

New!

This booklet contains instructions for BOTH the **IT-40, Full-Year Indiana Resident Return** and the **IT-40PNR, Part-Year Indiana Nonresident Return**. Most of the IT-40PNR instructions are referenced with boxes, like this one, and/or colored ink. Watch for them throughout the booklet.

Need Tax Forms or Information Bulletins?

Use Your Fax Machine ...

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

Use Your Personal Computer ...

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

Use Your Telephone ...

To obtain forms by phone, call (317) 486-5103 24 hours a day, 7 days a week. When calling the forms order request line have the following information ready: name of form 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 are available in your neighborhood at your local library or post office, or at the district offices listed on page 26. These offices are open Monday - Friday between 8:15 a.m. and 4:30 p.m.

Use Large Print Forms...

For those Hoosier taxpayers who are sight impaired, the Department has large print IT-40 booklets and audio cassette tapes available. The large print booklet or audio tape should allow you to complete your own tax return. If you would like a large print or audio IT-40 booklet, you may call (317) 232-2348 or write to Indiana Department of Revenue, P. O. Box 2305, Indianapolis, Indiana 46206-2305.

Need Help With Your Return?

Use Local Assistance...

Visit any of the district offices listed on page 26 or take advantage of the Volunteer Income Tax Assistance Program (VITA). The VITA program provides free tax return preparation help to low income, elderly and disabled taxpayers. VITA volunteers will help fill out federal and state forms for those who qualify. You can find the nearest VITA location by calling the Internal Revenue Service at 1-800-829-1040. If you need assistance with your income tax return be sure to bring along your state copy of Forms W-2, 1099s, or WH-18s and your completed federal tax return.

Use the Recorded Tax Information ...

You may call the Automated Information Line to receive additional information about the following subjects: daily balance on any tax liabilities; daily interest rates; and pre-recorded tax topics.

The pre-recorded tax topics include information on Collection Procedures, Business Registration Requirements and How to Register a Business, Payment Plan Procedures, Estimated Tax/IT-2210 Penalty, Use Tax Information, County Tax, and District Office Locations/1996 Tax Highlights.

To receive information on the daily balance due of a tax liability you will need a copy of your tax notice because you will need to enter the tax identification number or social security number and the liability number shown on the notice. Call (317) 233-4018 and follow the instructions. This touch-tone phone service is available 24 hours a day, beginning at 8:00 a.m. on Monday through 10:00 p.m. on Saturday. If you have a rotary phone, call (317) 232-2240 from 8:15 a.m. to 4:30 p.m., Monday through Friday and a Department representative will help you.

Ready To File Your Return?

Use the Electronic Filing Program...

More than 211,000 Indiana taxpayers took advantage of the 1996 Electronic Filing Program to file their state and federal individual income tax returns.

This program provides Indiana taxpayers the opportunity to file their federal and state tax returns electronically and receive their Indiana refund in as few as 18 days. Even if there is an amount due on either return, rather than a refund, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue.

Contact your tax preparer to see if they provide this service. Or, if you complete your own returns, many preparers, banks, and credit unions throughout Indiana will transmit your returns electronically for you.

Use Your Personal Computer ...

This new program will permit Indiana taxpayers who have access to a personal computer, a modem and the Internet to file their Indiana full-year resident individual income tax returns electronically from their homes or businesses. To get more information on this program, you may visit the Indiana Department of Revenue's web site at:

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

Where's Your Refund?

The Automated Information Line allows you to check on the status of your refund. 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.

If 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 24 hours a day, beginning at 8 a.m. Monday through 10 p.m. Saturday (the system updates during the down time). *Please wait approximately 12 weeks from the date you filed your return before calling to check on the status of your refund.* If you have a rotary phone, you may call (317) 232-2240 from 8:15 a.m. to 4:30 p.m., Monday through Friday, and a Department representative will help you.

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

Unresolved Problems?

Use the Taxpayer Advocate...

As prescribed by the Taxpayer Bill of Rights, the Department of Revenue has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of taxpayer complaints and problems. If you have a complex tax problem that you have not been able to resolve through normal channels, or a tax assessment places an undue hardship on you, you may receive assistance from the Problem Resolution Office. Submit supporting information and documents to:

Indiana Department of Revenue
Problem Resolution Program
P.O. Box 6155
Indianapolis, IN 46206-6155

Use the Public Hearing...

In accordance with the Indiana Taxpayer Bill of Rights, the Department will conduct an annual public hearing on Monday, June 23, 1997, to accept proposals from Hoosier taxpayers on how to better administer Indiana tax laws. The hearing will be held at 10:00 a.m. in Room A of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Indiana. You may also submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, Indiana 46204.

Who Should File/Filing Status

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

Full-Year Residents

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

You are a full-year Indiana resident if you maintain your legal residence in Indiana from January 1 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 \$1000 for each exemption claimed on your federal return. If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you would be 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.

If 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.

Part-Year Residents and Nonresidents

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

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

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

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

Deceased Taxpayers

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

- a) the deceased was under the age of 65 and had gross income over \$1000;
- b) the deceased was age 65 or older and had gross income over \$2000; or
- c) the deceased was a nonresident and had gross income from Indiana.

