

INDIANA

2 0 2 4



IT-65

Partnership Return Booklet

INDIANA IT-65

Partnership Return Booklet Year 2024

Contents

What's New for 2024	4
General Information	4
General Filing Instructions	5
Instructions for Completing Form IT-65	7
Summary of Calculations for Form IT-65.....	11
Certification of Signatures and Authorization Section	12
Mailing Options.....	12
Instructions for Schedule IN K-1	14
Instructions for Schedule E, Apportionment of Income for Indiana	15
Instructions for Completing Schedule PTET	17
Instructions for Schedule Composite/Schedule Composite-COR	18
Reminders	26
Additional Information	26

INTIME e-Services Portal Available

INTIME, DOR's e-services tax portal available at intime.dor.in.gov, provides the following functionalities for IT-65 customers:

- Make payments using a bank account or credit card
- View and respond to correspondence from DOR
- Request and print return transcripts on-demand
- Electronic delivery of correspondence
- Online customer service support through secure messaging

Increased Online Support for Tax Preparers

In addition to the functionality listed above, INTIME provides increased access and functionality for tax preparers. INTIME provides the following functionality for tax preparers:

- Gain access to view and manage multiple customers under one login
- Ability to file returns, make payments, and view file and pay history for clients
- Request electronic power of attorney (ePOA) authorization to view customer accounts
- View and respond to correspondence for clients

We strongly encourage all taxpayers to make payments and file returns electronically whenever possible. INTIME allows customers to make estimated payments electronically with just a few clicks.

What's New for 2024

References to the Internal Revenue Code

The definition of adjusted gross income (AGI) is updated to correspond to the federal definition of adjusted gross income contained in the Internal Revenue Code (IRC). Any reference to the IRC and subsequent regulations means the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2023. For a complete summary of new legislation regarding taxation, please see the *2024 Legislative Synopsis* at www.in.gov/dor/files/2024-legislative-synopsis.pdf.

Credits

- A **new credit**, Attainable Homeownership Tax Credit (875), is available for certain contributions to Habitat for Humanity of Indiana. See page 21 for additional information.
- A **new credit**, Employer Child Care Expenditure Credit (876), is available for employers who make qualified expenditures related to the construction of child care facilities for employees' children. See page 22 for additional information.
- A **new credit**, Employment of Individuals with Disability Tax Credit (877), is available for employers who hire new employees with disabilities and are placed with the employer through a vocational rehabilitation program. See page 22 for additional information.
- A **new credit**, Historic Rehabilitation Tax Credit (879), is available for taxpayers who incur approved qualified rehabilitation expenditures for the restoration and preservation of qualified historic structures. See page 24 for additional information.

General Information

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Indiana Department of Revenue will conduct an annual public hearing in Indianapolis in June of 2025. Event details will be listed at www.in.gov/dor/about/news-publications/public-hearings.

Please come and share feedback or comments about how DOR 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.

Who Must File and When

Partnerships conducting business within Indiana must file an annual return (Form IT-65) and information returns (Schedule IN K-1) with DOR. These forms must disclose each partner's distributive share of the partnership income distributed or undistributed. These forms are due on or before the 15th day of the 4th month following the close of the partnership's tax year.

Enclose with Form IT-65 the first five pages of the U.S. Partnership Return of Income, Form 1065 or 1065B. Also enclose Schedule M-3. Federal Schedule K-1s should not be enclosed but must be made available for inspection upon request by DOR.

Any partnership doing business in Indiana or deriving gross income from sources within Indiana is required to file a return. In addition, any partnership that has partners residing in Indiana is required to file a return, even if the partnership is not doing business in Indiana. For Indiana adjusted gross income (AGI) tax purposes, the term *doing business* generally means the operation of any business enterprise or activity in Indiana, including but not limited to the following:

- The maintenance of an office, a warehouse, a construction site, or another place of business in Indiana;
- The maintenance of an inventory of merchandise or material for sale, distribution, or manufacture, or consigned goods;
- The sale or distribution of merchandise to customers directly from company-owned or -operated vehicles when the title of merchandise is transferred from the seller or distributor to the customer at the time of sale or distribution;
- The rendering of a service to customers in Indiana;
- The ownership, rental, or operation of a business or property (real or personal) in Indiana;
- The acceptance of orders in Indiana with no right of approval or rejection in another state;
- Interstate transportation; or
- The maintenance of a public utility.

The term "partnership" means an entity treated as a partnership for federal income tax purposes. Banks with common trust funds filing U.S. Form 1065 must file partnership Form IT-65 and comply with the provisions of Treas. Reg. 1.6032-1 when reporting for Indiana purposes.

Calculating Corporate Income Tax Rate

The corporate AGI tax rate is 4.9%

General Filing Instructions

Liability of the Partnership

Partnerships as entities are not subject to income taxes unless the partnership makes a special election to be subject to income tax. However, publicly traded partnerships treated as corporations pursuant to IRC Section 7704 are classified for Indiana tax purposes in the same manner as they are classified for federal tax purposes. A limited liability company classified as a corporation for federal tax purposes should file Form IT-20.

Partnerships are considered to be the taxpayer with respect to the payment of amounts required to be withheld at source. See the section titled “Withholding Tax Liabilities of Partnerships.”

Partnerships are subject to use tax. Use tax is due on the storage, use, or consumption of tangible personal property purchased in a transaction in Indiana or elsewhere. This does not apply if the transaction is exempt from the sales and use tax by law or the sales tax due and paid on the transaction equals the use tax due.

An apportionment schedule must be enclosed with the return if the partnership is doing business both within and outside Indiana and has any partners not domiciled in Indiana. See the instructions for Schedule E or Schedule E-7 on page 15.

Any partnership that has nonresident partners must also file a composite return for all its nonresidents. Any partnership that fails to file a composite return that includes all its nonresident partners will be assessed a penalty of \$500.

To avoid penalty and interest charges for delinquent filing of returns, a partnership should verify its tax status and withholding responsibilities before commencing business in Indiana.

Withholding Tax Liabilities of Partnerships

The following instances obligate the partnership to register with DOR and become an Indiana withholding agent on behalf of each of the following.

Withholding on Employees

Partnerships making payments of salaries, wages, tips, fees, bonuses, and commissions that are subject to Indiana state and/or county income taxes and are required by the IRC to withhold federal taxes on those types of payments are also required to withhold for Indiana tax purposes.

Withholding on the compensation of nonresident team members of certain professional sports organizations or race team members is based on duty days performed in Indiana. Refer to Income Tax Information Bulletin #88 at www.in.gov/dor/files/ib88.pdf, or Income Tax Information Bulletin #88B at www.in.gov/dor/files/ib88b.pdf. If an employee resides in a state that has a reciprocal agreement with Indiana, the employee is exempt from Indiana state income tax but is subject to the relevant county tax. A partnership with an employee

withholding liability must register as an Indiana withholding agent. DOR assigns an Indiana Taxpayer Identification Number (TID).

The partnership has two options in registering as a withholding agent:

- Register with DOR online using INBiz (inbiz.in.gov); or
- Visit either DOR's downtown Indianapolis office or one of the district offices located throughout the state.

Payments of amounts withheld must be remitted to DOR via electronic method by the due date. If a filing and/or payment of the proper amount of tax withheld is not made by the due date, penalty and interest will be added. A person responsible for remitting payments may be personally subject to criminal prosecution if the failure to pay and/or file a withholding return is due to fraud or tax evasion. All entities are required to remit withholding statements electronically by using either a third-party vendor or via INTIME, DOR's e-services portal at intime.dor.in.gov.

Withholding on Partners

A partnership must withhold state income tax at the appropriate income tax rate on the amount it pays or credits to any of its nonresident partners on the partner's distributive share of the partnership's income derived from Indiana sources regardless of whether distributions of property are made to partner and regardless of what activities the partners may have in Indiana. All withholding will be remitted by using Form IT-6WTH. If a partnership fails to withhold, it will be assessed a penalty. This penalty is 20% plus interest, in addition to the amount withheld or required to be withheld and paid to DOR. If a distribution to nonresident partners is made with property other than money, or a gain is realized without the payment of money, the partnership may not release the property or credit the gain until it has funds sufficient to pay the withholding tax due.

IC 6-3-4-12 provides that all nonresident partners must be included in a composite return schedule, and the partnership must continue to withhold Indiana adjusted gross income tax for all nonresident partners. Unless the partner completes a Schedule IN-COMPA or the partnership obtains department consent prior to the partnership's filing deadline, there is no provision for opting out of withholding. Each nonresident partner's composite tax is calculated at the relevant tax rate unless the partnership provides an exception code on the Schedule Composite or Schedule Composite-COR. DOR has streamlined the procedure for making withholding payments for nonresidents.

See page 4 for information about using INTIME, DOR's e-service portal at intime.dor.in.gov, for making withholding remittances. Credit for the withholding/composite tax will be reflected on Schedule IN K-1 for each partner. For further information, consult Income Tax Information Bulletin #72, which is available at www.in.gov/dor/files/ib72.pdf.

Individual Partners. A partnership must withhold state adjusted gross income (AGI) tax at the individual income tax rate on the apportioned distributive shares of partnership income (on current-year earnings derived from Indiana sources) and any other guaranteed payments attributable to Indiana. It must do this each time it pays or credits any of its nonresident partners and part-year resident individual partners. The withholding rate for individuals is 3.05% (.0305).

The withholding requirement does not apply to individual partners who are residents of reverse credit states **and** who are subject to and pay income taxes at rates equal to or greater than Indiana's individual income tax rate to the resident states. The relevant reverse credit states are:

- Arizona (withhold at 0.55%);
- Oregon; and
- Washington, D.C.

A partnership must withhold county income tax at the county's relevant tax rate on each Indiana nonresident partner whose principal place of business or employment on Jan. 1 is located in an Indiana county. See Schedule CT-40PNR, page 2, at www.in.gov/dor/tax-forms/individual/current to get the county's tax rate.

Trusts and Estates. A partnership must withhold on the amount it pays or credits for the partner's distributive share derived from Indiana sources for partners that are trusts and estates not domiciled in Indiana.

Note. The withholding provisions do not apply to nonresident partners who are nontaxable trust or estate entities.

A partnership must withhold tax on the amount it pays or credits for the partner's distributive share derived from Indiana sources to a fiduciary. Then the trust or estate must also withhold state income taxes for all its nonresident beneficiaries.

Corporate Partners. Partnerships must withhold AGI tax at the corporate tax rate on the amount it pays or credits for the partner's distributive share derived from Indiana sources to all nonresident corporate partners. This withholding must be an amount reflecting the ultimate Indiana tax liability due by respective partners because of the partnership's activities.

A partnership must withhold and remit the Indiana Financial Institution Tax (FIT) if:

- The partnership conducts the business of a financial institution;
- The partnership has nonresident corporate partners; and
- The partners conduct the business of a financial institution.

FIT must be withheld on the respective nonresident corporate partner's share of partnership income as computed under IC 6-5.5-4. However, if a written declaration that the partner is not subject to the FIT exists, the FIT withholding is not required. Instead, corporate AGI tax must be withheld from the nonresident corporate partner's distributive share of income apportioned to Indiana.

Withholding Amounts on Tiered Partnerships/S Corporations.

A partnership must withhold state income tax at the individual income tax rate on the apportioned distributive shares of partnership income (on current-year earnings derived from Indiana sources) paid or credited to another nonresident partnership or nonresident S corporation. It must do this each time it pays or credits any of its nonresident partners or nonresident S corporations.

Note. Partnerships and S Corporations not domiciled in Indiana must meet annual filing requirements and remit all unpaid tax, penalties, and interest.

Accounting Periods and Methods

The accounting periods for Form IT-65 and the method of accounting adopted must be the same as used for federal income tax purposes.

Composite Withholding Payments (Form IT-6WTH)

A partnership that files a composite return must withhold Indiana state and/or county income taxes from all nonresident partners into the corporate account using Form IT-6WTH. Payment is due the 15th day of the 4th month following the close of the partnership's tax period. To make additional payments, please visit INTIME at intime.dor.in.gov. Payments for form IT-6WTH also may be made electronically. Check our website for updates. For further information, consult Income Tax Information Bulletin #72 available at www.in.gov/dor/files/ib72.pdf and www.in.gov/dor. The total payments are claimed as a credit on line 9 of Form IT-65.

