. Do not include any homeowner’s property tax deduction in the amount on line 1 of the worksheet as you are not eligible to use this deduction if claiming the Lake County Residential Income Tax Credit.

Indiana AGI Worksheet

1. Enter amount from Form IT-40PNR, line 7 1 _____

Enter the Following Add-Backs if Reported on Schedule B

2. Qualified electric utility amortization add-back 2 _____
 3. Other (current year conformity) add-back 3 _____
 4. Subtotal. Add lines 2 and 3 4 _____
 5. Subtract line 4 from line 1 5 _____

Enter the Following Deductions if Reported on Schedule C

6. Civil service annuity deduction 6 _____
 7. Disability retirement deduction 7 _____
 8. Enterprise zone employee deduction 8 _____
 9. Indiana lottery winnings annuity deduction 9 _____
 10. Indiana net operating loss deduction 10 _____
 11. Military service deduction 11 _____
 12. Nontaxable portion of unemployment compensation deduction 12 _____
 13. Olympic/Paralympic Medal Winners deduction 13 _____
 14. Private school/homeschool deduction 14 _____
 15. Renter’s deduction 15 _____
 16. Subtotal. Add lines 6 through 15 16 _____
 17. Add line 5 plus line 16. Enter total here. (If the amount is more than \$18,599, **STOP**.
 You do not qualify for this credit.*) **Indiana AGI** 17 _____

STEP 2 Look at the completed *Indiana AGI Worksheet*.

- If the amount on Line 17 is greater than \$18,599, **STOP**. You do not qualify for this credit.*
- If the amount on Line 17 is less than \$18,000, go to Worksheet A to figure your credit.
- If the amount on Line 17 is between \$18,000 and \$18,599, go to Worksheet B to figure your credit.

*If your Indiana AGI is greater than \$18,599, you may be eligible to claim the *Homeowner’s Residential Property Tax Deduction*. See Indiana’s Schedule C, line 2 instructions to see if you meet the requirements.

Worksheet A:

Complete if line 17 of the Indiana AGI Worksheet is less than \$18,000.

- A1** Enter the amount of Indiana property tax you paid on your Lake County residence **A1** \$ _____
- A2** Maximum credit..... **A2** \$ 300
- A3** Enter the smaller of A1 or A2. This is your credit. Enter here and on Schedule F, line 6..... **A3** \$ _____

Worksheet B: Indiana AGI Phaseout

Complete if line 17 of the Indiana AGI Worksheet is between \$18,000 and \$18,600.

- B1** Allowable maximum earned income..... **B1** \$ 18,600
- B2** Enter the amount from line 17 of the Indiana AGI Worksheet **B2** \$ _____
- B3** Subtract B2 from B1 (if answer is zero or a (negative) amount, STOP. You do not qualify for this credit) **B3** \$ _____
- B4** Multiply the amount on B3 by 0.5 **B4** \$ _____
- B5** Enter the amount of Indiana property tax you paid on your Lake County residence **B5** \$ _____
- B6** Enter the smaller of B4 or B5. This is your credit. Enter here and on Schedule F, line 6..... **B6** \$ _____

Important. Remember, you can claim either this credit OR the *Homeowner's Residential Property Tax Deduction* (on Schedule C, line 2), but not both.

**Lines 7 and 8:
Economic Development for a Growing Economy Credit (EDGE)**

Economic Development for a Growing Economy Retention Credit (EDGE-R)

If you have business income (including partnership or S corporation income) you may be eligible for one or both of these credits. These credits are available to businesses who conduct certain activities that are designed to foster job creation and/or job retention in Indiana.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204, for eligibility requirements, or visit <http://iedc.in.gov> for additional information.

To claim these credits you must complete and enclose Schedule IN-EDGE or Schedule IN-EDGE-R, which are located online at www.in.gov/dor/5506.htm. The information to be reported on Schedule IN-EDGE or Schedule IN-EDGE-R is located on the Indiana Schedule IN K-1 or on the approved credit agreement letter from the IEDC.

Schedule IN-DONATE

Each of the following funds has been assigned a three-digit code number. When listing your contribution on Schedule IN-DONATE under line 1, enter the name of the fund, the three-digit code number and the amount to be contributed.

You may contribute all or a portion of your Form IT-40PNR, line 16 overpayment to the following funds:

• **Indiana Nongame Wildlife Fund 200**

The Indiana Wildlife Diversity Program offers you the opportunity to play an active role in conserving Indiana's nongame and endangered wildlife. This program is funded through public donations to the Indiana Nongame Wildlife Fund. The money you donate goes directly to the protection and management of more than 750 wildlife species in Indiana - from songbirds and salamanders to state-endangered Trumpeter swans and spotted turtles.

Enter both the name of the fund and the amount you wish to donate under line 1, and enter 200 as the designated 3-digit code number. Also, see the Limitation below.

If you do not have an overpayment, but want to support the Wildlife Diversity Section, do not change your tax return. You may make a contribution online at www.in.gov/dnr/fishwild/3316.htm.

• **Military Family Relief Fund 201**

The Indiana Department of Veterans Affairs' Military Family Relief Fund provides emergency grants to be used by military and veteran families. The funds can be utilized for needs such as food, housing, utilities, medical services, transportation, and other essential family support expenses which have become difficult to afford. The Military Family Relief Fund has helped more than 2000 families since its inception in 2007.

Enter both the name of the fund and the amount you wish to donate under line 1, and enter 201 as the designated 3-digit code number. Also, see the Limitation below.

If you do not have an overpayment, but want to support the Military Family Relief Fund, you may make a contribution by writing a check made payable to the Military Family Relief Fund and send it to the Indiana Department of Veterans Affairs, 302 W. Washington Street, Suite E-120, Indianapolis, IN 46204.

• **Public K – 12 Education Fund 202**

You may donate all or a portion of your overpayment to help fund public education for kindergarten through grade 12 in Indiana. Enter

Schedule IN-DONATE continued

both the name of the fund and the amount you wish to donate under line 1, and enter 202 as the designated 3-digit code number. Also, see the Limitation below.

Limitation

The combination of the amounts you wish to donate to these funds cannot exceed the overpayment shown on Form IT-40PNR, line 16.

