

Indiana Department of Revenue

IT-40PNR 2004

Forms and Instruction Booklet



*The Tulip Tree
Indiana's state tree since 1931*

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

www.IN.gov/dor

Which Indiana Tax Form Should I File?

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

Indiana Full-Year Residents

Use Form IT-40 if:

you (and your spouse if filing jointly) were full-year Indiana residents and you do not qualify to file Form IT-40EZ.

Form IT-40EZ if:

you (and your spouse if filing jointly) were full-year Indiana residents and all of the following conditions are met:

- ✓ you filed a federal Form 1040EZ;
- ✓ the deductions you claimed are limited to the renter's deduction and/or unemployment compensation deduction; and
- ✓ you have only Indiana state and county tax withholding credits and/or an Indiana earned income credit.

All Other Individuals

Use Form IT-40PNR if:

you (and/or your spouse if filing jointly) were Indiana part-year or full-year nonresidents and you do not qualify to file Form IT-40RNR.

Use Form IT-40RNR if:

you (and your spouse if filing jointly) were full-year residents of a reciprocal state and your only type of income from Indiana was from wage, tip, salary or other compensation*. Reciprocal states are Kentucky, Michigan, Ohio, Pennsylvania and Wisconsin.

*If you have any other kind of Indiana-source income, you'll have to file Form IT-40PNR.

Note: If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state. A listing of other state's tax forms can be found at this site on the Internet www.tax.admin.org/fta/forms.ssi.

Military Personnel

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

STATE OF INDIANA

DEPARTMENT OF REVENUE
INDIANA GOVERNMENT CENTER NORTH



INDIANAPOLIS, IN 46204-2253

Dear Taxpayer:

Hoosiers continue to embrace electronic filing. For the third year in a row, the Indiana Department of Revenue saw more electronically filed returns than traditional paper returns. Epay options of eCheck and credit card allow for acknowledged, confirmed payments to the Department. The new Hoosier Works MasterCard option is also available for taxpayers who are anticipating a refund and are preregistered with Family and Social Services. Coupled with direct deposit, filing electronically still remains the fastest, most accurate and most efficient way to get your Indiana state refund!

Please check the Department's website (www.in.gov/dor) for new methods of filing your taxes and for new business registrations.

Thank you for considering the various electronic options.

Kenneth L. Miller
Commissioner, Indiana Department of Revenue

"Equal Opportunity Employer"

The Indiana Department of Revenue

has a number of Electronic Filing methods from which to choose, to make filing easier for you.

- | | |
|-----------------------------|------------------------------|
| 1 They're faster than paper | 2 They're easy to use |
| 3 They're Convenient | 4 Some are even FREE! |

Federal/State TeleFile Program -

Make one Toll-**FREE** telephone call and both your federal and state tax returns are completed!



I-File Internet Filing Program - File **FREE**

directly through the Internet, or print out a 2-D Barcode for mailing. Then get your refund in a *flash!* (The I-File Program excludes first-time filers.) www.in.gov/dor/



Federal/State Electronic Filing Program - Your professional tax practitioner can file both your federal and state returns by using the E-File Program, or may be able to print a 2-D Barcode for you.



Federal/State On-Line Filing Program - Purchase the program; file E-File from the convenience of your home computer, or possibly print out a 2-D Barcode.

2-D Barcode Filing Program -



The last three programs can produce a 2-D Barcode for you. You still mail a paper return, but it will process in a fraction of the time. www.in.gov/dor/

Choose the **Direct Deposit** option offered and eliminate that mailing time.

2004 Changes



Homeowner's property tax deduction update

If you didn't pay your Indiana residential property tax due in 2003 until 2004 because your county issued property tax statements after December 31, 2003, you may be eligible for a deduction. See the instructions beginning on page 13 for details.



Exemption Calculation for Military Personnel

Congress passed H.R. 100, the Servicemembers Civil Relief Act, which affects state taxation of military personnel. This may affect the way Indiana prorates your exemptions. See *Proration Section* on page 11 for more information.



Married Persons who Live apart filing status

If you were not divorced or legally separated in 2004, you may have qualified for and filed as head of household on your federal income tax return. If you did, **do not** check the married filing separately box, which is to the right of the spouse's social security number. Also, do not enter either your spouse's name or social security number. See page 5 for information on how to file with Indiana.



Look up your refund online

Visit our web site at www.in.gov/dor/individual/maintenance.html to check the status of your refund.



Human Services Tax Deduction Worksheet

A worksheet has been provided on page 17 to help figure your deduction.



IRC Section 179 Deduction add-back

You may be required to add-back your share of certain IRC Section 179 deductions. See information beginning on page 10 for line 20 instructions.



Computation of Indiana's Net Operating Loss

A change has been made in the computation of Indiana's NOL deduction. See Schedule IT-40NOL, revised R3/8-04, for details.



New Tax Credits

See instructions beginning on page 30.

- **Biodiesel** tax credit, available to certain taxpayers that produces biodiesel at an Indiana facility.
- **Coal Combustion Product** tax credit, available to certain new businesses using coal combustion products.
- **Ethanol Production** tax credit, based on an Indiana facility with a capacity to produce ethanol.
- **Venture Capital Investment** tax credit, available to certain taxpayers that provide qualified investment capital to qualified Indiana businesses.

Tax Credit Updates

- The **Research Expense** tax credit has been made permanent. See page 30 for details.
- The **Hoosier Business Investment** tax credit has been extended to December 31, 2007. See page 31 for details.

Need Tax Forms or Information Bulletins?

Use Your Personal Computer

Visit our web site on the Internet and download the forms you need. Our address is www.in.gov/dor/.

Or visit a district office or call the Forms Order Request Line at (317) 615-2581 and request the Package IN-X CD-Rom. (Note: Your operating system must be Windows 95 or a later version.)

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 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 Telephone

To obtain forms by phone, call the Forms Order Request Line (317) 615-2581. Be prepared to have the following information ready to leave on the voice mail system: name of form or form number needed, number of copies needed, contact person's name, daytime phone number, 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 42. These offices are open Monday through Friday between 8:00 a.m. and 4:15 p.m.

Moving? Give us your new address at:

www.in.gov/dor/individual/maintenance.html

Need Help With Your Return?

Use Local Assistance

Visit any of the district offices listed on page 42 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 Indiana taxpayers with special needs. 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. This touch-tone phone service is available beginning at 8:00 a.m. on Mondays through 10:00 p.m. on Saturdays. If you have a rotary phone, call (317) 232-2240 from 7:15 a.m. to 11:15 a.m. and 12:30 p.m. to 4:15 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 2004 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 shown on the notice. Call (317) 233-4018 and follow the instructions.

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 www.in.gov/dor/

Call Us

To receive help with basic tax questions, call us at (317)232-2240 Monday through Friday between the hours of 7:15 a.m. to 11:15 a.m. and 12:30 p.m. to 4:15 p.m.

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 7:15 a.m. to 11:15 a.m. and 12:30 p.m. to 4:15 p.m., Monday through Friday, and a Department representative will help you.

You may also check the status of your refund online at www.in.gov/dor/individual/maintenance.html.

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

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

Moving?

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, visit a Departmental district office near you to tell us your new address, or change your address over the Internet at www.in.gov/dor/individual/maintenance.html.

Public Hearing

Mark June 7, 2005 on your calendar now!

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Tuesday, June 7, 2005. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9:00 a.m. in Conference 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 ink.

Name and Address

The first IT-40PNR in this booklet may have your name(s) and address already filled in. If this information is accurate, the Department encourages you to use it. However, 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 ink.

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.

Your First Name
Example 1 K a t h r y n

Example 2

	21,720	00
	3,000	00

Important: 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.

Social Security Numbers

If your name and address is preprinted at the top of the first form in this booklet, you must enter your social security number(s) in the area to the right of your name and address.

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.

Married Persons who Live Apart

If you were not divorced or legally separated in 2004, you may have qualified for and filed as head of household on your federal income tax return. If you did, *do not check the married filing separately box*, which is to the right of the spouse's social security number. Also, do not enter either your spouse's name or social security number.

School District Number

Enter the 4-digit school district number for where the primary taxpayer lived on January 1, 2004. *Primary taxpayer* is the first name listed at the top of the tax return.

The list of school district numbers can be found on pages 38 and 39.

It is important that you enter the correct school district number. This information is used for statistical tracking purposes in order to determine possible school funding needs and changes.

Note: If the primary taxpayer did not live in Indiana on January 1, 2004, enter the code number "9999." If the school district number is not entered, the processing of your return will be delayed.

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.

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.

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, 2004. You can find these code numbers on the chart on page 23 in the column titled *County Code #*.

See the instructions beginning on page 19 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.

Losses or Negative Entries

If you are reporting a loss or a negative amount, put brackets around the number. Example: (1.00).

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) next. Attach by placing one staple in the upper left-hand corner.

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 25 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 25.

Do not staple your check or money order to the form as this will delay processing your return. Paperclip the payment to the bottom left-hand side of the front of the return. If you don't have a paperclip, just include it loose in the envelope.

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 Full-Year 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 certain nonbusiness interest and/or dividends, or retirement income), you must file Form IT-40PNR.

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

If you were a full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and your *only* income from Indiana was from wages, salaries, 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 **Which Indiana Tax Form Should I File?** area on page 2 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.

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 \$1,500 for certain dependent children (see instructions on page 19 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

If an individual died during 2004, or died after December 31, 2004, but before filing the tax return, the executor, administrator, or surviving spouse must file a tax return for them 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 if the individual died during 2004. Make sure to enter the month and day of death for 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, 2004, would be entered as 01/09/2004. **Note:** The date of death should not be entered here if the individual died *after* December 31, 2004, but *before* filing the tax return. The date of death information will be shown on the individual's 2005 tax return, and a copy of the death certificate should be attached to that return.

Signing the decedent's tax return

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."**

If filing a return for a deceased individual, an executor or administrator appointed for the deceased's estate must file and sign the return (even if this isn't the final return), indicating their relationship after their signature (e.g. administrator).

If an executor or administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew").

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, executor or administrator of the estate.

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

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 2004, 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 your state of residence.

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

Refer to the instructions on page 20 for an explanation of county of residence for military personnel.

When To File

The due date for filing your tax return is April 15, 2005. However, you may file as early as January 2, 2005. 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 35.

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 24.

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 expected to be due by April 15, 2005.

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, 2005. This extends the filing date to June 15, 2005. *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 40. You may also pay your extension payment online at www.in.gov/dor/epay/index.html.

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, 2005.

Military personnel on duty outside of the U.S. and Puerto Rico on the filing due date will be allowed an automatic sixty (60) day extension of time to file. A statement must be attached to the return verifying that you were outside of the U.S. or Puerto Rico on April 15, 2005.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. Also, if they are hospitalized outside the United States as a result of such service, the 180 day extension period begins after being released from the hospital. The spouse of such serviceman must use the same method of filing for both Federal and Indiana (e.g. single or joint). When filing the return, write "Combat Zone" across the top of the form (above your social security number). Mail this return to the following address: Indiana Department of Revenue, P.O. Box 2305, Indianapolis, IN 46206-2305.

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. Winnings from Indiana riverboats;
2. Labor or services performed in Indiana, including salaries, wages, commissions, tips etc.;
3. A farm, business, trade or profession doing business in Indiana;
4. Any personal property located in Indiana;
5. A partnership or an S corporation doing business in Indiana;
6. Stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other property where earnings are a part of an Indiana business;

7. Trusts and estates given to nonresident heirs; and
8. Pensions and most interest and dividends are taxed by your state of residence when you receive them.

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

Reciprocal States: Special Filing and Income Reporting Instructions

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

- you received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this is the only type of income you received from Indiana, you should file *Form IT-40RNR*, Reciprocal Nonresident Indiana Individual Income Tax Return. See the "Need Tax Forms...?" section on page 3 for options; or
- you received other types of Indiana-source income besides wages, tips, salaries or commissions (see items 1 through 8 above), you must file *Form IT-40PNR* instead of *Form IT-40RNR*; or
- you received **both** Indiana-source income (see items 1 through 8 above) **and** wage income from Indiana, you must file *Form IT-40PNR*. The wage income will not be subject to Indiana adjusted gross income tax. However, see the county tax instructions beginning on page 19 if these wages were earned in an Indiana county that has a county tax.

Example: Mark and Sally are full-year residents of Michigan, and file a 2004 joint federal income tax return. During 2004 Mark received \$10,000 winnings from an Indiana riverboat, and Sally earned \$25,000 wage income from an Elkhart, Indiana employer.

Mark's riverboat winnings will be taxed by Indiana. Enter Mark's \$10,000 winnings on Indiana Schedule A, line 20, Columns A and B.

Sally's wage income is not subject to Indiana adjusted gross income tax. Therefore, enter Sally's wage income in Column A only.

Note: See county tax instructions on page 21 to determine if county tax is due on her wage income.

Completing the tax return

Begin by completing Indiana Schedule A. Carry the line 38B amount to line 1 on the front of *Form IT-40PNR*.

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 that are subject to tax only by your state of residence at the time you receive it. When reporting a loss or negative entry, put brackets around the number. Example: (1.00).

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

You must complete your federal income tax return first.

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

Unless otherwise stated:

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

Want your refund quick? File electronically and use direct deposit.

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

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

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

Lines 3 and 4 — Interest and Dividend Income

Enter in Column A your taxable interest and dividend income as reported on your federal return, and report the interest and dividend income attributable to Indiana in Column B. 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 4.

