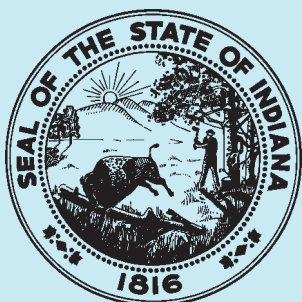


Indiana Department of Revenue

1997 IT-40 PNR

Indiana
Income Tax
Return For
Part-Year
Indiana
Residents
or
Full-Year
Indiana
Nonresidents

***Forms and
Instruction
Booklet***



The most frequently asked question:

What form do I file?

Indiana has four different individual income tax returns. See which one is right for you.

Form IT-40

This form is available for Indiana full-year residents. Note: If you were a full-year Indiana resident, but you're filing a joint return and your spouse **was not** a full-year Indiana resident, you must file form IT-40PNR.

Form IT-40EZ

This form is available for Indiana full-year residents who meet all of the following qualifications:

- ✓ have filed a federal Form 1040EZ;
- ✓ have been an Indiana full-year resident during 1997;
- ✓ claim only the Renter's Deduction and/or Unemployment Compensation Deduction; and
- ✓ have only Indiana state and county tax withholding credits.

Form IT-40PNR

This form is available for Indiana part-year and full-year nonresidents. Note: If you were a full-year Indiana resident, but you're filing a joint return and your spouse **was not** a full-year Indiana resident, you must file form IT-40PNR.

Form IT-40RNR

This form is available for individuals who meet both of the following requirements: You must:


- ✓ have been a full-year resident of one of the following states: Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin; and
- ✓ have received only the following types of income from Indiana: wages, salaries, tips or other compensation. Note: If you have any other kind of Indiana-source income, you'll have to file Form IT-40PNR.

A Message from the Indiana Department of Revenue

In response to taxpayer comments, some changes have been made in the 1997 individual income tax booklets ... and a new EZ form has been created.

- The biggest change this year is the creation of the IT-40EZ form. If you:
 - filed a federal form 1040EZ,
 - were a full-year Indiana Resident in 1997,
 - have only Renter's Deduction and/or Unemployment Compensation Deduction,
 - have only state and county withholding credits, and
 - are filing for the current tax year,... then you can file an IT-40EZ!

Our research indicates that between 25% and 30% of Indiana taxpayers will be eligible to use this new form.

- By popular demand, the IT-40 and IT-40PNR instruction booklets will again have line-by-line instructions for the forms rather than topic sorted instructions.
- New information in the IT-40 and IT-40PNR booklets will be emphasized with a  to help users locate this information more easily.
- Labels have been eliminated. If a tax booklet was mailed to you, you'll notice that the first return in the booklet has your taxpayer information printed directly on it. This allows us to remove social security numbers from the outside of the booklets being mailed and provide larger return envelopes.


Kenneth L. Miller
Commissioner

Indiana Department of Revenue on the Internet

<http://www.ai.org/dor/>

- Downloadable Forms • Publications
- PC Filing • Information Bulletins • E-Mail

The Indiana Department of Revenue is part of the **Access Indiana Information Network** providing Internet access to Indiana state government.

1997 Changes

No More Name and Address Labels

If this booklet was mailed to you from our annual mailing list, you'll find that the first IT-40PNR form (following page 18) has your name and address preprinted on it. If any of this information is incorrect, do not use it. Instead, fill in the corrected information on the second IT-40PNR and file it with us. Remember, keep a copy for your records.

Indiana Form IT-40EZ

If you filed a 1997 federal Form 1040EZ *and* you were a full-year resident of Indiana, you should qualify to file the Indiana Form IT-40EZ. This new form allows the renter's deduction, unemployment compensation deduction and Indiana state and county tax withholding credits to be claimed. So, if you have no additional Indiana deductions or credits to claim, you were a full-year resident of Indiana **and** you filed federal Form 1040EZ for 1997, file the simplified Form IT-40EZ.

Married Filing Separately

If you are married filing separately, you'll need to enter the social security numbers for you and your spouse. Also, check the box by the second social security number and enter the name of the person filing the return on the top line.

Discover® Card Payment



Over 4,000 Indiana taxpayers paid 1.4 million in taxes by using their Discover® Card last year. The Discover® Card payment form has been moved from the bottom of the back page of the IT-40PNR to page 27 in this instruction booklet. Look for the payment coupon there. *Make sure to staple the completed coupon to the top of Form IT-40PNR over the name and address area.*

Additional Exemption for Dependent Child

Beginning in 1997, an additional exemption of \$500 is allowed for certain dependent children that can be claimed on the federal income tax return. If you have included one or more children as exemptions on your federal tax return, read the instructions on page 15 for line 5 to see if you'll be able to take this additional exemption.

Earned Income Tax Deduction

An earned income tax deduction is now available for certain individuals having Indiana income of less than \$12,000 and dependent children. Complete the worksheet on page 14 to see if you qualify.

Personal Computer Tax Credit

The maximum allowable amount of the personal computer tax credit has been changed from \$125 to \$100 for each approved personal computer contribution. See page 24 for more information.

Historic Rehabilitation Tax Credit

The definition of those who are eligible to claim the historic preservation tax credit has been expanded. Those eligible now include an individual, corporation, S corporation, partnership,

limited liability company, limited liability partnership, nonprofit organization or joint venture. See page 25 for more information.

Need Tax Forms or Information Bulletins?

Use Your Fax Machine...

Indiana TaxFax: If you have access to a fax machine that has a telephone attached to it, call our fax-on-demand system at (317) 233-2329 from that telephone. The system allows you to receive state and federal tax forms and information bulletins through the same fax machine on your call. It is available 24 hours a day, 7 days a week. All available forms and their retrieval codes are listed in catalogs that may be ordered through the system.

Use Your Personal Computer...

Visit our web site on the Internet and download the forms you need. Our address is: <http://www.ai.org/dor/>

Use Your Telephone...

To obtain forms by phone, call (317) 486-5103 24 hours a day, 7 days a week. When calling the *Forms Order Request Line*, have the following information ready: name of form or form number needed, number of copies needed, contact person's name, daytime phone number, and a complete mailing address (including city, state and zip code). For our hearing impaired taxpayers, you may call our Telephone Device for the Deaf (TDD) Number, (317) 232-4952 to receive assistance or request information about your tax refund.

Use Your Local Library or Post Office...

Tax forms may be available in your Indiana neighborhood at your local library or post office. They are also available at Indiana district offices listed on page 34. These offices are open Monday through Friday between 8:15 a.m. and 4:30 p.m.

Need Help With Your Return?

Use Local Assistance...

Visit any of the district offices listed on page 34 or take advantage of the **Volunteer Income Tax Assistance (VITA) program** or the **Tax Counseling for the Elderly (TCE)** program. These programs provide free tax return preparation help to low income, elderly and disabled Indiana taxpayers. Volunteers will help fill out federal and state forms for those who qualify. You can find the nearest VITA/TCE location by calling the Internal Revenue Service at 1-800-829-1040. If you need assistance with your income tax return be sure to take your W-2s, 1099s, or WH-18s and, if going to a district office, a copy of your completed federal tax return.

Use the Automated Information Line...

You may call the Automated Information Line from a touch-tone telephone to access 1) status of refunds; 2) prerecorded tax topics; and 3) tax liability balances. The number is (317) 233-4018.

Topical Index located on Page 35

This touch-tone phone service is available beginning at 8:00 a.m. Monday through 10:00 p.m. Saturday. If you have a rotary phone, call (317) 232-2240 from 8:15 a.m. to 4:30 p.m., Monday through Friday and a Department representative will help you.

The prerecorded tax topics include information on Collection Procedures, Business Registration Requirements and How to Register a Business, Payment Plan Procedures, Estimated Tax/IT-2210 Penalty, Use Tax Information, County Tax, and District Office Locations/1997 Tax Highlights.

To receive information on the daily balance due of a tax liability you will need a copy of your tax notice because you will need to enter the tax identification number or social security number and the liability number shown on the notice. Call (317) 233-4018 and follow the instructions.

Call Us...

To receive help with basic tax questions, call us at (317) 232-2240 Monday - Friday between the hours of 8:15 a.m. to 4:30 p.m.

Internet...

If you need help deciding which form to file, or to get information bulletins or policy directives on specific topics, visit our web site at: <http://www.ai.org/dor/>

Where's Your Refund?

The Automated Information Line allows you to check the status of your refund. *Important:* You will need a copy of your completed tax return because you will need to know the first social security number shown on your return and the exact amount of your refund in whole dollars.

When you call (317) 233-4018 you will receive the latest information available on the status of your refund. This touch-tone phone service is available beginning at 8 a.m. Mondays through 10 p.m. Saturdays. *Please wait approximately 12 weeks from the date you filed your return before calling to check on the status of your refund.* If you have a rotary phone, you may call (317) 232-2240 from 8:15 a.m. to 4:30 p.m., Monday through Friday, and a Department representative will help you.

If you move to a new address after you file your tax return and do not have a forwarding address on file with the post office, the Department needs to know where to send your refund check and a tax booklet for next year. You can call the Department at (317) 232-2240 or visit a District Office near you to tell us your new address.

Unresolved Problems?

Use the Taxpayer Advocate...

As prescribed by the Taxpayer Bill of Rights, the Department of Revenue has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of difficult taxpayer complaints and problems. If you have a complex tax problem that you have not been able to resolve through normal channels, or a tax assessment

places an undue hardship on you, you may receive assistance from the Problem Resolution Office. Submit supporting information and documents to: Indiana Department of Revenue, Problem Resolution Program, P.O. Box 6155, Indianapolis, IN 46206-6155.

Public Hearing

Mark June 22, 1998 on your calendar now!

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Monday, June 22, 1998. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 10:00 a.m. in Room 1 of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, Indiana 46204.

Before You Begin...

**Important: Complete your federal tax return first.
Please use black ink.**

Name, Address and Social Security Number

The first IT-40PNR in this booklet may have your name(s), social security number(s) and address already filled in. If any information is incorrect, don't use that form; instead, print the corrected information on the second IT-40PNR in the booklet and file it. If you didn't receive a preaddressed booklet please print your letters and numbers neatly in black ink.

Filling in the Boxes

If you are handwriting letters and numbers in the boxes, please print your letters and numbers neatly. Make sure there is only one letter or number in each box.

Your First Name
Example 1

K	a	t	h	r	y	n													
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Example 2

				2	1			7	2	0			0	0					
--	--	--	--	---	---	--	--	---	---	---	--	--	---	---	--	--	--	--	--

If a line does not apply to you, leave it blank. **Do not** use dashes or other symbols to indicate that you have no entry for that line.

Using a Typewriter

If you wish to use a typewriter to complete this form, you must make entries in the appropriate areas on the form but may type over the individual boxes in that area. Please note the total number of boxes in each field as our processing system will recognize that many characters for each field.

Example 3

K	a	t	h	r	y	n													
---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--

Example 4

				2	1	,	7	2	0	.	0	0							
				3	,	0	0	.	0	0									

New Married Filing Separately

If you file your federal income tax return as married filing separately, you also must file married filing separately with Indiana. If you are, fill in the two social security number boxes on the top of the form **and check the box directly to the right of those boxes**. Enter the name of the person filing the return on the top line, but **do not** enter your spouse's name on the second name line.

Refund Check Address

Your refund check will be issued in the name(s), address and social security number(s) shown on the front of your tax return. It is very important that this information is correct and legible. Any wrong information will cause problems and delay your refund.

Losses or Negative Entries

If you are reporting a loss or a negative amount on lines 1 or 3, make sure to fill in the negative indicator. Please do not use blue ink. If you are using a typewriter, place an X over the negative indicator.

Discover® Card Payment

Attach your Discover® Card Payment Coupon in the upper left-hand corner on the front of the return. See instructions on page 27.

School District Number

Enter the 4-digit school district number for where you are living at the time of filing. The list of school district numbers can be found on pages 30 and 31. If the school district number is not entered, the processing of your return will be delayed. If you have changed your state of residence by when you file this return, enter the school district number for where you lived on December 31, 1997. If you were a full-year nonresident, enter "9999".

County Information

Enter the 2-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on January 1, 1997. You can find these code numbers on the chart on page 6.

See the instructions on page 16 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, out-of-state filers, etc.

Please round off your amounts to the nearest dollar.
 To do this, drop amounts of less than 50¢.
 • Example: \$432.49 rounds down to \$432.00.
 Increase amounts of 50¢ or more to the next higher dollar.
 • Example: \$432.50 rounds up to \$433.00.

Attaching W-2s and Enclosing Checks and Forms

You should staple your W-2s, 1099s or WH-18s to the form in the space to the left of lines 1 through 21 on the front of Form IT-40PNR. To help us process your form please make sure these attachments don't cover the county box information above line 1 or the boxes at the bottom of the form under line 21. **Do not** staple your check or money order to the form as this will delay processing your return. Just enclose them in the same envelope with your return.

Attaching Schedules

When assembling your tax return, schedules should be attached to the back of Form IT-40PNR in an "attachment sequence order". This number is located in the upper right-hand corner of the schedule. For example, attach Schedule A (attachment sequence No. 01) first and then Schedules D & E (attachment sequence No. 03) second. Attach by placing one staple in the upper left-hand corner.

Foreign or Military Addresses

The US Post Office requires that the full foreign country name appear in all addresses. Standard two-character abbreviations for provinces and territories should be entered in the "State" area on the tax return.

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

Remember your Sales and Use Tax obligation. See instructions on page 20.

Who Should File/Filing Status

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

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

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

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

Part-Year Residents and Nonresidents

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

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

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

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

Full-Year Residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax Return, **or** Form IT-40EZ for Full-Year Indiana Resident Filers with No Dependents (see *1997 Changes* on page 3 to see if you qualify to file Form IT-40EZ).

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

Indiana County 2-Digit Code Number Chart

Use the chart below to find the 2-digit county code number to fill in at the top of Form IT-40PNR. You will need to find the code number for the county(s) where you lived and worked on January 1, 1997. If you worked at home or were retired on January 1, 1997, enter the county number where you lived in both boxes. **Important:** If you worked outside Indiana on January 1, 1997, enter code # **00** **unless** you worked in any of the following states: Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin. See the 2-digit code numbers for those states in the box following Whitley County below.

2-Digit County Code Number

#	County Name	#	County Name	#	County Name	#	County Name	#	County Name
01	Adams	21	Fayette	41	Johnson	61	Parke	81	Union
02	Allen	22	Floyd	42	Knox	62	Perry	82	Vanderburgh
03	Bartholomew	23	Fountain	43	Kosciusko	63	Pike	83	Vermillion
04	Benton	24	Franklin	44	LaGrange	64	Porter	84	Vigo
05	Blackford	25	Fulton	45	Lake	65	Posey	85	Wabash
06	Boone	26	Gibson	46	LaPorte	66	Pulaski	86	Warren
07	Brown	27	Grant	47	Lawrence	67	Putnam	87	Warrick
08	Carroll	28	Greene	48	Madison	68	Randolph	88	Washington
09	Cass	29	Hamilton	49	Marion	69	Ripley	89	Wayne
10	Clark	30	Hancock	50	Marshall	70	Rush	90	Wells
11	Clay	31	Harrison	51	Martin	71	St. Joseph	91	White
12	Clinton	32	Hendricks	52	Miami	72	Scott	92	Whitley
13	Crawford	33	Henry	53	Monroe	73	Shelby	00	Out-of-state code
14	Daviess	34	Howard	54	Montgomery	74	Spencer		except the following:
15	Dearborn	35	Huntington	55	Morgan	75	Starke	94	Illinois
16	Decatur	36	Jackson	56	Newton	76	Steuben	95	Kentucky
17	DeKalb	37	Jasper	57	Noble	77	Sullivan	96	Michigan
18	Delaware	38	Jay	58	Ohio	78	Switzerland	97	Ohio
19	Dubois	39	Jefferson	59	Orange	79	Tiptecanoe	98	Pennsylvania
20	Elkhart	40	Jennings	60	Owen	80	Tipton	99	Wisconsin

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

- 1) they maintain their legal residence in Indiana and intend to return to Indiana during part of the taxable year;
- 2) they retain their Indiana driver's license; or
- 3) they retain their Indiana voting rights.

Indiana allows \$1,000 for each exemption claimed on your federal return, plus an additional \$500 for certain children claimed as dependents on your federal return (see instructions on page 15 for more information). If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you are able to claim.

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

If you were a full-year resident and your gross income is less than your total exemptions, you may file a return to get a refund of any Indiana state and/or county tax withheld by your employer; however, you're not required to file under these circumstances.