Extended Filing Due Date

The initial due date for filing is the 15th day of the 4th month following the close of the partnership's tax year. DOR accepts the federal extension of time application (Form 7004) or the federal electronic extension. If a taxpayer has an extension, there is no need to contact DOR prior to filing the annual return. Returns postmarked within one month after the last date indicated on the federal extension form are considered timely filed.

Do not file a separate copy of the federal extension form with DOR to request an Indiana extension at the time of requesting the extension. Instead, enclose a copy of the federal extension of time with the state return filing and check the box to question G on the front of Form IT-65.

If a federal extension is not needed, a partnership can request an Indiana extension of time to file via INTIME, DOR's e-service portal at intime.dor.in.gov, or by submitting a request in writing to: Indiana Department of Revenue, Corporate Income Tax, Tax Administration, P.O. Box 7206, Indianapolis, IN 46207-7206.

Extensions are applicable to the time for filing the return only and not to any tax liability due. Any payments made after the original due date must include penalty and interest.

Amended Returns

The partnership must file an amended return whenever there is a change to its federal income, Indiana modifications, Indiana credits, Indiana apportionment percentage, Indiana tax, or any other item that impacts a tax attribute of its partners. These include adjustments that flow through from other pass through entities.

In addition, if:

- The Internal Revenue Service makes an adjustment affecting the above-mentioned attributes of the partnership or partners; or
- The partnership files an amended return or administrative adjustment request with the Internal Revenue Service affecting the above-mentioned attributes of the partnership or partners;

the partnership must file an amended partnership return. Any adjustments by the Internal Revenue Service must be reported within 180 days of the adjustments becoming final. An amended Indiana partnership return arising from a federal amended partnership return or administrative adjustment request must be filed within 180 days of the date the federal amended return or administrative adjustment request is filed with the Internal Revenue Service.

Indiana amended returns are required even if any additional federal tax is reported and paid directly at the partnership level. The Indiana amended partnership return and amended Schedule IN K-1 must reflect the year to which the federal adjustment relates unless the partnership or partner is required to reflect a different taxable year for federal purposes. In other words, if a 2024 deduction is disallowed for a partnership, report the deduction as disallowed for 2024 regardless of the year of disallowance. However, if a 2024 deduction should have been claimed for 2025 but is required under federal law to be claimed in 2027, report the deduction as a 2027 deduction.

Important. Check the box at the top of Form IT-65 if filing an amended return.

Partners generally have 90 days from the date the partnership is required to file amended returns after the deadline for the partnership. Tiered partners and indirect partners have special timetables. For further information, see Income Tax Information Bulletin #72A available at www.in.gov/dor/files/ib72a.pdf.

Instructions for Completing Form IT-65

Filing Period and Identification

Use Form IT-65 to file:

- A 2024 partnership return for a tax year ending on Dec. 31, 2024;
- A short tax year beginning in 2024; or
- A fiscal year beginning in 2024 and ending in 2025.

For a fiscal or short tax year, fill in both the beginning month, day, and year and the ending month, day, and year at the top of the form.

Identification Section

Check the box at the top of the form if filing an amended return. For a name change, check the box at the top of the return. The copies of amended articles filed with the Indiana Secretary of State must be enclosed.

The federal employer identification number (FEIN) shown in the box at the upper-right corner of the return must be the same as the number used on the U.S. Return of Partnership Income. Please use the correct legal name of the partnership and its current mailing address.

County Code Number. List the two-digit county code number of the county in Indiana where the partnership has a primary business location. See Departmental Notice #1 located at www.in.gov/dor/files/dn01.pdf for a list of the county code numbers. Enter "00" (two zeroes) in the county box located to the immediate right of the number and street if the partnership address lies outside of Indiana.

For foreign addresses, please note the following:

- The name of the city, town, or village in the box labeled City;
- The name of the state or province in the box labeled State; and
- Enter the postal code in the box labeled ZIP Code; and
- Enter the 2-digit country code.

Enter the principal business activity code, from the North American Industry Classification System (NAICS), in the designated block of the return. Use the six-digit activity code reported on the federal partnership income tax return.

Questions A through J and Other Fill-in Lines

All partnerships filing an Indiana partnership income tax return must complete the top portion of the form. This includes questions A through J. Check or complete all the boxes that apply to the return:

- Indicate the date and place the partnership was organized
- Indicate the partnership's state of commercial domicile.
- Indicate the year the initial Indiana return was filed.
- Indicate the accounting method used.
- Check the "final return" box only if the partnership is dissolved, liquidated, or has withdrawn from the state. **In the event of dissolution, Form BC-100 must be timely filed to close out any sales and withholding accounts.** Go to www.in.gov/dor/tax-forms/business-tax-forms to complete this form online.
 - Check "Composite Return" if filing a composite return for nonresident partners.
 - Submit a Schedule Composite for nonresident individual/ non-corporate entities or a Schedule Composite-COR for corporate entities domiciled outside of Indiana.
 - Check "PTET Return" if you are including a completed Schedule PTET with this return.
- Enter the total number of partners in the partnership in field one of question P. Enter in the number of all partners who are nonresidents of Indiana in field two of question P.
- Check the box if the partnership has a valid extension of time or an electronic federal extension of time to file the return. If applicable, enclose a copy of federal Form 7004 when filing the state return.
- Check the box if this partnership is a member of any other partnership.
- Check this box if income is reported from disregarded entities. If this box is checked, please enclose a list of the disregarded entities with the return.
- Check this box if claiming a qualified research expense credit and attach the supporting schedule.

Aggregate Partnership Distributive Share Income

Note. Round all entries to the nearest whole dollar amount and do not use a comma in dollar amounts of four digits or more. For example, instead of entering “3,455” enter “3455.”

Line 1. Enter the amount from the U.S. partnership return Schedule K:

- Net ordinary business income;
- Net income from real estate activities from Form 8825;
- Other rental income activities;
- Portfolio income and deductions;
- Royalties;
- Capital gains and losses;
- Guaranteed payments; and
- Other income.

Total net income (loss) from Schedule K, line 1 through line 11 less line 12, and a portion of line 13 related to investment income (see instructions below).

The Section 179 deduction and that portion of investment expenses included in federal Schedule K, part of line 12, and line 17 relating to investment portfolio (royalty) income, flowing through to federal Schedule E, may be tentatively deducted.

Use the Worksheet for Partnership Distributive Share Income, Deductions, and Credits to help you calculate this figure. The income worksheet must be used if this partnership received any distributive income from one of the following:

- An owned partnership interest;
- An estate; or
- A trust.

See the worksheet and instructions on page 13.

If filing federal Form 1065B by an electing large partnership, use the amounts from line 1 through 8 of Schedule K. Convert distributive share of income items into a Form 1065 Schedule K format. Carry the figures to Form IT-65 and Schedule IN K-1.

Required Indiana State Modifications, Lines 2a through 2d

Lines 2a through 2d. Enter any add-backs here. Enter the name of the add-back, its 3-digit code, and its amount. Use a negative sign for negative amounts (-). Attach additional sheets if necessary.

Adding Back Depreciation Expenses

Several of the discontinued add-backs were created by timing differences between federal and Indiana allowable expenses. Following is an example of how to report a difference.

Example. ABC Company has qualified restaurant equipment. For federal tax purposes, they use the accelerated 15-year recovery period for an asset placed in service in 2009. Since 2009, ABC Company has 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 is, therefore, different for federal and state purposes. This difference will remain until the asset is fully depreciated or until the time of its disposition.

In this example, the asset was acquired in Jan. 2009 at a purchase price of \$120,000. This normally would have a 25-year recovery period, but IRC Sec. 168 allows for a 15-year recovery period. Tax year 2012 is the last year ABC Company will have reported a qualified restaurant equipment add-back until the end of the 15-year recovery period.

If this asset was sold before being fully depreciated, the catch-up modification would be reflected in the year of the sale. However, if this property is held through 2024 (the 15th year of depreciation), ABC Company will report a negative \$12,800 catch-up add-back on the 2024 state tax return.

Reporting Certain Prior-Year Modifications

In certain cases, a modification in a prior year may have been limited due to various federal limitations, including basis limitations, passive loss limitations, and at-risk loss limitations.

Even though certain modifications may not apply to activities during the current taxable year, you may be required to report a modification when you have income against which to realize the modification. Use the modification code for the year in which the modification was actually accrued.

The following add-backs and deductions should be entered on lines 2a through 2d.

Conformity Add-Back

Before this publication was finalized Indiana had not conformed to any changes to the Internal Revenue Code (IRC) that may have become law after Jan. 1, 2023. Therefore, the IRC used to figure Indiana income may not wind up being 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 after Jan. 1, 2023, that acts to 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).

Conformity Add-Back – Positive Entry (3-digit code: 120)

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 Jan. 1, 2023, 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 DOR’s homepage at www.in.gov/dor for updates.

Conformity Add-Back – Negative Entry (3-digit code: 147)

This add-back generally is based on conformity issues arising from a previous year. However, in rare cases this can arise from conformity issues arising in the current year where the IRC treats an item as taxable or nondeductible that was previously exempt or deductible.

Tax Add-Back (3-digit code: 100)

Add back all state taxes based on or measured by income, levied by any state, which were deducted on the federal tax return.

Wagering taxes fall within this category to be added back. However, the amount to be added back is being phased out. See the following instructions.

- **Wagering taxes.** The portion of wagering taxes required to be added back as a tax based on or measured by income is being reduced (phased out). The percentage of taxes required to be added back is determined by the first date of the taxpayer's taxable year, and is determined as follows: 2019 – 87.5% ; 2020 – 75%; 2021 – 62.5%; 2022 – 50%; 2023 – 37.5% 2024 – 25.0%; 2025 – 12.5%; 2026 and later – no add back required.

For example, Casino X deducts \$10,000,000 in riverboat wagering taxes in 2024. Casino X reports a \$10,000,000 federal income tax deduction for these taxes in 2024. Individual owns 10% of Casino X. Individual's share of Casino X's income taxes is \$1,000,000. Instead of Individual adding back the full \$1,000,000, Individual will add back \$250,000.

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 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.

Add-Back for Bonus Depreciation (3-digit code: 104)

An amount attributable to bonus depreciation in excess of any regular depreciation that would be allowed if an election under Internal Revenue Code (IRC) Section 168(k) had not been made as applied to property in the year that it was placed into service. Taxpayers that own property for which additional first-year special depreciation for qualified property was allowed in the current taxable year or in an earlier taxable year must add or subtract an amount necessary to make the AGI equal the amount computed without applying any bonus depreciation. The first-year special depreciation includes 100% bonus depreciation. The subsequent depreciation allowance must be calculated as if the bonus depreciation had not been permitted until the property is disposed or fully depreciated for Indiana purposes. Enclose a statement to explain the adjustment. Income Tax Information Bulletin #118 at www.in.gov/dor/files/ib118.pdf explains the required modification on the allowance of depreciation for state tax purposes.

Note. Special rules may apply if the bonus depreciation is taken against property acquired in a like-kind exchange. See Income Tax Information Bulletin #118 at www.in.gov/dor/files/ib118.pdf for additional information.

Add-Back for Section 179 Expense Excess (3-digit code: 105)

Add or subtract the amount necessary to make the adjusted gross income of the taxpayer that placed any IRC Section 179 property in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed as if the federal limit for expensing under IRC section 179 was \$25,000 as opposed to \$1,000,000 (adjusted for inflation).

Indiana has adopted an expensing cap of \$25,000. The federal increase to a \$1,000,000 deduction was not allowed for purposes of calculating Indiana adjusted gross income. However, the \$2,500,000 threshold for phase-out (adjusted for inflation) is allowed for purposes of calculating Indiana AGI. The depreciation allowances in the year of purchase and in later years must be adjusted to reflect the additional first-year depreciation deduction, including the special depreciation allowance for 100% bonus depreciation property, until the property is sold or fully depreciated for Indiana purposes.

Note. The net amount determined for the net bonus depreciation or the IRC Section 179 add-back might be a negative figure (because of a higher depreciation basis in subsequent years). If it is, use a minus sign to denote that. (If the taxable income is a loss, this adjustment increases a loss when added back.) Enclose a statement to explain the adjustment.