Note: If municipal bond interest income is not taxed on your federal return, it will not be taxed on the Indiana return.

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 from federal Form 8582).

Line 7 — Business Income or Loss

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

- tax add-back on Section 1, line 23;
- apportionment on line 19 if this income is from a business doing business both within and outside Indiana; and
- other income on line 20.

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

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

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, 2004 through September 30, 2004. 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. She will report a \$3,000 loss to Indiana. The remaining \$1,000 loss will be available to offset income on Indiana tax return(s) for other years.

Line 9 — Other Gains or Losses from Form 4797

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

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

Line 10 — IRA Distributions

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

Line 11 — Pensions and Annuities

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

Line 12 — Net Rent or Royalty Income or Loss

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

Enter in Column B the net royalty income/loss:

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

Enter in Column B the net rental income/loss:

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

Also, see the instructions for tax add-back 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, that is included in the total 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.

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

Line 18 — Social Security and Railroad Retirement Benefits

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

Note: Indiana will not tax social security benefits or railroad retirement benefits (issued by the Retirement Board). Therefore, look at Indiana Schedule D, lines 5 and 6. 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. He left line 7, Column B blank. He entered the amount apportioned to Indiana on Section 1, line 19, Column B.

Line 20 — Other Income

Enter any other income or loss for which there is no line provided on the IT-40PNR return. Other income or loss would include riverboat winnings, prizes, awards, amounts recovered from bad debts, gross lottery and other gambling winnings, director's fees, excluded income/housing from federal Form 2555 (report as a loss), etc., as reported on your federal return. List the sources of the income or loss reported on this line.

Bonus Depreciation

You must make an exception (when figuring Indiana adjusted gross income) for the bonus depreciation deduction for property placed in service after September 11, 2001. Bonus depreciation is that part of any depreciation allowed in figuring your federal adjusted gross income that is attributable to the additional first year special depreciation deduction allowance for qualified property allowed under Section 168(k) of the Internal Revenue Code (IRC).

If any income (or loss) reported in Column B includes a deduction for bonus depreciation (excluding any entry on line 19B), the bonus depreciation must be added back. However, you are allowed the depreciation that would have been allowed using a method other than bonus depreciation. Net the disallowed bonus depreciation with the allowable depreciation, and enter the difference on line 20B.

Get Commissioner's Directive #19 for additional information.

Section 179 Deduction

You must make an exception (when figuring Indiana adjusted gross income) for the **IRC Section 179 deduction** claimed for federal tax purposes that exceeds the amount allowed for state tax purposes. Indiana adopted the former expensing limit provided by the Jobs Creation and Workers Assistance Act of 2002, which allows a deduction up to \$25,000. The increase to \$100,000 allowed by 2003 federal legislation is not allowed for purposes of figuring Indiana adjusted gross income.

If any income (or loss) reported in Column B reflects a Section 179 deduction (excluding any entry on line 19B), add-back on line 20B your share of the deduction claimed for federal tax purposes that exceeds the amount allowed for state tax purposes.

Do not report any net operating loss deduction here. You will show your Indiana net operating loss deduction on Schedule D, line 14.

Section 1: Line-by-line instructions cont'd...

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

NonIndiana **military personnel** - see special instructions below.

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. Please round your answer to a decimal followed by three numbers.

Example: $\$3,100 \div \$8,000 = .37625$, which rounds to .376. Enter the result here and on line 9 on the front of Form IT-40PNR.



If you are in the military and Indiana is **not** your home of record, your military income will not be used to reduce your Indiana exemptions. Complete the following worksheet.

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

Step 2 Enter any nonIndiana military individual's military income included on Schedule A, lines 1A and/or 2A 2 _____

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

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

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

Note: If line 21B is a loss, enter zero (0) in Box 21D and on line 9 on the IT-40PNR. If line 21A (or Box 21C) is a loss, and line 21B is a positive amount, enter 1.00 (100%) in Box 21D and on line 9 on the IT-40PNR.

Line 23 — Tax Add-Back

If you have entries on Section 1, lines 7, 12, 13, 14, 15 and/or 16, and if you claimed deductions for any taxes based on or measured by income and levied at any state level (by any state of the United States) on the federal schedules from which those entries came, you must add these back to your income.

Important: **Do not** add back any deductions for property taxes paid at any state or local level that you claimed on those schedules.

Note: The taxes deducted on your federal return that were based on or measured by income 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. Also, note that income, losses and/or expenses from various other schedules and forms may flow through to federal Schedule C, E and F. For example, partnership income from federal Schedule K-1 (Form 1065) is included on federal Schedule E, while expenses from federal Form 8829 are included on federal Schedule C. Make sure to check those forms and schedules to see if they also include deductions for any taxes that must be added back here.

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 — Clean-Fuel Vehicle Deduction

Enter in Column A the amount of the deduction for clean-fuel vehicles reported on your federal Form 1040, line 23. Enter in Column B the amount of the deduction attributable to the time the vehicle(s) was registered in Indiana

Line 27 — Individual Retirement Account Deductions

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal 1040, line 25, or 1040A, line 17. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA, provided you qualify for the deduction for federal tax purposes. Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services. To 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:

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

Line 28 — Student Loan Interest Deduction

Enter in Column A the student loan interest deduction reported on your federal Forms 1040, line 26 or 1040A, line 18. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 29 — Moving Expenses

Enter in Column A the amount of moving expense deduction reported on your federal Form 1040, line 29. 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 30 — Self-Employment Tax Deduction

Enter the amount claimed on federal Form 1040, line 28, 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:

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

Line 31 — Self-Employed Health Insurance Deduction

If you are eligible to take this adjustment on your federal Form 1040, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B. 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 32 — Payments to Keogh Plans and Self-Employed Retirement Plans

Enter in Column A the Keogh deduction reported on your federal Form 1040. 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:

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

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

Line 33 — Penalty on Early Withdrawal of Savings

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

Line 34 — Alimony paid

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

Line 35 - Other Adjustments

- Enter in Column A the adjustment claimed for **certain business expenses of reservists, performing artists and fee-based government officials** claimed on your federal Form 1040, line 24. Enter in Column B that portion of the deduction that is directly related to the reported income (in Section 1, Column B) produced in conjunction with those expenses.
- Enter in Column A the **tuition and fees deduction** claimed on your federal Form 1040 or 1040A. Enter in Column B the amount representing the portion that was paid while you were an Indiana resident.
- Enter in Column A the **health savings account deduction** claimed on your federal Form 1040, line 28. Enter in Column B that portion of the deduction related to your Indiana residency and/or Indiana employment when you were an Indiana nonresident.
- Enter in Column A the amount of the **medical savings account deduction** reported on the front page of your federal Form 1040. Figure the amount to be reported in Column B by using the same steps outlined in the line 27 instructions on page 11 applied towards your full deduction.
- Enter in Column A any adjustment claimed for **scholarship and fellowship grants** excluded on federal Form 1040NR. Enter in Column B the portion excluded while residing in Indiana, or while being an Indiana resident, and attach a copy of your 1040NR.

Do not claim itemized deductions on this line.

Section 3: Totals

Line 37A — Column A Total

Subtract line 36A from line 25A and enter total here.

Line 38B — Column B Total

Subtract line 36B 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:

- a) you paid rent on your principal place of residence, **and**
- b) 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 manufactured home **in Indiana** or paid rent for your manufactured home lot, you may claim the renter's deduction if the above requirements are met.
- Rent paid for summer homes or vacation homes is *not* deductible.

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:

- a) government owned housing;
- b) property owned by a nonprofit organization;
- c) student housing;
- d) property owned by a cooperative association; or
- e) 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* \$2,500 (e.g. Bill paid \$400 rent and then moved to another location and paid \$2,300 rent. His deduction will be limited to \$2,500 even though he paid \$2,700 altogether).

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 - Homeowner's Residential Property Tax Deduction

You may be eligible to take a deduction of up to \$2,500 of the **Indiana** property taxes (residential real estate taxes) paid during 2004 on your principal place of residence. Note: See **2003 residential property taxes paid in 2004** on page 14 if you paid your 2003 Indiana property taxes in 2004 due to the statewide property tax reassessment.

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

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

How do I claim my deduction? First, complete the information area on Schedule D, line 2.

- a. Enter the address of your principal residence where the Indiana property tax was paid if it's different from the address on the front of the return (write SAME if it is not different.) If you had more than one principal residence during the year, and you paid Indiana property tax on that residence, list the additional residence(s) on a separate piece of paper.

Example: Sue and Mack married in December 2004. They sold both of their Indiana homes during the year and bought a new one. Since Sue paid property tax on her home during 2004, and Mack paid property tax on his home during 2004, they will be eligible to claim a property tax deduction on the combined taxes paid on both homes if they are filing a joint return (see the limitations on **d** below).

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

No double benefit allowed. If any portion of property taxes on your principal residence was deducted as an expense on federal Schedules C, C-EZ, E or F, then that amount cannot also be deducted on this line. See the following example.

Example: Jean used one room of her Indiana home for her business. She deducted \$200 Indiana property tax as an expense on her federal Schedule C. She paid a total of \$1,200 Indiana property tax on her home. Jean's deduction will be \$1,000 (\$1,200 minus the \$200 deduction on federal Schedule C).

How do I find out how much Indiana property tax I paid on my principal residence? Indiana counties annually send statements to homeowners showing how much property tax is due on their property. Add together the 2004 spring and fall installments if you paid both of them.

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

If you can't locate the information, contact your local county treasurer's office or your mortgage company.

Schedule D: Indiana Deductions cont'd...

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



2003 residential property taxes paid in 2004

Several Indiana counties did not issue their 2003 property tax statements until after December 31, 2003, due to the statewide property tax reassessment.

If you paid some or all of your 2003 Indiana residential property taxes in 2004, you may be eligible to claim a 2003 property tax deduction on this year's tax return. **Note:** You cannot take the deduction for any payments that have already been claimed on your 2003 Indiana return (see **Step 2** below).

Complete the worksheet to see if you are eligible to claim the 2003 property tax deduction on this year's tax return, and to figure your deduction.



Step 1 Maximum deduction \$ 2,500

Step 2 Enter any property tax deduction claimed on your 2003 Indiana state income tax return (see **Note for Step 2*** below) \$ _____

Step 3 Subtract Step 2 from Step 1 (if zero or less, STOP. You do not get a deduction) \$ _____

Step 4 Enter the amount of Indiana property tax paid for 2003 in 2004 \$ _____

Step 5 Enter the **smaller** of Step 3 or Step 4 here and on Schedule D, line 2, Box B \$ _____

***Note for Step 2**

The maximum deduction you may claim for 2003 is \$2,500.

If you did not get an Indiana property tax statement during 2003 due to reassessment, but made a property tax payment to your county anyway, you should have claimed the amount paid (up to \$2,500) as a deduction on your 2003 tax return. Then, when you got the property tax statement in 2004, you would have paid the difference.

Therefore, if you've already claimed a deduction for property tax paid on your 2003 return, you must enter that amount on Step 2.

Example: Jennifer paid \$600 of her anticipated property tax in 2003, and claimed the deduction on her 2003 tax return. When she got her 2003 property tax statement in February of 2004, she owed \$400 more, which she paid in March 2004. On Step 2 she'll enter the \$600 she already deducted. Her Step 3 difference is \$1,900. She'll enter the \$400 amount paid in 2004 on Step 4. Since the Step 4 (\$400) amount is less than the amount on Step 3 (\$1,900), she'll enter \$400 on Step 5 and on Schedule D, line 2, Box B.

Line 3 - State Tax Refund Reported on Federal Return

If you had to report your state income tax refund as income on your federal Form 1040, line 10, and you reported it on Indiana Schedule A, Section 1, lines 5A and 5B, deduct here the amount entered on line 5B.

Line 4 - 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.

Note: When certain U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from federal adjusted gross income. Therefore, do not enter any interest from U.S. savings bonds that is shown on your federal Schedule B, line 3 (because it has already been excluded from income).

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

Lines 5 and 6 - 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 7 - 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 are 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:

- a) you were at least 60 years of age by December 31, 2004;
- b) you were receiving military retirement or survivor's benefits in 2004; and
- c) 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 \$2,000, whichever is *less*. If you and your spouse

Schedule D: Indiana Deductions cont'd...

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.

Note: 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.

Note: Military income earned while in a **combat zone** may be exempt (not taxed) on your federal income tax return. If that income is exempt on your federal income tax return, then it will also be exempt (not taxed) for Indiana income tax purposes. Since Indiana isn't taxing this income, your combat zone income is not eligible for a deduction.

Example: Jim was stationed in a combat zone from February 1, 2004, through the end of the year. His W-2 form shows regular wage income of \$950 (earned during January), and \$9,000 income earned while being stationed in a combat zone. Only \$950 of his income is taxed on his federal return; likewise, Indiana will only tax \$950. Since Indiana is taxing \$950 of Jim's military income, he will be eligible to claim a \$950 military deduction (the lesser of the income being taxed (\$950) or \$2,000).

Line 8 - Non-Indiana Locality Earnings Deduction

If you received income subject to both Indiana state income tax and a local tax in another state, and this income is reported on Indiana Schedule A (lines 1B and/or 2B), you may be allowed to deduct up to \$2,000.

Example: While an 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 20, 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 9 - Insulation Deduction

If you installed new insulation, weather stripping, double pane windows, storm doors or storm windows in your **Indiana home** during 2004, 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, 2001;
- 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.)