Deceased Taxpayers

The executor, administrator, or surviving spouse must file a tax return for someone who died during 1997 if:

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

You must attach a copy of the death certificate to the tax return to verify the date of death. Make sure to enter the month, day and year of death for either the taxpayer or spouse in the appropriate box located on the back of the IT-40PNR. For example, a date of death of January 9, 1997, would be entered as 01/09/1997.

An executor or administrator appointed for the deceased's estate must file and sign the return. If an executor or administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased. If a joint return is filed by the surviving spouse, the surviving spouse should sign his/her own name and after the signature write: **"Taxpayer and Surviving Spouse"**.

Only one tax return should be filed on behalf of the person who died.

If you (the surviving spouse, administrator, or executor) have received a refund and cannot cash the refund check, contact the Department to get a widow's or distributee's affidavit. After completing the affidavit and returning it to the Department, a new refund check will be issued to the surviving spouse or executor of the estate.

Military Personnel

If you were an Indiana resident when you entered the military service, you remain an Indiana resident even if you are stationed

outside of Indiana. You must report all your income to Indiana on Form IT-40, Indiana Full-Year Resident Individual Income Tax Return.

If you changed your legal residence (military home of record) during 1997, you are a part-year resident and should file Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return. You also must attach a copy of Military Form DD2058 to the tax return. As an Indiana part-year resident, you will be taxed on the income earned while you were a resident of Indiana, plus any other income from Indiana sources.

If your legal residence is a state other than Indiana, and you receive nonmilitary income from Indiana sources (e.g.: part-time job income), you should file Form IT-40PNR to report that Indiana-source income. Your military income may have to be reported on the tax return you may need to file for the other state.

If you are a full-year Indiana resident in the military, your spouse is a legal resident of another state and you filed a joint federal return, you will need to file Form IT-40PNR. When completing Indiana Schedule A, Sections 1-3, report only your income and adjustments in Column B.

Refer to the instructions on page 17 for an explanation of county of residence for military personnel.

When To File

The due date for filing your tax return is April 15, 1998. However, you may file as early as January 1, 1998. Your tax return must be postmarked by April 15th to be considered timely filed.

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

Penalties For Late Payments

If you don't file your tax return and pay the amount of tax owed by the due date, Indiana law requires you to pay penalty and interest on the late payment. See the instructions for penalty and interest on page 27.

Extensions

If you can't file by the due date and you don't owe any tax amount with your tax return, you are not required to file for an extension of time to file. However, if you are expecting a refund, you might need an extension of time to file if you are claiming the Unified Tax Credit for the Elderly. See the instructions for the Unified Tax Credit for the Elderly on page 21.

If you can't meet the filing deadline and expect to owe tax with your return, you should apply for an automatic extension. The extension allows additional time to complete and file your income tax return; however, the extension does not provide additional time to pay the amount of tax owed. To make the extension valid, you must pay at least 90% of the tax due (Form IT-40PNR, line 30) by April 15, 1998.

There are two ways to get an extension for filing your Indiana tax return. One way is to file Indiana's extension Form IT-9 by April 15, 1998. This extends the filing date to June 15, 1998. Remember, you must pay at least 90% of the tax due for the extension to be valid. A copy of Form IT-9 is on page 32.

Indiana also recognizes valid federal extension dates plus 30 days. So, if you file for a federal extension, simply attach a copy of the Federal Form 4868 to your Indiana return when filing. Again, 90% of the tax due must still be paid by April 15, 1998.

Note: Valid extensions are only for filing purposes. Interest will be due on any tax remaining unpaid during the extension period.

Nonresidency and Income Taxable to Indiana

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

Indiana income includes income from the following sources:

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

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

Reciprocal States: Special Instructions

If you were a resident of Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and you received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this was the only type of income you earned from Indiana, you should file *Form IT-40RNR*, Reciprocal Nonresident Indiana Individual Income Tax Return. See the "Need Tax Forms ...?" section on page 3 for options.

Important:

If you were a reciprocal state resident and received other types of Indiana-source income in addition to wages, tips, salaries or commissions, you should file Form IT-40PNR instead of Form IT-40RNR. **Note:** Since Indiana won't tax the wages, salaries, tips or commissions, remember to **not** put them in Column B.

Indiana Schedule A

Sections 1, 2 and 3 Instructions

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

General Information

Income received from Indiana sources should be reported as Indiana income by nonresidents, except certain types of Indiana income which are subject to tax only by your state of residence at the time you receive it. When reporting a loss or negative entry, fill in the oval to the left of the line. If you're using a typewriter, place an 'X' over the oval.

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

Read the following line-by-line instructions for more information. Also, get Income Tax Information Bulletin # 28.

Section 1: Income or Loss Line-by-Line Instructions

Unless otherwise stated:

- enter in Column A your income as it appears on your federal return; and
- enter in Column B the portion of your income that is subject to Indiana income tax.

Lines 1 and 2 - Wages, Salaries, Tips, etc.

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

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

Lines 3 and 4 - Interest and Dividend Income

Enter in Column A your taxable interest and dividend income as reported on your federal return, and report the interest and dividend income attributable to Indiana in Column B. Interest earned from U.S. Government Obligations is not taxed by Indiana, but still must be reported on this line. If any of the interest reported in Column B is from U.S. Savings Bonds, Treasury Notes, T-Bills, etc., you may deduct these amounts on Form IT-40PNR, Schedule D, line 3.

Section 1: Income or Loss cont'd...

Line 5 — Taxable Refunds, Credits or Offsets

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

Line 6 — Alimony Received

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

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

Line 7 — Business Income or Loss

Enter in Column A the business income from Schedules C or C-EZ that is reported on federal Form 1040, line 12. Enter in Column B that portion of business income subject to tax in Indiana. Also, see the instructions for:

- tax add-back on Section 1, line 23; and
- apportionment on page 10 if this income is from a business doing business both within and outside Indiana.

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

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

Note: Any capital loss claimed is subject to the same capital loss limitations that apply for federal tax purposes.

Example: Jessica had a \$4,000 long term capital loss while living in Indiana from January 1, 1997 through September 30, 1997. She moved to Utah on October 1, and lived there the rest of the year. She realized a \$5,000 long term capital gain while she was a resident of Utah. She reported \$1,000 capital gain income on her federal Form 1040, line 13. She will report a \$3,000 loss to Indiana. The remaining \$1,000 loss will be available for her 1998 Indiana nonresident income tax return.

Line 9 — Other Gains or Losses from Form 4797

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

- if the property was Indiana property, and
- while you were an Indiana resident, regardless of the source.

Line 10 — IRA Distributions

Enter in Column A the IRA distribution reported on your federal Form 1040, line 15b, or Form 1040A, line 10b. Enter in Column B that portion received while you were an Indiana resident.

Line 11 — Pensions and Annuities

Enter in Column A all taxable pensions, annuities and other retirement income as reported on your federal Form 1040, line 16b, or Form 1040A, line 11b. Enter in Column B that portion received while you were an Indiana resident.

Line 12 — Net Rent or Royalty Income or Loss

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

Enter in Column B the net royalty income/loss:

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

Enter in Column B the net rental income/loss:

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

Also, see the instructions for tax add-back on Section 1, line 23.

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

Enter in Column A the income or loss from partnerships, trusts and estates, and S corporations, as reported on federal Form 1040, line 17. Enter in Column B that portion of income received from these sources while you were an Indiana resident.

If you are a nonresident, the Indiana partnership, S corporation and fiduciaries doing business both within and outside Indiana should provide to you an apportioned amount to be taxed by Indiana. If those Indiana entities do not apportion their income, then enter in Column B the same amount from those entities as you entered in Column A.

Also, see the instructions for tax add-back on Section 1, line 23.

Note: If, while a nonresident, you received interest or dividend income from an Indiana partnership, S corporation or trust or estate, and such income is not an integral part of an Indiana business, trust or estate, you should not enter this income in Column B.

Line 16 — Farm Income or Loss

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

- apportionment on Section 1, line 19 if this income is from a farm doing business both within and outside Indiana, and
- tax add-back on Section 1, line 23.

Line 17 — Unemployment Compensation

Enter in Column A the unemployment income from federal Form 1040, line 19 or federal Form 1040A, line 12. Enter in Column B that portion of unemployment income received while you were an Indiana resident.

Section 1: Income or Loss cont'd...

Line 18 — Social Security and Railroad Retirement Benefits

Enter in Column A the portion of social security and/or railroad retirement benefits that are taxed on your federal Form 1040, line 20b, or Form 1040A, line 13b. Enter in Column B the portion received while you were an Indiana resident.

Note: Indiana will not tax social security benefits or railroad retirement benefits (issued by the Retirement Board). Therefore, look at Indiana Schedule D, lines 4 and 5. You'll be able to take a deduction for any of these amounts on that schedule.

Line 19 — Indiana Apportioned Income

Apportioned business income from Schedule IT-40PNRA is reported on this line. The apportionment schedule is used **only** by nonresidents with income or losses from a business that does business both within and outside Indiana. Report the amount from Schedule(s) IT-40PNRA, Part 3, line 6. Contact the Department to get Schedule IT-40PNRA.

Note: If you are apportioning business income, you will:

- report the full amount from your federal return onto Indiana Schedule A, Section 1, Column A, and
- **not** report any of that income in the corresponding Column B.

Instead, you will report the amount to be taxed by Indiana in Column B on this line.

Example: Mark is a full-year nonresident of Indiana. His company did business both within Indiana and in other states. On Indiana Schedule A, Section 1, line 7, Column A, he reported the same amount of business income as he reported on his federal Form 1040, line 12. He left line 7, Column B blank. He entered the amount apportioned to Indiana on Section 1, line 19, Column B.

Line 20 — Other Income

Enter any other income for which there is no line provided on the IT-40PNR return. Other income would include prizes, awards, amounts recovered from bad debts, gross lottery and gambling winnings, director's fees, etc., as reported on your federal return. List the sources of the income or (loss) reported on this line.

Do not report any net operating loss deduction here. You will show your Indiana net operating loss deduction on Schedule D, Line 13.

Line 21 — Total Income

Add Lines 1 through 20 for Columns A and B and enter totals on this line. Also, enter these amounts on line 22 on the back of the schedule.

Proration Section

The purpose of this section is to compare the Indiana Schedule A, Section 1, line 21A income taxed on your federal return to the line 21B income taxed by Indiana. To do this, divide the line 21B

Indiana income by the line 21A total income. Enter the result here and on line 8 on the front of Form IT-40PNR.

Line 23 — Tax Add-Back

If you have entries on Section 1, lines 7, 12, 13, 14, 15 &/or 16, and if you claimed deductions for any state income tax, local real estate and/or personal property tax on the federal schedules from which those entries came, you must add these back to your income.

Example: Cheryl had \$20,000 self employment income from Indiana reported on federal Form 1040, line 12, and on Indiana Schedule A, Section 1, line 7 Columns A and B. On her federal Schedule C she claimed a \$1,000 property tax deduction. She'll enter that \$1,000 here as a tax add-back.

Note: The state income tax, local real estate and/or personal property taxes deducted on your federal return may be based on taxes paid outside Indiana. Regardless of where these taxes were paid, they must be added back to the extent the income from which they were deducted is being taxed in Column B.

Line 24 — Lump Sum Distribution

Enter in Column B the capital gains and ordinary income reported on federal Form 4972 that you received while you were an Indiana resident.

Indiana Schedule A, Section 2

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

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

Unless otherwise stated:

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

Line 26 — Individual Retirement Account Deductions

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal 1040 or 1040A. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA, provided you qualify for the deduction for federal tax purposes. Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services. To compute the IRA adjustment for Column B, you must use the percentage that your Indiana compensation bears to your federal compensation. Use the formula below:

$$\frac{\text{Indiana Compensation}}{\text{Federal Compensation}} \times \text{Federal Deduction (Column A)} = \text{Indiana Deduction (Column B)}$$

Line 27 — Medical Savings Account Deduction

Enter in Column A the medical savings account deduction reported on your federal Form 1040. Figure the amount to be reported in Column B by using the same steps outlined in the Line 26 instructions applied towards your full deduction.

Section 2: Adjustments to Income cont'd...

Line 28 — Moving Expenses

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

Line 29 — Self-Employment Tax Deduction

Enter the amount claimed on federal Form 1040, line 26 in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B. To figure your adjustment for Column B use the formula below:

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

Line 30 — Self-Employed Health Insurance Deduction

If you are eligible to take this adjustment on your federal return, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction on this line. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self employment income, certain income from partnerships and/or S corporations. To figure your adjustment for Column B use the formula below:

$$\frac{\text{Indiana source: self employment income/certain income from partnerships and/or S corporations}}{\text{Federal self employment income/certain income from partnerships and/or S corporations}} \times \text{Federal Adjustment (Column A)} = \text{Indiana Adjustments (Column B)}$$

Line 31 — Payments to Keogh Plans and Self-Employed Retirement Plans

Enter in Column A the Keogh deduction reported on your federal return. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to a qualified self-employment retirement plan to the extent allowed in arriving at your federal adjusted gross income. If you have self-employment income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A between the other states and Indiana. Therefore, the allowable Indiana adjustment to be reported in Column B is limited to the percent of your federal adjustment which your Indiana self-employment income bears to your total self-employment income. Use the formula below:

$$\frac{\text{Indiana Self-employment Income}}{\text{Federal Self-employment Income}} \times \text{Federal Deduction (Column A)} = \text{Indiana Deduction (Column B)}$$

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

Line 32 — Penalty on Early Withdrawal of Savings

If, while a resident of Indiana, you had interest forfeited for early withdrawal of funds from a certificate of deposit or other time deposit savings account, you may enter this amount as an adjustment in Column B (provided it is reported on Section 1, line 3, Column A).

Line 33 — Alimony paid

If, while a resident of Indiana, you paid amounts under the terms of a decree of divorce or separation or a written document pertaining to that decree which qualify as an adjustment for federal tax purposes, you may take an adjustment in Column B for such amounts paid. **Note:** Child support is not alimony.

Section 3: Totals

Line 35A — Column A Total

Subtract line 34A from line 25 A and enter total here.

Line 35B — Column B Total

Subtract line 34B from line 25B. Enter total here and on the front of form IT-40PNR, line 1.

Indiana Deductions Schedule D

Line 1 - Renter's Deduction

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

- you paid rent on your principal place of residence, **and**
- the place you rented was located **in Indiana** and subject to Indiana property tax.

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

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

You can't claim the renter's deduction if the rental property was exempt from Indiana property tax. Examples of this type of property are:

- government owned housing, including Section 8 housing;
- property owned by a nonprofit organization;
- student housing;
- property owned by a cooperative association; or
- property located outside of Indiana.

How do I report my deduction? First, complete the information with details about where you rented, who your landlord was, how many months you rented and how much rent you paid. If you moved during the year or had more than one landlord, you must list the same information for each place in Indiana that you rented. Attach additional sheets if necessary. Then, enter on line 1 the *lesser* of the total amount of rent paid *or* \$1,500 (e.g. Bill paid \$400 rent and then moved to another location and paid \$1,300 rent. His deduction will be limited to \$1,500 even though he paid \$1,700 altogether).

Schedule D: Indiana Deductions cont'd...

Important: You must maintain copies of your rental receipts, landlord identifying information, and lease agreements as the Department can require you to provide this information.

For more information about this deduction, contact the Department to get Income Tax Information Bulletin #38.

Line 2 - State Tax Refund Reported on Federal Return

If you had to report your state income tax refund as income on your federal return, and you reported it on Indiana Schedule A, Section 1, lines 5A and 5B, deduct it here.

Line 3 - Interest on U.S. Government Obligations Deduction

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

Examples of U.S. Government obligations include U.S. Savings Bonds, U.S. Treasury Bills and U.S. Government Certificates.

The portion of interest income reported from a trust, estate, partnership or S corporation that is from U.S. Government obligations is also deducted on this line.

For more information about this deduction, contact the Department to get Income Tax Information Bulletin #19.

Lines 4 and 5 - Taxable Social Security and/or Railroad Retirement Benefits Deduction

If you have an amount on Indiana Schedule A, Section 1, line 18B, deduct it on this line. Indiana does not tax these types of income.

Note: Do not enter any other types of pension or retirement income on this line. Enter **only** the amount of social security and/or railroad retirement benefits (issued by the Railroad Retirement Board) taxed on your federal tax return.

Line 6 - Military Service Deduction

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

Also, if you are retired from the military or the surviving spouse of a person who was in the military, and you included military retirement income on Indiana Schedule A, Section 1, line 11B, you may be able to take this deduction if:

- you were at least 60 years of age by December 31, 1997;
- you were receiving military retirement or survivor's benefits in 1997; and
- the total benefits received as retirement income were reported on your federal return.