- If the total of the donations designated on this schedule is more than your available overpayment, the donation(s) will be reduced on a pro rata basis. For example, Sam wants to donate \$20 to each fund, for a total of \$60. His actual overpayment is \$51. The donations to the three funds have been evenly reduced to \$17 each.
• If you entered a donation to one or more of these funds, and wish to apply some of your overpayment to next years estimated tax account, the overpayment will be applied first to the selected fund(s) and then to the estimated tax account. Any remaining overpayment will be refunded to you. For example, Aaron donated \$100 to the Indiana Nongame Wildlife Fund, and is applying \$50 to next year's estimated tax account. His actual overpayment is only \$110. The full \$100 will be applied to the selected fund; the remaining \$10 will be applied to next years estimated tax account.

The amount of the credit is the lesser of the amounts on A, B or C.

Note. See the Combined Limitation below.

Important. You must enclose either a copy of your W-2s or other withholding statements showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

Remember, you can use this credit only if you have both:

- A county tax amount on Form IT-40PNR, line 9, and
• A local income tax that you had to pay outside Indiana.

Line 2 – Community Revitalization Enhancement District Credit

A state and local income tax liability credit is available for a qualified investment made within a community revitalization enhancement district. This credit is available to pass-through entities, such as members of partnerships and S corporations, and is nonrefundable and cannot be carried back. You may carry forward any excess credit to the next tax year.

The allowable credit is the lesser of the available credit, or the county tax due on line 9 of Form IT-40PNR. Also, claim any unused amount (within certain limitations) on Schedule G under line 6 (see instructions for this credit on page 48). Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information.

Note. See the Restriction for Certain Tax Credits - Limited to One Per Project and the Combined Limitation below for additional limitations.

Line 3 – Other Local Credits

Currently, there are no other local credits available to be reported in this space.

Restriction for Certain Tax Credits - Limited to One Per Project

A taxpayer may not be granted more than one credit for the same project. The credits that are subject to this limitation are the Alternative Fuel Vehicle Manufacturer Credit, Community Revitalization Enhancement District Credit, Enterprise Zone Investment Cost Credit, Hoosier Business Investment Credit, Industrial Recovery Credit, and the Venture Capital Investment Credit.

For more information see Commissioner's Directive #29 at www.in.gov/dor/3617.htm. Apply this restriction first when figuring your credits. Then apply the following Combined Limitation.

Combined Limitation: There is one final limitation if you claim more than one credit on lines 1 through 3 of Schedule G. These credits, when combined, cannot be greater than the county tax shown on Form IT-40PNR line 9; if they are, adjust the amounts before you enter them. See the following Order of Application and examples for guidance.

Schedule G: Offset Credits

Note. The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax liabilities. See the Combined Limitation areas after the instructions for line 3 (in the next column) and line 7 instructions (on page 52).

Line 1 – Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40PNR, line 9, and had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local governmental entity - and they did not refund the tax or give you a credit for Indiana county tax.

The credit can be used to reduce your county tax liability. Carefully read instructions for Line B below.

Complete lines A, B and C to figure your credit.

- A. Enter the amount of tax paid to the non-Indiana locality A _____
B. Multiply the amount of income taxed by the non-Indiana locality by the rate from Schedule CT-40PNR, Section 1, line 4, or Section 2, line 6. Enter result here B _____
C. Enter the amount of Indiana county income tax shown on Form IT-40PNR, line 9.. C _____

Order of Application

First, use the credits which cannot be carried over and applied against your county tax in another year. These credits include the credit for local taxes paid outside Indiana. Then, use any community revitalization enhancement district credit.

How to Adjust the Amount of Credit to be Entered (Example)

Example. Megan is eligible to claim a \$100 credit for local taxes paid outside Indiana plus a \$200 community revitalization enhancement district credit (CREED), for a \$300 total amount in offset credits. Her county tax due (IT-40PNR, line 9) is \$160. Since her combined credits are \$140 more than her county tax due, she should reduce the last entry (the \$200 CREED credit) by the \$140 difference to \$60. She will enter the full \$200 credit for local taxes paid outside Indiana on Schedule G, line 1, and the \$60 limited CREED credit on line 3a.

Note. Megan may use the \$140 remaining CREED credit to offset any state tax due on this year’s tax return (IT-40PNR, line 8). See additional instructions for the CREED credit on page 48.

Line 4 – College credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to \$100 on a single return or \$200 on a joint return. To claim this credit you must complete and attach Schedule CC-40. Contact the department to get more information and the Schedule CC-40 at www.in.gov/dor/5506.htm and Income Tax Information Bulletin #14 at www.in.gov/dor/3650.htm. You must maintain documentation of your contributions as the department can require you to provide this information at a later date.

Note. Tuition paid to a college or university is not a contribution, and does not qualify for this credit. Also, see the **Combined Limitation** on page 52.

Line 5 – Credit for Taxes Paid to Other States

If you received income from another state while you were an Indiana resident, you must report that income on your Indiana income tax return. You may be able to take a credit for taxes paid to another state. If you had income from another state, and had to pay taxes to that state, read the following instructions carefully.

If you were an Indiana resident during part or all of the tax year and had income from any of the states listed in Group A below, you should first find out what the other state’s rules are concerning the taxation of your income.

Group A

No Agreement (Credit taken on resident return)

Alabama	Maine	New York
Arkansas	Maryland	North Carolina
Colorado	Massachusetts	North Dakota
Connecticut	Minnesota	Oklahoma
Delaware	Mississippi	Rhode Island
Georgia	Missouri	South Carolina
Hawaii	Montana	Tennessee*
Idaho	Nebraska	Utah
Illinois	New Hampshire*	Vermont
Iowa	New Jersey	Virginia
Kansas	New Mexico	West Virginia
Louisiana	Any foreign countries or U.S. possessions	

*Capital gain, interest, and dividends only.

Group A Worksheet

- A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state’s return) A _____
- B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.3% (.033)..... B _____
- C. Enter the amount of Indiana state income tax shown on Form IT-40PNR line 8 C _____

The lesser of the amounts on A, B or C is your allowable credit for taxes paid to other states.

You must enclose a copy of the income tax return (not just the W-2 forms) you filed with the other state to claim this credit. If the other state’s return is not enclosed, the credit will not be allowed. Likewise, if you have a foreign tax credit, complete the Group A Worksheet and enclose federal Form 1116. If Form 1116 was not required, attach Forms 1099-INT and/or 1099-DIV (or a substitute statement) to verify the foreign tax and amount of income being taxed.

Exception. Gambling winnings from other states. If, during your Indiana residency, you had gambling winnings from another state, and you are not required to file a return with that state, attach the W-2G issued by that state. Use the amount of state tax withheld by that state on Line A of the Group A Worksheet.