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 10 - Disability Retirement Deduction

To take this deduction you must have:

- been permanently and totally disabled at the time of retirement;
- retired on disability before December 31, 2004; and
- received disability retirement income during 2004.

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.

This deduction is limited to up to \$5,200 per qualifying individual.

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

Remember your Sales and Use Tax obligation. See instructions on page 22.

Schedule D: Indiana Deductions cont'd...

Line 11 - 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, 2004.

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 2004 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 (\$6,000) or \$2,000	\$2,000
Social security benefits	- 1,200
Allowable deduction	\$ 800

If you and your spouse both received civil service 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 12 - Nontaxable Portion of Unemployment Compensation

If you reported unemployment compensation on your federal income tax return, Forms 1040, line 19 or 1040A, line 13, 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.

Complete the worksheet below 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 13 - Indiana State Lottery Winnings

Some winnings issued by the Hoosier Lottery Commission may be taxed by Indiana.

If you win any prize money from the Indiana Hoosier Lottery Commission, either by winning an instant game, from appearing on the *Hoosier Millionaire* show, or an on-line game such as Hoosier Lotto, Powerball, Lucky 5, Daily 3 & 4, Max 5, etc., you must report those winnings* as income on your federal income tax return.

* Exception: Annuity payments received for drawings held before July 1, 2002, are exempt from Indiana tax.

Complete the worksheet at the bottom of page 17 to figure your 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 fully taxable in Indiana and should not be deducted from your taxable income.

Line 14 - Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2004.) State the amount you are deducting as a positive figure. Attach the following copies to your state tax return:

- a) Schedule A from federal Form 1045; and
- b) a completed Indiana Schedule IT-40NOL (revised R3/8-04).

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

Unemployment Compensation Worksheet			
Note: If you were married but filing separately, and you lived with your spouse at any time during 2004, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter \$12,000 on line 3.			
1. Unemployment compensation included on Indiana Schedule A, Section 1 line 17B	1		
2. Federal " adjusted gross income " from Form 1040, Form 1040A, or Form 1040EZ	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 12	7		

Schedule D: Indiana Deductions cont'd...

Line 15 - 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/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indiana Army Ammo	Portage
East Chicago	Indianapolis	Richmond
Elkhart	Jeffersonville	Salem
Evansville	Kokomo	South Bend
Fort Harrison	Lafayette	Terre Haute
Fort Wayne	LaPorte	Vincennes
Frankfort	Marion	
Gary	Michigan City	

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.

Line 16 - 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.

If you reported *recovered* itemized deductions as "other income" on the front page of your 2004 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 17 - Human Services Tax Deduction

The human services tax deduction is intended to alleviate any individual income tax burden which might be imposed on medicaid recipients who are living in a hospital, skilled nursing facility or an

intermediate care facility. The goal of the human services tax deduction is to reduce the individual's adjusted gross income tax liability to zero (0).

The deduction cannot be used in conjunction with any tax credit in order to create a refund.

If you are a Medicaid recipient and live in one of the facilities listed above, to determine whether you're eligible for the deduction, first prepare your tax return without claiming a human services deduction.

- If a refund is due, you are not eligible for a deduction. Filing your return without claiming the deduction and a refund will be issued.
- However, if you will owe, you are eligible for a deduction.

Complete the following worksheet to figure your deduction.

Human Services Deduction Worksheet



- Step 1** Prepare the tax return without claiming a human services deduction. If a refund is due, STOP. You are not eligible for a deduction. If there is a balance due, enter the amount here and go on to Step 2 1 \$ _____
- Step 2**
- a) This is the adjusted gross income tax rate 2a .034
- b) Enter the county tax rate from CT-40 PNR Section 1, line 4* (if any) 2b .
- c) Add lines 2a and 2b and enter total here 2c .
- Step 3** Divide the amount on line 1 by the amount on line 2c and enter result here. This is your deduction. Carry to Schedule D, line 17, and refigure your tax return using this deduction 3 \$ _____

*Note: If you used two different tax rates on CT-40PNR, Section 1, line 4, and/or Section 2, line 6, enter the larger rate.

...Human Services Deduction continues on page 18



Lottery Winnings Worksheet		
A	Enter the amount of winnings from the Hoosier Lottery Commission reported on your federal Form 1040, line 21	A \$ _____
B	Locate those W-2G's (issued by the Hoosier Lottery Commission) showing <u>state</u> withholding in Box 14. Add the amounts from Box 1 of each of those W-2G's; enter total here....	B \$ _____
C	Exemption	C \$ <u>1,200.00</u>
D	How <u>many</u> W-2G's did you locate in step B above (e.g. 1, 2, etc.)?	D X _____
E	Multiply line C by line D; enter result here	E \$ - _____
F	Subtract line E from line B; enter result here	F \$ - _____
G	Subtract line F from line A. Enter here and on Schedule D, line 13	G \$ _____

Schedule D: Indiana Deductions cont'd...

Remember, although this deduction will eliminate any additional tax you might have owed, it will not result in a refund. If, after figuring and applying the deduction it looks like a refund is due, go ahead and file your return. We will correct your deduction and no refund will be issued.

Line 18 - Indiana Partnership Long Term Care Insurance Policy Premiums Deduction

A deduction is available for the amount of premiums paid during 2004 for Indiana Partnership long term care insurance.

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

This policy qualifies under the Indiana Long Term Care program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana Long Term Care program.

If the information shown in the box above is **not** located in a box on your policy, you do not have a qualifying policy, and are not eligible to take this deduction.

The deduction is the amount of premiums paid during the year on the policy for the taxpayer and/or spouse.

No double benefit allowed. Certain self-employed individuals will claim long-term care policy premiums as a deduction on federal Form 1040, and on Indiana Schedule A, line 31. The Indiana deduction will be the actual amount of these premiums paid minus any amount of these already reported on Indiana Schedule A, line 31B.

Example: Sam paid \$645 in Indiana Partnership long term care premiums. He deducted \$400 of those premiums on Indiana Schedule A, line 31B. He'll be able to deduct the \$245 difference (\$645 - \$400) on Indiana Schedule D, line 18.

More information about the Indiana Long Term Care Program is available at the following website www.in.gov/fssa/iltcp/.

Important: Keep a copy of the premiums statements as the Department can require you to provide this information.

Line 19 - Other Deductions

The **only** deductions that can be claimed on this line are:

- Law Enforcement Reward Deduction;
- Airport Development Zone Deduction; and/or
- Medical Savings Account Deduction.

List the type of deduction you are claiming and the amount being claimed.

Law Enforcement Reward Deduction

If you reported an 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 \$1,000.

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 \$7,500, 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.

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.**

Note: You **are not** eligible to claim this deduction if you are claiming a medical savings account adjustment on IT-40PNR Schedule A, Section 2, line 35B.

Indiana Exemptions: Lines 4 - 10

Important: Keep detailed information about the exemption(s) you are claiming, such as full name(s), age(s), social security number(s), etc., as the department can require you to provide this information.

At the bottom of Indiana Schedule A is the Proration Section. The number in Box 21D represents the percentage of your total income being taxed by Indiana. For example, .450 means that Indiana is taxing 45% of your total income.

On lines 4 through 8 on the front of the IT-40PNR you'll figure the number of exemptions available to you. On line 9 you'll multiply that exemption total by the percent from Box 21D. For example, if line 8 is \$1,000 and line 9 is .450 (45%), your line 10 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 \$1,000 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.

Note: 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

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

Dependent Child Definition: According to state statute, the dependent child must be a son, stepson, daughter, stepdaughter, and/or foster child who is your child (and/or your spouse's child if filing a joint return). He/she must be either under the age of 19 by December 31, 2004, or be a full-time student who is under the age of 24 by December 31, 2004.

If any dependent(s) you are eligible to claim 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 \$1,500.

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 grandson or nephew as an exemption on your federal tax return, you should also claim an exemption for them on line 4. However, since he doesn'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 \$1,000 exemption. If you and/or your spouse (if filing a joint return) are legally blind, you (or both of you) can take a \$1,000 exemption. Mark the boxes applying to you and/or your spouse. Enter the total number of boxes marked on this line x \$1,000.

Line 7 - Additional Exemption for Age 65 or Older

An additional \$500 exemption is available for you and/or your spouse if you are 65 or older and the amount on Indiana Schedule A, line 37A (your federal adjusted gross income) is less than \$40,000. Mark the boxes applying to you and/or your spouse. Enter the total number of boxes marked on this line x \$500.

Line 9 - Proration Amount

Enter the amount from Box 21D located at the bottom of Indiana Schedule A, Section 1.

Note: Be sure this number is rounded to a decimal followed by three numbers. Example: $\$3,100 \div \$8,000 = .3875$, which rounds to .388.

Line 10 - Total Exemptions

Multiply the exemption subtotal on line 8 by the amount on line 9. Enter the total here.

County Tax: Schedule CT-40PNR Instructions

If, on January 1, 2004, 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 23.

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 Where You Lived

The county where you lived is the county where you maintained your home on January 1, 2004. If you had more than one home on this date, then your county of residence as of January 1, 2004, 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 2004.

If you moved to another Indiana county (or out-of-state) after January 1, 2004, your county of residence for tax purposes will not change until next year.

- If, on January 1, 2004, 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, 2004, 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, 2004, 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, 2004. If you began working in another county after January 1, 2004, the county where you worked for tax purposes will not change until next year.

If you had more than one job on January 1, 2004, your principal place of employment is the job where you worked the most hours and earned the most income.

Example - Jessie worked in Marion County, Indiana on January 1, 2004. She quit that job and began a new one in another state on February 10, 2004. 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, 2004, 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, 2004, enter their 2-digit code number (instead of 00):

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

Principal Employment Income

You must figure your principal employment income only if, on January 1, 2004, 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 21 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,

2004, 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, 2004, you are considered to be a resident of that county and subject to county tax.

Retired Persons, Homemakers or Unemployed

If you were retired, a homemaker, or were unemployed by January 1, 2004, put your county of residence 2-digit code number in *both* the Indiana County Where You Lived and Indiana County Where You Worked boxes. **Do not write the word "Retired," "Homemaker," or "Unemployed" over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return:

- If you lived in different counties (or out-of-state) on January 1, 2004 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, 2004 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 10, *except for your spouse's*, to figure your tax.*

*Example - On the front of the IT-40PNR Jack and Sue show 3 exemptions (\$3,000) on line 4 and 1 exemption (\$1,500) on line 5. The line 8 amount is \$4,500. The line 9 amount is .40. Jack can use \$3,500 exemptions x .40 = \$1,400 to figure his county tax.

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

Where Did You Live?

- Did you live in a county on January 1, 2004, that has a tax? If yes, complete Section 1 for yourself, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-By-Line Instructions on page 21.
- Did your spouse live in a county on January 1, 2004, that has a tax? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-By-Line Instructions page 21.

Line 1

- If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 11 of Form IT-40PNR.
- If you are filing a joint return and you both lived in the same county on January 1, 2004, enter in Column A the state taxable income from line 11 of Form IT-40PNR. Leave Column B blank.

County Tax instructions cont'd...

Example - On January 1, 2004, Jack and Diane lived in the same county that has a tax. They'll enter their Form IT-40PNR, line 11 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, 2004, enter each person's share of state taxable income from Form IT-40PNR, line 11, in the appropriate columns.

Example - Simon and Jill married in 2004, and are filing a joint return. On January 1, 2004, Simon lived in Greene County and Jill lived in Clay County. They moved out of Indiana in July, 2004. Their federal adjusted gross income is \$ 55,400. Their Form IT-40PNR line 11 income of \$29,300 includes the following breakdown:

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

*Exemptions: IT-40PNR line 10 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 11 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 8, 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 23. Find the rate from the *Resident Rate* column and enter it here. For example, if your county is Elkhart, enter .015.

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.

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 13.

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

Complete Section 2 if, on January 1, 2004:

- 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; federal Form 1065, Schedule K-1; 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 2004 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 2004 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.

County Tax instructions cont'd...

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 27B. She should claim the \$2,000 IRA deduction on this line.

Example - 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 15. 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; enterprise zone deduction; certain business expenses of reservists, performing artists, and fee-basis government officials; and a health savings account 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 - 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 Indiana 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 10. If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Form IT-40PNR, line 10. 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 10 on the Form IT-40PNR.

Example - On the front of the IT-40PNR Jack and Sue show 3 exemptions (\$3,000) on line 4 and 1 exemption (\$1,500) on line 5. The line 8 amount is \$4,500. The line 9 amount is .40. Jack can use \$3,500 exemptions x .40 = \$1,400 to figure his county tax.

Line 6

Find your county on the *County Income Tax Chart* on page 23. 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 8

Add the amounts from line 7, columns A and B. Enter the total here and on line 13 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 13.

IT-40PNR front page line-by-line instructions cont'd ...

Line 14 - 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, *from the Internet*, 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 at 6% (.06).

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 on page 24. 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 6% (.06).

Line 15 - Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 2004 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 \$1,400 to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2003 or 2004 to **all** household employees, you may have needed to have withheld state and county income taxes. If you want to pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H.

...the worksheet for your use tax is on page 24 



Form
IT-40 PNR
State Form 472
R3/ 8-04

2004

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

Due April 15, 2005

If you are **not** filing for the calendar year January 1 through December 31, 2004, enter period from: _____ 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
D E F

If filing a joint return, spouse's first name Initial Last name
G H I

Present address (number and street or rural route) School District Number (see page 38)

City State Zip Code + 4 Foreign Country (if applicable)
K L M O

Enter the **2-digit county code** numbers (found on page 23 in the instruction booklet) for the county where you lived and worked on January 1, 2004.