Note. Special rules may apply if the Section 179 expensing is taken against property acquired in a like-kind exchange. See Income Tax Information Bulletin #118 at www.in.gov/dor/files/ib118.pdf for additional information.

Add-Back of OOS Municipal Obligation Interest (3-digit code: 137)

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. Interest earned from obligations held or acquired before Jan. 1, 2012, 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, see Income Tax Information Bulletin #19 available at www.in.gov/dor/files/ib19.pdf.

Federal Repatriated Dividend Deduction Add-Back (3-digit code: 139)

Add back the deduction for income under IRC Section 965 reported to partners. Report the add-back to the partners using code 139 on Schedule IN K-1. For nonresident individuals, include only the apportioned amount of the add-back.

Excess Federal Interest Deduction Modification (3-digit code: 142)

IRC Section 163(j) limits the federal interest deduction for most business interest to a portion of adjusted taxable income plus business interest income. However, Indiana decoupled from this provision. Subtract an amount equal to the amount disallowed as a federal deduction for excess business interest in the year in which the interest was first paid or accrued. Add back any amount of interest previously deducted for Indiana and allowable for federal purposes in the current taxable year. For partners, the partner will be required to compute any add-back at the partner level. For purposes of reporting this modification and determining composite tax, compute any add-back as if the partnership is the only source of the partner's interest income/deduction.

Specified Research and Experimental Expenses Add-Back (3-digit code: 154)

If you claimed a federal income tax deduction for specified research and experimental expenses that are required to be amortized for federal purposes pursuant to IRC section 174, add back the amount of expenses you actually deducted for federal income tax purposes. See the instructions for Code 641 for further information on the amount of expenses allowable as a deduction.

Note. If after printing of these instructions, IRC Section 174 is amended to allow immediate expensing of research and experimental expenses and you elect to amortize those expenses, you cannot use this code and Code 641 to accelerate the allowance of your expenses.

Example. Corporation DEF incurred \$100,000 of specified research expenses in 2024. Corporation DEF reported \$10,000 of amortized expenses in 2024. Corporation DEF will use Code 154 to add back the \$10,000 claimed for federal purposes and use Code 641 to report \$100,000 allowable for Indiana purposes. For 2025-2029, Corporation DEF will continue to use Code 154 to report timing differences.

Deduction for Interest on U.S. Government Obligations (3-digit code: 610)

Deduct interest income, less related expenses, from certain obligations of the U.S. government included as income on the federal return. See Income Tax Information Bulletin #19 available at www.in.gov/dor/files/ib19.pdf for a list of eligible items.

Indiana Lottery Winnings Annuity Deduction (3-digit code: 629)

If a taxpayer receives proceeds from a winning Hoosier Lottery ticket for a lottery held prior to July 1, 2002, those proceeds may be deducted from the taxpayer's Indiana adjusted gross income. 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.

Note. Individuals or entities that have purchased Hoosier Lottery prizes from a winning ticket holder for valuable consideration are not eligible for this deduction.

Infrastructure Fund Gift Deduction (3-digit code: 631)

Shareholders or partners may be eligible to claim a deduction if a contribution has been made to a regional development infrastructure fund. Record the amount on Part 4, lines 5-7 of the IN K-1.

Filers should keep detailed records of the contribution as DOR can ask filers to provide this information at a later date.

Indiana-only Tax-exempt Bonds Deduction (3-digit code: 636)

If you had interest from a bond issued by or in the name of certain Indiana government subdivisions or entities or amounts received upon redemption or maturity of the bond, deduct any interest or other income included in federal gross income. Do not deduct any bond interest that is excluded from federal gross income.

In addition, if you sell the bond, do not deduct any amounts for which the bond is sold in excess of your purchase price. See IC 6-8-5-1 for further information regarding the deduction.

Small Employer Health Insurance Premium Deduction (3-digit code: 639)

If you:

- Claimed a federal tax credit for small employer health insurance premiums under IRC section 45R; and
 - Would have been permitted a deduction for those premiums except for the disallowance under IRC section 280C(h),
- you are permitted a deduction for the portion of the premiums disallowed for federal purposes. Use Code 639 to enter the amount of premiums for which a deduction was disallowed for federal purposes because you claimed a federal tax credit for small employer health insurance premiums.

Specified Research and Experimental Expenses Deduction (3-digit code: 641)

If you claimed a federal income tax deduction for specified research and experimental expenses that are required to be amortized for federal purposes pursuant to IRC section 174, deduct the amount of expenses paid or incurred in the current taxable year for federal income tax purposes. See the instructions for Code 154 for further information on the amount of expenses required to be added back. Do not claim this deduction for any research expenses for which a deduction is disallowed under IRC section 280C(c).

Note. If after printing of this bulletin, IRC Section 174 is amended to allow immediate expensing of research and experimental expenses and you elect to amortize those expenses, you cannot use this code and Code 154 to accelerate the allowance of your expenses.

Example. Corporation DEF incurred \$100,000 of specified research expenses in 2024. Corporation DEF reported \$10,000 of amortized expenses in 2024. Corporation DEF will use Code 641 to report \$100,000 allowable for Indiana purposes and use Code 154 to add back the \$10,000 claimed for federal purposes. For 2025-2029, Corporation DEF will continue to use Code 154 to report timing differences.

Line 2d. Enter the total amount of add-backs and subtractions from any additional sheets. If more than five modifications are needed, attach additional sheets detailing them. Total the amounts from the additional sheets and enter the total here (use a negative sign to denote a negative amount).

Line 3. Add lines 1 through 2d.

Apportionment of Income

Partnerships deriving income from sources within and outside Indiana and having non-Indiana-domiciled partners or non-unitary corporate partners must complete line 4.

Line 4. Enter the Indiana apportionment percentage if the partnership has any multistate business activities. If apportioning income, enter the Indiana percentage (rounded to two decimal places) from Schedule E or Schedule E-7. Do not enter 100%.

Before continuing to lines 5 through 14, complete Schedule IN K-1 for each partner.

Summary of Calculations for Form IT-65

Sales/Use Tax

IC 6-2.5-3-2 imposes a use tax on the use, storage, or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and sales tax was not paid. This rate is 7%. Examples of taxable items include:

- Magazine subscriptions;
- Office supplies;
- Electronic components; and
- Rental equipment.

Any property purchased free of tax by use of an exemption certificate may be subject to the use tax. In addition, any property purchased out of state or exempt from Indiana sales or use tax and converted to a nonexempt use by the business is subject to the use tax at the time of conversion.

A registered retail sales merchant or out-of-state use tax agent for Indiana must report nonexempt purchases used in the Indiana business. This is reported on Form ST-103, Indiana Annual, or Monthly Sales and Use Tax Voucher. If use tax is not paid by the original due date of the return, interest will be added to the amount due. A 10% penalty or \$5, whichever is greater, is charged on each unpaid use tax liability.

If Form ST-103 is not required or all taxable purchases have not been properly included on the ST-103 return, multiply the total purchase price of all taxable purchases by 7%. If you paid sales or use tax to another state on an item, reduce the tax due on the item by the sales or use tax paid on the item, but not below zero. Enter the use tax amount on line 5 of the IT-65.

Line 6a. Enter the total tax liability of the nonresident members from line 15G of Schedule Composite (column D plus column F). Enclose Schedule Composite.

Line 6b. Enter the total tax liability of the nonresident corporate entity(ies) from line 29C of Schedule Composite-COR. Enclose Schedule Composite-COR.

Line 6c. Enter the total tax from Schedule PTET, Line 24. Enclose Schedule PTET.

Line 8. Enter the total amount of pass-through withholding and Pass Through Entity Tax (PTET) remitted by other entities on your behalf. Enclose Schedule IN K-1 from the paying entity.

Line 9. Enter the total composite withholding payments and PTET payments from Form IT-6WTH. Amounts withheld from nonresident partners included in the composite return must be remitted using Form IT-6WTH.

Note. Do not claim withholding or PTET with Form IT-6WTH until you have remitted the withholding or PTET to DOR. Any payments made with the return should not be included in line 9.

Caution. Read this before completing lines 10 through 13. If you are reporting PTET on line 6c, the only credits that can be claimed against PTET and reportable on lines 10 through 13 are payments of tax withheld not reported on lines 8 or 9. Any other tax credits cannot be used to reduce PTET and are limited to the sum of lines 6a and 6b.

Line 10. Enter any other payments and credits belonging to the partnership.

Note. Certain Motorsports Investment District Income (prize winnings) and IN state and Marion County withholding taxes may be reported on Form IN-MSID and/or Form IN-MSID-A.

If the partnership allocates any of those prize winnings and withholding amounts to the ultimate recipients (e.g., corporation, partnership, individual, etc.), the partnership must issue form IN-MSID-A to the recipients to reflect the amounts passed through (winnings and withholdings). If you did not allocate amounts to other ultimate recipients, you should issue an IN-MSID-A to yourself in order to claim the credit for these amounts.

A detailed explanation must be enclosed for any credits claimed on this line.

Line 11. Enter the amount of Economic Development for a Growing Economy (EDGE) credit being claimed from line 19 of Schedule IN-EDGE if not passing through to partners on Schedule IN K-1. Complete Schedule IN-EDGE and enclose it with the return. Otherwise, this credit will be denied.

Line 12. Enter the amount of EDGE-R credit being claimed from line 19 of Schedule IN-EDGE-R if not passing through to partners on Schedule IN K-1. Complete Schedule IN-EDGE-R and enclose it with the return. Otherwise, this credit will be denied.

Line 13. Enter the total amount of credits claimed from Schedule IN-OCC, Part A, and enclose Schedule IN-OCC with the return. Otherwise, these credits will be denied. If filing this schedule with Form IT-65, only reflect the credit amounts from Schedule IN K-1s on behalf of the entity's partners who are included on the composite return. Do not include credits from the IN K-1s that belong to partners who are not included on the composite return. Enter the combined pro rata credits on one line of the IN-OCC; do not enter a line for each composite member. The total amount of credit for the members on the composite return cannot exceed the entity's total tax due. In addition, sales and use tax cannot be offset by these nonrefundable credits if included in the total tax due. If an individual income tax return is being filed for a nonresident member included on the Schedule Composite, the nonresident member should use the 4-digit code provided on Schedule IN K-1, not the 3 digit code utilized on the pass-through entity's income tax return.

Line 14. Subtract lines 8 through 13 from line 7. If a balance due remains, proceed to lines 15 through 17.

Line 15. Enter the total interest due.

See Departmental Notice #3 available at www.in.gov/dor/files/dn03.pdf for the current interest rate or contact DOR by calling 317-232-2240.

Line 16. Enter the total penalty due. The penalty for late payment is 10% of the amount of any tax due on line 14 paid after the 15th day of the 4th month following the end of the corporation's taxable year. However, if composite tax is due as the result of a failure to withhold on income distributions to nonresident shareholders, the penalty is 20% of the composite tax not withheld. If the penalty computed is less than \$5, the penalty imposed is \$5.

In addition to the penalties listed above, if a return showing no liability on line 7 is filed late, the penalty for failure to file by the due date is \$10 per day the return is past due, up to a maximum of \$250. Also, a separate \$10 penalty is assessed on each Schedule IN K-1 information return that is filed late.

Note. If you fail to make an estimated payment of PTET, do not report the penalty on this line. No late payment penalty is due on composite withholding tax if at least 80% of the combined composite withholding tax and PTET for the current year, or 100% of the prior year's withholding tax and PTET, is remitted by the 15th day of the 4th month following the end of the tax year. Penalty is applicable if all remaining tax and interest due is not paid by the extended due date.

Line 17. If line 14 is greater than zero, add lines 14 through 16 and enclose a separate remittance for the total amount owed for each Form IT-65 filed. Please pay in U.S. funds. If paying by check, make check payable to Indiana Department of Revenue.

Line 18. If the total of lines 8 through 13 exceeds line 7, subtract the total of lines 15 and 16 from line 14. If the result is less than 0, this is the net overpayment. If penalties and interest are due because of a delinquent filing or payment, the overpayment must be reduced by these charges. If the result is a balance due, enter the difference on line 18. An overpayment credit may not be carried over to the following year, so any overpayment amount will be refunded.

Certification of Signatures and Authorization Section

Sign, date, and print the name on the return. If a paid preparer completes the return, authorize DOR to discuss the tax return with the preparer by checking the authorization box above the line for the name of the personal representative.