This deduction is equal to the actual amount of military income received (i.e. military pay, retirement pay, and/or survivor's benefits) or \$2000, whichever is *less*. If you and your spouse received military income, you may each claim the deduction for a

maximum of \$4,000. For more information about this deduction, contact the Department to get Income Tax Information Bulletins #6 and #27.

Important: If you are claiming this deduction you **must** attach your military W-2 forms, retirement pay statement and/or survivor's benefit statement to the tax return.

Caution: If you received both military pay and retirement pay or survivor's benefits during the tax year, the total deduction cannot be greater than \$2,000 per qualifying person. For example, if you earned \$3,000 in military pay the first half of the year and \$1,500 in retirement pay the second half of the year, you can deduct only \$2,000 of your income.

Line 7 - Non-Indiana Locality Earnings Deduction

If you received income subject to both Indiana state income tax and a local tax in another state, you may be allowed to deduct up to \$2,000.

Example: While and Indiana resident you earned \$8,000 in Smith City, Kentucky. Your employer withheld a Smith City (local) tax from your wages. Since your wages were taxed by a non-Indiana locality, you are eligible to take a \$2,000 deduction.

You may deduct the amount of your income taxed by a non-Indiana locality **or** \$2,000, whichever is *less*. If you and your spouse both qualify, you may each claim the deduction for a maximum of \$4,000 (limited to no more than \$2,000 per person).

You must attach proof the tax was paid to a locality outside Indiana to be allowed this deduction. A W-2 form is sufficient proof as long as the W-2 form shows an amount and the locality where the tax was paid. The name of the locality is usually found in box 19, Locality Name, of the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

Remember: You may take this deduction only if your wage income is taxed by **both** Indiana **and** a locality outside Indiana.

Line 8 - Insulation Deduction

If you installed new insulation, weather stripping, double pane windows, storm doors or storm windows in your **Indiana home** during 1997, you may be able to take the insulation deduction. To take the insulation deduction the following requirements must be met:

- the insulating items must have been installed in your principal place of residence located in Indiana;
- the part of your home where the insulating items were installed must have been built *before* January 1, 1994;
- the insulating items must be an *upgrade* and not a replacement **or** like-kind item (e.g., replacing a double pane window with a new double pane window won't qualify, but replacing a double pane window with a triple pane window will qualify); and
- the deduction must be taken in the year the insulating items were installed.

You are allowed to deduct the actual cost of the qualifying items plus the amount paid for labor up to a maximum of \$1,000. (You cannot include the cost of labor you did yourself.)

Schedule D: Indiana Deductions cont'd...

When claiming the deduction attach a separate sheet stating:

- the item purchased;
- the purchase price;
- the place of purchase;
- the date of purchase;
- the date of installation; and
- the amount paid for labor.

For more information about this deduction, contact the Department to get Income Tax Information Bulletin #43.

Line 9 - Disability Retirement Deduction

To take this deduction you must have:

- a) been permanently and totally disabled at the time of retirement;
- b) retired on disability before December 31, 1997;
- c) been under the age of 65 at the end of 1997; and
- d) received disability retirement income during 1997.

If you meet these qualifications, you should complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. For more information about this deduction, contact the Department to get Income Tax Information Bulletin #70 and Schedule IT-2440. This schedule **must** be attached to your tax return when claiming this deduction.

Note: Social security disability income does not qualify for this deduction because Indiana does not tax this income.

Line 10 - Civil Service Annuity Deduction

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be able to take a deduction *if* you were at least 62 years of age by December 31, 1997.

To figure your deduction take the amount of annuity payments received or \$2,000, whichever is less, and subtract all social security and tier 1 and tier 2 railroad retirement benefits received.

For example, if your civil service annuity for 1997 was \$6,000, and you received social security benefits of \$1,200, your deduction would be figured in the following manner.

Lesser of the amount of the annuity (\$6000) or \$2000	\$2,000
Social security benefits	<u>- 1,200</u>
Allowable deduction	\$ 800

If you and your spouse both received annuities, you may each take this deduction for a maximum of \$4,000 (\$2,000 apiece), providing you both meet the age requirement.

This deduction is available only to the annuitant and is not available to the annuitant's beneficiary. For more information about this deduction, contact the Department to get Income Tax Information Bulletin #6.

Line 11 - Nontaxable Portion of Unemployment Compensation

If you reported unemployment compensation on your federal income tax return, Forms 1040, line 19 or 1040A, line 12, then this amount may also be included on Indiana Schedule A, Section 1, line 17B. Indiana can differ from the federal government in determining the taxable portion.

You should use the worksheet at the bottom of this page to determine your Indiana taxable unemployment income. If, after completing the worksheet, there is a difference between state and federal taxable unemployment compensation, enter the amount from line 7 of the worksheet as a deduction.

Line 12 - Indiana State Lottery Winnings

If you win any prize money from the Indiana Hoosier Lottery Commission, either by winning an instant game, a pull-tab game or an on-line game such as Lotto Cash or Hoosier Lottery Powerball, you must report those winnings as income on your federal income tax return. However, Indiana **does not** tax winnings paid by the Hoosier Lottery Commission. Therefore, if you reported these winnings on your federal return and they are included on Indiana Schedule A, Section 1, line 20B, enter this amount as a deduction.

Note: Winnings from other state lotteries, Indiana pari-mutuel horse races or out-of-state tracks, Indiana or out-of-state riverboats and other gambling winnings are taxable in Indiana and should not be deducted from your taxable income.

Line 13 - Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040, line 21.

Unemployment Compensation Worksheet			
Note: If you were married but filing separately, and you lived with your spouse at any time during 1997, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter \$12,000 on line 3.			
1. Unemployment compensation reported on Indiana Schedule A, Section 1 line 17B	1		
2. Federal adjusted gross income from Form 1040, line 32, Form 1040A, line 16, or Form 1040EZ, line 4	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return	3		
4. Subtract line 3 from line 2. If zero or less, enter -0-	4		
5. Enter one-half (1/2) of the amount on line 4	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6		
7. Subtract line 6 from line 1. Carry this amount to Schedule D, line 11.....	7		

Schedule D: Indiana Deductions cont'd...

(This will be a net operating loss deduction from an earlier year(s) carried forward to 1997.) State the amount you are deducting as a positive figure. Attach the following copies to your state tax return:

- a) federal Forms 1045 and 1045 Schedule A; or
- b) a detailed breakdown showing the federal loss calculation; **and**
- c) a completed Indiana Schedule IT-40NOL.

The deduction will be denied if these schedules are not attached to your tax return.

Line 14 - Enterprise Zone Employees

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas.

Enterprise zones have been established in certain portions of the following cities:

Anderson	Fort Wayne	Marion
Bedford	Gary	Michigan City
Bloomington	Hammond	Muncie
Connersville	Indianapolis	Richmond
East Chicago	Kokomo	South Bend
Evansville	Lafayette	Terre Haute

If you lived in an enterprise zone and worked for a qualified employer* in that zone you may be able to take this deduction. Your employer will provide you with Form IT-40QEC if you're eligible to claim this deduction.

The amount of the deduction is one-half (1/2) of the earned income shown on that form or \$7,500, whichever is less. **Form IT-40QEC must be attached to the Form IT-40PNR.** For additional information about this deduction, contact the Department for Income Tax Information Bulletin #66.

Earned Income Tax Deduction Worksheet



You may be eligible to claim an earned income tax deduction if your income on Form IT-40PNR, Schedule A, Section 3, line 35A is less than \$12,000. Complete the following steps to see if you qualify.

Step 1 Enter the amount from Indiana Schedule A, Section 3, line 35A (if less than zero, enter zero) **A** _____
 Is this less than \$12,000?
 No Stop. You don't get this deduction.
 Yes Multiply the line A amount by 80% (.80) and enter total here **B** _____
 Go on to Step 2.

Step 2 Do you have a child who:
 • is your child, stepchild or foster child? Yes No
 • lived with you in Indiana for more than one-half of 1997? Yes No
 • is dependent on you for more than one-half of his/her support? Yes No
 • was under the age of 19 as of December 31, 1997? Yes No
 • was not married on December 31, 1997? Yes No
 If you answered No to ANY of the questions, Stop. You don't get this deduction.
 If you answered Yes to ALL of the questions, go on to Step 3.

Step 3 Enter your (and your spouses, if married filing jointly) wage, salary and tip income from federal Forms: 1040EZ, line 1, 1040A, line 7, **or** 1040, line 7 **C** _____
 Enter your (and your spouses, if married filing jointly) net business income (or loss) from federal Form 1040 line 12 (from federal Schedule C or C-EZ); leave this line blank if you don't have this kind of income reported on your federal return **D** _____
 Add Lines C and D. Go on to Step 4 **E** _____

Step 4 Is the line E amount bigger than the line B amount?
 No Stop. You don't get this deduction.
 Yes You qualify for a deduction. Go on to Step 5.

Step 5 This is the maximum allowable deduction **F** \$ **12,000**
 Enter the line A amount **G** -
 Subtract line G from line F. This is your allowable deduction. Enter here and on Schedule D, line 16 **H**

Schedule D: Indiana Deductions cont'd...

***A qualified employer cannot be a governmental agency, not-for-profit organization, partnership, or S corporation.** Your employer must be in good standing with the Enterprise Zone Authority. If they are not, you will not be entitled to this deduction.

Line 15 - Recovery of Deductions

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

Indiana **does not** allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your 1997 federal Form 1040, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line.



Line 16 - Earned Income Tax Deduction

New for 1997, you may be eligible to claim an earned income tax deduction if your income on Indiana Schedule A, Section 1, line 35A is less than \$12,000. Complete the worksheet on page 14 to see if you meet the qualifications and to figure the deduction.

Line 17 - Other Deductions

If you take any of the following deductions make sure to list the type of deduction claimed and the amount being claimed.

Important: Do not claim itemized deductions from federal Schedule A.

Medical Savings Account Deduction

You may be eligible for a deduction if your employer deposited funds in certain medical care savings accounts. If you received Form IN-MSA from the account provider you should deduct any medical withdrawals and exempt interest income reported in Box 2 and/or Box 7. **Make sure you attach Form IN-MSA or your claimed deduction will be denied.**

Human Services Tax Deduction

You might be able to take the human services tax deduction if you lived in Indiana, and:

- received Medicaid payments;
- were not living at home; and
- were receiving care in a hospital, skilled nursing facility, or an intermediate care facility.

To determine your deduction, request Income Tax Information Bulletin #80.

Law Enforcement Reward Deduction

If you reported the amount you received as a reward as other income on Indiana Schedule A, Section 1, line 20B, you may be eligible for this deduction.

If you received the reward for providing information to a law enforcement official or agency; if the information assisted in the arrest, indictment, or the filing of charges against a person; and if

you are not compensated for investigating crimes, the person convicted of the crime or the victim of the crime; then you can deduct the *lesser* of the amount received or \$1000.

Airport Development Zone Deduction

Certain areas within Indiana have been designated as airport development zones. Currently, zones are established within the city of Gary. Areas within the city of Terre Haute and Allen County are also eligible to designate zones. If you lived in an airport development zone and worked for a qualified employer in that zone you may be able to take this deduction.

Your *employer* will provide you with Form IT-40QEC if you're eligible to claim this deduction. The amount of the deduction is one-half (1/2) of the earned income shown on that form or \$7500, whichever is less. Form IT-40QEC must be attached to the Form IT-40PNR.

For additional information about this deduction, contact your employer to see if you're working in an established airport development zone.

Indiana Exemptions: Lines 4 - 9

At the bottom of Indiana Schedule A is the Proration Section. The number in Box 8C represents the percentage of your total income being taxed by Indiana. For example, .45 means that Indiana is taxing 45% of your total income.

On lines 4, 5 and 6 on the front of the IT-40PNR you'll figure the number of exemptions available to you. On lines 7, 8 and 9 you'll multiply that exemption total by the percent from Box 8C. For example, if line 7 is \$1,000 and line 8 is .45 (45%), your line 9 total exemption will be \$450. Since Indiana is taxing 45% of your total income, you're allowed to deduct 45% of your total exemptions.

Line 4 - Exemptions

You are allowed a \$1000 exemption on your Indiana tax return for each exemption claimed on your federal return. Enter the total number of federal exemptions claimed in the space provided.

Example - John and Lisa have a 12 year old daughter named Sarah. On John and Lisa's joint federal return they claim themselves and Sarah as exemptions for a total of 3. They'll enter 3 in the box on line 4 for a total of \$3,000 exemptions.

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

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

Line 5 - Additional Exemption for Dependent Child

Beginning in 1997, an additional exemption of \$500 is allowed for certain dependent children claimed as exemptions on your federal

Exemptions cont'd...

income tax return. If you have included any dependent children in the amount shown on line 4, read the *Dependent Child Definition* below to see if you are eligible to claim this additional exemption.



Dependent Child Definition: The dependent child must be a son, stepson, daughter, and/or stepdaughter who is your child (and/or your spouse's child if filing a joint return). They must be either under the age of 19 by December 31, 1997, or be a full-time student who is under the age of 24 by December 31, 1997.

If any dependent(s) claimed by you on your federal return also meet the *Dependent Child Definition* above, enter that number in the box on line 5.

Example - John and Lisa claimed their 12 year old daughter Sarah as an exemption on line 4. Since Sarah is their daughter, is under the age of 19 and was claimed as an exemption on her parent's federal tax return, John and Lisa will claim one (1) exemption on line 5 for a total of \$500.

Note: Not all dependent children eligible to be claimed as exemptions on the federal tax return will be eligible for this additional exemption. For instance, if you claimed a grandchild or nephew as an exemption on your federal tax return, you should also claim an exemption for them on line 4. However, since they don't meet the *Dependent Child Definition* above, you won't be able to claim the additional exemption on line 5.

Line 6 - Age 65 or Older or Blind

If you and/or your spouse (if filing a joint return) are age 65 or older, you (or both of you) can take an additional \$1000 exemption. If you and/or your spouse (if filing a joint return) are legally blind, you (or both of you) can take a \$1000 exemption. Mark the boxes applying to you and/or your spouse. Enter the total number of boxes marked on this line x \$1000.

Line 8 - Proration Amount

Enter the amount from Box 8C located at the bottom of Indiana Schedule A, Section 1.

Line 9 - Total Exemptions

Multiply the exemption subtotal on line 7 by the amount on line 8. Enter the total here.

County Tax: Schedule CT-40PNR Instructions

If, on January 1, 1997, you and your spouse (if filing a joint return) lived and/or worked in an Indiana county that has a tax, you must complete Schedule CT-40PNR to figure your county tax.

A county has a tax if it has tax rates next to its name on the chart on page 19.

Note: If the county on the chart has the initials "NA" in the rate columns, it doesn't have a county tax. It is listed for the 2-digit county code number only.

County of Residence Defined

Your county of residence is the county where you maintained your home on January 1, 1997. If you had more than one home on this date, then your county of residence as of January 1, 1997 was:

- where you were registered to vote. If this did not apply, then your county of residence was;
- where your personal automobile was registered. If this did not apply, then your county of residence was;
- where you spent the majority of your time during 1997.

If you moved to another Indiana county after January 1, 1997, your county of residence for tax purposes will not change until next year.

- If, on January 1, 1997, you lived in an Indiana county having a tax, then you will owe county tax on all of your Indiana adjusted gross income.
- If, on January 1, 1997, you lived in an Indiana county having no tax, then county tax will be figured on your income from your principal employment if the county where you worked on January 1, 1997 has a tax (see definition below).

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on January 1, 1997. If you began working in another county after January 1, 1997, the county where you worked for tax purposes *will not change until next year*. If you had more than one job on January 1, 1997 your principal place of employment is the job where you worked the most hours and earned the most income.

Example 1 - Jessie worked in Marion County, Indiana on January 1, 1997. She quit that job and began a new one in another state on February 10, 1997. She will enter the Marion County 2-digit code (49) as the county where she worked even though she changed jobs (and states) during the year.

If, on January 1, 1997, your county of principal employment was *not* in Indiana, write county code "00" (out-of-state)* in the *County Where You Worked* box.

***Exception:** If you lived or worked in any of the following states on January 1, 1997, enter their 2-digit code number (instead of 00):

State	Use Code #
Illinois	94
Kentucky	95
Michigan	96
Ohio	97
Pennsylvania	98
Wisconsin	99

County Tax instructions cont'd...

Principal Employment Income

You must figure your principal employment income only if, on January 1, 1997, you *lived* in a county not having a tax (or lived out-of-state), but *worked* in an Indiana county that *did* have a tax. Your principal employment income is income you earned from your Indiana main work activity (job) for the entire year. See instructions for Section 2, line 1 on page 18 for more information.