Taxpayer County where you lived **Spouse** County where you worked

P Q R S

If you have a loss (or negative entry), please indicate so by placing it in a bracket. Example: (1.00)

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

Staple W-2 forms on the front of this page only between Lines 1 and 25

- Complete Indiana Schedule A first. Enter here the amount from line 38B of Section 3 from that schedule (you must attach Indiana Schedule A)
- Indiana Deductions: Enter the amount from line 20, Schedule D (attach schedule)
- Indiana Adjusted Income: Line 1 minus line 2
- Number of exemptions claimed on your federal return x \$1,000
- Additional exemption for certain dependent children (see instructions on page 19.) Enter number claimed in box x \$1,500
- Check box(es) below for additional exemptions if, by December 31, 2004:
You were: 65 or older or blind Spouse was: 65 or older or blind .
Number of boxes checked x \$1,000
- Check box(es) below for additional exemptions if, by December 31, 2004:
You were: 65 or older and line 37A from Indiana Schedule A is less than \$40,000.
Spouse was: 65 or older and line 37A from Indiana Schedule A is less than \$40,000.
Total the number of boxes checked x \$500
- Add Lines 4, 5, 6 and 7 **Exemption Subtotal** ▶
- Enter amount from **Box 21D** of the Proration Section located at the bottom of Indiana Schedule A, Section 1 (you must attach Schedule A)
- Multiply line 8 by the number on line 9 **Total Exemptions** ▶
- Line 3 minus line 10 (if less than zero, leave blank) **State Taxable Income** ▶
- State Adjusted Gross Income Tax: Multiply line 11 by 3.4% (.034)
- County Income Tax: See if you need to complete Schedule CT-40PNR (on page 19)
- Use Tax due on out-of-state purchases
- Household Employment Taxes: Attach Schedule IN-H
- Indiana advance earned income payments from W-2(s) (see page 24)
- Add lines 12 through 16. Enter here and on line 26 on the back **Total Tax** ▶
- Indiana State Tax Withheld: Don't include any withholding amounts for other state taxes. Attach W-2s, WH-18s, or 1099s
- Indiana County Tax Withheld: Don't include **other** local taxes. Attach W-2s, WH-18s, or 1099s
- 2004 Estimated Tax Paid: Include any extension payments made on Form IT-9
- 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 24)
- Earned Income Credit: Attach Schedule IN-EIC
- Lake County residential income tax credit
- Indiana Credits: Enter the amount from Schedule E, line 13 (attach schedule)
- Add lines 18 through 24. Enter here and on line 27 on the back **Total Credits** ▶

1		
2		
3		
4		00
5		00
6		00
7		00
8		00
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

Paperclip check or money order here

AA BB CC DD

Turn the page

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 2004 federal **or (Loss)** income tax return, Form 1040, 1040A or 1040EZ (except for line 19B and/or a net operating loss carryforward; see instructions). If you have a loss (or negative entry), please indicate so by placing it in a bracket.
Example: (1.00)

Line-by-line instructions begin on page 8

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

Column A Income from Federal Return

1A		
2A		
3A		
4A		
5A		
6A		
7A		
8A		
9A		
10A		
11A		
12A		
13A		
14A		
15A		
16A		
17A		
18A		
19A		
20A		

Column B Income Taxed by Indiana

1B		
2B		
3B		
4B		
5B		
6B		
7B		
8B		
9B		
10B		
11B		
12B		
13B		
14B		
15B		
16B		
17B		
18B		
19B		
20B		

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

21. Subtotal: add lines 1 through 20. Enter result here and on line 22 on 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

See instructions on page 11

Note: Nonresident Military personnel see special instructions on page 11 and complete **BOX 21C** \$

For all other individuals, divide the amount on line 21B by the amount on line 21A (see instructions if either line 21A and/or 21B are less than zero). Please round your answer to a decimal followed by three numbers.

Example: $\$3,100 \div \$8,000 = .3875$, which rounds to .388 (do not enter a number greater than 1.00). Enter result here and on line 9 on the front page of Form IT-40PNR

BOX 21D

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

If you have a loss (or negative entry), please indicate so by placing it in a bracket. Example: (1.00)

**Line-by-line instructions
continue on page 11.**

Column A
Income from Federal Return

Column B
Income Taxed by Indiana

- 22. Enter amounts from line 21 on the previous page
- 23 Tax add-back: if entries are on lines 7,12,13,14,15, &/or 16 see instructions on page 11
- 24. Lump sum distribution taxed on federal Form 4972
- Total Income or Loss -**
- 25. Add lines 22 through 24

22A		
23A		
24A		
25A		

22B		
23B		
24B		
25B		

Section 2: Adjustments to Income

Note: Enter in Column A only those deductions claimed on your 2004 federal income tax return, Form 1040 or 1040A. (See instructions on page 11 for any other federal adjustments to income.)

**Line-by-line instructions
continue on page 11.**

Column A
Federal Adjustments

Column B
Indiana Adjustments

- 26. Deduction for clean-fuel vehicles
- 27. IRA deduction
- 28. Student loan interest deduction
- 29. Moving expenses (see instructions on page 12)
- 30. One-half of self-employment tax deduction
- 31. Self-employed health insurance deduction
- 32. Keogh and self-employed SEP and SIMPLE plans
- 33. Penalty on early withdrawal of savings
- 34. Alimony paid
- 35. Other (see instructions on page 12)
- Total Adjustments -**
- 36. Add lines 26 through 35

26A		
27A		
28A		
29A		
30A		
31A		
32A		
33A		
34A		
35A		
36A		

26B		
27B		
28B		
29B		
30B		
31B		
32B		
33B		
34B		
35B		
36B		

Section 3: Totals

Column A
Federal Adjusted Gross Income

Column B
Income Taxed by Indiana

- 37A. Subtract line 36A from line 25A

37A		
------------	--	--

- 38B. Subtract line 36B from line 25B. Enter total here and on Form IT-40PNR, line 1

38B		
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Enter your first name, middle initial and last name and spouse's 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; height: 20px;"> <tr><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td><td style="width: 20px; height: 20px;"> </td></tr> </table>								

1. Renter's deduction: Address where rented if different from the one on the front page
B _____ Landlord's name and address
C _____ Amount of rent paid \$ D _____
 Number of months rented E _____ Enter the lesser of \$2,500 or amount of rent paid
2. Residential Homeowner's Property Tax deduction: Address where property tax was paid if different from front page F _____
 Number of months lived there G _____
 Enter the lesser of \$2,500 or the actual amount of property tax paid for 2004..

 Enter the amount of 2003 property taxes paid **during** 2004 (if any) from
 Step 5 of the worksheet on page 14

 Add Boxes A and B, enter the total here (**combined deduction cannot be more than \$5,000**) .
3. State tax refund reported on federal return and on Indiana Sch. A, Section 1, line 5B
4. Interest on U.S. Government Obligations (see page 14)
5. Taxable Social Security benefits (see page 14)
6. Taxable Railroad Retirement benefits (see page 14)
7. Military Service deduction: \$2,000 maximum for qualifying individual (see page 14)
8. Non-Indiana Locality Earnings deduction: \$2,000 maximum per qualifying person (see page 15)
9. Insulation deduction: \$1,000 maximum: Attach verification (see page 15)
10. Disability Retirement deduction: \$5,200 maximum per qualifying person (see page 15)
 Attach Schedule IT-2440
11. Civil Service Annuity deduction: \$2,000 maximum per qualifying person (see page 16)
12. Nontaxable portion of Unemployment Compensation (see page 16)
13. Indiana Lottery Winnings (see page 16)
14. Indiana Net Operating Loss deduction: Attach Schedule IT-40NOL (see page 16)
15. Enterprise Zone Employee deduction: Attach Schedule IT-40QEC (see page 17)
16. Recovery of deductions (see page 17)
17. Human Services deduction (see page 17)
18. Indiana partnership long term care insurance policy premiums deduction (see page 18)
19. Other deductions: List source(s) and amounts (see page 18) _____
20. Add lines 1 through 19, enter total here and on line 2 of Form IT-40PNR **Total Deductions** ►

Instructions begin on page 13.

Please round all entries to nearest whole dollar (see instructions, pg 6)

1		
Did you pay 2003 property taxes in 2004? If yes, see instructions for line 2 on page 14.		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

Schedule E: Indiana Credits

1. Credit for Local Taxes Paid Outside Indiana (see page 26)
2. County Credit for the Elderly: attach federal Schedule R (see page 27)
3. Other Local Credits: List source(s) and amounts (see page 28) _____
Important: Lines 1 plus 2 & 3 cannot be greater than the county tax due on IT-40PNR line 13...
4. College Credit: Attach Schedule CC-40 (see page 28)
5. Credit for Taxes Paid to Other States: attach other state's return (see page 28)
6. Research Expense Credit: attach Form IT-20REC (see page 30)
7. Neighborhood Assistance Credit: attach Schedule NC-20 (see page 30)
8. Enterprise Zone Credits (attach appropriate schedule: see page 30)
9. Teacher Summer Employment Credit: attach Schedule TSE (see page 30)
10. Twenty-First Century Scholars Program Credit (see page 30)
11. Coal Combustion Product Tax Credit (see page 30)
12. Other Credits: List source(s) and amounts (see page 31) _____
Important: Lines 4 through 12 added together cannot be greater than the state adjusted gross income tax due on IT-40PNR line 12 (see instructions on page 32)
13. Add lines 1 through 12 and enter total here and on line 24 of Form IT-40 PNR **Total Credits** ►

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		

County Tax Schedule for Part-Year and Full-Year
Indiana Nonresidents

See instructions on page 20

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

^P Your county of residence as of January 1, 2004. ^R Spouse's county of residence as of January 1, 2004.
Enter 2-digit county code # from the chart on page 23.) (Enter 2-digit county code # from the chart on page 23.)

- Enter the amount from IT-40PNR, line 11. Note: If both you and your spouse lived in the same county on January 1, enter the entire amount from Form IT-40PNR, line 11 on Line 1A only. See instructions beginning on page 20
- If you claimed a non-Indiana locality earnings deduction on Schedule D, line 8, enter the amount here. If not, leave blank
- Add lines 1 and 2
- Enter the resident rate from the county tax chart on page 23 for the county code number shown above
- Multiply line 3 by the rate on line 4 (if less than zero, enter zero)
- 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 21)
- Enter the amount of income that was taxed by any of the Kentucky counties listed on line 6 above
- Multiply line 7 by .005 and enter total here
- Line 6 minus line 8. Enter the total here and on line 13 of Form IT-40PNR

Column A - Yours		Column B - Spouse's	
1A		1B	
2A		2B	
3A		3B	
4A		4B	
5A		5B	
		6	
		7	
		8	
		9	

SECTION 2: To be completed if, on January 1, 2004, 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.

^Q Your Indiana county of principal employment as of January 1, 2004. (Enter 2-digit county code # from the chart on page 23.) ^S Spouse's Indiana county of principal employment as of January 1, 2004. (Enter 2-digit county code # from the chart on page 23.)

- Enter your principal employment income by entering the total income from your W-2s and/or net self-employment income (from federal Schedule C or C-EZ; federal Form 1065, Schedule K-1; 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 21 for further instructions
- Enter certain deductions to income. See page 22 for the complete list of allowable deductions and further instructions
- Subtract line 2 from line 1
- Enter some or all of the exemptions from line 10 of Form IT-40PNR (see instructions on page 22)
- Subtract line 4 from line 3
- Enter the nonresident rate from the county tax rate chart on page 23 for the county number shown above under the Section 2 heading
- Multiply the income on line 5 by the rate on line 6 (if less than zero, enter zero)
- Enter total of 7A plus 7B. Add to any Section 1, line 9 amount, and carry to line 13 of Form IT-40PNR.

Column A - Yours		Column B - Spouse's	
1A		1B	
2A		2B	
3A		3B	
4A		4B	
5A		5B	
6A		6B	
7A		7B	
		8	

Enter your first name, middle initial and last name and spouse's full name if filing a joint return ^A Your Social Security Number

Section A: Figure Your Indiana Earned Income Credit

A-1 Enter the earned income credit from your federal income tax return Form 1040 line 65a, Form 1040A line 41a, or Form 1040EZ line 8a (must be \$9.00 or more: see instructions) **A1\$** _____

A-2 Multiply line A1 by .06 and enter here. Carry this total to Form IT-40, line 25, or Form IT-40PNR, line 22 **Indiana Earned Income Credit** **A2\$** _____

▶ **If you did not complete Federal Schedule EIC (you did not claim children when figuring your federal earned income credit), you are finished with this schedule. Make sure to attach it to your Form IT-40 or IT-40PNR.**

▶ **If you claimed children on your Federal Schedule EIC**
Complete Section B if you claimed children (on Federal Schedule EIC) when you figured your earned income credit on federal Forms 1040 or 1040A. Enter information for up to four children even if only claiming two on federal Schedule EIC (see instructions for more information).

Section B: Qualifying Child (Read the instructions to explain the terms used below.)