Personal Representative Information

Typically, DOR contacts a taxpayer if we have any questions or concerns about the tax return. If the taxpayer wants DOR to be able to discuss the tax return with someone else (e.g., the person who prepared it or a designated person), this area must be completed.

First, check the "Yes" box that follows the sentence "I authorize the Department to discuss my tax return with my personal representative."

Next, enter:

- The name of the individual designating as a personal representative; and
- The individual's email address.

If this area is completed, DOR is authorized to contact the personal representative, instead of the taxpayer, about this tax return. After the return is filed, DOR will communicate primarily with the designated personal representative for any matters concerning this return.

Note. The authorization for DOR to be in contact with your personal representative may be revoked at any time. To do so, tell us in a signed statement. Include the taxpayer name, federal identification number, and the year of the tax return. Mail the statement to Indiana Department of Revenue, P.O. Box 7206, Indianapolis, IN 46207-7206.

Officer Information

An officer of the organization must sign and date the tax return and enter the officer's name and title. Please enter a daytime telephone number where DOR may call if there are any questions about the tax return. Also, enter your email address to be contacted via email.

Paid Preparer Information

Fill out this area if a paid preparer completed this tax return. The paid preparer must sign and date the return. In addition, please enter the following:

- The paid preparer's email address;
- The name of the firm the paid preparer is employed by;
- The paid preparer's PTIN (personal tax identification number). This must be the paid preparer's PTIN; do not enter an FID or Social Security number;
- The paid preparer's complete address.

Note. Complete this area even if the paid preparer is the same individual designated as the personal representative.

Mailing Options

If taxes are owed, please mail the completed return to:

Indiana Department of Revenue
P.O. Box 7205
Indianapolis, IN 46207-7205

If taxes are not owed, please mail the completed return to:

Indiana Department of Revenue
P.O. Box 7147
Indianapolis, IN 46207-7147

Worksheet for Partnership Distributive Share Income, Deductions and Credits

Use this worksheet to compute the entry for line 1 of Form IT-65 and to assist in computing amounts reported on Schedule IN K-1. Enter the total distributive share of income from each item as reportable on Form 1065, Schedule K. Do not complete Column B and C entry lines unless the partnership received distributive share or tiered income from other entities.

Distributive Share Amounts	A. Partnership Income All Sources	B. Distributions from Partnerships / Estates / Trusts Everywhere	C. Distributions Attributed to Indiana
Partnership's Distributive Share of Items			
1. Ordinary business income (loss).....		Enter for line 14B below total distributive share income received by the partnership from all other non-unitary partnerships, estates, and trusts. Enter for line 15B an amount equal to required state modifications for Indiana Adjusted Gross Income.	Enter for line 14C below, total distributive share income received by the partnership from other partnerships, estates, and trusts that were derived from or allocated to Indiana. Enter for line 15C an amount equal to the Indiana modifications to adjusted gross income attributed to Indiana.
2. Net rental real estate income (loss).....			
3. Other net rental income.....			
4. Guaranteed payments.....			
5. Interest income.....			
6a. Ordinary dividends			
7. Royalties.....			
8. Net short-term capital gain (loss)			
9a. Net long-term capital gain (loss).....			
10. Net IRC Section 1231 gain (loss).....			
11. Other income (loss).....			
Less Allowable Deductions for State Tax Purposes			
12. IRC Section 179 expense deduction 1			
13A. Portion of expenses related to investment portfolio income, including investment interest expense and other (federal non-itemized) deductions.....			
13B. Other information from line 20 of federal K-1 related to investment interest and expenses not listed elsewhere			
14. Carry total on line 14A to Form IT-65 line 1 on front page of return.....	14A	14B	14C
15. Total of Indiana state modifications to distributive share income (see line 2f, Form IT-20S).....		15B	15C
16. Net Indiana adjusted gross income distributions from partnerships, estates, and trusts (add lines 14C and 15C).....			16C
17. Enter amount of Indiana pass-through credits attributed from partnerships, estates, and trusts, if any.....			17C

Worksheet for Attributing Partnership Income for Unitary Corporate Partners

Use the worksheet whenever partnership income is being distributed to a corporate partner having a unitary relationship with the partnership. A unitary business relationship means maintaining business activities or operations that are of mutual benefit, dependent upon, or contributory to one another in transacting business between a corporate partner and the partnership. Unity may be established whenever there is unity of operation and use evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction between a corporate partner and the partnership.

If a corporate partner and a partnership maintain a unitary business relationship as described above, the partnership distribution shall be distributed to the partner without any apportionment by the partnership. If the partner derives income from sources both within and outside Indiana and is required to apportion its income, the partner's apportionment factor shall include the partner's proportionate share of the apportionment factor of the partnership.

Use the following table to show apportionment factor's values from the partnership assigned to the unitary corporate partner. Partnerships deriving income from sources both within and outside Indiana or having any corporate partners must complete the Apportionment Schedule E.

Enter the partner's pro rata amounts as determined by the partnership entity's completed Apportionment Schedule E. Duplicate this worksheet for each corporate partner. (These amounts are to be included with the corporate partner's own apportionment factor.)

Apportionment Schedule E	Receipts Factors	
Total from Indiana Sources	Line 1A	
Total from All States	Line 1B	

Instructions for Schedule IN K-1

Enclose a copy of each partner's Schedule IN K-1 with Form IT-65. Also, provide a completed copy of Schedule IN K-1 to each partner.

Beginning with tax years ending after Dec. 31, 2019, a taxpayer that is required to file 25 or more Schedule IN K-1s must file the Schedule IN K-1s in an electronic format. For taxpayers filing on a calendar year basis, this electronic filing requirement begins with tax year 2020.

Part 1 – Partner's Identification Section

Complete a separate Schedule IN K-1 to identify each partner. Check the box if filing an amended return.

Line 1. Enter the name of the partner (individual, entity, trust name, etc.).

Line 2. Enter the partner's Social Security number if an individual or the partner's federal employer identification number (FEIN) if the partner is another entity.

Line 3. Enter the applicable pro rata percentage of the partner's interest in the partnership. The percentage should be adjusted to an annual rate if necessary.

Line 4a and b. If the partner is a disregarded entity (DE), enter the partner's name and FEIN, and indicate what kind of partner the entity is (see instructions for federal Schedule K-1 at apps.irs.gov/app/picklist/list/formsPublications.html).

Line 5. List the type of entity of the partner for whom you are issuing the Schedule IN K-1.

Line 6. Enter the partner's state of residence or commercial domicile.

Line 7. If partner was an Indiana nonresident individual on Jan. 1, 2024, and worked in Indiana as of Jan. 1, 2024, then enter the individual's 2-digit county of employment in this box. You may get the 2-digit code number from Departmental Notice #1 at www.in.gov/dor/files/dn01.pdf.

Line 8. Enter the name of the entity that remitted actual payment of the withholding.

Line 9. Enter the FEIN of the paying entity. Note: Do not obscure any digits when entering the FEIN.

Line 10. Enter the amount of Indiana PTET paid.

Line 11. Enter the amount of Indiana state tax withheld. This amount should only include payments made into the corporate account and withholding amounts passed through by another entity.

Line 12. Enter the amount of Indiana county tax withheld.

Part 2 – Pro Rata Share of Indiana Pass-through Tax Credits from Partnership

If the partnership has available any eligible Indiana credits flowing through to the partners, enter the following:

- Federal employer identification number from the entity that the credit was awarded to. If the credit is passed through from another entity enter the FEIN from Schedule IN K-1;
- The credit's certification year;
- For credit codes 818, 820, 835, 839, 849, 857, 860, 863, 865, 867, 868, 869, 874, 875, 879, 1818, 1820, 1835, 1849, 1860, 1863, 1865, 1867, 1868, 1869, 1875, and 1879, enter the credit's certification, project, or PIN number;
- The credit's 3- or 4-digit credit code; and
- The pro rata amount of credits allotted to each partner.

A completed IN-OCC credit schedule with Form IT-65 to support the credit distribution for certified credits must be enclosed; otherwise, the credits will be denied.

See the descriptive list of pass-through tax credits that may be available to a pass-through entity on page 20. Each credit is assigned a 3- or 4-digit code number. This should be used for identification purposes when reporting and claiming these credits. For more information, see Income Tax Information Bulletin #59 available at www.in.gov/dor/files/ib59.pdf.

Note. The 3-digit codes utilized on behalf of each partner on Schedule IN-OCC towards composite tax should be reflected as 4-digit codes on Part 2 of Schedule IN K-1. Any pro rata portion of the partner's credit above the 4-digit amount previously utilized towards composite tax should be reported on Part 2 of Schedule IN K-1 as a 3-digit code and the remaining amount reflected in the amount claimed column.

Example. Company A used \$400 of the partner's \$700 total Hoosier Business Investment Credit to offset his tax liability on the composite filing. The partner has \$300 remaining credit. The IN K-1 will breakdown the credit as follows:

Credit Name	3- or 4-Digit Code	Amount
Hoosier Business Investment Credit – Composite	1820	\$400
Hoosier Business Investment Credit	820	\$300

If the partner has other taxable Indiana-source income, Form IT-40PNR, reporting all Indiana-source income (including the income taxed on the composite return) should be filed. When completing the IN-OCC, the partner will be able to use up to \$700 of the HBI credit, using the amount associated with the 4-digit number first. For example, if the total state tax liability is \$500, "HBI 1820 \$400" will be listed on Schedule IN-OCC, and the remaining amount is then reported as needed as "HBI 820 \$100." A 3-digit code 820 in the amount of \$200 remaining will be available to carryforward.

Credits reported on Part 2 of Schedule IN K-1 that are used to offset tax liabilities will be reported on the following lines on Form IT-65:

- Any credits not requiring an IN EDGE, IN EDGE-R, or IN-OCC, Part A schedule will be reported on line 10;
- EDGE credit code 839 will be reported on line 11;
- EDGE-R credit code 857 will be reported on line 12; and
- IN-OCC, Part A credit codes 818, 820, 849, 860, 863, 865, 867, 868, 869, 874, 875, 879, 1818, 1820, 1849, 1860, 1863, 1865, 1867, 1868, 1869, 1875, and 1879 will be reported on line 13.

Part 3 – Distributive Share Amount

Complete lines 1 through 13b for the partner. Also provide the partner with a Schedule IN K-1 showing the partner's share of income, credits, and modifications. If filing federal Form 1065-B, convert taxable income distributions to federal Form 1065 Schedule K-1 format.

Line 1 through line 13b. For full-year Indiana resident partners, complete these lines as shown on the federal Schedule K-1, Form 1065 or Form 8865.

For most corporate partners and all nonresident individual partners, the federal Schedule K-1 amounts should be multiplied by the apportionment percentage calculated on Schedule E or Schedule E-7. See the instructions beginning in the next column. Enter the apportioned amounts on lines 1 through 13b. If any entries on lines 2 – 11 represent nonbusiness income to the partnership, these amounts are allocated to the appropriate state.

Line 6. "Ordinary dividends" corresponds to line 6a on the federal K-1. Line 9, Net long-term capital gain (loss), corresponds to line 9a on the federal K-1.

On line 13a or 13b, include investment interest expenses attributed to royalty income. Also include all other federal deductions. However, for individual partners, do not include those deductions treated as itemized deductions. Do not report any other type of investment interest expense, itemized deduction, or carryover loss on this line.

Line 14. Add the sum of lines 1 through 11 and subtract lines 12, 13a, and 13b.

The amount on this line is used solely to determine the income subject to withholding and Pass Through Entity Tax. The partner must make any determinations related to the taxability of these items based on the partner's own circumstances.

Note. If the partnership has received any distributions from other entities having income previously apportioned to Indiana, use the following methodology below to report distributive share income for Schedule IN K-1.

Alternative Completion of Schedule IN K-1 Information for Part 3

An alternative application of Schedule IN K-1 must be used for the following:

- Members who are nonresident individuals;
- Corporate partners; and
- Other partnerships if they had income from outside Indiana.

Use the following method to complete Schedule IN K-1 when the partnership had any apportioned income from outside Indiana or is otherwise required to complete the Indiana apportionment schedule.

Modify each required Schedule IN K-1 line by recalculating the pro rata share of total partnership income reported on line 1 of Form IT-65. Include all required Indiana modifications to AGI. Use the pro rata amount from line 14A on the Worksheet for Partnership Distributive Share Income, Deductions, and Credits by following these steps:

Step 1. Deduct from the above pro rata share the respective pro rata amount of line 14B and line 15B of the worksheet.