Military Personnel

If Indiana is your home of record and you were stationed in Indiana, your county of residence is the county where you lived on January 1 of the year you entered the military service. If, on January 1, 1997, you were stationed *outside* of Indiana and you are single or your family was with you, write county code “00” (out-of-state) in all the county boxes (you won't owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and family were still living in an Indiana county on January 1, 1997, you are considered to be a resident of that county and subject to county tax.

Retired Persons

If you were retired by January 1, 1997, put your county of residence 2-digit code number in *both* the Indiana County of Residence and Indiana County Where You Worked boxes. **Do not write the word “Retired” over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return:

- If you lived in different counties (or out-of-state) on January 1, 1997, both of you need to figure your county tax separately on Section 1.
- If both of you lived in a county (or out-of-state) on January 1, 1997 that had no tax, but worked in a county that did have a tax, you must figure your tax separately on Section 2.
- If only one of you is subject to county tax, then you may use all of the exemptions from Form IT-40PNR, line 9, *except for your spouse's*, to figure your tax.*

*Example - Jack and Sue show 3 exemptions (\$3,000) on line 4 on the front of the IT-40PNR. The line 8 amount is .40. Jack can use \$2,000 exemptions x .40 = \$800 to figure his county tax.

County Tax Schedule CT-40PNR Section 1: Line-by-line Instructions

Complete Section 1 if, on January 1, 1997, you lived in a county that has a county tax. If you didn't, skip to Section 2 instructions.

Line 1

- If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 10 of Form IT-40PNR.
- If you are filing a joint return and you both lived in the same county on January 1, 1997, enter in Column A the state taxable income from line 10 of Form IT-40PNR. Leave Column B blank.

Example - On January 1, 1997, Jack and Diane lived in the same county that has a tax. They'll enter their Form IT-40PNR, line 10 combined state taxable income in Column A.

- If you are filing a joint return and you and your spouse lived in different Indiana counties on January 1, 1997, enter each person's share of state taxable income from Form IT-40PNR, line 10, in the appropriate columns.

Example - Simon and Jill got married in 1997, and are filing a joint return. On January 1, 1997, Simon lived in Greene County and Jill lived in Clay County. They moved out of Indiana in July, 1997. Their federal adjusted gross income is \$ 55,400. Their Form IT-40PNR line 10 income of \$29,300 includes the following breakdown:

Indiana	Simon	Jill
Wage income	\$ 20,000	\$ 10,000
Interest income	+ 200	+ 200
Exemptions*	<u>- 737</u>	<u>- 363</u>
CT-40PNR Line 1 =	\$ 19,463	\$ 9,837
	Column A	Column B

*Exemptions: IT-40PNR line 9 is: \$2,000 x .55 = \$1,100. A total of .67 (67%) of the \$30,400 Indiana income is Simon's, and .33 (33%) is Jill's. Therefore, .67 x \$1,100 = \$737 exemption for Simon, and .33 x \$1,100 = \$363 is Jill's exemption.

Example - The circumstances are the same as the *Example* above except Jill lived in Sullivan County, Indiana, which doesn't have a county tax. Simon would still enter his \$19,463 share of the Form IT-40PNR line 10 amount on CT-40PNR, Section 1, line 1, Column A. However, Column B will be left blank since Jill won't owe a county tax.

Line 2

If you claimed a non-Indiana locality earnings deduction on Schedule D, line 7, enter that amount on this line in Column A. If you're completing Column B instead, and your spouse is the one taking this deduction, then enter it in Column B.

Line 4

Find your county on the County Income Tax Chart on page 19. Find the rate from the *Resident Rate* column and enter it here. For example, if your county is Elkhart, enter .0125.

Line 5

Multiply your line 3 adjusted income by the line 4 county tax rate.

Line 6

Add the amounts from line 5, Columns A and B. If you were a Perry county resident and worked in the Kentucky counties of Breckinridge, Hancock or Meade, complete lines 7 and 8. Otherwise, enter the total here and on line 9.

Line 7

Enter here the income that was taxed by any of the Kentucky counties listed on line 6.

County Tax instructions cont'd...

Line 8

Multiply the amount on line 7 by .005 and enter the total here. If there is no amount on line 7, skip this line and go to line 9.

Line 9

Subtract the amount on line 8 from the amount on line 6. Enter that amount here or, if there were no entries on those lines, enter the amount from line 6. Also enter this amount on IT-40PNR, line 12.

County Tax Schedule CT-40PNR Section 2: Line-by-line Instructions

Complete Section 2 if, on January 1, 1997:

- you were a resident of a county that doesn't have a county tax (or resided out-of-state), but
- you worked in an Indiana county that does have a county tax.

Line 1

Enter your principal employment income that's included on Indiana Schedule A, Section 1, Column B. This includes income from; wages, tips, salaries and commissions; net self-employment income from federal Schedule C/C-EZ; and/or net farm income from federal Schedule F. **Do not** include passive income like interest, dividends, pensions, capital gains, farm rental, etc. Also, do not include income from a part-time job.

Example - During 1997 Jake received income from the following sources (included on Indiana Schedule A, Section 1, Column B):

- \$15,000 from his full-time job;
- \$1,850 from his part-time job;
- \$50 interest income; and
- \$800 pension income.

The principal employment income he will enter on line 1 is \$15,000.

◆ If you had more than one job at different times during the year (not including part-time employment), and that income is taxed on Indiana Schedule A, Column B, add the income from those jobs and enter here.

Example - During 1997 Sarah earned \$7,000 from her Indiana job, which she worked from January 1 through April 30. She began her new job on May 14, earning \$11,000 until she moved out-of-state in October. She should enter the \$18,000 combined amount here.

◆ If you worked two or more jobs at the same time, enter the portion you earned from your main job.

Example - Daniel had two jobs at the same time. On Job #1 he worked 30 hours a week and earned \$270 a week. On Job #2 he worked 10 hours a week and earned \$80 a week. Daniel should enter the amount he earned from Job #1 as his principal employment income.

Line 2

You may use certain deductions to lower the amount of income to be taxed. **These deductions must have been claimed on Indiana Schedule A, Section 2, Column B, or Indiana Schedule D, and must have a direct relationship to the income being taxed on line 1.**

Example - Ann's Indiana income was \$21,000 in wage income, which she reported on line 1. She claimed a \$2,000 IRA deduction on Indiana Schedule A, Section 2, line 26B. She should claim the \$2000 IRA deduction on this line.

Example 9 - Morgan lived and worked in an enterprise zone and is entering her \$17,000 wage income from that zone on line 1. She claimed a \$7,500 enterprise zone deduction on Indiana Schedule D, line 14. She should claim that \$7,500 deduction on line 2.

These deductions are limited to the following, which must be reported on Indiana Schedule A, Section 1, Column B: payments made to IRA accounts or self-employed retirement plans; medical savings account deduction; moving expense deduction*; self employment tax deduction; Keogh, self-employed SEP and SIMPLE plans; active military pay deduction and enterprise zone deduction.

* The moving expense deduction will be allowed only to the extent the income earned from that move is being taxed by Indiana on Section 2, line 1.

Example 10 - Tim and Jane file a joint tax return and live in a county that doesn't have a tax. Jane does not owe county tax, but Tim does because his business is in a county having a tax. She has a \$21,000 wage income and a \$1,400 moving expense. Tim has \$23,000 net income from his photography shop and claimed a \$700 self employed SEP deduction. He'll enter his \$23,000 income on line 1 of Section 2 and the \$700 SEP deduction on line 2 of Section 2. He's not eligible to take the moving expense deduction because the wage income that it is in relation to is not being taxed for county tax purposes.

Line 4

If you are filing a single or married filing separately tax return enter your total exemptions from Form IT-40PNR, line 9. If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Form IT-40PNR, line 9. Note: You cannot claim your spouse's exemption. Exemptions for dependents can be claimed by either spouse, as long as the total of Line 4, Columns A and B is not greater than line 9 on the Form IT-40PNR.

Example - On January 1, 1997, Jack and Sue lived in an Indiana county that doesn't have a tax. Jack worked in a county that did have a tax. Jack and Sue show 3 exemptions (\$3,000) on line 4 on the front of the IT-40PNR. The line 8 amount is .40. Jack can use \$2,000 exemptions x .40 = \$800 on this line.

Line 6

Find your county on the *County Income Tax Chart* on page 19.

...County Tax instructions continue on page 20

1997 Indiana County Income Tax Rates and County Codes

<u>County Code</u>	<u>County Name</u>	<u>Resident Rate</u>	<u>Nonresident Rate</u>
01	Adams	.0075	.003375
02	Allen	.008	.0035
03	Bartholomew	.01	.0025
04	Benton	.0125	.005
05	Blackford	.0125	.005
06	Boone	.01	.0025
07	Brown	.0125	.005
08	Carroll	.011	.0035
09	Cass	.0125	.005
10	Clark	NA	NA
11	Clay	.01	.0025
12	Clinton	.0125	.005
13	Crawford	.01	.005
14	Daviess	.01	.0025
15	Dearborn	.006	.0015
16	Decatur	.0125	.005
17	DeKalb	.0125	.005
18	Delaware	.008	.0035
19	Dubois	.01	.0055
20	Elkhart	.0125	.005
21	Fayette	.01	.0025
22	Floyd	.003	.003
23	Fountain	.01	.0025
24	Franklin	.0125	.005
25	Fulton	.011375	.003875
26	Gibson	.005	.005
27	Grant	.01	.0025
28	Greene	.01	.0025
29	Hamilton	.01	.0025
30	Hancock	.01	.0025
31	Harrison	.01	.005
32	Hendricks	.0125	.005
33	Henry	.01	.0025
34	Howard	.009	.00375
35	Huntington	.01	.0025
36	Jackson	.011	.0035
37	Jasper	.01	.0025
38	Jay	.0125	.005
39	Jefferson	NA	NA
40	Jennings	.0125	.005
41	Johnson	.01	.0025
42	Knox	.00625	.0025
43	Kosciusko	.006	.0015
44	LaGrange	.0125	.005
45	Lake	NA	NA
46	LaPorte	.00975	.00475
47	Lawrence	.01	.0025
48	Madison	.0065	.001625
49	Marion	.007	.00175
50	Marshall	.01	.0025
51	Martin	.01	.004

<u>County Code</u>	<u>County Name</u>	<u>Resident Rate</u>	<u>Nonresident Rate</u>
52	Miami	.0085	.004
53	Monroe	.01	.0025
54	Montgomery	.01	.0025
55	Morgan	.01	.0025
56	Newton	.01	.0025
57	Noble	.01	.0025
58	Ohio	.01	.0025
59	Orange	.0125	.005
60	Owen	.01	.0025
61	Parke	.0125	.005
62	Perry	.01	.00625
63	Pike	.004	.004
64	Porter	NA	NA
65	Posey	NA	NA
66	Pulaski	.0125	.005
67	Putnam	.0125	.005
68	Randolph	.0125	.005
69	Ripley	.0125	.005
70	Rush	.0125	.005
71	St. Joseph	.0025	.00175
72	Scott	.01	.0025
73	Shelby	.0125	.005
74	Spencer	.005	.005
75	Starke	.0075	.005
76	Steuben	.01	.0025
77	Sullivan	NA	NA
78	Switzerland	.0065	.001625
79	Tiptecanoe	.0125	.008
80	Tipton	.01175	.00425
81	Union	.0125	.005
82	Vanderburgh	.01	.0025
83	Vermillion	.001	.001
84	Vigo	NA	NA
85	Wabash	.0125	.005
86	Warren	.0125	.005
87	Warrick	.0035	.0035
88	Washington	.0125	.005
89	Wayne	.0125	.005
90	Wells	.01125	.00375
91	White	.0125	.005
92	Whitley	.012	.0045

00	All Other States
	except the following:
94	Illinois
95	Kentucky
96	Michigan
97	Ohio
98	Pennsylvania
99	Wisconsin

County Tax instructions cont'd...

Find the rate from the *Nonresident Rate* column (the second column of rates over) and enter it here. For example, if your county is Elkhart, enter .005.

Line 7

Multiply line 5 by the line 6 county tax rate.

Line 8

Add the amounts from line 7, columns A and B. Enter the total here and on line 12 of the IT-40PNR.

Note: If you have figured a tax in Section 1 and Section 2, add amounts from Section 1, line 9 and Section 2, line 8 and enter on form IT-40PNR, line 12.

IT-40PNR line-by-line instructions continued ...

Line 13 - Use Tax Due on Out-of-State Purchases

If, while a resident of Indiana, you made purchases outside Indiana by mail order, through radio or television advertising, or directly from an out-of-state company, those purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called “use” tax, is figured by multiplying 5% times the total purchases.

When you make purchases from a company in Indiana, that company is responsible for collecting the Indiana sales tax from you. When you make purchases from an out-of-state company, **YOU** are responsible for making sure the use tax is paid. Either the out-of-state company collects the tax from you or you must pay the tax directly to the State of Indiana.

To figure your tax you should complete the worksheet at the bottom of this page. If you did pay sales tax to the state where the item was originally purchased you are allowed a credit against your Indiana use tax for an amount up to 5%.

Note: Do not include the following items on the worksheet: automobiles, watercraft, aircraft, and trailers. A credit for taxes previously paid is not allowed for these items that are required to be titled, registered or licensed in Indiana. For more information regarding use tax call (317) 233-4015.

Line 14 - Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 1997 to an individual who is *not*:

- a) your spouse; b) your child under age 21; c) your parent; or
- d) an employee under age 18; *and* e) they worked in and around your home as a baby-sitter, nanny, health aide, private nurse, maid, caretaker, yard worker or someone who does similar domestic duties, then they *may* be your employee.

For more information on *Who Is A Household Employee?*, it is recommended that you get Federal Publication 926, *Household Employer's Tax Guide*, by calling the IRS at 1-800-829-1040.

If you paid cash wages over \$1,000 to a household worker who is your employee, you may have needed to have withheld state and county income taxes and/or pay state employment tax. If you want to pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H.


Indiana Credits

Lines 16 and 17 - Indiana State and County Tax Withheld

The amount of Indiana state tax withheld is usually shown on box 18 and the amount of Indiana county tax withheld is usually shown on box 21 of the W-2s.

You **must** attach your W-2s, WH-18s and/or Form 1099s to your tax return to verify the amount withheld.

If you had more than one job, a W-2 form for each job must be attached to the tax return so you can get credit for all Indiana state and county tax withheld.

Sales/Use Tax Worksheet 			
List all purchases of property from out-of-state sources.			
Description of Personal Property Purchased	Date of Purchase	Purchase Price of Property	
1. Total purchase price of property subject to the sales/use tax	1		
2. Sales/use tax: Multiply line 1 by .05 (5%)	2		
3. Sales tax previously paid on the above items (up to 5% per item)	3		
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40PNR, line 13. If the amount is negative, enter zero and put no entry on line 13 of the IT-40PNR	4		

Indiana Credits cont'd...

If you had Indiana state tax and/or county tax withheld on any other federal forms, such as a W-2G or 1099R, you must attach them to the tax return to get credit for the amount withheld.

If you are filing a joint return, be sure to include your spouse's W-2s, WH-18s and/or Form 1099s if they show Indiana state and/or county withholding amounts.

Use of substitute W-2s might delay the processing of your return and/or refund.

Don't claim credit for taxes withheld for states other than Indiana or for localities outside Indiana.

Line 18 - 1997 Estimated Tax Paid

If you made estimated tax payments for state and/or county tax, enter the total paid for 1997 on this line. Also include any payments made with Form IT-9 "Extension of Time to File" for tax year 1997.

Note: Do not include on this line any estimated tax paid for 1998.

Line 19 - Unified Tax Credit for the Elderly

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

- You must have been age 65 or older by December 31, 1997;
- The amount on Indiana Schedule A, Section 3, line 35A (plus any net operating loss from federal Form 1040, line 21) must be *less than \$10,000*;
- You must have been a resident of Indiana for 6 months or more during 1997; and
- You must not have been in prison for 180 days or more in 1997.

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

Important:

- If a spouse dies after January 1, 1997, the surviving spouse can claim this credit by filing a joint return. A copy of the death certificate must be attached to the tax return to verify the date of death.
- If a taxpayer dies and does not have a surviving spouse, then an estate executor or an administrator of the estate *cannot* claim the credit on behalf of the deceased taxpayer.

If you meet the requirements for claiming the Unified Tax Credit for the Elderly, but don't have any income to report on Indiana Schedule A, Section 1, you have the option to file Form SC-40 Unified Tax Credit for the Elderly. If you do file Form SC-40 then **do not** file the Form IT-40PNR.

Contact the Department to get Form SC-40. You can claim the credit on either Form IT-40PNR or Form SC-40, but *file only one of these forms, and only file once.*

The deadline for claiming this credit is June 30, 1998.