Enter each child's name here

Enter each child's Social Security Number

1	2	3	4
First _____ Last _____	First _____ Last _____	First _____ Last _____	First _____ Last _____
SSN _____ - -	SSN _____ - -	SSN _____ - -	SSN _____ - -

⬇ **Check only one box in each section for each child listed.**

	1	2	3	4	
B-1	Your child	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>
	Adopted child	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>
	Grandchild	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>
	Stepchild	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>
	Foster child, (not related)	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>
	Other (related foster child, or other related child - see instructions)	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>
B-2	Under age 18	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>
	Age 18	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>
	Age 19 - 24 and a full-time student	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>
	Age 19 or older and totally disabled	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>
B-3	Child lived with you at least 1/2 of the year.	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>
	Child was born or died in 2004, and lived with you while alive in 2004.	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>

Important: You must complete and attach this schedule to your Form IT-40 or IT-40PNR when claiming the Indiana earned income credit. Note: Do not complete or attach this schedule if you are claiming this credit on the Form IT-40EZ (see the worksheet on Form IT-40EZ for instructions for how to claim the credit).

Indiana's Earned Income Credit Instructions

Generally, Indiana's earned income credit is 6% (.06) of the earned income credit allowed on your federal income tax return.

If, during 2004:

- you were an Indiana resident, and/or
- had income from Indiana sources, and
- you claimed the earned income credit on your federal income tax return (Form 1040, 1040A or 1040EZ),

then you are eligible to claim Indiana's Earned Income Credit.

Indiana's Earned Income Credit will lower the tax you owe and may give you a refund even if you don't owe any tax.

Note: Do not complete this schedule if filing Indiana's Form IT-40EZ. Instead, complete the worksheet on the back of Form IT-40EZ to claim your earned income credit.

Section A – Figure Your Credit

Enter on Line A1 the amount of earned credit* from your

- Federal Form 1040, line 65a or
- Federal Form 1040A, line 41a or
- Federal Form 1040EZ, line 8a.

* **Important:** This amount must be at least \$9.00 or more (a smaller federal earned income credit will create an Indiana credit of less than \$1.00).

Multiply the amount on Line A1 by .06 (6%) and enter the result on line A2. This is your Indiana earned income credit. Enter this amount on your Form IT-40, line 25, or on Form IT-40PNR, line 22.

Section B - Qualifying Child

You must complete Section B if you filed the federal Schedule EIC, Earned Income Credit.

Enter in Column 1 (and Column 2) information for the same child (or children) you entered on your federal Schedule EIC.

Note: If you have more than two children who meet the requirements to be eligible to claim them for the federal earned income credit on federal Schedule EIC, please enter the additional child's information (up to two additional children) in Column 3 (and Column 4, if applicable). Note: This will not increase or decrease your Indiana earned income credit.

In **Section B-1**, the 'Other' box (box f) includes:

- a related foster child, or
- your brother, sister, stepbrother, stepsister, or
- a descendant of your brother and/or sister, etc. (for example, your niece or nephew), whom you cared for as your own child.

Note: In **Section B-2**, box i, the child must be under age 24.

Caution: You must know what your federal earned income credit is before you can figure your Indiana earned income credit. Some individuals ask the Internal Revenue Service (IRS) to figure their federal earned income credit for them. If you have chosen to do this, you must wait to claim Indiana's earned income credit until you find out what your earned income credit is from the IRS. Your Indiana income tax return, Form IT-40, IT-40PNR, or IT-40EZ, must be filed by April 15, 2005. If you don't know what your federal earned income credit is by Indiana's filing due date, go ahead and file your Indiana return without claiming the earned income credit. Then, when you find out what your federal earned income credit is, file an amended (corrected) Indiana tax return, Form IT-40X, to claim your Indiana earned income credit.

2004 Indiana County Income Tax Rates and County Codes

*These rates have changed from last year's chart.

County Code #	County Name	Resident Rate	Nonresident Rate
01	Adams	.01124*	.00674*
02	Allen	.01	.0055
03	Bartholomew	.01	.0025
04	Benton	.0127*	.0052*
05	Blackford	.01305*	.00555*
06	Boone	.01	.0025
07	Brown	.0125	.005
08	Carroll	.011	.0035
09	Cass	.015*	.0075*
10	Clark	.01375*	.00625*
11	Clay	.0125*	.0025
12	Clinton	.01375*	.00625*
13	Crawford	.01	.005
14	Daviess	.01375*	.00375*
15	Dearborn	.006	.0015
16	Decatur	.0129*	.0054*
17	DeKalb	.01375*	.00625*
18	Delaware	.00925*	.00475*
19	Dubois	.01	.0055
20	Elkhart	.015*	.005
21	Fayette	.0137*	.0062*
22	Floyd	.0115*	.0065*
23	Fountain	.0105*	.003*
24	Franklin	.0125	.005
25	Fulton	.0143*	.0068*
26	Gibson	.005	.005
27	Grant	.0125*	.005*
28	Greene	.01	.0025
29	Hamilton	.01	.0025
30	Hancock	.0115	.004
31	Harrison	.01	.005
32	Hendricks	.01325*	.00575*
33	Henry	.01	.0025
34	Howard	.009	.00375
35	Huntington	.0125	.005
36	Jackson	.0135	.005
37	Jasper	.01	.0025
38	Jay	.0125	.005
39	Jefferson	.00175*	.00175*
40	Jennings	.0125	.005
41	Johnson	.01	.0025
42	Knox	.0085*	.005875*
43	Kosciusko	.01	.00475
44	LaGrange	.01325*	.00575*
45	Lake	NA	NA
46	LaPorte	.0095	.007
47	Lawrence	.01	.0025
48	Madison	.01125*	.00375*
49	Marion	.007	.00175
50	Marshall	.0125*	.0025
51	Martin	.01	.004

County Code #	County Name	Resident Rate	Nonresident Rate
52	Miami	.0104*	.0059*
53	Monroe	.01	.0025
54	Montgomery	.01	.0025
55	Morgan	.0117*	.0042*
56	Newton	.01	.0025
57	Noble	.01375*	.00625*
58	Ohio	.01	.0025
59	Orange	.0125	.005
60	Owen	.0125	.005
61	Parke	.01375*	.00625*
62	Perry	.01	.00625
63	Pike	.004	.004
64	Porter	.0025*	.0025*
65	Posey	NA	NA
66	Pulaski	.0173*	.0068*
67	Putnam	.0125	.005
68	Randolph	.015	.0075
69	Ripley	.01315*	.00565*
70	Rush	.0125	.005
71	St. Joseph	.008	.0035
72	Scott	.0116*	.0041*
73	Shelby	.0125	.005
74	Spencer	.008	.00575
75	Starke	.01	.0075
76	Steuben	.0127*	.0052*
77	Sullivan	NA	NA
78	Switzerland	.01	.0025
79	Tippecanoe	.01	.0055
80	Tipton	.0129*	.0054*
81	Union	.015	.005
82	Vanderburgh	.01	.0025
83	Vermillion	.001	.001
84	Vigo	.0125*	.0075*
85	Wabash	.015*	.0075*
86	Warren	.0125	.005
87	Warrick	.005	.005
88	Washington	.015*	.0075*
89	Wayne	.015	.005
90	Wells	.0145*	.007*
91	White	.0125	.005
92	Whitley	.012	.0045
00	All Other States except the following:	New Indiana County to adopt a tax:	
94	Illinois	39	Jefferson
95	Kentucky		
96	Michigan		
97	Ohio		
98	Pennsylvania		
99	Wisconsin		

Line 16 - Indiana Advance Earned Income Credit Payments (from W-2's)

Enter the total amount of Indiana advance earned income credit payments you received. This payment is shown on your W-2 form in the box directly beneath box 19 ('INADV' should be in the box directly beneath box 20).

Indiana Credits

Lines 18 and 19 - Indiana State and County Tax Withheld

The amount of Indiana state tax withheld is usually shown on box 17 and the amount of Indiana county tax withheld is usually shown on box 19 of 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.

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 20 - 2004 Estimated Tax Paid

If you made estimated tax payments for state and/or county tax, enter the total paid for 2004 on this line. Also include any payments made with Form IT-9 "Extension of Time to File" for tax year 2004.

Note: Do not include on this line any estimated tax paid for 2005.

Line 21 - Unified Tax Credit for the Elderly

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

- a) You must have been age 65 or older by December 31, 2004;
- b) The amount on Indiana Schedule A, Section 3, line 37A (plus any net operating loss carryforward from federal Form 1040) must be *less than \$10,000*;
- c) You must have been a resident of Indiana for 6 months or more during 2004; and
- d) You must not have been in prison for 180 days or more in 2004.

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

Important:

- If a spouse dies after January 1, 2004, 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

Sales/Use Tax Worksheet		
List all purchases made during 2004 from out-of-state companies.		
Description of personal property purchased from out-of state	Date of Purchase(s) Column A	Purchase Price of Property(s) Column B
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax: enter total of Column B	1	
2. Sales/use tax: Multiply line 1 by .06 (6%)	2	
3. Sales tax previously paid on the above items (up to 6% per item)	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40PNR, line 14. If the amount is negative, enter zero and put no entry on line 14 of the IT-40PNR	4	

Indiana Credits cont'd...

Unified Tax Credit for the Elderly. However, you must file the Form IT-40PNR if you are eligible for the Lake County residential income tax credit. See line 23 instructions in the next column for more information. Important: file either the Form SC-40 or the Form IT-40PNR (not both).

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, 2005. 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 2004 and both of you were age 65 or older by December 31, 2004; **or**
- both you and your spouse met all the requirements, and your spouse died after January 1, 2004.

Table A	
Joint Filers Both Age 65 or Older	
If the income on Line 37A of Indiana Schedule A, Section 3* is:	Your Allowable Credit is:
less than \$1,000.....	\$140
between \$1,000 and \$2,999.....	\$90
between \$3,000 and \$9,999.....	\$80

*Plus any net operating loss from federal Form 1040.

Use Table B if:

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

- you are age 65 or older and are single or widowed;
- you are filing a joint return and only one of you is age 65 or older; **or**
- you are married but did not live with your spouse during 2004, are age 65 or older and are married filing separately.

Table B	
Only One Person Age 65 or Older	
If the income on Line 37A of 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.

Once you have located the allowable Unified Tax Credit for the Elderly on Table A or B, enter that amount on line 21 on Form IT-40PNR.

Line 22 - Indiana's Earned Income Credit: Schedule IN-EIC

Indiana's earned income credit has changed. It's now based on your federal earned income credit. If your federal earned income credit is \$9.00 or more, you may be eligible for Indiana's earned income credit.

The earned income credit will lower the tax you owe and may give you a refund even if you don't owe any tax. The credit can be as much as \$258.

To claim the credit you must complete and attach Schedule IN-EIC.

Line 23 - Lake County (Indiana) Residential Income Tax Credit

You may be eligible to claim a Lake County (Indiana) residential income tax credit if you meet **all** of the following requirements:

1. You paid property tax to Lake County (Indiana) during 2004 on your residence. Your "residence" is your principal dwelling. You must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.

2. Your earned income must be less than \$18,600. Your "earned income" is the combination of your (and your spouse's, if filing a joint return) wages, salaries, tips, and other compensation, plus net earnings from self-employment (income on which you are required to pay self-employment tax on federal Schedule SE.) NOTE: Income from pensions, interest, dividends, social security, etc., are not classified as earned income.

Example: Sue has \$17,000 wage income, \$300 interest income and \$7,000 pension income. Even though her total income is \$24,300, Sue will qualify for the credit because her earned income is less than \$18,600 (it's \$17,000).

Important: You are *not required* to have earned income to be eligible for this credit.

Example: Dale receives \$17,000 pension income, \$3,000 social security income, and \$100 interest income. He meets the income eligibility requirement because his earned income is less than \$18,600 (it is zero).

3. You are not claiming the Residential Homeowner's Property Tax Deduction on Indiana Schedule D, line 2. However, you are allowed to claim the Residential Homeowner's property Tax deduction for 2003 on Schedule D, line 2, Box B and this credit at the same time.

...continue to the next page for the worksheet. 

Indiana Credits cont'd...

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

How do I figure my credit?

Step 1 Did you pay property tax to Lake County (Indiana) on your Indiana residence during 2004? Yes No

If yes, continue to Step 2.
If no, **STOP**. You do not get this credit.

Step 2 Enter your earned income. This will include your (and your spouses, if filing a joint return) wage, salary, tip and other compensation, plus net earnings from self-employment \$ _____

Step 3 •If the amount in Step 2 is greater than \$18,600, **STOP**. You do not get this credit.

•If the Step 2 amount is **less than** \$18,000, skip to Worksheet A.

•If the Step 2 amount is between \$18,000 and \$18,600, skip to Worksheet B.

**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 3 and line 12 instructions.

Line 1 - Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40PNR, line 13, **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).

Step 1: Figuring your rate: If your January 1, 2004 county of residence is on the **Rate Conversion Chart** on the next page, use the rate in Column A to figure your credit.

If your January 1, 2004, county of residence doesn't have a county tax but the January 1, 2004 county where you worked is on the **Rate Conversion Chart** on the next page, use the rate in Column B to figure your credit.

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

- A. Enter the amount of tax paid to the non-Indiana locality A _____
- B. Multiply the amount of income taxed by the non-Indiana locality by the rate from Step 1 above B _____
- C. Enter the amount of Indiana county income tax shown on Form IT-40PNR, line 13..... 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-2's showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

WORKSHEET A:

Complete if your earned income is **less than** \$18,000.

A1 Enter the amount of Indiana property tax you paid during 2004 on your Lake Co. residence A1 \$ _____

A2 Maximum credit A2 \$ **300.00**

A3 Enter the **smaller** of A1 or A2. This is your credit. Enter here and on IT-40PNR, line 23 A3 \$

WORKSHEET B: Earned Income Phaseout

Complete if your earned income is between \$18,000 and \$18,600.