Group B

Reciprocal Agreement (Wages, Salaries, Tips, and Commissions Only)

Kentucky	Michigan	Ohio
Pennsylvania	Wisconsin	

Schedule G: Offset Credits continued

If you were an Indiana resident during the tax year and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

Normally, employers in these states will withhold Indiana state tax from your wages because of the reciprocal agreement. However, if the state tax they withheld is not for Indiana, you must file a claim for refund with that state. You still have to include this income on your Indiana return and pay the Indiana tax. You will get some or all of the other state's taxes back by filing a refund claim with them.

If you were a full-resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you will need to file form IT-40PNR.

Note. Winnings from Indiana **riverboats** and **lotteries** are not eligible for the reciprocal agreement.

Caution. You may have to make estimated tax payments to Indiana. If the reciprocal state employer does not withhold Indiana withholding on your wage income, or does not withhold enough, you may need to make estimated tax payments.

If you were a full-year resident of one of the reciprocal states and your only income from Indiana was from wages, salaries, tips, and commissions, you should file Form IT-40RNR, Reciprocal Nonresident Income Tax Return. If you were a resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you will need to file Form IT-40PNR.

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona California Oregon Washington D.C.

If you were an Indiana resident during the tax year and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid.

If you were a resident of a Group C state and had income from Indiana, you must file an Indiana nonresident return, figure your tax, and then claim a credit for taxes paid to other states on the Indiana nonresident return. Make sure to attach a copy of the other state's return to substantiate the credit.

Group D

No State Income Tax (No credit allowed)

Alaska Florida Nevada
South Dakota Texas Washington
Wyoming

If you were an Indiana resident during the tax year and had income from one of the states in Group D, you are not allowed to claim this credit. These states do not have an income tax. You must file an Indiana resident return and pay Indiana tax on all your income.

Note. See the **Combined Limitation** on page 52.

Line 6 – Other Credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule G under line 6, enter the name of the credit, the three-digit code number and the amount claimed.

Adoption Credit 859

You may be eligible to claim an adoption credit on your state tax return if you claimed an adoption credit on your federal tax return. The amount of the credit may be as much as 10 percent of the federal credit allowed per child, or \$1,000 per child, whichever is less. Complete Worksheet B on the next page to figure your credit.

Federal adoption carryforward credits.

A carryforward credit claimed on federal Form 8839 may be allowed if any of it is from tax year 2015 (carryforward credits from years prior to 2015 are not allowed when figuring the Indiana adoption credit).

Federal Adoption Credit Carryforward Calculation

Use Worksheet A to figure each child's pro rata share of any 2015 carryforward credit shown on line 14 of the 2015 Adoption Credit Carryforward Worksheet (from the 2015 instructions for federal Form 8839). Enter that amount in the appropriate column on line 6 of Worksheet B.

If you have no 2015 federal adoption credit to carry forward, skip Worksheet A and complete Worksheet B.

Federal Adoption Credit Carryforward

Worksheet A	Child 1	Child 2	Child 3
1. Enter amount from 2015 Form 8839, line 11	\$	\$	\$
2. Enter the amount from 2015 Form 8839, line 12	\$	\$	\$
3. Divide line 1 by line 2; round answer to four decimal places			
4. Enter the amount of 2015 carryforward credit used in 2016 (line 5 minus line 15 of the 2016 <i>Adoption Credit Carryforward Worksheet</i> from the Form 8839 instructions)	\$	\$	\$
5. Multiply line 3 by line 4; round to nearest whole dollar. Enter this amount in the appropriate column on line 6 of Worksheet B below	\$	\$	\$

Indiana Adoption Credit Calculation

Complete Worksheet B to figure your Indiana adoption credit. Add more columns to the worksheet below if claiming this credit for more than three children.

You will need to have your 2016 federal Form 8839 on hand.

Indiana Adoption Credit Calculation

Worksheet B	Child 1	Child 2	Child 3	
1. Enter amount from Form 8839, Line 11, per child	\$	\$	\$	
2. Enter the amount from Form 8839, line 12, in each column of this worksheet where there is an amount on line 1	\$	\$	\$	
3. Enter the amount from Form 8839, line 15, reduced by the amount on Form 8839, line 13, in each column where there is an amount on line 1 (if equal to or more than amount on line 2, leave blank; skip line 4, enter the amount from line 1 on line 5). If less than zero, leave blank	\$	\$	\$	
4. Divide line 1 by line 2; round answer to four decimal places				
5. Multiply line 3 by line 4; round to nearest whole dollar	\$	\$	\$	
6. Enter pro rata share of any 2015 adoption carryforward credit from Worksheet A, line 5	\$	\$	\$	
7. Add lines 5 and 6	\$	\$	\$	
8. Limitation	\$ 10,000	\$ 10,000	\$ 10,000	
9. Enter the smaller of line 7 or Line 8	\$	\$	\$	
10. Multiply line 9 by 10% (.10); round to nearest whole dollar	\$	\$	\$	
11. Add all amounts from each column on line 10	This is your credit			\$

See Income Tax Information Bulletin #111 at www.in.gov/dor/3650.htm for more information about this credit.

Maintain with your records a copy of the federal Form 8839, federal Adoption Credit Carryforward Worksheets (if applicable), and Form 1040 as the department can require you to provide this information at a later date.

Enter code 859 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Airport Development Zone Employment Expense Credit 800

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 800 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Airport Development Zone Investment Cost Credit 801

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 801 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Airport Development Zone Loan Interest Credit 802

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 802 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Alternative Fuel Vehicle Manufacturer Credit 854

A credit is available for qualified investments made within Indiana that foster job creation, reduce dependency on foreign oil and reduce pollution. A person who proposes a project to manufacture or assemble alternative fuel vehicles may apply to the Indiana Economic Development Corporation before the qualified investment is made. A certificate of verification from the IEDC must be enclosed when claiming the credit. For additional information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>. Also, get Income Tax Information Bulletin #103 at www.in.gov/dor/3650.htm.

Enter code 845 under line 6 if claiming this credit. Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 52 for additional limitations.

Blended Biodiesel Credit 803

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 803 under line 6 if claiming this credit. See the **Combined Limitation** on page 52 for additional limitations.

Indiana's CollegeChoice 529 Education Savings Plan Credit 837

You may be eligible for a credit for contributions made to Indiana's CollegeChoice 529 education savings plan. While there are many 529 college savings plans available both in Indiana and nation-wide, only contributions made to this specific *CollegeChoice 529 education savings plan* are eligible for this credit.