The only exception to this rule is if you have a valid extension to file your tax return. In this case, your due date is either your extension date or June 30, whichever is later.

To figure your Unified Tax Credit for the Elderly:

Use Table A if:

You meet all the requirements noted above, **and**

- you are filing a joint return, lived with your spouse during all of 1997 and both of you were age 65 or older by December 31, 1997; **or**
- both you and your spouse met all the requirements, and your spouse died after January 1, 1997.

Table A

Joint Filers Both Age 65 or Older

If the income on Line 35A of Indiana Schedule A, Section 3* is:	Your Allowable Credit is:
less than \$1,000.....	\$140
between \$1,000 and \$2,999.....	\$90
between \$3,000 and \$9,999.....	\$80

*Plus any net operating loss from federal Form 1040, line 21.

Use Table B if:

You meet all the requirements noted above, **and**

- you are filing a joint return and only one of you is age 65 or older;
- you are married, but did not live with your spouse during 1997; **or**
- you are single or widowed.

Table B

Only One Person Age 65 or Older

If the income on Line 35A of Indiana Schedule A, Section 3* is:	Your Allowable Credit is:
less than \$1,000.....	\$100
between \$1,000 and \$2,999.....	\$50
between \$3,000 and \$9,999.....	\$40

*Plus any net operating loss from federal Form 1040, line 21.

Once you have located the allowable credit in Table A or B, enter that amount on line 19 on Form IT-40PNR.

Indiana Credits: Form IT-40PNR, Schedule E

Note: The following credits cannot be refunded; their purpose is to help reduce your Indiana state and/or county tax liabilities. See the limitation areas after the line 2 and line 11 instructions.

Line 1 - Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40PNR, line 12, **and** had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax paid outside Indiana was to another city, county, town, or other local government, and they did not refund the tax or give you a credit for Indiana county tax.

The credit can be used against the Indiana county tax figured if the tax is the County Adjusted Gross Income Tax (CAGIT) or County Option Income Tax (COIT). This credit **cannot** be claimed against the County Economic Development Income Tax (CEDIT).

The *County Income Tax Chart* found on page 19 of this booklet lists the counties with their combined tax rates, if applicable. For instance, the Tippecanoe County resident tax rate of .0125 is made up of COIT (.006) plus CEDIT (.0065) for a .0125 combined county tax rate. If the county you paid tax to assesses CEDIT, the *Rate Conversion Chart* to the right will help you to determine the correct rate to use to figure this credit.

Step 1: Figuring your rate: If your January 1, 1997 county of residence is on the chart to the right, use the rate in Column A to figure your credit. If that county isn't on the chart, use the resident rate you entered on Schedule CT-40PNR, Section 1, line 4.

If your January 1, 1997, county of residence doesn't have a county tax but the January 1, 1997 county where you worked is on the chart to the right, use the rate in Column B to figure your credit. If that county isn't on the chart, use the nonresident rate that you entered on Schedule CT-40PNR, Section 2, line 6.

Step 2: Figuring your credit: Complete lines A, B and C. 

- A. Enter the amount of tax paid to the non-Indiana localityA _____
- B. Multiply the amount of income taxed by the non-Indiana locality by the rate from Step 1 aboveB _____
- C. Enter the amount of Indiana county income tax shown on Form IT-40PNR, line 12 .. C _____

The amount of the Credit for Local Taxes Paid Outside of Indiana is the **lesser** of the amounts on A, B or C.

Important: You **must** attach a copy of your W-2s showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

Rate Conversion Chart

County	A	B
	Resident	Nonresident
Adams	.0055	.001375
Allen	.006	.0015
Benton	.01	.0025
Blackford	.01	.0025
Brown	.01	.0025
Carroll	.01	.0025
Cass	.01	.0025
Clinton	.01	.0025
Crawford	.0075	.0025
Decatur	.01	.0025
DeKalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.01	.0025
Floyd	(Cannot take credit)*	
Franklin	.01	.0025
Fulton	.01	.0025
Gibson	(Cannot take credit)*	
Harrison	.0075	.0025
Hendricks	.01	.0025
Howard	.007	.00175
Jackson	.01	.0025
Jay	.01	.0025
Jennings	.01	.0025
Knox	.005	.00125
LaGrange	.01	.0025
LaPorte	.0075	.00225
Martin	.008	.002
Miami	.006	.0015
Orange	.01	.0025
Parke	.01	.0025
Perry	.005	.00125
Pike	(Cannot take credit)*	
Pulaski	.01	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	.001	.00025
Shelby	.01	.0025
Spencer	(Cannot take credit)*	
Starke	.005	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.01	.0025
Vermillion	(Cannot take credit)*	
Wabash	.01	.0025
Warren	.01	.0025
Warrick	(Cannot take credit)*	
Washington	.01	.0025
Wayne	.01	.0025
Wells	.01	.0025
White	.01	.0025
Whitley	.01	.0025

*Floyd, Gibson, Pike, Spencer, Vermillion and Warrick counties have adopted CEDIT only, not CAGIT or COIT.

Schedule E Credits cont'd...

Line 2 - County Credit for the Elderly (Age 65 or Older) or Permanently Disabled

If you take the federal credit on federal Schedule R and you owe county tax, you may be allowed a credit.

Use the following steps to figure your credit. 

- A. Enter the Elderly Credit from federal Schedule R A _____
- B. Enter the factor from the *County Credit for the Elderly Chart* in the next column that corresponds to your county tax rate B _____
- C. Multiply A times B and enter result here.. C _____
- D. Enter the amount of Indiana county tax shown on Form IT-40PNR, line 12 ... D _____

The amount of the County Credit for the Elderly is the *lesser* of the amounts on C or D. You must attach a copy of federal Schedule R.

Example: Jane is 67 years old. She is entitled to a credit of \$550 on federal Schedule R. She lives in a county that has a county tax rate of .01. Her county tax due is \$60. Jane's County Credit for the Elderly is \$37 (\$550 X .06667 = \$36.66 (rounded to \$37)).

County Credit for the Elderly Chart			
If your County Tax Rate is:	Then your Factor is:	If your County Tax Rate is:	Then your Factor is:
0.001	0.00667	0.0055	0.03667
0.0015	0.01	0.006	0.04
0.001625	0.01083	0.006125	0.04083
0.00175	0.01167	0.00625	0.04167
0.002125	0.01417	0.0065	0.04333
0.002375	0.01583	0.007	0.04667
0.0025	0.01667	0.0075	0.05
0.00275	0.01833	0.008	0.05333
0.002875	0.01917	0.0085	0.05667
0.003	0.02	0.00875	0.05833
0.003125	0.02083	0.009	0.06
0.003375	0.0225	0.0095	0.06333
0.0035	0.02333	0.00975	0.065
0.00375	0.025	0.01	0.06667
0.003875	0.02583	0.011	0.07333
0.004	0.02667	0.01125	0.075
0.00425	0.02833	0.011375	0.07583
0.0045	0.03	0.01175	0.07833
0.00475	0.03167	0.012	0.08
0.005	0.03333	0.0125	0.08333

Limitation: There is one final limitation if you have entries on both lines 1 and 2. These two credits, *when combined*, cannot be greater than the county tax shown on Form IT-40PNR line 12; if they are, adjust the amounts before you enter them. See the following example.

Example:

- The line 1 credit for local taxes paid outside of Indiana of \$100 plus the line 2 county credit for the elderly of \$20 equals \$120.
- Your IT-40PNR line 12 county tax due is \$115.
- Since your combined credits are \$5 more than your county tax due, reduce your last entry (the \$20 county credit for the elderly) by \$5 to \$15.
- Enter \$15 on line 2, and attach an explanation showing your calculations.

Line 3 - College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit. To claim this credit you must complete and attach Schedule CC-40. Contact the Department to get more information and Schedule CC-40.

Important: You must maintain documentation of your contributions as the Department can require you to provide this information.

Note: Tuition paid to a college or university is not a contribution, and does not qualify for this credit.

Line 4 - Credit for Taxes Paid to Other States

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

If you were an Indiana resident during part or all of 1997 and had income from any of the states listed in Group A below, you should first find out what the other state's rules are concerning the taxation of your income.

Group A		
No Agreement (Credit taken on resident return)		
Alabama	Maine	New York
Arkansas	Maryland	North Carolina
Colorado	Massachusetts	North Dakota
Connecticut	Minnesota	Oklahoma
Delaware	Mississippi	Rhode Island
Georgia	Missouri	South Carolina
Hawaii	Montana	Tennessee*
Idaho	Nebraska	Utah
Iowa	New Hampshire*	Vermont
Kansas	New Jersey	Virginia
Louisiana	New Mexico	West Virginia
Any foreign countries or U.S. possessions		
*(Capital gain, interest, and dividends only)		

Schedule E Credits cont'd...

Group A Worksheet



- A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return)A _____
- B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.4% (.034) B _____
- C. Enter the amount of Indiana state income tax shown on Form IT-40PNR, line 11 C _____

The *lesser* of the amounts on A, B or C is your allowable credit for taxes paid to other states. You **must** attach a copy of the income tax return (not just the W-2 forms) you filed with the other state to claim this credit. If the other state's return is not attached, the credit will be disallowed. Likewise, you **must** attach Federal Form 1116 if claiming this credit due to foreign earned income.

Group B

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

Illinois	Kentucky	Michigan
Ohio	Pennsylvania	Wisconsin

If you were an Indiana resident during 1997 and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips, and commissions.

If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

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

If you were a full-year resident of one of the reciprocal states and your income from Indiana was from wages, salaries, tips, and commissions, you should file Form IT-40RNR, Reciprocal Nonresident Income Tax Return.

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

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona	Oregon
California	Washington D.C.

If you were an Indiana resident during 1997 and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid. Note: For taxpayers residing in Washington, D.C., please contact the Department for Income Tax Information Bulletin 28. There is a special exception for this credit for Washington, D.C. residents that you must be aware of when calculating this credit.

Group D

No State Income Tax (No credit allowed)

Alaska	Florida	Nevada	South Dakota
Texas	Washington	Wyoming	

If you were an Indiana resident during 1997 and had income from one of the states in Group D, you are not allowed to claim this credit. These states do not have an income tax. You must file an Indiana resident return and pay Indiana tax on all your income.

Line 5 - Research Expense Credit

Indiana has a research expense credit that is very similar to the federal credit for research and experimental expenses paid in carrying on your trade or business in Indiana.

S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

Form IT-20 REC must be completed and a copy attached to claim this credit. For more information about this credit, contact the Department.

Line 6 - Neighborhood Assistance Credit

If you made a contribution or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. This credit is administered by the Department of Commerce. Form NC-20 must be attached to claim this credit.

For more information about this credit, contact the Department and request Form NC-20 and Income Tax Information Bulletin #22.

Line 7 - Personal Computer Tax Credit

This credit is available to taxpayers donating new or used personal computers to the Buddy-Up With Education Program administered by the Central Indiana Educational Service Centers. The program requirements are currently a 486 IBM (or compatible system) processor or a 68303 Macintosh processor or better. Beginning with tax year 1997 the credit is equal to \$100 for each personal computer approved for use by the Central Indiana Educational Service Center.

Schedule E Credits cont'd...

For more information regarding the types of personal computers that will be approved for credit and a location of an Educational Service Center near you, call (317) 387-7100.

Line 8 - Enterprise Zone Credits/Airport Development Zone Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Enterprise zones have been established in certain portions of the following cities:

Anderson	Fort Wayne	Marion
Bedford	Gary	Michigan City
Bloomington	Hammond	Muncie
Connersville	Indianapolis	Richmond
East Chicago	Kokomo	South Bend
Evansville	Lafayette	Terre Haute

Currently, an airport development zone is established within the city of Gary. Areas within the city of Terre Haute and areas within Allen County are also eligible to designate airport development zones.

Sole Proprietors who operate and/or invest in a business located in a zone may be eligible for the following credits: Enterprise Zone/Airport Development Zone Loan Interest Credit (Schedule LIC); Employment Expense Credit (Schedule EZ, Parts 1, 2, and 3) and Enterprise Zone/Airport Development Zone Investment Cost Credit. (Note: These forms are also used for the airport development zone credits even though the title on the forms indicates only enterprise zones.) *Sole proprietors must maintain good standing with the Enterprise Zone Authority to maintain eligibility for any enterprise zone credits.*

Generally, businesses organized as partnerships or S corporations are not eligible to pass-through enterprise zone credits to their partners or shareholders. Exception: A partnership, a limited liability partnership, a limited liability company and an S corporation are entitled to the enterprise zone investment cost credit for a qualified investment made in a designated zone located in Vigo County, Indiana. If the entity has no adjusted gross income tax liability, then the partners and/or shareholders are entitled to claim their share of the credit on their individual income tax return.

Income Tax Information Bulletin #66, EZ Schedules, and Schedule LIC will provide additional information about these credits. You can get the information bulletin and forms by contacting the Department of Revenue. The Department of Commerce can provide additional information about the Enterprise Zone Investment Cost Credit. You may contact the Department of Commerce at: Indiana Department of Commerce, One North Capitol, Suite 700, Indianapolis, IN 46204-2248, phone number (317) 232-8911.

Line 9 - Teacher Summer Employment Credit

If you hire math or science teachers during the summer vacation,

you may be able to take a credit. The qualified positions must be certified by the Department of Education, and the certificate must be attached to your tax return before the credit can be approved.

Contact the Department of Education at (317) 232-6676 for more information about this credit.

Line 10 - Twenty-First Century Scholars Program Credit

A tax credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50% of the contributions made during the tax year up to a maximum limit of \$100 for a single return and \$200 for a joint return.

Detailed information about the scholarship program, registration, and administration may be obtained by calling the State Student Assistance Commission at (317) 232-2350.

Note: This credit is not the same as the College Credit.

Line 11 - Other Credits

Following is a list of the credits available to be taken on the Indiana individual income tax return.

Maternity Home Credit

An income tax credit is allowed for maternity home owners providing a temporary residence to at least one pregnant woman for at least 60 consecutive days during her pregnancy. The maternity home owner must annually file an application with the State Department of Health to be eligible to claim this credit. A copy of the approved application must be attached to your tax return before the credit can be taken. Contact the State Department of Health at (317) 233-5600 to obtain an application and more information about this credit.

Historic Rehabilitation Tax Credit

A Historic Rehabilitation Tax Credit is available for the rehabilitation or preservation of a historic building that is listed on the Indiana Register of Historic Sites and Structures, is at least 50 years old and is income-producing. The cost of rehabilitation or preservation must also exceed \$10,000. A credit of 20% of the cost of the qualified rehabilitation or preservation expenses may be taken against your state income tax liability. Any unused balance of the credit may be carried forward for up to 15 years.

Those eligible to claim this credit include an individual, corporation, S corporation, partnership, limited liability company, limited liability partnership, nonprofit organization or joint venture.

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. For additional information, you may call the Department of Natural Resources at (317) 232-1646.

Riverboat Building Credit

A tax credit has been established for any individual or company that builds or refurbishes a riverboat, which is licensed to conduct legal gambling in Indiana. This credit is equal to 15% of the

Schedule E Credits cont'd...

qualified investment and can be carried forward to subsequent tax years. The Department of Commerce must approve the costs of the qualified investment **before** the costs are incurred. Contact the Department of Commerce at (317) 232-8782 for more information about this credit.

Industrial Recovery Tax Credit

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If the enterprise zone board approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment". Request additional information regarding the procedures for obtaining the credit from the Indiana Department of Commerce, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8905.

Limitation: There is one final limitation if you have more than one entry on Schedule E, lines 3 through 11. These credits, *when combined*, cannot be greater than the state adjusted gross income tax shown on Form IT-40PNR, line 11; if they are, adjust the amounts before you enter them. See the following example.

Example:

- The line 3 college credit of \$200 plus the line 4 credit for taxes paid to other states of \$300 equals a \$500 total credit.
- Your IT-40PNR line 11 state adjusted gross income tax due is \$360.
- Since your combined credits are \$140 more than your state tax due, reduce your last entry (the \$300 credit for taxes paid to other states) by the \$140 difference to \$160.
- Enter \$160 on line 4, and attach an explanation showing your calculations.

Line 12 - Total Credits

Add the credits on lines 1 through 11 (keeping in mind the limitations) and enter the total here. Carry this amount to Form IT-40PNR, line 20.

IT-40PNR Back Page Instructions

Line 24

If the line 23 total credits are more than the line 22 total tax, you have an overpayment. Enter the difference between those two amounts here.