B1 Allowable maximum earned income B1 \$ **18,600.00**

B2 Enter your earned income from Step 2 above B2 \$ _____

B3 Subtract B2 from B1 (if answer is zero or a (negative amount), **STOP**. You do not get this credit) B3 \$ _____

B4 Multiply the amount on B3 by .5 (50%) B4 \$ _____

B5 Enter the amount of Indiana property tax you paid during 2004 on your Lake County (Indiana) residence B5 \$ _____

B6 Enter the **smaller** of B4 or B5. This is your credit. Enter here and on IT-40PNR, line 23 B6 \$

Moving? Change your new address online at: www.in.gov/dor/individual/maintenance.html

Rate Conversion Chart


County	A Resident	B Nonresident
Adams	.006	.0015
Allen	.006	.0015
Bartholomew	.01	.0025
Benton	.01	.0025
Blackford	.01	.0025
Boone	.01	.0025
Brown	.01	.0025
Carroll	.01	.0025
Cass	.01	.0025
Clark	.01*	.0025*
Clay	.0125*	.0025
Clinton	.01	.0025
Crawford	.0075	.0025
Daviess	.0125*	.0025*
Dearborn	.006	.0015
Decatur	.01	.0025
DeKalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.0125*	.0025
Fayette	.0137*	.0062*
Floyd	.0075*	.0025*
Fountain	.01*	.0025*
Franklin	.01	.0025
Fulton	.01	.0025
Gibson	(Cannot take credit)**	
Grant	.01	.0025
Greene	.01	.0025
Hamilton	.01	.0025
Hancock	.01	.0025
Harrison	.0075	.0025
Hendricks	.01	.0025
Henry	.01	.0025
Howard	.007	.00175
Huntington	.01	.0025
Jackson	.011	.0025
Jasper	.01	.0025
Jay	.01	.0025
Jefferson	(Cannot take credit)**	
Jennings	.01	.0025
Johnson	.01	.0025
Knox	.0035*	.000875*
Kosciusko	.007	.00175
LaGrange	.01	.0025
Lake	NA	NA
LaPorte	.005	.0025
Lawrence	.01	.0025
Madison	.01*	.0025*

County	A Resident	B Nonresident
Marion	.007	.00175
Marshall	.0125*	.0025
Martin	.008	.002
Miami	.006	.0015
Monroe	.01	.0025
Montgomery	.01	.0025
Morgan	.01	.0025
Newton	.01	.0025
Noble	.01	.0025
Ohio	.01	.0025
Orange	.01	.0025
Owen	.01	.0025
Parke	.01	.0025
Perry	.005	.00125
Pike	(Cannot take credit)**	
Porter	(Cannot take credit)**	
Posey	NA	NA
Pulaski	.013	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	.006	.0015
Scott	.01	.0025
Shelby	.01	.0025
Spencer	.003	.00075
Starke	.005	.0025
Steuben	.01	.0025
Sullivan	NA	NA
Switzerland	.01	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.0125	.0025
Vanderburgh	.01	.0025
Vermillion	(Cannot take credit)**	
Vigo	.0075*	.0025*
Wabash	.01	.0025
Warren	.01	.0025
Warrick	(Cannot take credit)**	
Washington	.01	.0025
Wayne	.0125	.0025
Wells	.01	.0025
White	.01	.0025
Whitley	.01	.0025

* These rates have changed since last year.

** Gibson, Jefferson, Pike, Porter, Vermillion, and Warrick counties have adopted CEDIT only, not CAGIT or COIT. NA These counties have no county tax.

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* (found on the next page) 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 13 ... 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 .067 = \$36.85 [rounded to \$37]).

Indiana Credits cont'd...

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:
.001	.007	.008	.053
.0015	.01	.0085	.057
.00175	.012	.009	.06
.0025	.017	.00925	.062
.003	.02	.0095	.063
.0035	.023	.01	.067
.00375	.025	.0104	.069
.004	.027	.0105	.07
.0041	.027	.011	.073
.0042	.028	.01124	.075
.0045	.03	.01125	.075
.00475	.032	.0115	.077
.005	.033	.0116	.077
.0052	.035	.0117	.078
.0054	.036	.012	.08
.0055	.037	.0125	.083
.00555	.037	.0127	.085
.00565	.038	.0129	.086
.00575	.038	.01305	.087
.005875	.039	.01315	.088
.0059	.039	.01325	.088
.006	.04	.0135	.09
.0062	.041	.0137	.091
.00625	.042	.01375	.092
.0065	.043	.0143	.095
.00674	.045	.0145	.097
.0068	.045	.015	.10
.007	.047	.0173	.115
.0075	.05		

- Step 1** Enter the county tax from IT-40PNR line 13  A _____
- Step 2** Enter the total of lines 1 plus 2 from Schedule E B _____
- Step 3** Subtract line B from line A (if less than zero, enter zero) C _____
- Step 4** Enter the full amount of your Community Revitalization Enhancement District credit D _____

The amount to be entered on line 3 of Schedule E is the smaller of the line C or line D amounts. Also, see the Community Revitalization Enhancement District credit instructions for line 12 on page 31.

Contact the Department of Commerce at (317) 232-8898 for additional information.

Limitation: There is one final limitation if you have entries on lines 1, 2 and 3 of Schedule E. These credits, *when combined*, cannot be greater than the county tax shown on Form IT-40PNR line 13; 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 13 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 - Other Local Credits

Community Revitalization Enhancement District Credit

A state **and** local income tax liability credit is available for a qualified investment made within a community revitalization enhancement district. The expenditure must be made under a plan adopted by an advisory commission on industrial development and approved by the Indiana Department of Commerce before it is made. The credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year.

Pass-through entities (S corporations and partnerships) are eligible for the credit.

The credit is non-refundable and cannot be carried back. You may carryforward any excess credit to the next tax year.

Since any unused portion of the credit is to be carried forward to the next tax year, special calculations must be made to arrive at the amount to be used. This credit is allowed to offset both state and local tax due. To figure the amount of credit to be utilized this year, use the following steps.

Line 4 - College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to \$100 on a single return or \$200 on a joint return. To claim this credit you must complete and attach Schedule CC-40. Contact the Department to get more information and Schedule CC-40.

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 5 - 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 2004 and had income from any of the states listed in Group A below, you should

Indiana Credits cont'd...

first find out what the other state's rules are concerning the taxation of your income.


Group A

No Agreement (Credit taken on resident return)

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

Any foreign countries or U.S. possessions
 *(Capital gain, interest, and dividends only)

Group A Worksheet

- A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return) A _____ 
- B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.4% (.034) B _____
- C. Enter the amount of Indiana state income tax shown on Form IT-40PNR, line 12 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, if you have foreign tax credit, complete the Group A Worksheet and attach federal Form 1116. If Form 1116 was not required, attach Forms 1099-INT and/or 1099-DIV (or a substitute statement) to verify the foreign tax and amount of income being taxed.

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

Group B

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

Kentucky	Michigan	Ohio
Pennsylvania	Wisconsin	

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

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

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 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 6 - 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.



Note: This credit has been made permanent

Line 7 - 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.

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

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

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/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indiana Army Ammo	Portage
East Chicago	Indianapolis	Richmond
Elkhart	Jeffersonville	Salem
Evansville	Kokomo	South Bend
Fort Harrison	Lafayette	Terre Haute
Fort Wayne	LaPorte	Vincennes
Frankfort	Marion	
Gary	Michigan City	

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.)

Businesses organized as partnerships, S corporations and fiduciaries are now eligible to pass through enterprise zone credits to their partners or shareholders. In addition, 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, Community Development Division, One North Capitol, Suite 600, Indianapolis, IN 46204, 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. For additional information visit the Department of Education's web site at www.doe.state.in.us/legal.

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.

To claim this credit you must complete and attach Schedule TCSP-40. Contact the Department to get a Schedule TCSP-40.

Detailed information about the scholarship program, registration and administration may be obtained by calling the Twenty-First Century Scholars Program at (317) 233-2100.

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



Line 11 - Coal Combustion Product Tax Credit

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components and is a new business may be eligible for this credit. Pass-through entities are eligible for this credit.

Note: A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

Line 12 - Other Credits

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

 **Biodiesel Tax Credit**

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility, and for dealers who operate service stations that sell blended biodiesel through metered pumps. Pass-through entities are eligible for this credit.

Capital Investment Tax Credit

A pass-through entity is eligible for a capital investment cost tax offset credit. This credit is based on certain qualified capital investments made in Shelby County.

For information regarding the definitions, procedures, and qualifications for obtaining this credit, contact: Indiana Department of Commerce, Development Finance Division, One North Capitol, Suite 700, Indpls., IN, 46204, or call (317) 234-0616.

Community Revitalization Enhancement District Credit

See the Schedule E line 3 instructions for details about this credit. This credit is available to offset **both** your state and local tax liabilities, and any unused remainder is available to be carried forward. Pass-through entities are eligible for this credit.

Use the following steps to figure your credit.



- Step 1** Enter the adjusted gross income tax from IT-40PNR line 12A _____
- Step 2** Enter the total of the credits on lines 4 through 12 (not including this credit) from Schedule EB _____
- Step 3** Subtract line B from line A (if less than zero, enter zero)C _____
- Step 4** Enter the full amount of your Community Revitalization Enhancement District CreditD _____
- Step 5** Enter any amount from Schedule E, line 3E _____
- Step 6** Subtract E from D and enter the differenceF _____

The amount to be entered on line 12 of Schedule E is the smaller of line C or line F.

Note: If you have not used all of the Community Revitalization Enhancement District credit, the unused portion should be carried over to next year's tax return. The amount available for carryover purposes is line D minus the smaller of line C or line F, minus the Schedule E line 3 amount.

Keep a copy of this worksheet for your records.

For more information, contact the Indiana Department of Commerce, General Counsel, Community Development Division, One North Capitol, Suite 600, Indianapolis, IN 46204, or call (317) 234-0616.

 **Ethanol Production Tax Credit**

An Indiana facility with a capacity to produce forty million gallons of ethanol per year may be eligible for this credit. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be attached to verify this credit. Pass-through entities are eligible for 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, or visit online at www.in.gov/dnr/historic.

Hoosier Business Investment Tax Credit

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment for tax years beginning after December 31, 2003. This credit is administered by the EDGE Board (Department of Commerce). Pass-through entities are eligible for this credit.

Individual Development Account Credit

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills.

The organization must have an approved program number from the Indiana Department of Commerce before a contribution qualifies for pre-approval.

The credit is equal to 50% of the contribution, which must not be less than \$100 and not more than \$50,000.

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

Remember your Sales and Use Tax obligation. See instructions on page 22.

Indiana Credits cont'd...

Applications for the credit are filed through the community development corporation by using Form IDA-10/20. An approved Form IDA 20 must be attached to your return if claiming this credit.

To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact: Indiana Department of Commerce, Community Development Division, One North Capitol, Suite 600, Indianapolis, IN 46204, or call (317) 232-8911.

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, Community Development Division, One North Capitol, Suite 600, Indianapolis, IN 46204, or call (317) 232-8911.

Maternity Home Credit

An income tax credit is allowed for maternity home owners providing a temporary residence to at least one unrelated 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 Maternal and Child Health Division at (317) 233-1253 to obtain an application and more information about this credit.

Military Base Recovery Tax Credit

A taxpayer that is an owner or developer of a military base recovery site may be eligible for a credit if investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the Enterprise Zone Board. For more information about this contact the Department of Commerce at: Indiana Department of Commerce, Community Development Division, One North Capitol, Suite 600, Indianapolis, IN 46204, phone number (317) 232-8911.

Prison Investment Credit Update

A credit is allowed for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50% of the investment in a qualified project approved by the Department of Corrections, plus 25% of the wages paid to inmates. Pass-through entities are eligible for the credit.

Rerefined Lubricated Oil Facility Tax Credit

Effective January 1, 2001, through December 31, 2005, a pass-through entity may be eligible, as determined by the Indiana Department of Commerce, for a state tax offset credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil.

For information regarding the definitions, procedures, and qualifications for obtaining this credit, contact: Indiana Department of Commerce, Development Finance Division, One North Capitol, Suite 700, Indpls., IN 46204, or call (317) 234-0616.

Residential Historic Rehabilitation Credit

A credit is available for the repair and rehabilitation of historic residential property that is at least 50 years old and will be used as your primary residence. For more information about this credit, contact the Department and request Income Tax Information Bulletin #87A.

Riverboat Building Credit

A tax credit has been established for any individual or company that builds or refurbishes a riverboat licensed to conduct legal gambling in Indiana. This credit is equal to 15% of the 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 Indiana Department of Commerce, Development Finance Division, One North Capitol, Suite 700, Indianapolis, IN 46204, or call (317) 234-0616 for more information about this credit.



Venture Capital Investment Tax Credit

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit. Certification for this credit must be obtained from the Department of Commerce.

Voluntary Remediation Credit

A voluntary remediation credit is available for qualified investments involving redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Development Finance Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments. Upon approval, the credit may be used to offset adjusted gross income tax and sales/use tax.

Limitation: There is one final limitation if you have more than one entry on lines 4 through 12 of Schedule E. These credits, *when combined*, cannot be greater than the state adjusted gross income tax shown on Form IT-40PNR line 13; if they are, adjust the amounts before you enter them. See the following example.