This plan is administered through the Indiana Education Savings Authority. More information can be obtained online at www.in.gov/tos/iesa and at www.collegechoiceplan.com. See Schedule IN-529 at www.in.gov/dor/5506.htm to figure your credit. This schedule must be enclosed when claiming the credit. Finally, see Income Tax Information Bulletin #98 at www.in.gov/dor/3650.htm for more information about this credit.

Enter code 837 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Coal Gasification Technology Investment Credit 806

A credit may be available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology. This credit is available to pass-through entities, such as members of partnerships and S corporations. You must file an application

for certification with the Indiana Economic Development Corporation (IEDC). For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at iedc.in.gov/. Also, see Income Tax Information Bulletin #99 at www.in.gov/dor/3650.htm for more information.

Enter code 806 under line 6 if claiming this credit. Enclose the certificate of compliance issued by IEDC to support this credit. Also, see the **Combined Limitation** on page 52.

Community Revitalization Enhancement District Credit 808

See the Schedule G line 3 instructions for details about this credit. This credit is available to offset **both** your state and local tax liabilities, and any unused remainder is available to be carried forward. Pass-through entities are eligible for this credit. If you did not use all of the available community revitalization enhancement district credit on Schedule G, line 3, the remaining credit should be claimed on this line. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at <http://iedc.in.gov/>.

Note. If you have not used all of the community revitalization enhancement district credit, the unused portion should be carried over to next year's tax return.

Enter code 808 under line 6 if claiming this credit. Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 52 for additional limitations.

About Enterprise Zone Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Use this website to look up contact information for a particular enterprise zone: www.aiez.org/directory.html.

Sole proprietors who operate and/or invest in a business located in a zone and pass-through entities are eligible to claim the enterprise zone employment expense credit and/or the enterprise zone loan interest credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at iedc.in.gov/ for more information about these credits.

Enterprise Zone Employment Expense Credit 812

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the enterprise zone.

For more information see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/3515.htm. Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at iedc.in.gov/. Schedule EZ must be enclosed if claiming this credit.

Schedule G: Offset Credits continued

Enter code 812 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Enterprise Zone Investment Cost Credit 813

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an enterprise zone.

For more information about this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at: iedc.in.gov/.

Enter code 813 under line 6 if claiming this credit. Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 52 for additional limitations.

Enterprise Zone Loan Interest Credit 814

This credit can be for up to 5 percent of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone.

For more information, and how to calculate this credit, get Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule LIC at www.in.gov/dor/3515.htm.

Note. Schedule LIC must be enclosed if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/> for additional information.

Enter code 814 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Ethanol Production Credit 815

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 815 under line 6 if claiming this credit. See the **Combined Limitation** on page 52 for additional limitations.

Headquarters Relocation Credit 818

A business with annual worldwide revenue of \$100 million, and at least 75 employees, which relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters. For more information, including limitations and the application process, see Income Tax Information Bulletin #97 at www.in.gov/dor/3650.htm.

Enter code 818 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Historic Building Rehabilitation Credit 819

An historic building rehabilitation credit is available for the rehabilitation or preservation of an historic building that is listed on the Indiana Register of Historic Sites and Structures, is at least 50 years old, and is income-producing.

Those eligible to claim this credit include an individual, corporation, S corporation, partnership, limited liability company, limited liability partnership, nonprofit organization and/or joint venture. All work must meet the Secretary of the Interior's Standards for Rehabilitation of Historic Properties.

For more information about this credit, see Income Tax Information Bulletin #87 at www.in.gov/dor/3650.htm. Also, you may contact the Office of Community and Rural Affairs at One North Capitol, Suite 600 Indianapolis, IN 46204-2027, or call (317) 233-3762.

Important. This credit has been repealed. No new credit may be claimed after June 30, 2016. However, any unused credit will be available to be claimed.

Enter code 819 under line 6 if claiming this credit and enclose the certification from the Division of Historic Preservation and Archaeology to your return. Also, see the **Combined Limitation** on page 52.

Hoosier Business Investment Credit 820

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining or finishing equipment. Pass-through entities are eligible for this credit. This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit the IEDC website at iedc.in.gov/ or call (317) 234-4046 for additional information.

See Income Tax Information Bulletin #95 at www.in.gov/dor/3650.htm for more information.

Note. See the **Restriction for Certain Tax Credits - Limited to One Per Project** and the **Combined Limitation** on page 52 for additional limitations.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/5506.htm. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as a pass-through entity, make sure to keep Schedule IN K-1 with your records as the department can require you to provide this information.

Hoosier Business Investment Credit – Logistics 860

This credit is for qualified expenditures for certain logistics investments. Pass-through entities are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit the IEDC website at iedc.in.gov or call (317) 234-4046, and get Income Tax Information Bulletin #95 at www.in.gov/dor/3650.htm for additional information.

Note. See the **Restriction for Certain Tax Credits - Limited to One Per Project** and the **Combined Limitation** on page 52 for additional limitations.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/5506.htm. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as a pass-through entity, make sure to keep Schedule IN K-1 with your records as the department can require you to provide this information.

Indiana's Research Expense Credit 822

Indiana has a research expense credit that is similar to the federal credit for research and experimental expenses paid in carrying on your trade or business in Indiana. S corporations and partnerships may pass through the credit to their shareholders and partners. Enclose your schedule IN K-1 to support your claim.

A completed Form IT-20REC must be kept with your records as the department can require you to provide this information. Get Form IT-20REC at www.in.gov/dor/5414.htm.

Enter code 822 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Individual Development Account Credit 823

A credit is available for qualified contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills. Applications for the credit are filed through the community development corporation by using Form IDA-10/20. An approved Form IDA-20 must be enclosed with your return if claiming this credit. To request additional information about the definitions, procedures and qualifications for obtaining this credit, contact: Indiana Housing and Community Development Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777. Keep the approval certification from IEDC or letter of assignment with your records as the department can require you to provide this information.

Enter code 823 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Industrial Recovery Credit 824

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If the Indiana Economic Development Corporation approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment." For additional information regarding procedures for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their website at iedc.in.gov/.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

Enter code 824 under line 6 if claiming this credit. Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 52 for additional limitations.

Military Base Investment Cost Credit 826

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 826 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52 for additional limitations.

Military Base Recovery Credit 827

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed. You must enclose approval certification from IEDC or a letter of assignment with your return.

Enter code 827 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52 for additional limitations.

Natural Gas Commercial Vehicle Credit 858

A credit is available for the purchase of certain vehicles powered with natural gas (CNG or LNG). It applies only to vehicles weighing more than 33,000 pounds and purchased from an Indiana dealer.