Step 2. Multiply the result by the Indiana apportionment percentage reported on line 4 of Form IT-65. This can also be found on Schedule E or Schedule E-7. This amount should reflect the partner's proportionate share of this partnership's activity in Indiana.

Step 3. Add to the above amount the pro rata share of any other (entity) source income this partnership received that was previously apportioned or allocated as distributive share income derived from Indiana. This can be found on line 16C of the worksheet. The result is the modified Indiana partnership income from Indiana sources. It should be reported on the appropriate lines of Schedule IN K-1 of nonresident individuals, corporations, and partnerships for AGI purposes.

Also use the Worksheet for Attributing Partnership Income to Unitary Corporate Partners to compile additional information for reporting distributive share income. Certain corporate partners require these additional income figures from the partnership to properly report distributive share incomes and to compute Indiana state income tax liabilities as a result of the partnership's activity in Indiana.

Part 4 – State Modifications

Lines 1-7. Enter the Indiana modifications from the front of Form IT-65, lines 2a through 2c (and any additional sheets) as percentage applied. In the case of nonresident individuals, enter them as apportioned. List the pro rata share amount of each modification on the appropriate line. (Use a negative sign to denote negative amounts.)

Line 8. Enter the total distributive share of modifications.

Line 9. Add Part 3, line 14, to Part 4, line 8. For nonresident partners/shareholders, carry this amount to Schedule Composite, Column C, or on Schedule Composite-COR, Column B.

Instructions for Schedule E, Apportionment of Income for Indiana

Complete the apportionment of income schedule whenever the partnership:

- Has income derived from sources both within and outside Indiana; and
- Has any nonresident or corporate partners.

The apportionment percentage determines the Indiana net income of the nonresident individual partners, trusts, and estates that pass through as a result of the partnership's activities everywhere. The apportionment factor may also determine the Indiana net income that passes to partners subject to corporate income tax and financial institutions tax.

Note. Interstate transportation companies should consult Schedule E-7 for details concerning apportionment of income. This schedule is available at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership.

Part I – Apportionment of Adjusted Gross Income

Sales/Receipts. The sales factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year. The denominator is the total receipts of the taxpayer in all jurisdictions during the tax year.

In the case of certain receipts, all or a portion of the receipts are not included.

- Receipts do not include deemed foreign dividends under IRC section 965 or GILTI.
- For receipts from the sale of securities, including stocks, bonds, options, and future and forward contracts, only the net gain from the sale is treated as a receipt.
- For receipts from hedging or similar transactions, only the net gain resulting from both sets of transactions is treated as a receipt.

The numerator of the receipts factor must include the following to the extent included in the receipts numerator:

- All sales made in Indiana;
- All sales made from Indiana to the U.S. government;
- All receipts from sales of business property in Indiana; and
- All interest, dividend, or other intangible income earned in Indiana.

The numerator contains intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under IC 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale. Indiana no longer requires the inclusion of “throwback” sales in the numerator of the receipts factor.

Sales or receipts not specifically attributed above shall be attributed as follows:

- Gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana;
- Gross receipts from the rental, lease, or licensing of the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana;

- Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana.
- Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed.
- Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased.
- Receipts from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana.
- Gross receipts from the performance of certain telecommunications and broadcast services are attributed to Indiana if the income-producing activity is in Indiana. If such activities are conducted partly within and partly outside Indiana, the gross receipts from the services are attributable to Indiana if the direct costs incurred in Indiana related to those receipts are greater than the direct costs incurred in any other state, unless the activities are otherwise directly attributed to Indiana according to IC 6-3-2-2.2 or IC 6-3-2-2(f).
- Receipts from other services and other intangibles are attributed to Indiana if the benefit of the service or intangible is received in Indiana. Please see Multistate Tax Commission regulations for further information on whether the receipts from a particular transaction are attributed to Indiana.

Sales to the United States Government. The United States government is the purchaser when it makes direct payment to the seller. A sale to the United States government of tangible personal property is in Indiana if it is shipped from an office, a store, a warehouse, or another place of storage in Indiana. See the previous rules for sales other than tangible personal property if such sales are made to the United States government.

Other Gross Receipts. On line 6, report other gross business receipts not included elsewhere.

On line 7, report direct premiums and annuity considerations received during the taxable year for insurance upon property or risks in Indiana. The terms *direct premiums and annuity considerations* mean the gross premiums received from direct business as reported in the corporation's annual statement filed with the Department of Insurance.

Total Receipts. Complete all lines as indicated. Add all the receipts in Column A (lines 1A through 7A), and enter the total on line 8A. In addition, enter the total receipts from all jurisdictions on line 8B.

Apportionment of Income for Indiana

Divide line 8A by line 8B. Multiply by 100 to arrive at a percentage rounded to the nearest second decimal place. This is the Indiana apportionment percentage; carry it to the apportionment entry line on the return, line 4 on Form IT-65.

Part II – Business/Other Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, enclose the completed Schedule E or Schedule E-7 with Form IT-65.

The completed Schedule E or Schedule E-7 must be enclosed with the return.

Instructions for Completing Schedule PTET

Any partnership that is either:

- Making an election to be subject to PTET, or
 - Passing through PTET from another entity,
- must complete Schedule PTET to report the amount of PTET to be passed to each of its partners.

Check the box for no Schedule Composite tax due if the PTET is greater than the combined state and composite tax for all partners listed on the Schedule PTET and who otherwise would be listed on Schedule Composite. The determination for each partner must be made separately. If a partner would owe composite tax except for the application of an exception code, all nonresident partners who would otherwise be listed on Schedule Composite will be required to be listed on Schedule Composite.

Example 1. Partnership A has two individual partners, Partner B, who is an Indiana resident, and Partner C, who is an Illinois resident. Each partner has \$10,000 of Indiana-source income and PTET of \$315. Partner C would otherwise have a \$315 liability for composite tax, while Partner B would not be listed because Partner B is an Indiana resident. Partnership A can check the box and not file Schedule Composite.

Example 2. Same facts as Example 1 except Partner C also has a \$100 composite county income tax. Partnership A cannot check the box and must file Schedule Composite to list Partner C and to report the \$100 county tax.

Example 3. Same facts as Example 1 except Partner B is an Ohio resident and Partner C also has a \$100 composite county income tax. Partnership A cannot check the box and must file Schedule Composite to list Partner C and to report the \$100 county tax. Partner B also must be included on Schedule Composite even though the PTET will equal Partner B's composite/withholding tax.

Check the box for no Schedule Composite-COR tax due if:

- You have no corporate partners that would be listed on Schedule Composite-COR (in other words, no nonresident entities treated as regular C corporations, nonprofits, or financial institutions), or

- You have no corporate partners for whom the PTET would exceed the tax reportable on Schedule Composite-COR if no PTET election had been made. If the tax reportable on Schedule Composite-COR would be greater than the tax on Schedule PTET except for use of an exception code, then you are required to use Schedule Composite-COR in addition to Schedule PTET.

For the computation code box, you must enter one of the following codes. If you are attaching multiple sheets, the same computation code must be used on all sheets.

- 01 - The partnership is electing to be subject to PTET, resident partners have their income determined before apportionment, and the tax equals the partner's share of income times the individual tax rate for all partners.
- 02 - The partnership is electing to be subject to PTET, resident partners have their income determined after apportionment, and the tax equals the partner's share of income times the individual tax rate for all partners.
- 03 - The partnership is electing to be subject to PTET, there are no resident partners, and the tax equals the partner's share of income times the individual tax rate for all partners.
- 04 - The partnership is electing to be subject to PTET, resident partners have their income determined before apportionment, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.
- 05 - The partnership is electing to be subject to PTET, resident partners have their income determined after apportionment, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.
- 06 - The partnership is electing to be subject to PTET, there are no resident partners, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.
- 07 - The partnership is not electing to be subject to PTET, resident partners have their income determined before apportionment, and the tax is equal to or less than the partner's share of income times the individual tax rate for all partners.
- 08 - The partnership is not electing to be subject to PTET, resident partners have their income determined after apportionment, and the tax is equal to or less than the partner's share of income times the individual tax rate for all partners.
- 09 - The partnership is not electing to be subject to PTET, there are no resident partners, and the tax is less than or equal the partner's share of income times the individual tax rate for all partners.
- 10 - The partnership is not electing to be subject to PTET, resident partners have their income determined before apportionment, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.
- 11 - The partnership is not electing to be subject to PTET, resident partners have their income determined after apportionment, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.
- 12 - The partnership is not electing to be subject to PTET, there are no resident partners, and for at least one partner the tax exceeds the partner's share of income times the individual tax rate.

Checking the box on Page 1 of the return AND listing Codes 1-6 on Schedule PTET will constitute a PTET election.

Codes 7 through 12 are to be used only if you are not electing PTET but you are wishing to pass through PTET paid by another entity to your partners as PTET. Please note that you may not pass through more PTET than what was paid on your behalf. See Income Tax Information Bulletin #72B at www.in.gov/dor/files/ib72b.pdf for further information.

The following apply to the codes listed above:

- If you elect to treat resident partners as subject to tax on their share prior to or after apportionment, you cannot change treatment later. However, you can change codes if the tax calculation changes provided that the same calculation method is used (e.g., Code 01 to Code 04, 02 to 05, etc., but not 01 to 02 or 05).
- Once codes 01 through 06 are used, you cannot use codes 07 through 12 later. Conversely, if you use codes 07 through 12, you cannot use codes 01 through 06 later.
- If you use Codes 3, 6, 9, or 12, and a partner is later determined to be a resident, you may make a one-time determination as to whether to elect to treat the partner as subject to tax on the partner's share of income before or after apportionment.

Instructions for Each Column

If you have more than 21 owners, attach additional sheets using Schedule PTET. Use the same computation codes on all sheets.

Identification Number. If the owner is an individual, list the individual's social security number or individual taxpayer identification number. If the owner is a partnership, estate, trust, or corporation, list the entity's FEIN. List the entire nine-digit code.

Column A – State of residency. Enter the two-digit postal code for the owner's state of residence. If the owner is a resident of a foreign country, enter "FC".

Column B – Entity type. Enter the two-digit code associated with the entity. Those entity types are:

Code	Entity Type
01	Resident Individual
02	Resident C corporation
03	Resident Financial institution
04	Resident Nonprofit corporation
05	Resident S corporation
06	Resident Partnership
07	Resident Estate/trust other than ESOP or retirement plan
08	Retirement plan/employee stock option plan
21	Nonresident Individual
22	Nonresident C corporation
23	Nonresident Financial institution
24	Nonresident Nonprofit corporation
25	Nonresident S corporation
26	Nonresident Partnership
27	Nonresident Estate/trust other than ESOP or retirement plan
28	Nonresident Retirement plan/employee stock option plan

Column C – Adjusted gross income. Enter the adjusted gross income from Part 4, Line 9 of Schedule IT-20/IT-65 IN K-1. Please note that this will not necessarily be the sum of all items listed in Parts 3 and 4.

Column D – Pass Through Entity Tax. In general, multiply Column C by 3.05% (if your taxable year ends in 2024) or 3% (if your taxable year ends in 2025). However:

- If you use codes 04, 05, or 06, the tax can be equal to or greater than the general computation. Enter the actual amount of tax credited to the partner in Column D. The tax cannot be less than amount generally computed.
- If you use codes 07, 08, or 09, the tax can be equal to or less than the general computation. Enter the actual amount of tax credited to the partner in Column D. The tax cannot be greater than amount generally computed.
- If you use codes 10, 11, or 12, the tax can be equal to or not equal to the general computation. Enter the actual amount of tax credited to the partner in Column D.

If Column C is less than zero, do not enter an amount less than zero in Column D.

Enter the sum of all additional sheets reporting PTET on Line 22. Report the sum of all PTET on Line 23 and carry to Form IT-65, Line 6c.

Instructions for Schedule Composite/ Schedule Composite-COR

Any partnership that has partners who are nonresidents of Indiana must file a composite return and include all its nonresident partners. If you file Schedule PTET and check the appropriate box(es), Schedule PTET will be considered the composite return for the partners who otherwise would be required to be reported on Schedule Composite or Schedule Composite-COR.