Line 25 - Contribution To Indiana Nongame And Endangered Wildlife Fund

The Indiana Endangered Wildlife Fund offers you the opportunity to play an active role in the conservation of Indiana's wildlife. The money donated to the fund goes directly to the protection and management of more than 550 wildlife species in Indiana - from songbirds and spotted turtles to bald eagles and river otters. Just enter the amount of your refund you want to give to the Endangered Wildlife Fund in the box on line 25. Donations must be a minimum of \$1.00.

If you are not receiving a refund, but want to support the Endangered Wildlife Program, do not change your tax return. You can send a donation directly to the Endangered Wildlife Fund by completing the form on the back of this booklet.

The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame and Endangered Wildlife Fund or applied a payment to the First Installment 1998 Estimated Tax, the overpayment will be applied first to the estimated tax payment and then to the wildlife fund. Any amount left will be refunded to you.

A note about refund offsets...

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

Please wait twelve (12) weeks before you contact the Department about your refund.

Line 28 - Amount to be Applied to First Installment of your 1998 Estimated Tax

If you expect to have income that won't have Indiana income taxes withheld, and if the state and county tax due on this tax return will be \$400 or more, then you should pay the Department estimated tax every installment period.

There are several ways you can make estimated tax payments. First, use the worksheet on page 33 to see how much you will owe. Then, if you want to make your first installment estimated payment on this tax return, carry the amount from line "I" of the worksheet to line 28 of Form IT-40PNR.

You may also apply any amount of your line 26 overpayment to your first installment estimated payment. If you do not want to make an estimated payment on this tax return, use Form ES-40 on page 33 of this booklet to make the payment.

Finally, you may already have a coupon booklet in hand if you made estimated tax payments to the Department last year. It will have a first installment coupon enclosed.

Regardless of which payment option you choose, please use only one method to make a first installment payment (i.e. don't put an entry on line 28 and, at the same time, enclose an ES-40 with a first installment payment).

Note: An entry on this line will reduce your refund or increase your amount due.

Additional information about estimated taxes is available by requesting Income Tax Information Bulletin #3 from the Department.

Line 29 - Penalty for Underpayment of Estimated Tax

You might owe a penalty for underpayment of estimated tax if you

IT-40PNR Back Page instructions cont'd...

didn't have taxes withheld from your income and/or you didn't pay enough estimated tax throughout the year. Generally, if you owe \$400 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

You might owe this penalty if:

- a) the total of your estimated tax payments (plus all other credits) is not at least 90% of this year's tax due or 100% of your tax due last year;* **or**
- b) you underpaid the minimum amount due for one or more of the installment periods.

* If the 1996 Indiana adjusted gross income was more than \$150,000 (\$75,000 for married individuals filing separately), you must enter 110% of last year's tax (instead of 100%).

If either of these cases applies to you, you must complete Schedule IT-2210 (or IT-2210A if your income was seasonal) to see if you owe a penalty or meet an exception. If you owe this penalty, attach Schedules IT-2210 or IT-2210A to your tax return and write the penalty amount on Form IT-40PNR, line 29.

Contact the Department to get Schedules IT-2210 or IT-2210A.

Line 32 - Penalty

If your tax return is filed after the April 15, 1998 due date and you have an amount due, you will probably owe a penalty. Penalty is 10% of the amount due (line 31 minus line 29) or \$5.00, whichever is greater. Exception: If you have an extension of time to file, are filing by the extended filing due date, and have prepaid at least 90% of the amount due, then no penalty is due.

Line 33 - Interest

If your tax return is filed after the April 15, 1998 due date and you have an amount due, you will owe interest (even if you have an extension of time to file.) Interest should be figured on the sum of line 31 minus line 29. Contact the Department for the current interest rate by calling (317) 232-2240.

You should make your check or money order payable to the Indiana Department of Revenue. Please write clearly and include your social security number on your check or money order. *Do Not Send Cash.*

No payment is due if you owe less than \$1.00.


Discover® Card Payment

The *Amount You Owe* on Form IT-40PNR, line 34, may be paid by using the Discover® Card. If you choose to use this form of payment, fill out the Discover® Card Coupon at the bottom of this page. **Cut out the completed coupon and staple it to the top left-hand side of Form IT-40PNR, directly over the name and address area.** Make sure to keep a copy of the completed coupon for your records.

Note that a handling fee based on the following chart will be charged by the Discover® Card Company on your monthly bill from them. **Do not** add this to the *Amount You Owe* when completing the credit card information.

Amount of Tax Due	Discover® Card Handling Fee
\$1.00 - \$500.00	\$4.00
\$500.01 - \$1,000.00	\$9.00
\$1,000.01 - \$2,000.00	\$16.00
\$2,000.01 - \$3,000.00	\$25.00
\$3,000.01 - and up	\$35.00

Cut Along The Dotted Line



Discover® Card Payment Coupon

Staple the completed coupon to the top left-hand side of Form IT-40PNR over the name and address area.

Your first name and last name

Your Social Security Number

Spouse's first name and last name (if filing a joint return)

Spouse's Social Security Number

Discover® Card Payment Authorization

• Discover® will charge a handling fee based upon the amount of your payment, and you will be responsible for payment of this fee. See above for a chart of the fees.
 • If your tax payment charge is denied, you will receive a notice from the Department of Revenue for the tax you owe. Penalty and interest may be included if applicable.

Instructions:

1. Complete all the information for the Discover® Card Authorization.
2. Enter the *amount you owe* from line 34 in "Tax Payment". Do not include the handling fee.

Discover® Card Number

6 0 1 1 - - -

Expiration Date

/

Month Year

Tax Payment \$, .

I understand that in addition to the tax payment amount indicated, there will be a handling fee based upon the amount of tax payment charged to my Discover® Card account.

▶ **Staple the completed coupon to the top left-hand side of Form IT-40PNR over the name and address area.**

Signature of authorized Discover® Card Member

Returned Checks

If your check is returned unpaid by your banking institution due to non-sufficient funds (NSF) you will be charged a ten percent (10%) penalty on the amount due or \$5.00, whichever is greater, plus interest. The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not received timely, the penalty will be increased to the face value of the check or one hundred percent (100%) of the unpaid tax, whichever is smaller. Also, any permits and/or licenses issued by the Department may be revoked if the assessed amount is not paid immediately.

Additional Information

Sole Proprietor

If you or your spouse filed Federal Schedule C or C-EZ (profit or loss from business), mark the appropriate box(es).

Deceased Individual Information

If the taxpayer and/or spouse died during 1997, and this return is being filed with their name on it, make sure to enter the month and day of death in the appropriate box located on the back of the IT-40PNR. For example, a date of death of January 9, 1997, would be entered as 01/09.

Note: If the taxpayer and/or spouse died before 1997, do not enter their date of death in this box.

Farmers and Fishermen

If two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided your tax return is filed and *all* taxes are paid by March 1, 1998.

Motor Vehicle Information

Indiana law requires you to give certain information about all motor vehicles you owned or leased on December 31, 1997, when you file your income tax return.

For purposes of this section, a motor vehicle is a car, van, motorcycle or truck having a declared gross weight of 11,000 pounds or less. These vehicles are subject to the motor vehicle excise tax.

Also, motor vehicles leased for more than thirty (30) days should be included in this section. A leased motor vehicle should be registered in the state where you reside.

If you do not complete this section, there could be a delay in processing your return.

Authorization Section

If someone other than you completed this tax return, you can give the Department permission to discuss your tax return with that person. Place a checkmark in the appropriate box on the back of the tax return. Also, you must enter that person's identification number in the boxes provided at the end of this section. Enter the person's social security number or federal identification number if completed by a professional preparer. If someone other than you completed this return, and you do not want the Department to discuss your return with that person, check the "No" box.

Signature Section

If this is a joint return, both you and your spouse must sign and date the tax return. Also, give us your daytime telephone number so we can call you if we have any questions about your tax return.

If a paid preparer completed this tax return for you, he/she must complete the paid preparer's signature section. The paid preparer must provide the name and address of the firm that he/she represents. Also, the preparer must sign and date the back of the tax return and provide his/her identification number (in the area below your signature). We also ask for the daytime telephone number of the preparer if you authorize us to discuss your tax return with the preparer.

Make sure you keep a complete copy of your return. Mail your tax return with all attachments to:



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



Special Services

Revenue on the Internet

<http://www.ai.org/dor/>

The Department has been on the Internet since July 1996. Our site contains forms, publications, general information, the Virtual Help Desk and e-mail capabilities. Regular web browsers will be happy to know we have limited the number of graphics for increased speed. Downloadable blank forms are available in .pdf format and a free reader is available through the site.

Automated Taxpayer Information System

(317) 233-4018

This automated telephone system was established to answer commonly asked questions for taxpayers. The system is available Monday through Saturday; it updates information on Sunday.

By calling from a touch-tone telephone, you may access the three parts of the system.

Where's My Refund?

To check on the status of an individual income tax refund check, have your social security number and the expected refund amount available when you call.

Information About Outstanding Liabilities for Individuals or Businesses

By entering the 8-digit warrant (or cause) number of the liability, you will be given the outstanding balance (if any) as of that day, plus the daily interest amount.

Pre-Recorded Tax Topics

Eight commonly asked about areas are featured.

- Estimated Tax / IT-2210 Penalty
- Use Tax Information
- County Tax
- Payment Plan Procedures
- Business Requirements and How to Register
- Collection Procedures
- District Office Locations and 1997 Tax Highlights

The eighth topic changes periodically to highlight any new program being offered by the Department.

Computer-Generated Substitute Forms

Yes, we do accept them! There are several software companies who produce Indiana individual income tax preparation software. If you would like to know if your software package's forms have been pre-approved by the Department, call (317) 232-2198.

Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Monday, June 22, 1998. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 10:00 a.m. in Room 1 of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. If you can't attend, please submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, Indiana 46204.

Indiana School Districts

The list below gives the school districts within each county in Indiana. If you are unable to determine your correct school district, you should contact your county auditor for assistance. Please enter your correct number in the appropriate space on the front of your Indiana return.

County

District Number and Name

Adams

0015 Adams Central Comm.
0025 North Adams Community
0035 South Adams

Allen

0125 M.S.D. Southwest Allen Co.
0225 Northwest Allen County
0235 Fort Wayne Community
0255 East Allen County

Bartholomew

0365 Bartholomew Consolidated
0370 Flatrock-Hawcreek
4215 Edinburgh Community

Benton

0395 Benton Community
5995 South Newton
8535 TriCounty

Blackford

0515 Blackford Community

Boone

0615 Western Boone County
0630 Eagle-Union Community
0665 Lebanon Community
3055 Marion-Adams

Brown

0670 Brown County

Carroll

0750 Carroll Consolidated
0755 Delphi Community
1180 Rossville Consolidated
8565 TwinLakes

Cass

0775 Pioneer Regional
0815 Southeastern
0875 Logansport Community
0775 Pioneer Regional Sch.
2650 Caston

Clark

0940 West Clark Community
1000 Clarksville Community
1010 Greater Clark County

Clay

1125 Clay Community Schools
2960 M.S.D. Shakamak

Clinton

1150 Clinton Central
1160 Clinton Prairie
1170 Frankfort Community
1180 Rossville Consolidated

Crawford

1300 Crawford Co. Community

Daviess

1315 Barr-Reeve Community
1375 North Daviess County
1405 Washington Community

Dearborn

1560 Sunman-Dearborn Comm.
1600 South Dearborn Comm.
1620 Lawrenceburg Comm.

Decatur

1655 Decatur Co. Community
1730 Greensburg Community

DeKalb

1805 DeKalb County Eastern
Community
1820 Garrett-Keyser-Butler
Community
1835 DeKalb County Central
United
7610 Hamilton Community

Delaware

1875 Delaware Community
1885 Harrison-Washington
Community
1895 Liberty-Perry Community
1900 Cowan Community
1910 Mt. Pleasant Township
Community
1940 Daleville Community
1970 Muncie Community

Dubois

2040 Northeast Dubois County
2100 Southeast Dubois County
2110 Southwest Dubois County
2120 Greater Jasper Consolidated

Elkhart

2155 Fairfield Community
2260 Baugo Community
2270 Concord Community
2275 Middlebury Community
2285 Wa-Nee Community
2305 Elkhart Community
2315 Goshen Community

Fayette

2395 Fayette County

Floyd

2400 New Albany-Floyd
County Consolidated

Fountain

2435 Attica Consolidated
2440 Covington Community
2455 Southeast Fountain

Franklin

2475 Franklin Co. Community
6895 Batesville Community
7950 Union County

Fulton

2640 Union Township
2645 Rochester Community
2650 Caston
4445 Tippecanoe Valley
5455 Culver Community

Gibson

2725 East Gibson
2735 North Gibson
2765 South Gibson

Grant

2815 Eastbrook Community
2825 Madison-Grant United
2855 Mississinewa Community
2865 Marion Community
5625 Oak Hill United

Greene

2920 Bloomfield School District
2940 Eastern School District
2950 Linton-Stockton
2960 M.S.D. Shakamak
2980 White River Valley School
District

Hamilton

3005 Hamilton Southeastern
3025 Hamilton Heights
3030 Westfield-Washington
3055 Marion-Adams
3060 Carmel-Clay
3070 Noblesville

Hancock

3115 Southern Hancock Co.
Community
3125 Greenfield Central Comm.
3135 Mt. Vernon Community
3145 Eastern Hancock County
Community

Harrison

3160 Lanesville Community
3180 North Harrison Comm.
3190 South Harrison Comm.
1300 Crawford Co. Community

Hendricks

3295 Northwest Hendricks
3305 Brownsburg Community
3315 Avon Community
3325 Danville Community
3330 Plainfield Community
3335 Mill Creek Community

Henry

3405 Blue River Valley
3415 South Henry
3435 Shenandoah School Corp.
3445 New Castle Community
3455 Charles A. Beard Memorial
6795 Union
8305 Nettle Creek

Howard

3460 Taylor Community
3470 Northwestern
3480 Eastern Howard Comm.
3490 Western
3500 Kokomo-Center Township
Consolidated

Huntington

3625 Huntington Co. Comm.

Jackson

3640 Medora Community
3675 Seymour Community
3695 Brownstown Central Comm.
3710 Crothersville Community

Jasper

3785 Kankakee Valley
3815 Rensselaer Central
6630 West Central
8535 TriCounty

Jay

3945 Jay

Jefferson

3995 Madison Consolidated
4000 Southwestern Jefferson
Consolidated

Jennings

4015 Jennings County

Johnson

4145 Clark-Pleasant Comm.
4205 Center Grove Community
4215 Edinburgh Community
4225 Franklin Community
4245 Greenwood Community
4255 Nineveh-Hensley-Jackson
United

Knox

4315 North Knox
4325 South Knox
4335 Vincennes Community

Kosciusko

4345 Wawasee Community
4415 Warsaw Community
4445 Tippecanoe Valley
4455 Whitko Community
2285 Wa-Nee Community
5495 Triton

LaGrange

4515 Prairie Heights Comm.
4525 Westview
4535 Lakeland

Lake

4580 Hanover Community
4590 River Forest Community
4600 Merrillville
4615 Lake Central
4645 Tri Creek
4650 Lake Ridge
4660 Crown Point Community
4670 School City of East Chicago
4680 Lake Station Community
4690 Gary Community
4700 Griffith Public
4710 Hammond City
4720 School Town of Highland
4730 School City of Hobart
4740 School Town of Munster
4760 Whiting City

LaPorte

4770 Cass Township
4790 Dewey Township
4805 New Prairie United
4860 M.S.D. New Durham
4880 Prairie Township
4925 Michigan City Area
4940 South Central Community
4945 LaPorte Community
7150 John Glenn

Indiana School Districts Contd...