To be eligible for the credit a dealer or purchaser must complete the Commercial Natural Gas Vehicle Credit form (Form NGV-C), found at www.in.gov/dor/5051.htm, and file it with the department. For more information about this credit, get Income Tax Information Bulletin #109.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/5506.htm. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as a pass-through entity, make sure to keep Schedule IN K-1 with your records as the department can require you to provide this information.

Note. See the **Combined Limitation** on page 52 for additional limitations.

Neighborhood Assistance Credit 828

If you made a contribution or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777 ((800) 872-0371 outside Indianapolis), for more information. Pass-through entities are eligible for the credit.

Important. Do not report fees paid to your neighborhood association on this line. They are not eligible for this credit. Enter code 828 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

New Employer Credit 850

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed. Enter code 850 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52 for additional limitations.

Public School Educator Expense Credit 861

If you are an eligible educator working for an **Indiana** school corporation, you may be entitled to a credit for qualified expenses paid for certain classroom supplies. The credit can be as much as \$100 (\$200 if married filing joint and both spouses meet the requirements, but not more than \$100 each).

You are an **eligible educator** if, during the taxable year, you are employed as a Kindergarten – 12 Indiana public school:

- Teacher
- Librarian
- Counselor
- Principal
- Superintendent

Public school means a school maintained by an Indiana school corporation, and includes charter schools. Private schools, parochial schools and homeschools are not public schools.

Qualified expenses are amounts you paid or incurred during the tax year for certain classroom supplies, which include books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom. For courses in health and physical education, expenses for supplies are qualified expenses only if related to athletics.

Important. Qualified expenses **do not** include certain expenses for professional development courses related to the curriculum, or to the students, that the educator teaches.

Reimbursements. You must reduce your expenses for the qualified supplies by any reimbursements you received that were not included in box 1 of your Form W-2.

Example 1. Jonah spent \$40 for qualified supplies; he was reimbursed for \$30 out of petty cash, none of which was included on his W-2. He will claim the \$10 difference as a credit.

Figure the credit. The amount of the credit is the lesser of:

- (1) the total amount paid for qualified supplies, less any reimbursements for those qualified supplies not included on line 1 of your W-2, or
- (2) \$100.

Example 2. Liam was an 8th grade teacher for four months at an Indiana public school. During that time period he spent \$314 for qualified supplies. He is eligible to claim a \$100 credit.

Example 3. Chris and Pat are employed as teachers at an Indiana public high school. They are filing a joint tax return. During the year Chris spent \$74 for qualified supplies; Chris's credit is \$74. Pat spent \$214 for qualified supplies; Pat's credit is \$100 (limited to the lesser of the amount Pat spent or \$100). They will claim a \$174 combined credit.

Important. Make sure to keep a copy of the expense receipts used to figure this credit as the department can require you to provide this information at a later date.

Note. Claiming an educator expense deduction on your federal tax return in no way prohibits you from being eligible to claim this credit on your state tax return.

Enter code 861 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Residential Historic Rehabilitation Credit 831

A credit is available for the repair and rehabilitation of historic residential property that is at least 50 years old and will be used as your primary residence. For more information about this credit, see Income Tax Information Bulletin #87A at www.in.gov/dor/3650.htm. Also, contact the Department of Natural Resources, Historic Preservation and Archaeology Division, Indiana Government Center South, Room W-274, Indianapolis, IN 46204, call (317) 232-1646, or visit www.in.gov/dnr/historic.

Enter code 831 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 52.

Riverboat Building Credit 832

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 832 under line 6 if claiming this credit. See the **Combined Limitation** on page 52 for additional limitations.

School Scholarship Credit 849

A credit is available for donations to certain scholarship-granting organizations (SGOs). The amount of credit is equal to 50% of the amount of the contribution. While there are no limits to how much a donor can contribute to a qualified SGO, the entire tax credit program cannot award more than \$8.5 million in credits per state fiscal year (July 1 – June 30).

To qualify for the credit, you must make a contribution to a scholarship granting organization that is certified by the Department of Education. Visit the Indiana Department of Education's website at www.doe.in.gov/choice/school-scholarships for additional information.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/5506.htm. Make sure to enclose this schedule with your tax filing. Also, see the **Combined Limitation** on page 52.

Twenty-First Century Scholars Program Credit 834

A credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50 percent of the contributions made during the tax year up to a maximum limit of \$100 for a single return and \$200 for a joint return. To claim this credit, you must complete and enclose Schedule TCSP-40. Get a Schedule TCSP-40 at www.in.gov/dor/5506.htm. Detailed information about the scholarship program, registration and administration may be obtained by calling the office of the Twenty-First Century Scholars Program at (888) 528-4719.

Enter code 834 under line 6 if claiming this credit. Also, see the **Combined Limitation** below.

Venture Capital Investment Credit 835

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit. Certification for this credit must be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8827, or visit <http://iedc.in.gov/>.

Enter code 835 under line 6 if claiming this credit. Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** below and the **Combined Limitation** below for additional limitations.

Restriction for Certain Tax Credits - Limited to One per Project

A taxpayer may not be granted more than one credit for the same project. The credits that are subject to this limitation are the Alternative Fuel Vehicle Manufacturer Credit, Community Revitalization Enhancement District Credit, Enterprise Zone Investment Cost Credit, Hoosier Business Investment Credit, Industrial Recovery Credit, and the Venture Capital Investment Credit. Apply this restriction first when figuring your credits. Then apply the **Combined Limitation** below.

Combined Limitation: There is one final limitation if you have more than one credit to be entered on lines 4 through 7 of Schedule G. These credits, *when combined*, cannot be greater than the state adjusted gross income tax shown on Form IT-40PNR line 8; if they are, adjust the amounts before you enter them. This includes any credits reported on Schedule IN-OCC, and carried to line 7 of Schedule G.

How to Adjust the Amount of Credit to Enter (Examples)

Example. Tanya is eligible to claim both a \$200 College Credit and a \$300 Credit for Taxes Paid to Other States, for a \$500 total amount of offset credits. Her state adjusted gross income tax due (IT-40PNR, line 8) is \$360. Since her combined credits are \$140 more than her state tax due, she should reduce the last entry (the \$300 Credit for Taxes Paid to Other States) by the \$140 difference to \$160. She will enter the full \$200 College Credit on Schedule G, line 4, and the \$160 limited Credit for Taxes Paid to Other States on line 5.