Submit a Schedule Composite for all nonresident partners who are treated as:

- Individuals
- Estates or trusts
- Partnerships
- S corporations.

Submit a Schedule Composite-COR for all nonresident partners that are treated as:

- Regular C corporations
- Nonprofit corporations
- Financial institutions subject to tax under IC 6-5.5.

A partnership will be assessed a penalty of \$500 if it fails to file a composite return that includes all nonresident partners. If a partnership has a nonresident partner with a negative distributive share of income after modifications, that partner is required to be listed.

The composite returns must be filed with and have the same due date as the partnership return. If the IRS allows the partnership an

extension to file its tax return, the due date for its Indiana return is automatically extended for the same period, plus one month.

Filing Requirements for Schedule Composite/ Schedule Composite-COR

The following limitations and conditions apply to each partner included as a member in the composite return:

- No deduction is permitted for carryover of net operating losses or capital losses;
- No personal exemption is permitted;
- No deduction is allowed for charitable contributions allowed or allowable pursuant to IRC Section 170;
- No credit is permitted for taxes paid to other states;
- No credit carryovers are permitted (except for those on Schedule IN-OCC); and
- All other credits that flow through to partners on a pro rata basis are limited to the partner's state income tax liability. See the list of Pass-through Tax Credits.

The partnership filing a composite return is liable for the tax shown on the return. It is also liable for any additional tax, interest, and penalty as a result of a subsequent audit or examination. Any refund of state or county tax as a result of filing a composite return will be remitted directly to the partnership. The partnership should send a copy of the general Indiana filing requirements to each nonresident partner.

Instructions for Completing Schedule Composite/ Schedule Composite-COR

Indicate the Social Security Number (SSN) or Federal Employer Identification Number (FEIN) of each nonresident partner on the appropriate schedule. Subject to the limitations and conditions specified in the filing requirements, separately compute the state tax liability on the composite return attributable to each nonresident partner. See Schedule CT-40PNR, page 2, at www.in.gov/dor/tax-forms/individual/current to get the applicable county tax rate.

Note. The SSN of all nonresident individuals of reverse credit agreement states who are subject to and pay income taxes at rates equal to or greater than Indiana's individual income tax rate to the resident states must be listed on the Schedule Composite, but with the amount of withholding tax/credit for these partners listed as zero.

Column A. If a partner has an exception where the partner may not be subject to tax or may be subject to a reduced tax, enter the exception code applicable to that partner. If no exception code applies to a partner, leave the column blank. If an invalid code is entered, this will be treated as a blank code. If a code is entered into this column, compute the values for state and local income tax based on the proper amount of tax due rather than based on the default computation. The codes 03 through 13 will require a signed IN-COMPA from the partner. Failure to obtain and include a signed IN-COMPA will require the partnership to withhold as otherwise required under IC 6-3-4-12.

- Code 01 - Approved alternative arrangement. This is available only if DOR has approved an alternative withholding arrangement with the corporation responsible for paying the tax. You must maintain DOR's approval of the arrangement with your records as DOR can require you to provide it at a later date.

- Code 02 - Credit used to offset composite tax. If the partner would have been entitled to claim a nonrefundable tax credit that flowed through from the partnership to reduce the partner's income tax liability, the partnership may reduce the amount of composite tax by the partner's share of such credit. Do not reduce the tax by more than the partner's share of any credits that properly passed through to the partner. Also, you may only reduce the tax by the amount of current year credit unless specifically permitted. Finally, you may not use this code to reduce composite tax for credits that did not flow through from the partnership.
- Code 03 - Employee Stock Ownership Plan Enter this code if the partner is an employee stock option plan (ESOP).
- Code 04 - Income offset by previously disallowed deductions. If:
 - o a partner is determined to have zero basis on their share of their interest in the partnership, and
 - o the partner has deductions that were disallowed because the partner had zero basis,the share of income subject to tax can be reduced by the newly-allowed Indiana deductions and the tax recomputed after the newly-allowed deductions.
- Code 05 - Insurance Company not subject to AGIT or FIT. If the partner is an insurance company that is not subject to AGIT or FIT for the year in question, use this code. Use this code only if the insurance company has filed a timely election to be subject to Indiana gross premiums tax.
- Code 06 - Nonprofit Entity. If the partner if an entity that is a nonprofit corporation or a retirement plan that is subject to Indiana adjusted gross income tax or financial institutions tax on only its unrelated business income AND the partnership knows that the income from the partnership would not be considered unrelated business income to the partner, enter this code. Do not enter this code if the partnership lacks actual knowledge of the character of the income in the partner's hands or if the partnership knows that the income is unrelated business income to the partner.
- Code 07 - Real Estate Investment Trust. Enter this code if the partner is a real estate investment trust (REIT). However, do not enter this code if the REIT is a captive REIT required to add back its dividends paid.
- Code 08 - Real Estate Mortgage Investment Conduit. Enter this code if the partner is a real estate mortgage investment conduit.
- Code 09 - Treaty-based exclusion. If a partner is subject to a treaty-based exception from federal income tax, the scope of the treaty includes the income derived from the corporation, and the corporation has knowledge of the partner's exemption, enter this code for the partner.
- Code 10 - Passive activity losses. Enter this code if the partner has passive income from the partnership that is offset by previously-disallowed passive losses. Do not reduce the income subject to tax by more than the passive loss reported as previously disallowed.
- Code 11 - Net operating losses. Enter this code if the partner has an Indiana net operating loss carryforward that can offset the income in whole or in part. Do not reduce the income subject to tax by more than the net operating loss reported.
- Code 12 - Credits from other sources. Enter this code if the partner indicates one or more credits that would reduce the

tax liability. These should be either a carryforward credit regardless of source or a credit from a source other than the corporation. Do not enter a credit used to reduce tax using Code 02. In addition, the tax cannot be reduced by more than the credits reported by the partner.

- Code 13 - Partnership reporting estimated tax. Enter this code if the partner is a corporation registered with the Indiana Secretary of State as doing business in Indiana and the partner indicates that it is remitting estimated Indiana taxes on its behalf.
- Code 14 - Entity has multiple tiers. If the partnership is part of a multi-tiered structure and has obtained written department consent for an alternative withholding arrangement, enter this code. The written consent of the department must be attached or otherwise made available upon department request.
- Code 15 - Partner is an Indiana resident. Enter this code if the partner is an Indiana resident and tax is reported as being withheld on behalf of the partner. This withholding can occur directly or indirectly, such as withholding in a tiered pass-through structure.

Column B.

Schedule Composite – Enter the 2-character state of residency for each nonresident listed.

Schedule Composite-COR – Enter the Indiana adjusted gross income from Schedule IN K-1, Part 4, line 9.

Column C.

Schedule Composite – Enter the Indiana adjusted gross income from Schedule IN K-1, Part 4, line 9.

Schedule Composite-COR – Multiply the amount in Column B by the Indiana corporate tax rate (see page 5).

Column D.

Schedule Composite – State Tax. Multiply the adjusted gross income by .0305 (.03 for years ending in 2025).

Schedule Composite-COR – Enter total amount from Schedule PTET.

Column E.

Schedule Composite – Enter total amount from Schedule PTET.

Schedule Composite-COR – If Column C is greater than Column D, enter Column C minus Column D. Otherwise, leave Column E blank.

Column F. For individual partners only, multiply the Indiana adjusted gross income derived from the individual's principal place of business or employment by the county tax rate associated with the county reported on IN K-1, line 7. This rate is listed on Schedule CT-40PNR, which is located at www.in.gov/dor/tax-forms/individual/current.

Notwithstanding any other requirement, a nonresident individual who is subject to Indiana county income tax on Schedule Composite (Column F) is required to file a nonresident individual income tax return, Form IT-40PNR, to report all sources of Indiana income.

Note. If the nonresident owner is also employed by the business, the business shall use the county reported on the owner/employee's WH-4 to determine whether or where withholding is required.

Example. Individual X, a nonresident of Indiana, is a 50% owner of a business that operates in St. Joseph County and Elkhart County. Individual X works at the business's St. Joseph County location. The business has \$200,000 in Indiana adjusted gross income, with 60% of the receipts derived from St. Joseph County and 40% from Elkhart County. Of Individual X's \$100,000 income, \$60,000 ($\$100,000 \times 60\%$) from St. Joseph County is subject to county income tax and withholding and the remaining \$40,000 from Elkhart County is not subject to county income tax.

Get Income Tax Information Bulletin #72 at www.in.gov/dor/files/ib72.pdf for additional information.

Column G. If the amount in Column E is greater than the amount in Column D, enter the amount from Column F. Leave blank if less than zero.

Enter the amount from **Schedule Composite**, line 15G, on Form IT-65, line 6a. If completing **Schedule Composite-COR**, enter the amount from line 26C on Form IT-65, line 6b.

Note. A federal Schedule K-1 for each partner is not required to be enclosed but must be made available for inspection upon request by DOR.

Pass-through Tax Credits

Each partner is allowed a pro rata share of the income tax credits available to the partnership. Each partner's share of an available credit is reported on Schedule IN K-1, Part 2. It must be supported by enclosing the properly completed tax credit schedule or form with the partnership's return.

Note. Enterprise zone credits and most other tax liability credits may not be applied against the partnership's employee withholding or use tax liabilities on Form IT-65.

Caution. A taxpayer cannot be granted more than one of the following credits for the same project:

- Alternative Vehicle Fuel Manufacturer Credit (prior to repeal)
- Community Revitalization Enhancement District Credit;
- Enterprise Zone Investment Cost Credit;
- Hoosier Business Investment Credit;
- Industrial Recovery Credit; and
- Venture Capital Investment Credit.

Apply this restriction first when figuring allowable credits. See Income Tax Information Bulletin #59 at www.in.gov/dor/files/ib59.pdf for more information.

Order of Credit Application

If claiming more than one credit, first use the credits that cannot be carried over and applied against the state AGI in another year. Next, use the credits that can be carried over for a limited number of years and applied against the state AGI. If one or more credits are available, apply the credits in the order that the credits would expire. Finally, use the credits that can be carried over and applied against the state AGI in another year.

Example. A business has the following credits available to be claimed:

- A neighborhood assistance credit for which no carryover is available;
- A school scholarship credit that can be carried forward for up to nine years; and
- A community revitalization enhancement district credit with an indefinite carryforward period.

The taxpayer would apply the credits in the following order until the credit is exhausted or their liability is reduced to zero, whichever comes first:

- Neighborhood assistance credit
- School scholarship credit expiring in nine years
- Community revitalization enhancement district credit

For more information about Indiana tax credits, see Income Tax Information Bulletin #59 available at www.in.gov/dor/files/ib59.pdf.

The following credits have been assigned a three-digit code for identification purposes. Use the code when reporting and claiming any of these credits. Refer to Income Tax Information Bulletin #59 available at www.in.gov/dor/files/ib59.pdf for more information.

Airport Development Zone Employment Expense Credit 800

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

Airport Development Zone Investment Cost Credit 801

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

Airport Development Zone Loan Interest Credit 802

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

Alternative Fuel Vehicle Manufacturer Credit 845

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

Attainable Homeownership Tax Credit 875

A credit is available for contributions of cash and other property made to Habitat for Humanity of Indiana. The credit is for 50% of any allowable contributions up to a maximum credit of \$10,000 per taxable year. In addition, the total amount of credits per state fiscal year is limited to \$4,000,000.

Note. Certification for this credit must be obtained from Habitat for Humanity of Indiana. Contact Habitat for Humanity at taxcredit@habitatindiana.org or at Habitat for Humanity of Indiana, Inc., 101 W. Ohio St, Suite 2000, Indianapolis, IN 46204.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

Community Revitalization Enhancement District Credit 808

A state and local income tax liability credit is available for a qualified investment for the redevelopment or rehabilitation of property within a community revitalization enhancement district. To be eligible for the credit, the intended expenditure plan must be approved by the IEDC before the expenditure is made. The credit is equal to 25% of the IEDC-approved qualified investment made by the taxpayer during the tax year. DOR has the authority to disallow any credit if the taxpayer:

- Ceases existing operations;
- Substantially reduces its operations within the district or elsewhere in Indiana; or
- Reduces other Indiana operations to relocate them into the district.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing. Any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on state income tax returns for the year of assignment.