County

District Number and Name

Lawrence

5075 North Lawrence Comm.
5085 Mitchell Community

Madison

5245 Frankton-Lapel Comm.
5255 South Madison Comm.
5265 Alexandria Community
5275 Anderson Community
5280 Elwood Community
2825 Madison-Grant United

Marion

5300 M.S.D. Decatur Township
5310 Franklin Township Comm.
5330 M.S.D. Lawrence Township
5340 M.S.D. Perry Township
5350 M.S.D. Pike Township
5360 M.S.D. Warren Township
5370 M.S.D. Washington Township
5375 M.S.D. Wayne Township
5380 Beech Grove
5385 Indianapolis Public
5400 Speedway City

Marshall

5455 Culver Community
5470 Argos Community
5480 Bremen Public
5485 Plymouth Community
5495 Triton
7150 John Glenn
7215 Union-North United

Martin

5520 Shoals Community
5525 Loogootee Community

Miami

5615 Maconoquah
5620 North Miami Consolidated
5625 Oak Hill United
5635 Peru Community

Monroe

5705 Richland-Bean Blossom Community
5740 Monroe Co. Community

Montgomery

5835 North Montgomery Comm.
5845 South Montgomery Comm.
5855 Crawfordsville Comm.

Morgan

5900 Monroe-Gregg
5910 Eminence Consolidated
5925 M.S.D. Martinsville
5930 Mooresville Consolidated
4255 Nineveh-Hensley-Jackson United

Newton

5945 North Newton
5995 South Newton

Noble

6055 Central Noble Community
6060 East Noble
6065 West Noble
4535 Lakeland
8625 Smith-Green

Ohio

6080 Rising Sun-Ohio County Community

Orange

6145 Orleans Community
6155 Paoli Community
6160 Springs Valley Comm.

Owen

6195 Spencer-Owen Comm.
6750 Cloverdale Community

Parke

6260 Southwest Parke Comm.
6300 Rockville Community
6310 Turkey Run Community
1125 Clay Community Schools

Perry

6325 Perry Central Community
6340 Cannelton City
6350 Tell City-Troy Township

Pike

6445 Pike County

Porter

6460 M.S.D. Boone Township
6470 Duneland
6510 East Porter County
6520 Porter Township
6530 Union Township
6550 Portage Township
6560 Valparaiso Community
4925 Michigan City Area

Posey

6590 M.S.D. Mount Vernon
6600 M.S.D. North Posey Co.
6610 New Harmony Town and Township

Pulaski

6620 Eastern Pulaski Comm.
6630 West Central
5455 Culver Community
7515 North Judson-San Pierre

Putnam

6705 South Putnam Community
6715 North Putnam Community
6750 Cloverdale Community
6755 Greencastle Community

Randolph

6795 Union
6805 Randolph Southern
6820 Monroe Central
6825 Randolph Central
6835 Randolph Eastern

Ripley

6865 South Ripley Community
6895 Batesville Community
6900 Jac-Cen-Del Community
6910 Milan Community
1560 Sunman-Dearborn Comm.

Rush

6995 Rush County
3455 Charles A. Beard Memorial

St. Joseph

7150 John Glenn
7175 Penn-Harris-Madison
7200 Mishawaka City
7205 South Bend Community
7215 Union-North United
4805 New Prairie United

Scott

7230 Scott Co. District No. 1
7255 Scott Co. District No. 2

Shelby

7285 Shelby Eastern
7350 Northwestern Consolidated
7360 Southwestern Consolidated
7365 Shelbyville Central
1655 Decatur Co. Community

Spencer

7385 North Spencer County
7445 South Spencer County

Starke

7495 Oregon-Davis
7515 North Judson-San Pierre
7525 Knox Community
5455 Culver Community

Steuben

7605 Fremont Community
7610 Hamilton Community
7615 M.S.D. Steuben County
1835 DeKalb County Central United
4515 Prairie Heights Comm.

Sullivan

7645 Northeast
7715 Southwest

Switzerland

7775 Switzerland County

Tippecanoe

7855 Lafayette
7865 Tippecanoe
7875 West Lafayette Comm.
0395 Benton Community

Tipton

7935 Northern Community Schools
7945 Tipton Community

Union

7950 Union County

Vanderburgh

7995 Evansville-Vanderburgh

Vermillion

8010 North Vermillion Comm.
8020 South Vermillion Comm.

Vigo

8030 Vigo County

Wabash

8045 Manchester Community
8050 M.S.D. Wabash County
8060 Wabash City

Warren

8115 M.S.D. of Warren County
0395 Benton Community
2440 Covington Community

Warrick

8130 Warrick County

Washington

8205 Salem Community
8215 East Washington
8220 West Washington

Wayne

8305 Nettle Creek
8355 Western Wayne
8360 Centerville-Abington Community
8375 Northeastern Wayne
8385 Richmond Community

Wells

8425 Southern Wells Comm.
8435 Northern Wells Comm.
8445 M.S.D. Bluffton-Harrison

White

8515 North White
8525 Frontier
8535 Tri County
8565 Twin Lakes
0775 Pioneer Regional Sch.

Whitley

8625 Smith-Green
8665 Whitley Co. Consolidated
4455 Whitko Community



Form IT-9
Revised 9-97
SF 21006

**1997 Application for Automatic Extension
of Time to File Indiana Form IT-40 or Form IT-40PNR**

Note: Form IT-9 is an automatic extension of time to file until June 15, 1998.
This IS NOT an extension of time to pay any state and/or county taxes due.

The purpose of Form IT-9: The IT-9 will allow you an automatic 60 day extension for filing your IT-40, Indiana Individual Income Tax Return, or the IT-40PNR, Indiana Part-Year Nonresident Individual Income Tax Return.

The IT-9 does not extend the time for paying your income tax. The filing extension is automatic if you pay at least 90% of your state and county taxes by April 15, 1998.

Indiana will accept the federal extension date, plus allow an additional 30 days. However, you must still pay 90% of your Indiana taxes by April 15, 1998. If you don't, the extension is not valid and penalty and interest will be charged on the balance due.

Who should file Form IT-9: You should file this form and pay your tax if you can't file your income tax return (IT-40 or IT-40PNR) by the due date of April 15, 1998 and you expect to owe additional tax. Form IT-9 does not allow you an extension of time to pay your taxes.

Penalty and Interest: Because the extension does not extend the due date for payment of taxes, a penalty may be assessed if you owe but did not pay at least 90% of the total tax due by April 15th.

How to File: You can complete the worksheet below to figure 90% of your estimated income. Complete all information regarding your name(s), address and social security number(s). You must also be aware of your (and your spouse's) county of principal residence and county of principal work activity as of January 1, 1997.

Tax Computation Worksheet (see instructions below)	
1. 1997 Income - Enter the total estimated or actual 1997 income	1. _____
2. Total of regular exemptions x \$1000 (see IT-40PNR instructions on page 15 for possible additional exemptions)	2. _____
3. State taxable income - line 1 minus line 2	3. _____
4. State adjusted gross income tax - line 3 x .034	4. _____
5. County income tax - line 3 x county income tax rate from the chart on page 19	5. _____
6. Total tax - Add lines 4 and 5	6. _____
7. State and county income tax withheld (see instructions)	7. _____
8. 1997 estimated income tax payments (see instructions)	8. _____
9. Other credits (see instructions)	9. _____
10. Total credits - Add lines 7 through 9	10. _____
11. Total tax - line 6 minus line 10	11. _____
12. Amount you should pay - line 11 x .90	12. _____

Line 1: 1997 Income - Enter your total actual or estimated income for 1997. If filing a joint return, include your spouse's income.

Line 2: Exemptions - Use the total exemptions from your federal income tax return. If you did not complete a federal return, you are allowed an exemption for yourself. Multiply this number by \$1000. You also may be eligible to claim certain children as additional exemptions. See page 15 of Form IT-40PNR for more information.

Line 5: County Income Tax - Multiply line 3 by your county income tax rate from page 19.


Line 7: State and County Income Tax Withheld - Enter the amount of Indiana state tax and county income tax withheld and shown on your W-2s.

Line 8: 1997 Estimated Tax Payments - Enter your total 1997 estimated income tax payments paid to the Department for 1997.

Line 9: Other Credits - Enter any credits which you expect to claim on your IT-40 or IT-40PNR. These credits might include the College Credit, the Unified Tax Credit for the Elderly, etc.

Line 12: Amount You Should Pay - Multiply line 11 by .90 (90%) and enter here. Pay this amount with your IT-9, Extension of Time to File on or before April 15, 1998.

- If Line 12 shows no balance due, you don't need to file this form, unless you are claiming the Unified Tax Credit For The Elderly after June 30, 1998.
- Enclose your check or money order made out to the *Indiana Department of Revenue*. Write your social security number on the check or money order.
- Your extension payment may be claimed as a credit on Line 18 of the IT-40PNR.
- If you need additional help you may call the Department at (317) 232-2240.

		Form IT-9 Revised 9-97 SF 21006		Indiana Department of Revenue Extension Payment for Tax Year 1997	
		Due Date: April 15, 1998 Mail this voucher and payment to: Indiana Department of Revenue P.O. Box 6117 Indianapolis, IN 46206-6117			
Your First Name and Middle Initial		Last Name		Your Social Security Number	
If filing a joint return, Spouse's First Name and Middle Initial		Last Name		Spouse's Social Security Number	
Street Address					
City		State		Zip Code	
Your Daytime Telephone Number ()		Enter here amount you should pay from line 12 of Tax Computation Worksheet; this is your extension payment..... \$			



Indiana Department Of Revenue
1998 Estimated Tax Payment Return

Print your name (first, middle and last)		Your Social Security Number	
If a joint return, print spouse's name (first, initial, last)		_ _ _ - _ _ - _ _ _ _	
Home address (Number and street, or P. O. Box)		Spouse's Social Security Number	
City and State	Zip Code + 4	_ _ _ - _ _ - _ _ _ _	
Check the box to show which payment you are making:	Enter the amount of your payment here \$		
<input type="checkbox"/>	1st Installment Payment Due April 15, 1998	<p>Mail this return and payment to: Indiana Department of Revenue P.O. Box 6102 Indianapolis, IN 46206-6102</p>	
<input type="checkbox"/>	2nd Installment Payment Due June 15, 1998		
<input type="checkbox"/>	3rd Installment Payment Due September 15, 1998		
<input type="checkbox"/>	4th Installment Payment Due January 15, 1999		

Cut Along The Dotted Line

Estimated Income Tax Payments

If you expect to have income that won't have Indiana taxes withheld for 1998, and the state and county tax due will be \$400 or more, then you should pay estimated income tax. Use the worksheet below to see how much you'll owe.

If you don't want to make your first installment estimated payment for 1998 on your IT-40 or IT-40PNR income tax return, you can use the return at the top of this page to make the payment. The due dates are shown on the return. We suggest first time estimated income taxpayers make a copy of the blank return. This is in case the vouchers that are automatically issued (after we receive your first payment) don't get to you by the next payment's due date.

Estimated Income Tax Worksheet		
A. Total estimated income for 1998.....	A	
B. Total exemptions: see page 15 of instruction booklet	B	
C. Amount subject to Indiana income tax (line A minus line B)	C	
D. Amount of state income tax due (line C x .034)	D	
E. Amount of county income tax due (line C x your county tax rate from page 19) ..	E	
F. Total estimated income tax for 1998 (line D + line E)	F	
G. a) Estimated State and County income tax withheld _____		
b) Total of other credits _____ a + b	G	
H. Amount of Declaration (line F minus line G)	H	
I. Each installment amount for 1998 (Line H divided by 4)	I	

For more information about estimated income tax, contact the
Department to get Income Tax Information Bulletin #3.

Indiana Department of Revenue District Offices

★ Indianapolis (Main Office)

Indiana Government Center North, Rm N105
100 N. Senate Avenue
Indianapolis, IN 46204
(317) 232-2240

1 Bloomington District Office

410 Landmark Ave.
Bloomington, IN 47403
(812) 339-1119

2 Clarksville District Office

1446 Horn Street
Clarksville, IN 47129
(812) 282-7729

3 Columbus District Office

430 Second Street, Suite A
Columbus, IN 47201
(812) 376-3049

4 Evansville District Office

500 S. Green River Road
Suite 202, Goodwill Building
Evansville, IN 47715
(812) 479-9261

5 Fort Wayne District Office

5800 Fairfield Ave., Ste. 200
Fort Wayne, IN 46807
(219) 456-3476

6 Kokomo District Office

117 East Superior Street
Kokomo, IN 46901
(765) 457-0525

7 Lafayette District Office

100 Executive Drive, Suite B
Lafayette, IN 47905
(765) 448-6626

8 Merrillville District Office

8368 Louisiana Ave., Suite A
Merrillville, IN 46410
(219) 769-4267

9 Muncie District Office

3640 N. Briarwood Lane, Suite 5
Muncie, IN 47304
(765) 289-6196



10 South Bend District Office

1025 Widener Lane, Suite B
South Bend, IN 46614
(219) 291-8270

11 Terre Haute District Office

30 N. 8th Street, 3rd Floor
Terre Haute, IN 47807
(812) 235-6046

*Address and/or telephone numbers are subject to change. Check your local listings.

Access Indiana Information Network

Comprehensive information about your Indiana State Government, including advice on what to do in emergencies, can be found on the state's official website, the Access Indiana Information Network, at:

<http://www.state.in.us>

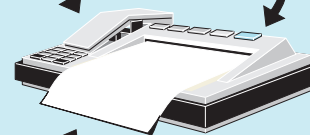
Indiana TaxFax

(317)233-2FAX

*It's as easy as 1-2-3 to get tax forms
...24 hours a day!*

1. Call from the telephone portion of your fax machine.

2. Listen to the voice prompts and complete the ordering process.



3. Your forms will begin printing within moments.

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Indiana Department of Revenue
100 North Senate Avenue
Indianapolis, IN 46204-2253



1997 IT-40PNR

This booklet contains:

- **Form IT-40PNR and Instructions**
- Schedule A, Sections 1, 2 and 3
- Schedules D and E, Deductions and Credits
- Schedule CT-40PNR, County Tax
- Form IT-9, Extension of Time to File
- Form ES-40, Estimated Tax Payment Voucher
- Envelope for IT-40PNR

Contributions to the Indiana Nongame and Endangered Wildlife Fund



Donations to the Nongame and Endangered Wildlife Fund assist the Department of Natural Resources in managing and protecting over 550 species of Indiana wildlife. Your contributions to the Fund have brought back bald eagles and peregrine falcons to our skies and river otters to our waters.

These reintroduction programs and the many other projects implemented by the Nongame and Endangered Wildlife Program are funded almost exclusively by donations to the Indiana State income tax check-off.

If you would like to make a donation to the Fund, you may donate all or a portion of your tax refund on Line 25 of the IT-40PNR. You can also complete the form below and mail it and your check or money order made payable to the Fund to: Department of Natural Resources, Division of Fish and Wildlife, W-273 Indiana Government Center South, 402 West Washington, Indianapolis, IN 46204.



I (We) wish to donate \$ _____ to the Indiana Nongame and Endangered Wildlife Fund.

Name(s)

Address

City

State

Zip Code

Send to: Department of Natural Resources, Division of Fish and Wildlife, W-273 Indiana Government Center South, 402 West Washington, Indianapolis, IN 46204.



Form
IT-40 PNR
Revised 9/97
SF 273

1997

Indiana Part-Year or Full-Year Nonresident Individual Income Tax Return

Due April 15, 1998 Fiscal Year _____ to _____

Your Social Security Number Spouse's Social Security Number Check the box if you are married filing separately.

Your First Name _____ Initial _____ Last Name _____

If filing a joint return, Spouse's First Name _____ Initial _____ Last Name _____

Present Address (Number and Street or Rural Route) _____ School District Number (see page 30)

City _____ State _____ Zip Code + 4 _____ Foreign Country (if applicable) _____

Enter the **2-digit county code** numbers (found on page 6 in the instruction booklet) for the county where you lived and worked on January 1, 1997.