Example. Matthew has a \$500 Indiana College Choice 529 Savings Plan Credit and a \$600 Industrial Recovery Credit. His state adjusted gross income tax due (IT-40PNR, line 8) is \$700. He will report the full \$500 Indiana College Choice 529 Savings Plan Credit on Schedule G, line 6a, and enter \$200 of the Industrial Recovery Credit on line 6b. He will carry the \$400 remaining unused Industrial Recovery Credit over to next year's tax return.

Schedule H

Section 1: Residency Information

Your (and Spouse's) Information

Tell us where you were a resident during 2016 by completing this area. Enter the 2-letter name for the other state(s) where you lived.

Complete the area asking for the time period you lived in Indiana and/or other state(s). If you lived in more than one state other than Indiana, let us know where and when.

Note. If you were a resident of a foreign country during all or a part of 2016, enter the 2-letter code "OC" for other country. In addition, indicate whether or not you filed a tax return with the state/country you were a resident of in 2016.

Schedule H

Section 2: Additional Required Information

Line 1 – Federal Filing Information

You must place an "X" in the "yes" or "no" box to answer the question: "Are you filing a federal income tax return for 2016?"

Line 2 – Extension of Time to File Information

Place an "X" in the box on line 2a if you have a federal extension of time to file (you filed federal Form 4868, Form 2350, or made an online extension payment.). Place an "X" in the box on line 2b if you have an Indiana extension of time to file (you filed Form IT-9 or made an online extension payment).

Line 3 – Farmers and Fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on Schedule H, line 3. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- Paying all your estimated tax on or by Jan. 17, 2017, and filing your Form IT-40PNR by April 18, 2017, **or**
- Filing your Form IT-40 by March 1, 2017, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option.

Important. If you have checked the box, you must enclose the completed Schedule IT-2210 to support your claim.

Line 4 – Date of Death

If the taxpayer and/or spouse died during 2016, and this return is being filed with his/her name on it, make sure to enter the month and day of death in the appropriate box. For example, a date of death of Jan. 9, 2016, would be entered as 01/09/2016. See instructions on page 6 for more information.

Note. If the taxpayer and/or spouse died before 2016, or after Dec. 31, 2016, but before filing his or her tax return, do not enter his/her date of death in this box.

Line 5 – Telephone Number and Email Address Information

If this is a joint return, both you and your spouse must sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your email address if you would like us to be able to contact you by email.

Personal Representative Information

Typically, the department will contact you (and your spouse, if filing jointly) if there are any questions or concerns about your tax return. If you wish to allow the department to discuss your tax return with someone else (e.g. the person who prepared it, a relative or friend, etc.), you will need to complete this area.

First, you must check the “Yes” box, which follows the sentence, “I authorize the department to discuss my tax return with my personal representative.”

Next, enter the name of the individual you are designating as your personal representative, that person’s telephone number, and that person’s complete address.

If you complete this area, you are authorizing the department to be in contact with someone other than you concerning information about this tax return.

Note. If you are due a refund, it will be paid to you (and your spouse, if filing jointly) even if you designate a personal representative.

You may decide at any time to revoke the authorization for the department to speak with your personal representative. You will need to provide a signed statement indicating you revoke this authorization. Include your name, Social Security number and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN. 46206-0040.

Paid Preparer Information

Have your paid preparer complete this area (even if the paid preparer is the same individual designated as your personal representative).

The paid preparer must provide:

- The name of the firm that he/she represents,
- The preparer’s tax identification number (PTIN), and
- The firm’s address or his/her address if self-employed.

Opt-Out Designation

There are many benefits to electronic filing, which include:

- Elimination of math errors.
- Faster refunds.

Paid preparers are required to electronically file all Indiana individual income-tax returns if they prepare more than 10 tax returns annually. If you use a paid preparer and do not want your tax return to be filed electronically, you must complete a state Form IN-OPT. This form requires your signature (and your spouse’s, if filing jointly), and must be maintained by your paid preparer with his or her records. Get Form IN-OPT at www.in.gov/dor/5506.htm for more information.

Make sure you keep a copy of your completed tax return, including all required enclosures, such as W-2s and schedules.

County Tax: Schedule CT-40PNR

If you live or work in an Indiana county as of January 1 of the tax year, you will probably owe county tax. Complete the county tax Schedule CT-40PNR to figure if you owe, and how much it will be.

County Where You Lived Defined

The county where you lived is the county where you maintained your home on Jan. 1, 2016. If you had more than one home on this date, then your county of residence as of Jan. 1, 2016, was:

- Where you were registered to vote. If this did not apply, then your county of residence was
- Where your personal automobile was registered. If this did not apply, then your county of residence was
- Where you spent the majority of your time in Indiana during 2016.

Did You Move During The Year?

If you moved to another Indiana county (or out-of-state) after Jan. 1, 2016, the county where you lived for tax purposes will not change *until the next year*.

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed as of Jan. 1, 2016. If you began working in another county (or out of state) after Jan. 1, 2016, the county where you worked for tax purposes *will not change until next year*.

Example. Jessie worked in Marion County, Indiana, on Jan. 1, 2016. She quit that job and began a new one in Johnson County, Indiana, on Feb. 10, 2016. She will enter the Marion County two-digit code “49” in the *County Where You Worked* box on the front of Form IT-40PNR even though she changed jobs during the year.

County Tax: Schedule CT-40PNR continued

If you had more than one job on Jan. 1, 2016, your principal place of employment is the job where you worked the most hours and earned the most income.

If, on Jan. 1, 2016, your county of principal employment was not in Indiana, write county code "00" (out-of-state) in the County Where You Worked box on the front of Form IT-40PNR.

Exception. If you worked in any of the following states on Jan. 1, 2016, enter their two-digit code number (instead of 00):

<u>State</u>	<u>Use Code #</u>
Illinois	94
Kentucky	95
Michigan	96
Ohio	97
Pennsylvania	98
Wisconsin	99

Principal Employment Income

You must figure your principal employment income if, on Jan. 1, 2016, you lived out-of-state and were employed in an Indiana county. Your principal employment income is income you earned from your main Indiana work activity (job) for the entire year. See instructions for Section 2, line 1 on page 55 for more information.

Military Personnel

If you were stationed in Indiana, your county of residence is the county where you lived on Jan. 1 of the year you entered the military service. If, on Jan. 1, 2016, you were stationed outside Indiana and your family was with you, write county code "00" (out-of-state) in all the county boxes on the front of Form IT-40PNR (you won't owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and a family were still living in an Indiana county on Jan. 1, 2016, you are considered to be a resident of that county and will be subject to county tax.