Enclose the certification from the IEDC, otherwise the credit will be denied.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit the website at www.iedc.in.gov for more information about this credit.

Economic Development for a Growing Economy (EDGE) Credit 839

This credit is for businesses that conduct certain activities designed to foster job creation in Indiana. It is a refundable tax liability credit.

Note. Schedule IN-EDGE must be completed and enclosed with the return, regardless of whether it is claimed at the partnership or pass-through level. Otherwise the credit will be denied. A PIN must be obtained from the IEDC.

Claim this credit on line 11 of Form IT-65 and/or on Part 2 of Schedule IN K-1.

Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. Visit www.iedc.in.gov for additional information.

Economic Development for a Growing Economy Retention (EDGE-R) Credit 857

This credit is for businesses that conduct certain activities designed to foster job retention in Indiana. It is a refundable tax liability credit.

Note. Schedule IN-EDGE-R must be completed and enclosed with the return, whether it is claimed at the partnership or pass-through level. Otherwise, the credit will be denied. A PIN must be obtained from the IEDC.

Claim this credit on line 12 of the return and/or on Part 2 of Schedule IN K-1.

If claiming the EDGE or EDGE-R credit at both the partnership and pass-through levels, the amount of credit claimed may not exceed the total credit approved. Whether claiming at the pass-through or entity level, the Schedule EDGE or EDGE-R must be enclosed with Form IT-65. Contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements. Visit www.iedc.in.gov for additional information.

Economic Development for a Growing Economy - Nonresident Employees (EDGE-NR) 865

This credit is for incremental state income tax amounts that would have been withheld on employees from reciprocal states if those employees had been subject to Indiana state tax withholding. Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible for this credit. Unlike the EDGE and EDGE-R credits, the EDGE-NR credit is a non-refundable credit.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.iedc.in.gov, or by phone at 317-232-8800.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of a pass-through entity such as S corporations, partnerships, limited liability companies, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

Employer Child Care Expenditure Credit 876

A credit is available for employers with 100 or fewer employees who incur certain costs for establishing new Indiana licensed childcare facilities for their employees' children. The credit is 50% of the employer's qualified expenditures for Indiana licensed childcare facilities, up to a maximum credit of \$100,000 per employer. The amount of allowable credits is \$2,500,000 per state fiscal year and is awarded in the order of returns claiming the credit.

Qualified expenditures for purposes of this credit are limited to expenses:

- For the acquisition, construction, rehabilitation, or expansion of property used as part of an Indiana qualified childcare facility of a taxpayer that is operated for the taxpayer's employees;
- Incurred under a contract between a taxpayer and an Indiana qualified childcare facility to provide for the acquisition, construction, rehabilitation, or expansion of property used as part of the Indiana qualified childcare facility; or
- For purposes of complying with the qualified child care facility licensure requirements under IC 12-17.2, as part of the taxpayer acquiring or constructing an Indiana qualified child care facility.

This credit is not available for employers who were in the business of operating a childcare facility prior to making qualified expenditures allowable for this credit.

If you take this credit, the credit may be recaptured if certain events occur within five years after the credit was allowed. These events are:

- Cessation of the operation of the Indiana qualified childcare facility as an Indiana qualified childcare facility;
- A change in ownership of an Indiana qualified childcare facility for which a credit was allowed under this chapter, unless the person acquiring an interest agrees to assume the recapture liability of the person disposing of an interest; or
- The use of an Indiana qualified childcare facility for the enrollment of a child from any individual who is not an employee of the taxpayer.

However, cessation or changes in ownership as a result of accident or casualty are not subject to credit recapture. The credit recapture is 100% of the credit if the event occurs in the year after the credit is allowed. The recapture percentage is reduced by 20% each year for the next four years, and any event occurring in the sixth year after the credit is first allowed is not subject to recapture.

Employment of Individuals with Disability Tax Credit 877

A credit is available for employers that hire individuals referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability. If all the following criteria are met, you are eligible for the credit:

- You are an employer that did not have more than 500 employees at any time during the taxable year;
- You hire an individual referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability (the "credit-eligible employee");
- The credit-eligible employee was first hired by the employer after Dec. 31, 2023;
- The credit-eligible employee works at least an average of 20 hours per week for the employer and at a similar compensation rate as other employees performing the same or similar tasks; and
- The credit-eligible employee is not hired to replace an employee who was terminated unless the terminated employee was terminated for misconduct or the terminated employee voluntarily left their position.

If you are receiving the credit as a result of an interest in a partnership, the eligibility is determined at the partnership level.

The credit is equal to 20% of the credit-eligible employee's wages for the first year for which the credit-eligible employee's wages are allowable for purposes of the credit. The credit increases to 30% of wages for the second year and 40% for the third and subsequent years.

If you claim this credit as a result of your own activities as opposed to those reported on a Schedule IN K-1 or IT-41 Schedule IN K-1, DOR may contact you to complete Form EDTC W-1, Employment of Individuals with Disability Tax Credit Worksheet, to provide additional information related to the credit. Additional instructions will be provided upon issuance of the Form EDTC W-1.

Enterprise Zone Employment Expense Tax Credit 812

This credit is available for employers based on qualified investments made within Indiana. It is the lesser of 10% of qualifying wages or \$1,500 per qualified employee, up to the amount of tax liability on income derived from an active enterprise zone. Enclose the completed Schedule EZ with Form IT-65 return to claim this credit.

See Indiana Schedule EZ Parts 1, 2, and 3 available at www.in.gov/dor/tax-forms/enterprise-zone-forms for more information.

Enterprise Zone Loan Interest Tax Credit 814

This credit can be for up to 5% of the interest received from all qualified loans made before Jan. 1, 2018, for use in an active Indiana enterprise zone.

See Income Tax Information Bulletin #66 available at www.in.gov/dor/files/ib66.pdf and Indiana Schedule LIC available at www.in.gov/dor/tax-forms/enterprise-zone-forms for more information about how to calculate this credit. Enclose the completed enterprise zone Schedule LIC with Form IT-65 return. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204. Call IEDC at 317-232-8800 or visit www.iedc.in.gov.

Enclose the certification from the IEDC; otherwise, the credit will be denied.

Ethanol Production Tax Credit 815

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

Film and Media Production Tax Credit 869

Effective July 1, 2022, a credit is available for expenses incurred for qualified film and media production expenses. The amount of the taxpayer's credit is equal to the taxpayer's qualified film and media production expenses multiplied by a percentage determined by the Indiana Economic Development Corporation, but not more than 30% of the expenses.

Note. Certification for this credit must be obtained from the Indiana Economic Development Corporation. See iedc.in.gov/indiana-advantages/investments/film-and-media-tax-credit for further information.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

Enclose the certification letter from the IEDC with the return, otherwise the credit will be denied.

Foster Care Donations Credit 867

A credit for donations to qualifying foster care organizations is available. In addition, beginning July 1, 2023, a credit for qualifying contributions to the Insuring Foster Youth Trust Fund is also available. The credit is 50% of the donation, up to a

maximum of \$10,000 per taxable year. In addition, no more than \$2,000,000 in credits can be awarded during a calendar year. See www.in.gov/dor/tax-forms/other-forms/foster-credit for further information regarding the application and approval process.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

Enclose the approval letter from the Department of Revenue with the return, otherwise the credit will be denied.

Headquarters Relocation Credit – Offset 818 &/or Refundable

A business may be eligible for a credit if it meets one of two sets of criteria. The first set of criteria (“first test”) is that the business meets all of the following:

- Has an annual worldwide revenue of \$50 million;
- Has at least 75 Indiana employees (for credits awarded before July 1, 2022); and
- Relocates its corporate headquarters to Indiana.

The second set of criteria (“second test”) is that the business meets either (1) or (2), meets (3), and meets (4) or (5):

1. Received at least \$4 million in venture capital in the six months immediately preceding the business's application for this tax credit.
2. Closes on at least \$4,000,000 in venture capital not more than six months after submitting the business's application for this tax credit.
3. Has at least 10 Indiana employees (for credits awarded before July 1, 2022).
4. Relocates its corporate headquarters to Indiana.
5. Relocates the number of jobs equal to 80% of the business's total payroll during the immediately preceding quarter to an Indiana location.

Important. While both the entity and the owners may be eligible to claim an offset credit (818), only the owners are eligible to claim their share of any refundable credit if the IEDC has granted a refundable credit under the second test above.

The credit may be as much as 50% of the cost incurred in relocating the taxpayer's headquarters. For more information (including limitations on the credit and the application process), see Income Tax Information Bulletin #97, available at www.in.gov/dor/files/ib97.pdf.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.iedc.in.gov, or by phone at 317-232-8800.

Submit a copy of the letter from the IEDC which:

- Verifies the amount of tax credit for the taxable year, and
- Designates the amount of credit that is refundable (if any).

Enter code 818 on Schedule IN K-1 to:

- Designate any offset portion of this credit, and/or
- Designate any refundable portion of this credit.

Maintain with your records proof of the relocation costs as well as proof of employment of the minimum number of employees in Indiana and, if applicable, payroll in both Indiana and everywhere, as DOR may request this information at a later date.

Historic Building Rehabilitation Tax Credit 819

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

Historic Rehabilitation Tax Credit 879

A credit is available for certain expenses for rehabilitation of qualified historic structures. A qualified historic structure is a building that is:

- A certified historic structure as defined in IRC section 47(c)(3);
- Individually listed on the register of Indiana historic sites and historic structures; or
- Located in, and contributes to, a district listed in the register of Indiana historic sites and historic structures.

If you:

- Incurred costs and expenses for the restoration and preservation of a qualified historic structure;
 - The costs and expenses are defined as a qualified rehabilitation expenditure in IRC Section 47(c)(2); and
 - The costs and expenses are at least \$5,000
- you are eligible for a credit of 25% of the qualified rehabilitation expenses.

In the case of a qualified rehabilitation expenditures incurred for non-income producing property, the credit is 30% of the qualified rehabilitation expenses.

The credit is available for the year in which the restoration and preservation of the qualified historic structures. See www.irs.gov/pub/irs-sbse/qualified-rehabilitation-expenditures.pdf for further information on expenses that do and do not qualify as a qualified rehabilitation expenditure.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.in.gov/dor, or by phone at 317-232-8800.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Hoosier Business Investment Tax Credit 820

This credit is for qualified investments, including costs associated with the following:

- Constructing special-purpose buildings and foundations;
- Making onsite infrastructure improvements;
- Modernizing existing equipment;
- Purchasing equipment used to make motion pictures or audio production;
- Purchasing or constructing new equipment directly related to expanding the workforce in Indiana;
- Retooling existing machinery and equipment;

- Purchasing retooled or refurbished machinery;
- Constructing or modernizing transportation or logistical distribution facilities;
- Improving the transportation of goods via highway, rail, air, or water;
- Improving warehousing and logistical capabilities;
- Purchasing new pollution control, energy conservation, or renewable energy generation equipment; and
- Purchasing new onsite digital manufacturing equipment.

It does not include property that can be readily moved out of Indiana.

This credit is administered by the IEDC at One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit www.iedc.in.gov or call 317-233-3638 for more information. Also, see Income Tax Information Bulletin #95 available at www.in.gov/dor/files/ib95.pdf.

Submit a copy of the IEDC certificate verifying the amount of tax credit for the taxable year with the return, otherwise the credit will be denied. This credit must be claimed on Schedule IN-OCC.

Indiana Research Expense Tax Credit 822

Indiana has a research expense credit that is similar to the federal credit (Form 6765) for increasing research activities for qualifying expenses paid in carrying on a trade or business in Indiana. Compute the credit using Schedule IT-20REC. To claim a portion of a prior-year Indiana Research Expense Credit, please include Schedule IT-20REC from the prior year being utilized along with a statement reflecting the utilization of the prior-year credit up to this point.

Schedule IT-20 REC, available at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership, must be completed and enclosed with the return to claim this credit; otherwise, the credit will be denied. For more information, visit DOR's website at www.in.gov/dor. Filers claiming the research expense credit should maintain and keep documentation supporting the credit in a usable form.

Important. Make sure to check Box U on Form IT-65 if claiming this credit.

Individual Development Account Tax Credit 823

A credit is available for 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 in accumulating savings and building personal finance skills. The organization must have an approved program number from the Indiana Housing and Community Development Authority (IHCDA) for a contribution to qualify for preapproval. The credit is equal to 50% of the contribution, which must be between \$100 and \$50,000.