Example:

- The line 4 college credit of \$200 plus the line 5 credit for taxes paid to other states of \$300 equals a \$500 total credit.
- Your IT-40PNR line 13 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 5, and attach an explanation showing your calculations.

Line 13 - Total Credits

Add the credits on lines 1 through 12 (keeping in mind the limitations) and enter the total here. Carry this amount to Form IT-40PNR, line 24.

IT-40PNR Back Page Instructions

Line 28

If the line 27 total credits are more than the line 26 total tax, you have an overpayment. Enter the difference between those two amounts here.

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.



Line 29 - Contribution To Indiana Nongame Wildlife Fund

The Indiana Wildlife Diversity Section offers you the opportunity to play an active role in conserving Indiana's nongame and endangered wildlife. The money you donate goes directly to the protection and management of more than 550 wildlife species in Indiana - from robins and turtles to state-endangered bald eagles and river otters. Enter the amount of your refund you wish to donate to the Nongame Wildlife Fund in the box on line 29. Donations must be a minimum of \$1.00.

Learn more about Indiana's Nongame Wildlife Diversity Section and how donations have helped Indiana's endangered wildlife on the Internet at www.wildlife.in.gov/endangered.

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

Note: 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 Wildlife Fund and wish to apply a payment to your 2005 estimated tax account, the overpayment will be applied first to the wildlife fund and then to the estimated tax payment. Any amount left will be refunded to you.

Line 31 - Amount to be Applied as a 2005 Estimated Tax Installment Payment

If you expect to have income during the 2005 tax year that:

- won't have Indiana income taxes withheld, or
- if you think the amount of Indiana taxes withheld won't be enough to pay your tax liability, and

- you expect to owe more than \$400 when you file your Indiana tax return, then you should pay estimated tax.

There are several ways you can make estimated tax payments. First, use the worksheet on page 41 to see how much you will owe. Then, if you want to make an estimated tax installment payment on this tax return, carry the amount from line "I" of the worksheet to line 31 of Form IT-40PNR.

You may use some or all of your line 30 overpayment as an installment payment. You may also send a payment with your tax return to make or to increase an installment payment. For instance, you have an \$80 overpayment on line 28. Instead of getting a refund, you want to apply the \$80 towards your estimated tax account, and make an additional \$20 payment, bringing the total payment up to \$100. You will enter \$100 on line 31, and pay the \$20 additional amount due on line 38.

Important: Any installment payment amount entered on line 31 will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 15, 2005 will be considered to be a 2005 first installment payment; June 3, 2005 will be considered to be a 2005 second installment payment; and July 22, 2005 will be considered to be a 2005 third installment payment. **Note:** If you are filing this return *after* January 15, 2006, you will not be able to make an installment payment on this line.

If you do not want to make an estimated payment on this tax return, you may use Form ES-40 on page 41 of this booklet to make the payment. Also, you may already have received a coupon booklet if you made estimated tax payments to the Department last year. Payment may also be made online, via credit card or check, at www.in.gov/dor/epay. See line 38 instructions on page 35 for details about using IN-ePay.

Regardless of which payment option you choose, please use only one method to make an installment payment (i.e. don't put an entry on line 31 and, at the same time, enclose an ES-40).

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 32 - Penalty for Underpayment of Estimated Tax

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

In fact, not properly paying estimated tax is one of the most common errors made in filing Indiana tax returns.

Generally, if you owe \$400 or more in Indiana state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

Back page instructions cont'd...

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 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 32.

*You must have timely paid 100% of lines 14 and 15 of your 2003 IT-40 or lines 12 and 13 of your 2003 IT-40PNR. Note: If last year's **adjusted income** was more than \$150,000 (\$75,000 for married filing separately), you must pay 110% of last year's tax (instead of 100%).

**Farmers and fishermen should see the special instructions on page 36.

A word about whether to use Schedules IT-2210 or IT-2210A. Schedule IT-2210 should be used by individuals who receive income (not subject to withholding tax) on a fairly even basis through the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met. Example: Jim and Sarah together received \$1,000 pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception.

Schedule IT-2210A should be used by individuals who receive seasonal income. Example: Bill sells fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 15, 2004 first installment due date.

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

Line 33 - You have a refund if line 30 is greater than the combined amounts entered on lines 31 and 32. However, if the combination of line 31 plus line 32 is *greater* than the line 30 overpayment, no refund is due. Instead, you will have an amount due. Enter the amount on line 35 and leave this line blank.

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

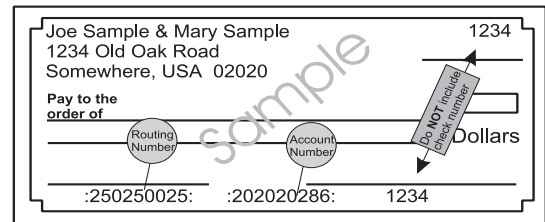
Note: There is a **statute of limitations** on filing refund claims. When filing your 2004 tax return, a claim for refund of excess withholding credits must be made no later than April 15, 2007. A claim for refund of all other excess payments and refundable credits must be made by April 15, 2008. (The postmark date of the filing of your return is when the claim for refund is considered to be made.)

Direct Deposit Line 34 - Direct Deposit

You may choose to have your refund deposited in your checking or savings account, or your Hoosier Works Master Card account. See below for instructions on how to do this.

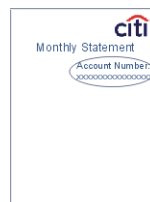
If you want your refund directed into your bank account, complete lines 34a, b and c.

- a) The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number. The sample check below has the routing number identified.
- b) The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank. The account number is identified on the sample check below.
- c) Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.



Note: The routing and account numbers may appear in different places on your checks.

If you currently have a **Hoosier Works MasterCard** and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 34b, where it says "Account Number" (**do not** write anything on line 34a "Routing Number").



You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.

Note: DO NOT use your MasterCard 16 digit number.



Make sure to check the "Hoosier Works MC" box on line 34c.

Type of Account: Checking Savings Hoosier Works MC

For more information on direct deposit, please see "Where's Your Refund" on page 4.

See the Index on page 43 for help in locating information by topic.

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

Line 35 -

- If line 33 is less than zero, you have an amount due. Enter here as a positive number and skip to line 36.

OR

- If line 26 is greater than line 27, complete the following steps:



- A. Subtract line 27 from line 26 and enter the total here A _____
- B. Enter any amount from line 31 B _____
- C. Enter any amount from line 32 C _____
- D. Add lines A + B + C. Enter total here and on line 35 D _____

Line 36 - Penalty

If your tax return is filed after the April 15, 2005 due date and you have an amount due, you will probably owe a penalty. Penalty is 10% of the amount due (line 35 minus lines 31 and 32) 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 37 - Interest

If your tax return is filed after the April 15, 2005 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 35 minus lines 31 and 32. Contact the Department for the current interest rate by calling (317) 232-2240 or visit our web site at www.in.gov/dor/reference and get Departmental Notice #3.

Line 38 - Amount You Owe - Payment Options

There are several ways to pay the amount you owe.

If sending a check, money order or cashiers check, make it payable to: Indiana Department of Revenue. Paperclip the payment to the bottom of the front of the return. If you don't have a paperclip, just include it loose in the envelope. **Do not** staple it to the return. **Do not** send cash.

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



You may pay the *Amount You Owe* on line 38 with a major credit card over the Internet. Log on to the web site at www.in.gov/dor/epay, or call 1-866-729-4682 toll-free, and use your American Express, Discover, MasterCard, or Visa.

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

The **eCheck** payment method, which uses a paperless check, is available. This service may be used to pay the tax due with your Indiana individual income tax return, as well as any billings issued by the Indiana Department of Revenue for any tax type. Go to our web site at www.in.gov/dor/epay and follow the step-by-step instructions to make your payment. You will receive a confirmation number and should keep this with your tax filing records. The fee for using this service is \$1.00.

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

Returned Checks

If your check is returned unpaid by your banking institution, 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.

Taxpayer and Spouse's Information

Tell us where you were a resident during 2004 by completing this area. Enter the 2-letter name for the other state(s) where you lived. Also, complete the area asking for the time period you lived in Indiana and/or other state(s). If you did live in more than one state other than Indiana, let us know where and when on an attachment.

Note: If you were a resident of a foreign country during all or a part of 2004, enter the 2-letter code "OC" for other country.

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 2004, 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, 2004, would be entered as 01/09. See instructions on page 6 for more information.

Note: If the taxpayer and/or spouse died before 2004, or after December 31, 2004 but before filing their tax return, do not enter their date of death in this box.

Farmers and Fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- a) paying all your estimated tax on or by January 18, 2005, and filing your Form IT-40PNR by April 15, 2005, **or**
- b) filing your Form IT-40PNR by March 1, 2005, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

Important: If you have checked the box you must attach the completed Schedule IT-2210 or IT-2210A to support your claim.

See page 34 for more information about these schedules.

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.

Directly above the signature area is a question which must be answered. Specifically, you must answer either yes or no to the question: "Are you filing a federal income tax return for 2004?"

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.

E-Mail Address

Enter your e-mail address if you would like us to be able to contact you by e-mail.

Signing the decedent's tax return

If a joint return is filed by the surviving spouse, the surviving spouse should sign his/her name and after the signature write: "Taxpayer and Surviving Spouse".

If filing a return for a deceased individual, an executor or administrator appointed for the deceased's estate must file and sign the return (even if this isn't the final return), indicating their relationship after their signature (e.g. administrator).

If an executor or administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew").

Make sure you keep a complete copy of your return.

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 Office of the Taxpayer Advocate. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, IN 46206-6155.

Mail your tax return with all attachments to:

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



Indiana Department of Revenue on the Internet

www.in.gov/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.

Special Services

Revenue on the Internet www.in.gov/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 Phone # (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
- 2004 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 Mark June 7, 2005 on your calendar now!

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Tuesday, June 7, 2005. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9:00 a.m. in Conference 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.

2-D Barcode Filing

If you are still not ready to give up that paper return, you might consider 2-D Barcode Filing. By encoding all your tax return information into a 2-D Barcode, your return can be processed in just a fraction of the time it takes to process a traditional paper return.



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 4-digit 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 Schools

Allen

0125 M.S.D. Southwest Allen Co
0225 Northwest Allen County
0235 Fort Wayne Community
0255 East Allen County
9350 Timothy L Johnson Academy

Bartholomew

0365 Bartholomew Consolidated
0370 Flatrock-Hawcreek
4215 Edinburg Community

Benton

0395 Benton Community
5995 South Newton
8535 TriCounty

Blackford

0515 Blackford Community

Boone

0615 Western Boone County
0630 Zionsville Community Schools
0665 Lebanon Community Sch Corp
3055 Marion-Adams

Brown

0670 Brown County Sch Corp

Carroll

0750 Carroll Consolidated Sch Corp
0755 Delphi Community Sch Corp
1180 Rossville Consolidated
8565 Twin Lakes Sch Corp

Cass

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

Clark

0940 West Clark Community
1000 Clarksville Community
1010 Greater Clark County

Clay

1125 Clay Community Schools
2960 MSD Shakamak Schools

Clinton

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

Crawford

1300 Crawford Co. Community

Daviess

1315 Barr-Reeve Community
1375 North Daviess Comm Sch
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 Sch Dist
1820 Garrett-Keyser-Butler
Community
1835 DeKalb County Central
United Sch Dist
7610 Hamilton Community

Delaware

1870 University Schools
1875 Delaware Community
1885 Harrison-Washington
Community Sch Corp
1895 Liberty-Perry Community
1900 Cowan Comm Sch Corp
1910 Mt. Pleasant Township
Community Sch Corp
1940 Daleville Community Schools
1970 Muncie Community Schools

Dubois

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

Elkhart

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

Fayette

2395 Fayette County Sch Corp

Floyd

2400 New Albany-Floyd
County Consolidated Sch Corp
9320 Community Montessori Inc

Fountain

2435 Attica Consolidated Sch Corp
2440 Covington Community
2455 Southeast Fountain

Franklin

2475 Franklin Co Community
6895 Batesville Community
7950 Union County

Fulton

2645 Rochester Community
2650 Caston Sch Corp
4445 Tippecanoe Valley
5455 Culver Community
6620 Eastern Pulaski

Gibson

2725 East Gibson Sch Corp
2735 North Gibson Sch Corp
2765 South Gibson Sch Corp

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 Sch Corp
2960 MSD Shakamak Schools
2980 White River Valley School
District

Hamilton

3005 Hamilton Southeastern
3025 Hamilton Heights Sch Corp
3030 Westfield-Washington Schools
3055 Marion-Adams Schools
3060 Carmel Clay Schools
3070 Noblesville Schools
9325 Options Charter School

Hancock

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

Harrison

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

Hendricks

3295 North West Hendricks
3305 Brownsburg Community
3315 Avon Community Sch Corp
3325 Danville Community
3330 Plainfield Community
3335 Mill Creek Community

Henry

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

Howard

3460 Taylor Community
3470 Northwestern Sch Corp
3480 Eastern Howard Comm
3490 Western Sch Corp
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 Sch Corp
8535 Tri-County Sch Corp

Jay

3945 Jay Sch Corp

Jefferson

3995 Madison Consolidated
4000 Southwestern Jefferson
Consolidated

Jennings

4015 Jennings County Schools

Johnson

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

Knox

4315 North Knox Sch Corp
4325 South Knox Sch Corp
4335 Vincennes Community

Kosciusko

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

LaGrange

4515 Prairie Heights Comm
4525 Westview Sch Corp
4535 Lakeland Sch Corp

Lake

4580 Hanover Community
4590 River Forest Community
4600 Merrillville Comm Schls
4615 Lake Central Sch Corp
4645 Tri Creek Sch Corp
4650 Lake Ridge Schools
4660 Crown Point Community
4670 School City of East Chicago
4680 Lake Station Community
4690 Gary Community Sch Corp
4700 Griffith Public Schools
4710 School City of Hammond
4720 School Town of Highland
4730 School City of Hobart
4740 School Town of Munster
4760 Whiting School City
9300 Campagna Academy Charter
School

Indiana School Districts Cont'd...