Retired Persons, Homemakers or Unemployed

If you were retired, a homemaker, or were unemployed on Jan. 1, 2016, put your county of residence two-digit code number in both the Indiana County where you lived and Indiana County Where You Worked boxes on Form IT-40PNR. **Do not write the word "Retired," "Homemaker" or "Unemployed" over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return

- If you lived in different Indiana counties on Jan. 1, 2016, you need to figure your county tax separately on Section 1.
- If both of you lived out-of-state on Jan. 1, 2016, but worked in different Indiana counties, you must figure your tax separately on Section 2.

- If only one of you is subject to county tax, then you may use all of the exemptions from Schedule D, line 7, except for your spouse's personal exemption, to figure your tax.*

* *Example.* On Schedule D Jack and Sue show three exemptions (\$3,000) on line 1 and one exemption (\$1,500) on line 2. The line 5 amount is \$4,500. The line 6 amount is .40. Jack can use the \$3,500 exemptions x .40 = \$1,400 to figure his county tax.

County Tax Schedule CT-40PNR
Section 1: Line-By-Line Instructions

Where Did You Live?

Did you live in an Indiana county on Jan. 1, 2016? If "yes," complete Section 1 for yourself, and skip Section 2. If your answer is "no," skip Section 1 and go to *Section 2: Line-By-Line instructions*.

If you are filing a joint return, did your spouse live in an Indiana county on Jan. 1, 2016? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to *Section 2: Line-By-Line instructions*.

Line 1 – If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 7 of Form IT-40PNR.

If you are filing a joint return and you both lived in the same Indiana county on Jan. 1, 2016, enter in Column A the state taxable income from line 7 of Form IT-40PNR. Leave Column B blank.

Example. On Jan. 1, 2016, Jack and Diane lived in the same Indiana county. They will enter their Form IT-40PNR, line 7 combined state taxable income in Column A.

If you are filing a joint return and you and your spouse lived in different Indiana counties on Jan. 1, 2016, enter each person's share of state taxable income from Form IT-40PNR, line 7, in the appropriate columns.

Following are two examples for when a taxpayer and spouse file married filing jointly but live in different Indiana counties on January 1 of the tax year.

Example. Simon and Tina married in 2016 and are filing a joint return. On Jan. 1, 2016, Simon lived in Greene County (Indiana) and Tina lived in Clay County (Indiana). Their federal adjusted gross income is \$55,400. Their Form IT-40PNR line 7 income (subject to tax in Indiana) of \$29,302 includes the following breakdown:

Simon: \$20,000 wages
+ 200 (½ joint interest income)
- 549 exemption*
\$19,651 income for CT-40PNR Section 1, line 1 Column A

County Tax Schedule CT-40PNR
Section 1: Line-By-Line Instructions continued

Tina: \$10,000 wages
+ 200 (½ joint interest income)
- 549 exemption*
\$ 9,651 income for CT-40PNR Section 1, line 1 Column B

* Exemptions. Schedule D line 7 is $.549 \times \$2,000 = \$1,098$. Simon and Tina will each use one-half of that total, or \$549.

Use of exemptions when separating income. Each individual must use his/her own personal exemption when figuring his/her share of net income subject to county tax. Additional exemptions, such as for dependents, age 65 or older, etc., should be divided up in whole* in a way that provides the most benefit to the individuals. This usually results with the individual with the higher county tax rate using all of the exemptions *except* for his/her spouse's personal exemption.

*Exemptions must be assigned in whole (before applying the proration percentage). For example, a \$1,000 exemption may not be separated into \$700 to be used by one spouse, with the remaining \$300 to be used by the other spouse. The full \$1,000 (times the proration percentage) must be used by one spouse only.

Note. The total amount of exemptions used in Section 1 may not be greater than the total amount of exemptions reported on Schedule D, line 7.

Example. Sam and Molly married in January of 2016 and are filing a joint return. On Jan. 1, 2016, Sam lived in County A, which has a resident county tax rate of .01. Molly lived in County B, which has a resident county tax rate of .025. They claim their three-year old son Sebastian as a dependent. Their total exemptions before proration are \$4,500 (\$1,000 each for Sam, Molly and Sebastian, plus the \$1,500 additional dependent exemption for Sebastian).

Sam's Indiana wage income is \$49,000; Molly's is \$45,000. They claimed a \$2,500 homeowner's property tax deduction. They moved to Minnesota in November of the tax year and earned \$32,000 after moving there. Their proration amount is 75 percent (.75).

Molly will use all of the prorated exemptions except for Sam's personal exemption ($\$1,000 \times .75 = \750) when figuring her share of income subject to county tax since she has the higher county tax rate.

Their individual share of the \$88,125 state taxable income reported on line 7 of their Form IT-40 is to be reported on Schedule CT-40 between Column A and Column B in the following way:

Sam: \$49,000 wages
- 1,250 (½ property tax deduction)
- 750 exemption total (after proration)*
\$47,000 amount for CT-40PNR Section 1, line 1 Column A

Molly: \$45,000 wages
- 1,250 (½ property tax deduction)
- 2,625 exemption total (after proration)*
\$ 41,125 amount for CT-40PNR Section 1, line 1 Column B

*Sam's prorated exemption total is \$750 ($\$1,000 \times .75$). Molly's prorated exemption total is \$2,625 ($\$3,500 \times .75$).

Sam will enter \$47,000 on line 1A and Molly will enter \$41,125 on line 1B.

Line 2 – Find your county on the County Income Tax Chart located on the back of Schedule CT-40PNR. Find the rate from the *County Resident Rate* column and enter it here.

Line 4 – Add the amounts from line 5, Columns A and B. If you were a Perry County (Indiana) resident and worked in the Kentucky counties of Breckinridge, Hancock or Meade, complete lines 7 and 8. Otherwise, enter the total here and on line 9.

County Tax Schedule CT-40PNR Section 2: Line-By-Line Instructions

Where Did You Work?

Did you work in an Indiana county on Jan. 1, 2016? If “yes,” complete this section. If your answer is “no,” you will not owe any county tax. Do not complete this section on your behalf.

If you are filing a joint return, did your spouse work in an Indiana county on Jan. 1, 2016? If yes, complete this section. If your answer is “no,” your spouse will not owe any county tax. Do not complete this section on your spouse's behalf.

Line 1 – Enter your principal employment income that is included on Indiana Schedule A, Section 1, Column B* (if you are a resident of a reciprocal state [Kentucky, Ohio, Pennsylvania, Michigan or Wisconsin], see *Reciprocal state residents* on page 56). This can include income from wages, tips, salaries and commissions; net self-employment income from federal Schedule C/C-EZ; Schedule IN K-1, and/or net farm income from federal Schedule F. Do not include passive-source income like nonbusiness interest and dividends, pension, capital gains, farm rental, unemployment compensation, etc.