Applications for the credit are filed through the IHCDA. To request more information about this credit, contact the Indiana Housing and Community Development Authority at 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204 or call 317-232-7777.

Keep any approval certification or letter of credit assignment with your records as DOR can require you to provide this information at a later date.

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." The minimum age for a facility to be eligible for this credit has been reduced from 20 years to 15 years. This credit is available to pass-through entities such as S corporations, partnerships, limited liability companies, etc.

Note. Except for in situations described in the next sentence, a taxpayer is entitled to receive this credit only for a qualified investment made before Jan. 1, 2020. A taxpayer is entitled to receive a credit for a qualified investment made after Dec. 31, 2019, and before Jan. 1, 2030, if the taxpayer is awarded a credit under:

- An application approved by the Indiana Economic Development Corporation (IEDC) before Jan. 1, 2020; or
- An agreement entered into by the taxpayer and IEDC before Jan. 1, 2021.

Important. Any unused credit existing before Jan. 01, 2020, is still eligible for carryforward for an unlimited number of years.

For additional information regarding procedures for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call 317-232-8800, or visit their website at www.iedc.in.gov.

Note. See the section "Restriction for Certain Tax Credits - Limited to One per Project" on page 26.

Military Base Investment Cost Credit 826

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

Military Base Recovery Credit 827

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

Mine Reclamation Credit 874

A credit is available for a qualified investment at a mine reclamation site.

To be eligible for the credit, the credit must be approved by the IEDC. The credit for a taxable year cannot exceed 30% of the IEDC-approved qualified investment for the taxable year or \$5,000,000, whichever is less.

The taxpayer claiming this credit must provide a copy of the IEDC certification of the credit. However, if a taxpayer is claiming the credit as an owner of a pass through entity, the taxpayer must have a Schedule IN K-1 reporting the claimed credit. The pass through entity must provide and retain the certification by IEDC.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing. Also, any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on the state tax returns for the year of assignment.

Neighborhood Assistance Tax Credit 828

If a contribution is made to the Neighborhood Assistance Program (NAP) or activities were engaged in to upgrade areas in Indiana, a credit for this assistance may be available. Effective July 1, 2014, contributions to organizations that provide services to individuals who are ex-offenders are also eligible for this credit. Contact the Indiana Housing and Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, for more information. Call 317-232-7777 within Indianapolis or (800) 872-0371 outside of Indianapolis.

New Employer Credit 850

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

Redevelopment Tax Credit 863

You may be eligible for a credit if you make a qualified investment for the redevelopment or rehabilitation of real property located within a qualified redevelopment site.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit the IEDC website at www.iedc.in.gov or call 317-232-8800 for additional information.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Riverboat Building Credit 832

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

School Scholarship Credit 849

A credit is available for contributions to school scholarship programs. A taxpayer that makes a qualifying contribution to a scholarship granting organization (SGO) is entitled to a credit against the state tax liability in the taxable year in which the contribution is made. The amount of a taxpayer's credit is equal to 50% of the amount of the contribution made to the SGO for a school scholarship program. In some cases, DOR may round the credit down to the nearest dollar if DOR receives information that the credit should be the amount as rounded down. The credit can be carried forward for nine years after the unused credit year.

Note. Credits that apply to taxable years beginning before Jan. 1, 2013, may not be carried forward.

To qualify for the credit, the taxpayer must:

- Make a contribution to a scholarship granting organization that is certified by the Department of Education under IC 20-51;
- Make the contribution directly to the SGO;

- Designate in writing to the SGO that the contribution is to be used solely for a school scholarship program or have written confirmation from the SGO that the contribution will be used solely for a school scholarship program.

Although there are no limits on the size of a qualifying contribution to an SGO, the entire tax credit program has a limit of \$18.5 million in credits per state fiscal year.

Enclose Schedule IN-OCC to claim this credit, otherwise the credit will be denied.

Venture Capital Investment Tax 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 www.iedc.in.gov.

Beginning with the 2020 tax year, this credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of a pass-through entity, such as an S corporation, partnership, limited liability company, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

Also, see the **Restriction for Certain Tax Credits - Limited to One per Project** below.

New reporting requirement. Enclose Schedule IN-OCC to claim this credit; otherwise, the credit will be denied.

Venture Capital Investment Credit – Qualified Indiana Investment Fund 868

A taxpayer who provides qualified investment capital (either debt or equity capital) to a qualified Indiana investment fund may be eligible for this credit.

Note. 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.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

Apply online through the IEDC's website at www.iedc.in.gov or call 317-232-8800 for more information.

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 included 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.

Reminders

- Complete the partnership's identification section.
 - If the partnership's name has changed, check the box at the top of the return. Enclose with the return copies of the articles of amendment filed with the Indiana Secretary of State.
 - List the name of the Indiana county; enter "00" (two zeroes) in the county box to indicate an out-of-state business operation.
 - Partnerships filing on a fiscal-year or short year basis must enter tax year beginning and ending dates.
 - Enclose Schedule PTET if you are electing or reporting PTET.
 - A composite return listing all nonresident partners must be filed on Schedule Composite/Schedule Composite-COR.
 - Enclose Schedule E or Schedule E-7, if applicable.
 - Enclose the first five pages of the U.S. Partnership Return of Income, Form 1065 or Form 1065 B, and Schedule M-3.
-

Additional Information

How to Register as a Withholding Agent

A partnership with any employee for which withholding tax reporting is required as previously described to register as an Indiana withholding agent. DOR assigns an Indiana TID, which consists of:

- A 10-digit number exclusive to the taxpayer; and
- A 3-digit number for the location being registered.

The partnership has two options:

- The partnership can register with DOR online using INBiz (inbiz.in.gov); or
- Visit either DOR's downtown Indianapolis office or one of the district offices located throughout the state.

Note. All businesses must electronically file and remit sales and/or withholding taxes. Businesses can file and remit withholding taxes through INTIME, DOR's e-services portal at intime.dor.in.gov, or a third party vendor; they can also use INTIME to file and remit sales tax.

Partner's Liability and Filing Requirements

A partner's share of profit or loss from a partnership is included in the partner's calculation of federal AGI. It is generally subject to the same rules for arriving at Indiana AGI. Thus, a partner's distributive share, before any modifications required by Indiana statutes, is the same ratio and amount as determined under IRC Section 704 and its prescribed regulations. The partners include shares of all partnership income, whether distributed or undistributed, on their separate entity or individual Indiana income or franchise tax returns. Each partner's distributive share of income is adjusted by modifications provided for in IC 6-3-1-3.5.

Individual Partners

Residents. A resident partner reports the entire distributive share of partnership income (loss) as adjusted, no matter where the partnership's business is located or in which state(s) it does business. Form IT-40 (Indiana Individual Income Tax Return) should be completed by each individual partner. If a resident partner is credited with pass through entity tax or withholding, Schedule IN K-1 must be attached to support any claim for credit for these taxes.

Nonresidents. The nonresident individual partner will be included on Schedule Composite and/or Schedule PTET and have amounts withheld or pass through entity tax credited on the distributive share of income. Schedule IN K-1 is used to report withholding paid or pass through entity tax credited by the partnership. The partner must claim credit on an IT-40PNR return by enclosing Schedule IN K-1 for amounts withheld by the partnership from the partner's distributive share of income. Nonresident partners generally are exempt from filing individual income tax returns if all Indiana income is reported on the composite return schedule and/or Schedule PTET. Nonresident partners with other Indiana-source income or who wish to benefit from other deductions or credits not available on a composite return should file Form IT-40PNR. If a nonresident partner has filed a Schedule IN-COMPA, the partner is required to complete an IT-40PNR and report all Indiana-source income.

Important:

- Full-year nonresident partners are exempt from filing an individual income tax return if:
 - all Indiana income is reported on the composite return schedule and/or Schedule PTET;
 - no county tax was reported* on Schedule Composite, Column F; and
 - no other Indiana income is reported on an individual income tax return. If any is, income from the partnership also must be reported on that return.

*If county tax was reported, the nonresident must file Form IT-40PNR.

- A part-year nonresident partner must file Form IT-40PNR to report:
 - the total amount of income (loss) received while residing in Indiana;
 - that part of Indiana source income received while a nonresident; and
 - apportioned Indiana income (loss), as modified, received by a nonresident of Indiana.

Note. Passive losses may not exceed the limits imposed by IRC Section 469. Also, losses may not exceed the partner's investment. See IRC Section 704.

Corporate Partners

Non-individual partners that are nonresidents will be included on Schedule PTET, if applicable, and have pass through entity tax credited on their share of distributive income. The non-individual partners also will be reported Schedule Composite or Schedule Composite-COR and have amounts withheld on the distributive share of income. Schedule IN K-1 will be used to report the withholding paid and pass through entity tax credited on their behalf.

Partners that are partnerships, S corporations, trusts, or estates will have their income and withholding tax included on Schedule Composite. Corporations that are not treated as pass-through entities, including nonprofits and financial institutions, will have their income and withholding tax reported on Schedule Composite-COR.

The partner must claim credit for the withholding amount by enclosing Schedule IN K-1 with one of the following:

- Form FIT-20;
- Form IT-20;
- Form IT-20S;
- Form IT-20NP;
- Form IT-41; or
- Form IT-65.

All distributions are fully taxable for Indiana adjusted gross income tax purposes. Taxable partnership income (loss) includes pro rata Indiana modifications. However, losses may not exceed the limits imposed by IRC Section 704.

Corporate partners doing business within and outside Indiana must also determine taxable AGI from Indiana sources through the use of the allocation and apportionment provisions contained in IC 6-3-2-2(b)-(h). These generally follow the Uniform Division of Income for Tax Purposes Act. Thus, a multistate corporation must first determine what part of its AGI, which includes all partnership income, constitutes business income and what part is nonbusiness income. The relationship between the corporate partner and the partnership controls whether the income is classified as income derived from a unitary partnership or derived from a nonunitary partnership.

Use the worksheet on page 13 for Attributing Partnership Income for Unitary Corporate Partners to compute the portion of partnership income subject to tax under the Adjusted Gross Income Tax Act.

Indiana Partnership Income for Individuals

Example:

Taxpayer A is a resident of Indiana, and Taxpayer B is a nonresident of Indiana. Each has a 50% interest in ABC Company, an Indiana partnership doing business both within Indiana and outside Indiana.

ABC Company has income from operations of \$530,000 and expenses of \$500,000. Of these expenses, \$35,000 is an expense for state income tax. Taxpayers A and B each received a guaranteed payment of \$10,000. The guaranteed payments are included in the expenses of \$500,000.

Computations for ABC Company for a Taxable Period:

Income from operations	\$530,000
Expenses	- 500,000
Add-back modifications	<u>+ 35,000</u>
Partnership income	\$65,000

Using the single-factor apportionment formula, under IC 6-3-2-2(b), ABC Company determines its apportionment percentage as follows:

Indiana sales/receipts	5000.00
Divided by everywhere sales/receipts	<u>/41667.00</u>
Equals	.1200
Multiplied by 100	<u>x 100</u>
Equals Indiana apportionment percentage	12.00%

Computations for Taxpayers A and B:

Taxpayer A, as a resident of Indiana, must report his own entire share of partnership income to Indiana regardless of whether the partnership apportions its income. As a general rule, if Taxpayer A pays tax to another state (on a portion of partnership income), he can take a credit on his individual return.

Indiana adjusted partnership income for Taxpayer A is computed as follows:

Guaranteed payment	\$10,000
Distributive share (50% x \$65,000)	<u>+ 32,500</u>
Indiana adjusted distributive share of income	\$42,500

Taxpayer B, as a nonresident of Indiana, reports only her own share of partnership income and guaranteed payment apportioned to Indiana. As a general rule, if Taxpayer B is required to pay tax to another state on a portion of her income from ABC Company, she cannot take a credit on her Indiana return but must claim it from her state of residence.

Indiana adjusted partnership income for Taxpayer B is computed as follows:

Guaranteed payment	\$10,000
Distributive share (50% x 65,000)	<u>+ 32,500</u>
Total partnership share of income	\$42,500
Multiply by apportionment percentage	<u>x 12%</u>
Apportioned Indiana distributive share of income	\$5,100



INDIANA

A State that Works