County

District Number and Name

LaPorte

4770 Cass Township Schools
 4790 Dewey Township Schools
 4805 New Prairie United Sch Corp
 4860 MSD New Durham Twp
 4880 Prairie Township Schools
 4925 Michigan City Area Schools
 4940 South Central Community
 4945 LaPorte Community
 7150 John Glenn Sch Corp

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 MSD Decatur Township
 5310 Franklin Township Comm
 5330 MSD Lawrence Township
 5340 MSD Perry Township
 5350 MSD Pike Township
 5360 MSD Warren Township
 5370 MSD Washington Township
 5375 MSD Wayne Township
 5380 Beech Grove City Schools
 5385 Indianapolis Public Schools
 5400 Sch Town of Speedway
 9330 Irvington Comm School
 9370 21st Century Charter School
 9380 Christel House Academy
 9390 Flanner House Elem School
 9395 The Imani School for Excellence

Marshall

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

Martin

5520 Shoals Community
 5525 Loogootee Community

Miami

5615 Maconaquah Sch Corp
 5620 North Miami Consolidated
 5625 Oak Hill United Sch Corp
 5635 Peru Community Schools

Monroe

5705 Richland-Bean Blossom Community Sch Corp
 5740 Monroe Co Community

Montgomery

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

Morgan

5900 Monroe-Gregg Sch Corp
 5910 Eminence Consolidated Comm Sch Corp
 5925 MSD Martinsville Sch Corp
 5930 Mooresville Con Sch Corp
 4255 Nineveh-Hensley-Jackson United

Newton

5945 North Newton Sch Corp
 5995 South Newton Sch Corp

Noble

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

Ohio

6080 Rising Sun-Ohio County Community

Orange

6145 Orleans Community Schools
 6155 Paoli Community Sch Corp
 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 Schools
 6350 Tell City-Troy Township

Pike

6445 Pike County Sch Corp

Porter

6460 MSD Boone Township
 6470 Duneland Sch Corp
 6510 East Porter County
 6520 Porter Township
 6530 Union Township
 6550 Portage Township Schools
 6560 Valparaiso Community
 4925 Michigan City Area

Posey

6590 MSD Mount Vernon
 6600 MSD North Posey Co
 6610 New Harmony Town and Township Con Sch

Pulaski

6620 Eastern Pulaski Comm
 6630 West Central Sch Corp
 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 Sch Corp
 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 Schools
 1560 Sunman-Dearborn Comm

Rush

6995 Rush County Schools
 3455 C A Beard Memorial Sch Corp

St. Joseph

7150 John Glenn Sch Corp
 7175 Penn-Harris-Madison
 7200 Sch City of Mishawaka
 7205 South Bend Community
 7215 Union-North United Sch Dist
 4805 New Prairie United Sch Corp
 9360 Veritas Academy

Scott

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

Shelby

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

Spencer

7385 North Spencer County
 7445 South Spencer County

Starke

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

Steuben

7605 Fremont Community Schools
 7610 Hamilton Community Schools
 7615 MSD Steuben County
 1835 DeKalb County Central United Sch Dist
 4515 Prairie Heights Comm

Sullivan

7645 Northeast Sch Corp
 7715 Southwest Sch Corp

Switzerland

7775 Switzerland County

Tippecanoe

7855 Lafayette Sch Corp
 7865 Tippecanoe Sch Corp
 7875 West Lafayette Comm
 0395 Benton Community
 9340 New Community School

Tipton

7935 Northern Community Sch Tipton Co
 7945 Tipton Community Sch Corp

Union

7950 Union County

Vanderburgh

7995 Evansville-Vanderburgh
 9315 Signature Learning Center Inc

Vermillion

8010 North Vermillion Comm
 8020 South Vermillion Comm

Vigo

8030 Vigo County Sch Corp

Wabash

8045 Manchester Community Schls
 8050 MSD Wabash County
 8060 Wabash City Schools

Warren

8115 MSD Warren County
 0395 Benton Community Sch Corp
 2440 Covington Community

Warrick

8130 Warrick County Sch Corp

Washington

8205 Salem Community Schools
 8215 East Washington Sch Corp
 8220 West Washington Sch Corp

Wayne

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

Wells

8425 Southern Wells Comm
 8435 Northern Wells Comm
 8445 MSD Bluffton-Harrison

White

8515 North White Sch Corp
 8525 Frontier Sch Corp
 8535 Tri-County School Corp
 8565 Twin Lakes Sch Corp
 0775 Pioneer Regional Sch Corp

Whitley

8625 Smith-Green Comm Schls
 8665 Whitley Co. Con Schools
 4455 Whitko Community Sch Corp



**2004 Application for Automatic Extension
of Time to File Indiana Form IT-40 or Form IT-40PNR**

Do Not Mail if no payment is due (see **important** under line 12 instructions)

Note: Form IT-9 is an automatic extension of time to file until June 15, 2005. This IS NOT an extension of time to pay any state and/or county taxes due.

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

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 April 15, 2005, due date and you expect to owe additional tax.

Penalty and Interest: 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, 2005. If you don't, the extension is not valid and both penalty and interest will be charged on the balance due. **Note:** Interest is due on any amount not paid by the April 15, 2005, due date.

How to File: Complete the worksheet below to figure how much you will need to pay.

Worksheet to figure your extension payment (see instructions below)	
1. 2004 Income: enter the total estimated or actual 2004 Indiana income, less Indiana deductions	1 _____
2. Exemptions (see instructions below)	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 21 of IT-40 booklet	5 _____
6. Total tax: add lines 4 and 5 and enter result here	Tax ▶ 6 _____
7. Subtotal: multiply line 6 by 90% (.90) and enter result here	90% of Tax ▶ 7 _____
8. State and county income tax withheld (see instructions)	8 _____
9. 2004 estimated income tax payments (see instructions)	9 _____
10. Other credits: (see instructions)	10 _____
11. Total credits: add lines 8, 9, and 10 and enter result here	Credits ▶ 11 _____
12. Minimum required extension payment: line 7 minus line 11 (enter zero if less than zero)	Payment Amt. ▶ 12 _____

Line 1: 2004 Income - Enter your total actual or estimated income for 2004. If filing a joint return, include your spouse's income.

Line 2: Exemptions - Use the number of exemptions from your federal tax return (if you did not complete a federal return, you are allowed an exemption for yourself and each of your dependents). Multiply this number by \$1,000. You also may be eligible to claim certain children as additional exemptions (\$1,500 for each qualifying child). See page 16 of the 2004 Indiana Full-Year Resident Individual Income Tax Booklet for more information.

Lines 8, 9 and 10: Enter the amount of Indiana state tax and county income tax withheld as shown on your W-2's; your total estimated income tax payments paid to the Department for the 2004 tax year; and other credits, which may include the College Credit, the Unified Tax Credit for the Elderly, etc.

Line 12: Payment amount - Subtract line 11 from line 7 and enter here. Pay this amount with Form IT-9, Extension Payment Voucher, on or before April

15, 2005. 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. Note: All payments must be made with U.S. funds.

Also, you may pay by using American Express, Discover, MasterCard, Visa or electronic check over the Internet at www.in.gov/dor/epay, or call 1-866-729-4682 (toll free). A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction. **Note: Do not** mail the voucher (below) if paying by credit card.

Important: If line 12 shows no balance due, **do not file** this form unless you will be claiming the Unified Tax Credit for the Elderly after June 30, 2005.

Your extension payment must be claimed as a credit on line 23 of the IT-40 or line 20 of the IT-40PNR.

Military personnel in a presidentially declared combat zone should see instructions on page 8 of the Form IT-40 booklet for special filing instructions.



**Indiana Department of Revenue
Extension Payment Voucher for Tax Year 2004**

Due Date: April 15, 2005

Do Not Mail if no payment is due

Social Security Number

--	--	--

First Name

M.I.

Last Name

--	--	--

Spouse's Social Security Number

--	--	--

First Name

M.I.

Last Name

--	--	--

Period Ending: December 31, 2004

Due Date: April 15, 2005

Street Address		
City	State	Zip Code



Send To: Indiana Dept. of Revenue
P.O. Box 6117
Indianapolis, IN 46206-6117



Indiana Department Of Revenue 2005 Estimated Tax Payment Return

If you expect to have income during the 2005 tax year that:

- won't have Indiana income taxes withheld, or
- if you think the amount withheld won't be enough to pay your tax liability, and
- you expect to owe more than \$400 when you file your tax return,

then you should pay estimated tax. Use the worksheet below to see how much you'll owe.

Estimated Income Tax Worksheet	
A. Total estimated Indiana income for 2005, less Indiana deductions	A
B. Total exemptions: see page 16 of the IT-40 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 21) of IT-40 booklet	E
F. Total estimated income tax for 2005 (line D + line E)	F
G. a) Estimated State and County income tax withheld _____	G
b) Total of other credits _____ a + b	
H. Amount Due (line F minus line G)	H
I. Each installment amount for 2005 (line H divided by 4)	I

If you don't want to make your first installment estimated payment for 2005 on your IT-40 or IT-40PNR income tax return, you can use the Form ES-40 at the bottom of this page to make the payment. Due dates for all four installments are shown on the form. We suggest that first time estimated income taxpayers make a copy of the blank form. 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. For more information about estimated income tax, contact the Department to get Income Tax Information Bulletin #3.

Pay the amount from line I on or before the installment due date. Enclose your check or money order made payable to the Indiana Department of Revenue. Write your social security number on the check or money order. Note: All payments must be made with U.S. Funds.

Also, you may pay by using American Express, Discover, MasterCard, Visa or electronic check (eCheck) over the Internet at www.in.gov/dor/epay, or call 1-866-729-4682 (toll free). A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the transaction.

Note: Do Not mail Form ES-40 if paying by credit card or eCheck.



----- Cut Along The Dotted Line -----

<p>FORM ES-40 State Form 46005 R 3 / 8-04</p>	<p>Indiana Department Of Revenue 2005 Estimated Tax Payment Return</p>		
Social Security Number	First Name	M.I.	Last Name
<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 90%; height: 25px;" type="text"/>		
Spouse's Social Security Number	First Name	M.I.	Last Name
<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 90%; height: 25px;" type="text"/>		
Street Address			
City		State	Zip Code
<input style="width: 90%; height: 25px;" type="text"/>		<p>\$</p> <p>Send To: Indiana Dept. of Revenue P.O. Box 6102 Indianapolis, IN 46206-6102</p>	

Check the box to show which payment you are making:

- 1st** Installment Payment Due April 15, 2005
 2nd Installment Payment Due June 15, 2005
 3rd Installment Payment Due September 15, 2005
 4th Installment Payment Due January 17, 2006

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

Mailing address: P.O. Box 3249
Clarksville, In 47131-3249

3 Columbus District Office

3138 N. National Rd.
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

1415 Magnavox Way Suite 100
Fort Wayne, IN 46804
(260) 436-5663

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
South Bend, IN 46614
(574) 291-8270

11 Terre Haute District Office

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



Subject to change!
Call the office for details.

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

District office business hours generally are
8:00 a.m. to 4:30 p.m., Monday through Friday.
Call the office for exact times.

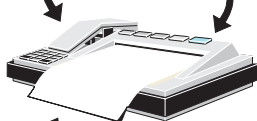
Address and/or telephone numbers are subject to change. Check your local listings.

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.

Automated Taxpayer
Information System
(317) 233-4018



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

By calling from a touch-tone telephone, you may access the status of your current year individual income tax refund check, information about outstanding liabilities for individuals or businesses, and pre-recorded tax topics.

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:

www.in.gov/

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

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of Revenue



2004 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
- Schedule IN-EIC, Earned Income Credit
- Form IT-9, Extension of Time to File
- Form ES-40, Estimated Tax Payment Voucher
- Envelope for IT-40PNR

Contributions to the Indiana Nongame Wildlife Fund

Donations to the Nongame Wildlife Fund assist the Indiana Department of Natural Resources to manage and protect over 550 nongame and endangered wildlife species. Your contributions to the Fund have brought ospreys and bald eagles back to our skies and river otters to our waters.



These reintroduction programs as well as many other restoration, management, and educational projects implemented by the Wildlife Diversity Section rely on donations from individuals like yourself. The program is funded almost exclusively by donations to the Indiana State Income tax check-off and direct donations.

If you would like to make a donation to the Fund, you may donate all or a portion of your tax refund on Line 29 of the IT-40PNR. To make a direct donation, you can also complete the form below and mail it with a check or money order made payable to the Fund to: Nongame Wildlife Fund, Division of Fish and Wildlife, W-273, 402 West Washington St., Indianapolis, IN 46204.

You can learn more about Indiana's Nongame Wildlife Diversity Section at: www.wildlife.in.gov/endangered



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

Name(s)

Address

City

State

Zip Code

Send to: Nongame Wildlife Fund, Division of Fish and Wildlife, W-273, 402 West Washington St., Indianapolis, IN 46204.