Do not include income from a part-time job if you held it at the same time you had a full-time job.

Example. During 2016, Jake received income from the following Indiana sources (included on Indiana Schedule A, Section 1, Column B):

- \$15,000 from his full-time job (held for the entire year)
- \$1,850 from his part-time job
- \$50 nonbusiness interest income
- \$800 pension income

Jake will enter his \$15,000 principal employment income on line 1.

***Exception.** A spouse of a nonresident military servicemember who claims the nonresident military spouse earned income deduction on Schedule C, line 11, will not owe county tax on that income.

Example. Jo Anne and her husband John are Illinois residents. They moved to Indiana two years ago when John, who is in the military, was stationed in Indiana. She has an Indiana job. Jo Anne reported her \$35,000 Indiana-source wage income on Schedule A, lines 2A and 2B. She reported the \$35,000 as a military spouse earned income deduction on Schedule C, line 11. That \$35,000 income is not subject to Indiana county tax. She will not enter it on Schedule CT-40PNR, Section 2, line 1B.

If you had more than one job at different times during the year (not including part-time employment), and that income is taxed on Indiana Schedule A, Column B, add the income from those jobs and enter here.

Example. Sarah had two full-time jobs in Indiana during the year. She earned \$13,000 from her first job, which she held from January through April. She began a new job in May and worked through year's end, earning \$21,000. She should enter the \$34,000 combined amount here.

If you worked two or more jobs at the same time, enter the portion you earned from your main job.

Example. Daniel had two jobs at the same time. On Job #1 he worked 30 hours a week and earned \$270 a week. On Job # 2 he worked 10 hours a week and earned \$80 a week. Daniel should enter only the amount he earned from Job #1 (\$270 per week) as his principal employment income.

Reciprocal state residents (see instructions on page 8) with Indiana-source income from wages, tips or other compensation may owe county tax on that income even though it's not taxed on Schedule A, Section 1, Column B.

Example. Fred and Deanna are full-year Michigan residents. Deanna earned \$55,000 wage income from an Elkhart, Indiana employer, which is the county where she worked as of Jan. 1, 2016. Fred received \$10,000 winnings from an Indiana riverboat. Fred's gambling income

is subject to Indiana state tax (he will report it on Schedule A, line 20, Column B); however, his winnings are not subject to Indiana county tax (he lived and worked in Michigan on Jan. 1, 2016).

Conversely, while Deanna's wage income is not subject to Indiana adjusted gross income tax, it is subject to county tax. Enter her \$55,000 wage income on CT-40PNR, line 1B. **Note:** See the exception under line 4.

Line 2 – You may use certain deductions to lower the amount of income to be taxed. These deductions must have been claimed on Indiana Schedule A, Section 2, Column B, or Indiana Schedule C and must have a direct relationship to the income being taxed on line 1.

The allowable deduction from your Indiana Schedule C can include the enterprise zone employee deduction if the deduction is directly related to the income reported on line 1.

The allowable deductions reported on Indiana Schedule A, Section 2, can include the educator expense deduction, certain business expenses of reservists, performing artists and fee-based government officials, health savings account deduction, moving expenses*, deductible part of self-employment tax, SEP, SIMPLE and qualified plans, self-employed health insurance deduction, IRA deduction, and/or Archer MSA deduction, if the deduction is directly related to the income reported on line 1.

*The moving expense deduction will be allowed only to the extent the income earned from that move is being taxed on Indiana Schedule A, Column B.

Example. Ann is an Illinois resident teaching in Indiana. Her Indiana wages were \$51,000, which she reported on Schedule A, lines 1A and 1B. She claimed a \$250 educator expense deduction on Indiana Schedule A, Section 2, lines 31A and 31B. She will claim the \$250 educator expense deduction on line 2.

Example. Tim and Jane file a joint tax return and are full-year Illinois residents. Jane does not owe county tax, but Tim does because his business is located in an Indiana county. Jane has a \$21,000 wage income and a \$1,400 moving expense. Tim has \$23,000 net income from his Indiana photography shop and claimed a \$700 self-employed SEP deduction. He will enter his \$23,000 income on line 1 of Section 2 and the \$700 SEP deduction on line 2 of Section 2. He is not eligible to take any of the moving expense deduction because the wage income that it is in relation to is not being taxed for county tax purposes (it is Jane's income).

Line 4 – If you are filing a single or married filing separately tax return, enter the total exemptions from Schedule D, line 7. If you are filing a joint tax return, enter a portion of the your exemption(s) (personal, over 65 and/or blind) included on Schedule D, line 7.

You cannot claim your spouse's personal exemption. Exemptions for dependents and age 65 or older or blind can be claimed by either spouse, as long as the total of line 4, Columns A and B is not greater than the total reported on Schedule D, line 7.

Example. On Schedule D Jack and Sue show three exemptions (\$3,000) on line 1 and one exemption (\$1,500) on line 2. The line 5 amount is \$4,500, \$1,000 of which is Sue's personal exemption. The line 6 amount is .40. Jack may use $\$3,500 \text{ exemptions} \times .40 = \$1,400$ to figure his county tax.

Exception. Reciprocal state residents (see instructions on page 9 and in the left-hand column) with Indiana-source income from wages, tips or other compensation may use some or all of the exemptions from Schedule D, line 7. A single (or married filing separately) filer should use the full amount from line 7 minus the spouses' prorated \$1,000 personal exemption.

Line 6 – Find your county on the County Income Tax Chart the back of Schedule CT-40PNR. Find the rate from the *County Nonresident Rate* column (the second column of rates over) and enter it here.

Note. If you have figured a tax in Section 1 and Section 2, add amounts from Section 1, line 9 and Section 2, line 8, and enter on Form IT-40PNR, line 9.

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Indiana Department of Revenue
100 North Senate Avenue
Indianapolis, IN 46204-2253



This IT-40PNR booklet contains:

- **Form IT-40PNR and Instructions**
- Schedule A Sections 1, 2 and 3
- Schedule B Add-Backs
- Schedule C Deductions
- Schedule D Exemptions
- Schedule E Other Taxes
- Schedule F Credits/Schedule IN-DONATE
- Schedule G Offset Credits
- Schedule H Sections 1 & 2
- Schedule CT-40PNR, County Tax with tax rates
- Schedule IN-DEP, Additional Dependent Child Information
- Schedule IN-EIC, Earned Income Credit
- Mailing Envelope