Taxpayer		Spouse	
County where you lived <input type="text"/>	County where you worked <input type="text"/>	County where you lived <input type="text"/>	County where you worked <input type="text"/>

If you have a loss (or negative entry), fill in the oval directly to the left of lines 1 and/or 3. Example:

Please round all entries to nearest whole dollar (see instructions, pg 5)


	Dollars			Cents
1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
6	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
9	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
10	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
11	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
12	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
13	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
14	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
15	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
16	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
17	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
18	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
19	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
20	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
21	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

1. Complete Indiana Schedule A first. Enter here the amount from line 35B of Section 3 from that schedule (you must attach Indiana Schedule A)
2. Indiana Deductions: Enter the amount from line 18, Schedule D (attach schedule)...
3. **Indiana Adjusted Gross Income:** Line 1 minus line 2
4. Number of exemptions claimed on your federal return x \$1,000
5. Additional exemption for certain dependent children (see instructions page 15; they also must be included in the amount claimed on line 4 above) x \$500 ...
6. Check box(es) below for additional exemptions if, by December 31, 1997:
You were: 65 or older or blind Spouse was: 65 or older or blind
Number of boxes checked x \$1,000
7. Exemption Subtotal: Add Lines 4, 5 and 6
8. Enter amount from **Box 8C** of the Proration Section located at the bottom of Indiana Schedule A, Section 1 (you must attach this schedule) ..
9. **Total Exemptions:** Multiply line 7 by the number on line 8
10. **State Taxable Income:** Line 3 minus line 9 (if less than zero, leave blank)
11. State Adjusted Gross Income Tax: Multiply line 10 by 3.4% (.034)
12. County Income Tax: **STOP!** See if you need to complete Schedule CT-40 PNR ...
13. Use Tax due on out-of-state purchases
14. Household Employment Taxes: Attach Schedule IN-H
15. **Total Tax:** Add lines 11 through 14. Enter here and on line 22 on the back
16. Indiana State Tax Withheld: Don't include any withholding amounts for other state taxes. Attach W-2s, WH-18s, or 1099s
17. Indiana County Tax Withheld: Don't include other local taxes. Attach W-2s, WH-18s, or 1099s
18. 1997 Estimated Tax Paid: Include any extension payments made on Form IT-9 ...
19. Unified Tax Credit for the Elderly (You must be age 65 or older and an Indiana resident for at least 6 months to qualify. See instructions on page 21.)
20. Indiana Credits: Enter the amount from Schedule E, line 12 (attach schedule)
21. **Total Credits:** Add lines 16 through 20. Enter here and on line 23 on the back

Attach W-2 Forms Here

AA BB CC DD

Turn the page

22. Enter the Total Tax from line 15 on the front of this form	▶ 22	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
23. Enter the Total Credits from line 21 on the front of this form	▶ 23	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
24. If line 23 is more than line 22, subtract line 22 from line 23 (if smaller, skip to line 27)	24	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
25.  Amount of line 24 to be donated to the Indiana Nongame and Endangered Wildlife Fund	25	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
26. Subtract line 25 from line 24	26	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
27. If line 22 is more than line 23, subtract line 23 from line 22	27	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
28. Amount to be applied to your 1998 estimated tax as a first installment payment	28	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
29. Penalty for Underpayment of Estimated Tax for 1997. Att. Schedule IT-2210, IT-2210A	29	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
30. Refund: line 26 minus lines 28 and 29	Your Refund ▶ 30	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
31. If there is no refund on line 30 you may owe additional tax. Add lines 27, 28 and 29 and subtract from this amount any entry on line 26	31	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
32. Penalty (if filed after the due date, see instructions on page 27)	32	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
33. Interest (if filed after the due date, see instructions on page 27)	33	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
34. Amount Due: Add lines 31, 32 and 33	Amount You Owe ▶ 34	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

No payment is due if you owe less than \$1.00. **Do Not Send Cash.** Make your check or money order payable to: **Indiana Department of Revenue.**
▶ Discover® Card payers must see page 27 for details.

Taxpayer Information

- Were you a **full-year** resident of another state?
If so, enter the 2 letter name for that state.
- Were you a **part-year** resident of another state?
If so, enter the 2 letter name for that state.
- Enter the time period you lived in Indiana.
From: 19 To: 19
- Enter the time period you lived in the other state.
From: 19 To: 19

Spouse's Information

- Were you a **full-year** resident of another state?
If so, enter the 2 letter name for that state.
- Were you a **part-year** resident of another state?
If so, enter the 2 letter name for that state.
- Enter the time period you lived in Indiana.
From: 19 To: 19
- Enter the time period you lived in the other state.
From: 19 To: 19

Additional Information

- Taxpayer** - Check box if you filed federal Schedule C or C-EZ for 1997.
- Spouse** - Check box if you filed federal Schedule C or C-EZ for 1997.

- If two-thirds of your gross income was made from farming or fishing, please check here.
- If you do not need tax forms and instructions mailed to you next year, please check here.
- Enter the number of motor vehicles you and your spouse own or lease.
- Are all these vehicles registered with the Indiana Bureau of Motor Vehicles? Yes No If No, attach an explanation.

If any individual listed at the top of the IT-40PNR died during 1997, enter date of death below.

Taxpayer's date of death 1997
m m d d

Spouse's date of death 1997
m m d d

Authorization

Under penalty of perjury, I have examined this return and all attachments and to the best of my knowledge and belief, it is true, complete and correct. I also understand that if this is a joint return, any refund will be made payable to us jointly and each of us is liable for all taxes due under this return. I also give the Indiana Department of Revenue permission to confirm information that I have placed on this form or any attachments with the Social Security Administration. This consent includes my authorization for the Social Security Administration to release my social security number, name, and date of birth. I understand that information obtained under this section will remain confidential and will be used solely for official purposes. This consent is in effect until such time as I withdraw my authorization.

I authorize the Department to discuss my return with my tax preparer. Yes No

Your Signature	Date
Spouse's Signature	Date

Your Daytime Telephone Number
Spouse's Daytime Telephone Number

Preparer's name

Address

City

State Zip Code + 4

Federal I.D. Number OR Social Security Number

Preparer's Daytime Telephone Number

Preparer's Signature Date

Mail to: Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040. Keep a copy for your records.


Indiana Schedule A

Section 1: Income or Loss, Proration Section (Complete Section 2 Adjustments and Section 3 totals on back)


















Enter your first name, middle initial and last name and spouse's full name if filing a joint return

Your Social Security Number

Section 1: Income or (Loss)

Enter in column A, lines 1 through 20, the same income or loss you reported on your 1997 federal income tax return, Form 1040, 1040A or 1040EZ (except for line 19 and/or a net operating loss carry forward; see instructions). If you have a loss or negative entry, fill in the oval directly to the left of the appropriate lines. Example: 

Line-by-line instructions begin on page 8

		Column A Income from Federal Return	Column B Income Taxed by Indiana
1. Your wages, salaries, tips, commissions, etc	1A	<input type="text"/>	1B <input type="text"/>
2. Spouse's wages, salaries, tips, commissions, etc	2A	<input type="text"/>	2B <input type="text"/>
3. Taxable interest income	3A	<input type="text"/>	3B <input type="text"/>
4. Dividend income	4A	<input type="text"/>	4B <input type="text"/>
5. Taxable refunds, credits, or off sets of state and local taxes from your federal return	5A	<input type="text"/>	5B <input type="text"/>
6. Alimony received	6A	<input type="text"/>	6B <input type="text"/>
7. Business income or loss from Federal Schedule C or C-EZ	7A 	<input type="text"/>	7B 
8. Capital gain or loss from sale or exchange of property from your federal return	8A 	<input type="text"/>	8B 
9. Other gains or (losses) from Form 4797	9A 	<input type="text"/>	9B 
10. Total IRA distribution	10A	<input type="text"/>	10B <input type="text"/>
11. Total pensions and annuities	11A	<input type="text"/>	11B <input type="text"/>
12. Net rent or royalty income or loss reported on Federal Schedule E	12A 	<input type="text"/>	12B 
13. Income or loss from partnerships	13A 	<input type="text"/>	13B 
14. Income or loss from trusts and estates	14A 	<input type="text"/>	14B 
15. Income or loss from S corporations	15A 	<input type="text"/>	15B 
16. Farm income or loss from Federal Schedule F	16A 	<input type="text"/>	16B 
17. Unemployment compensation	17A	<input type="text"/>	17B <input type="text"/>
18. Taxable social security benefits	18A	<input type="text"/>	18B <input type="text"/>
19. Indiana apportioned income from attached Schedule IT-40PNRA	19A	<input type="text"/>	19B 
20. Other income reported on your federal return	20A	<input type="text"/>	20B <input type="text"/>

List source(s). (Do not include federal net operating loss.) See instructions on pg. 10. _____

21. Subtotal: add lines 1 through 20. Enter result here and on line 22 at the top of the back of this schedule 21A 21B

Note: Make sure to complete the 'Proration Section' below before continuing on to the back page.

Proration Section

Divide the amount on line 21B by the amount on line 21A. Please round your answer to a decimal followed by two numbers. Example: $\$3,000 \div \$8,000 = .375$, which rounds to .38 (do not enter a number greater than 1.00). Enter result here and on line 8 on the front page of form IT-40PNR **BOX 8C**

Section 1: Income or (loss) cont'd from front page

If you have a loss or negative entry, fill in the oval directly to the left of the appropriate lines. Example: 

**Line-by-line instructions
begin on page 10.**

Column A
Income from Federal Return

Column B
Income Taxed by Indiana

22. Enter amounts from line 21 on the previous page	22A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	22B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
23. Tax add-back: if entries are on lines 7,12,13,14,15, &/or 16 see instructions on page 10	23A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	23B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
24. Lump sum distribution taxed on Federal Form 4972	24A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	24B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Income or Loss-										
25. Add lines 22 through 24	25A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	25B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Section 2: Adjustments to Income

Note: Enter in Column A only those deductions claimed on your 1997 federal income tax return, Form 1040 or 1040A.

**Line-by-line instructions
begin on page 10.**

Column A
Federal Adjustments

Column B
Indiana Adjustments

26. IRA Deduction	26A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	26B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
27. Medical savings account deduction from federal Form 8853	27A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	27B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
28. Moving expenses (see instructions on page 11)	28A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	28B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
29. One-half of self-employment tax deduction	29A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	29B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
30. Self-employed health insurance deduction	30A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	30B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
31. Keogh and self-employed SEP and SIMPLE plans	31A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	31B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
32. Penalty on early withdrawal of savings	32A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	32B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
33. Alimony paid	33A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	33B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Adjustments -										
34. Add lines 26 through 33	34A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	34B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Section 3: Totals

Column A
Federal Adjusted Gross Income

Column B
Income Taxed by Indiana

35A Subtract line 34A from line 25A	35A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
35B Subtract line 34B from line 25B. Enter total here and on Form IT-40PNR, line 1	35B	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Enter your first name, middle initial and last name and spouses full name if filing a joint return _____	Your Social Security Number <table border="1" style="display: inline-table; border-collapse: collapse; text-align: center; width: 100px;"> <tr><td style="width: 25px; height: 20px;"> </td><td style="width: 25px; height: 20px;"> </td><td style="width: 25px; height: 20px;"> </td><td style="width: 25px; height: 20px;"> </td></tr> </table>				

1. Renter's Deduction: Indiana address where rented (if different from IT-40PNR address) _____ Your landlord's name and address _____

Please round all entries to nearest whole dollar (see instructions, pg 5)

		Dollars	Cents
Number of months rented _____ Attach additional sheets if you paid rent at more than one Indiana location. Enter the lesser of the total amount of rent paid or \$1,500	1	_ _	_ _
2. State tax refund reported on federal return and on Indiana Sch. A, Section 1, line 5B	2	_ _	_ _
3. Interest on U.S. Government Obligations (see page 12)	3	_ _	_ _
4. Taxable Social Security benefits (see page 12)	4	_ _	_ _
5. Taxable Railroad Retirement benefits (see page 12)	5	_ _	_ _
6. Military Service deduction: \$2,000 maximum for qualifying individual (see page 12)	6	_ _	_ _
7. Non-Indiana Locality Earnings deduction: \$2,000 maximum per qualifying person	7	_ _	_ _
8. Insulation deduction: \$1,000 maximum. Attach verification (see page 12)	8	_ _	_ _
9. Disability Retirement deduction: Attach Schedule IT-2440	9	_ _	_ _
10. Civil Service Annuity deduction: \$2,000 maximum per qualifying person (see page 13)	10	_ _	_ _
11. Nontaxable portion of Unemployment Compensation (see worksheet on page 13)	11	_ _	_ _
12. Indiana Lottery Winnings (see instructions on page 13)	12	_ _	_ _
13. Indiana Net Operating Loss deduction: Attach Schedule IT-40NOL (see page 13)	13	_ _	_ _
14. Enterprise Zone Employee deduction: Attach Schedule IT-40QEC (see page 14)	14	_ _	_ _
15. Recovery of deductions included on Indiana Sch. A, Section 1, line 20B (see page 15)	15	_ _	_ _
16. Earned Income Tax deduction: Enter the amount from the worksheet on page 14	16	_ _	_ _
17. Other deductions: List source(s) and amounts (see page 15) _____	17	_ _	_ _
18. Total Indiana Deductions: Add Lines 1 through 17, enter total on line 2 of Form IT-40PNR	18	_ _	_ _

Schedule E: Indiana Credits

1. Credit for Local Taxes Paid Outside Indiana (see page 22)	1	_ _	_ _
2. County Credit for the Elderly: Attach federal Schedule R (see page 23)	2	_ _	_ _
Important: lines 1 plus 2 cannot be greater than the county tax due on IT-40PNR line 12			
3. College Credit: Attach Schedule CC-40 (see page 23)	3	_ _	_ _
4. Credit for Taxes Paid to Other States: Attach other state's return (see page 23)	4	_ _	_ _
5. Research Expense Credit: Attach Form IT-20REC (see page 24)	5	_ _	_ _
6. Neighborhood Assistance Credit: Attach Schedule NC-20 (see page 24)	6	_ _	_ _
7. Personal Computer Tax Credit: Attach Schedule PC-20 (see page 24)	7	_ _	_ _
8. Enterprise Zone Credits (attach appropriate schedule: see page 25)	8	_ _	_ _
9. Teacher Summer Employment Credit: Attach Schedule TSE (see page 25)	9	_ _	_ _
10. Twenty-First Century Scholars Program Credit (see page 25)	10	_ _	_ _
11. Other Credits: List source(s) and amounts: see page 25 _____	11	_ _	_ _
Important: lines 3 through 11 added together cannot be greater than the state adjusted gross income tax due on IT-40PNR line 11 (see instructions on page 26)			
12. Total Credits: Add Lines 1 through 11 and enter total on Line 20 of Form IT-40PNR	12	_ _	_ _

Your first name and last name
Spouse's first name and last name (if filing a joint return)

Your Social Security Number	<input type="text"/>	<input type="text"/>	<input type="text"/>
Spouse's Social Security Number	<input type="text"/>	<input type="text"/>	<input type="text"/>

SECTION 1: To be completed if you were a resident of an Indiana county that had adopted a county income tax.

Your county of residence as of January 1, 1997. Enter Spouse's county of residence as of January 1, 1997.
2-digit county code # from the chart on page 19.) (Enter 2-digit county code # from the chart on page 19.)

	Column A - Yours	Column B - Spouse's
1. Enter the amount from IT-40PNR, line 10. Note: If both you and your spouse lived in the same county on January 1, enter the entire amount from Form IT-40PNR, line 10 on Line 1A only. See instructions on page 16	1A <input type="text"/>	1B <input type="text"/>
2. If you claimed a non-Indiana locality earnings deduction on Schedule D, line 7, enter the amount here. If not, leave blank ...	2A <input type="text"/>	2B <input type="text"/>
3. Add lines 1 and 2	3A <input type="text"/>	3B <input type="text"/>
4. Enter the resident rate from the county tax chart on page 19 for the county code number shown above	4A <input type="text"/>	4B <input type="text"/>
5. Multiply line 3 by the rate on line 4	5A <input type="text"/>	5B <input type="text"/>
6. Add lines 5A and 5B. Enter the total here. Note: Perry County Residents: If you live in Perry County and worked in the Kentucky counties of Breckinridge, Hancock or Meade, you must complete lines 7 and 8. Otherwise, enter the total here and on line 9 below (see page 17)	6 <input type="text"/>	
7. Enter the amount of income that was taxed by any of the Kentucky counties listed on line 6 above	7 <input type="text"/>	
8. Multiply line 7 by .005 and enter total here	8 <input type="text"/>	
9. Line 6 minus line 8. Enter the total here and on line 12 of Form IT-40PNR	9 <input type="text"/>	

SECTION 2: To be completed if, on January 1, 1997, you were an out-of-state resident or were a resident of a county that had not adopted a county income tax, but worked in an Indiana county that had adopted a county income tax.

Your Indiana county of principal employment as of January 1, 1997. (Enter 2-digit county code # from the chart on page 19.) Spouse's Indiana county of principal employment as of January 1, 1997. (Enter 2-digit county code # from the chart on page 19.)

	Column A - Yours	Column B - Spouse's
1. Enter your principal employment income by entering the total income from your W-2s, net self-employment income (from Federal Schedule C or C-EZ) and/or farm income (from Federal Schedule F). If you worked two or more jobs at the same time, enter the portion you earned from your main job. See page 18 for further instructions	1A <input type="text"/>	1B <input type="text"/>
2. Enter certain deductions to income. See page 18 for the complete list of allowable deductions and further instructions	2A <input type="text"/>	2B <input type="text"/>
3. Subtract line 2 from line 1	3A <input type="text"/>	3B <input type="text"/>
4. Enter some or all of the exemptions from line 9 of Form IT-40PNR (see instructions on page 18)	4A <input type="text"/>	4B <input type="text"/>
5. Subtract line 4 from line 3	5A <input type="text"/>	5B <input type="text"/>
6. Enter the nonresident rate from the county tax rate chart on page 19 for the county number shown above under the Section 2 heading	6A <input type="text"/>	6B <input type="text"/>
7. Multiply the income on line 5 by the nonresident rate on line 6	7A <input type="text"/>	7B <input type="text"/>
8. Add lines 7A and 7B. Enter total here and line 12 of Form IT-40PNR	8 <input type="text"/>	