You must attach a copy of the death certificate to the tax return to verify the date of death. Make sure to enter the month, day and year of death for either the taxpayer or spouse in the appropriate box underneath the address area. For example, a date of death of January 9, 1996, would be entered as 01/09/96.

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

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

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

Military Personnel

If you were an Indiana resident when you entered the military service, you remain an Indiana resident even if you are stationed outside of Indiana. You must report all your income to Indiana on Form IT-40, Indiana Full-Year Resident Individual Income Tax Return.

If you changed your legal residence (military home of record) during 1996, you are a part-year resident and should file Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return. You must also attach a copy of Military Form DD2058 to the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, including any other income from Indiana sources.

If your legal residence is a state other than Indiana, you should file IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return, because you would be considered a nonresident of Indiana. Your military income must be reported on the tax return you may need to file for your state of residence.

If you were in the military, your legal residence is Indiana; you file a joint return; and your spouse is not an Indiana resident, you must file Form IT-40PNR.

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, 1997. However, you may file as early as January 1, 1997. 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 16.

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 11.

If you can't meet the filing deadline and expect to owe tax with your return, you should apply for an automatic extension. The extension allows additional time to complete and file your income tax return; however, the extension does not provide additional time to pay the amount of tax owed. To make the extension valid, you must pay at least 90% of the tax due (Form IT-40, Line 27 or Form IT-40PNR, Line 24) by April 15, 1997.

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, 1997. This extends the filing date to June 16, 1997. 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 24.

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, 1997. (Form IT-40 Line 27 or Form IT-40PNR Line 24.)

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

1996 Changes

The Department has updated its individual income tax computer system by rewriting the entire system using new technologies developed since the system was first computerized in the early 1970s. Therefore, the forms and schedules look different but will be processed more efficiently in the upcoming tax season.

Household Employment Taxes: If you paid cash wages over \$1000 to a household employee you may have needed to have withheld state and county income taxes and/or pay state unemployment tax on that employee. A household employee can be anyone who is not

a family member or under the age of 18 who worked in or around your home. The Household Employment Taxes can now be paid on the Form IT-40 or Form IT-40PNR. For additional information see page 11 or contact the Department for Schedule IN-H.

Medical Savings Account: You may be eligible for a medical savings account deduction if your employer deposited funds in specific accounts. You may be eligible to take this deduction if your account provider gives you Form IN-MSA. See page 10 for additional information.

Penalty and Interest: Penalty and interest lines have been added to the 1996 tax returns so you can calculate and pay the late fees when filing the return. Form IT-40, Lines 32 and 33, or Form IT-40PNR, Lines 29 and 30 should be completed if the tax return is filed after the due date and an amount is due. See instructions on page 16 for more details.

Discover® Card Payment: The Department will now accept a Discover® Credit Card for payment of tax due on the individual income tax return. Discover® will allow the Department to pass on a handling fee to the taxpayer at the time the transaction is verified. A chart on page 17 details the handling fee, which is based on the amount of tax payment being charged to the account.

Estimated Tax Requirements Change for 1997: Taxpayers who have made estimated tax payments during the past year because they expected to owe more than \$100 on their tax return may not have to make these payments in 1997. The tax statute has been changed to increase the required amount for filing estimated payments from \$100 to \$400. If you estimate that you will owe less than \$400 for tax year 1997, you will not be required to make estimated tax payments. However, if you still wish to make estimated tax payments throughout the year to reduce your tax payment due on April 15, you may continue to do so.

Before You Begin

Important: Complete Your Federal Tax Return First.

Form IT-40, Form IT-40PNR and the instruction booklet format have been completely changed for 1996. These forms and schedules have been redesigned to be processed through state-of-the-art electronic scanning equipment. This important change allows the Department to process tax returns faster and with fewer errors. Please read this information very carefully as it explains the correct method for completing your forms.

Affixing the Taxpayer Identification Label

This label is attached to the flap of the return envelope in the middle of your tax booklet. Carefully tear off the label, moisten and attach it to the tax return within the outline section provided on the form. Making sure the label is as straight as possible will help to avoid alignment problems during processing. Note: **Do not use the label if any information on it is incorrect;** instead, print your name(s), address and social security number(s) in the spaces provided.

Filling in the Boxes

If you are handwriting letters or numbers in the boxes, please print

your letters or numbers as shown below. Make sure there is only one letter or number in each box. In addition, numbers must be written completely within the boxes and must not touch the boxes. 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.

Dollars								Cents											
	1		2		3		4		5		6		7		8		9		0

Losses: If you are reporting a loss for any item, put a bracket () around the number. Make sure that the brackets are within the boxes on each side of the number. See the example below.

Dollars								Cents												
									(2		4		6		8)	0

Stapling W-2s and Enclosing Checks and Forms: You should staple your W-2s, 1099s or WH-18s to the form in the space indicated. **Do not** staple your check or money order to the form as this will delay processing your return.

Attaching Schedules

Schedules should be stapled to the back of Form IT-40 or Form IT-40PNR in either alphabetical (A, B, C ...) or numerical (1, 2, 3 ...) order first. Next, attach other schedules in combined letter/number order, such as Schedules CT-40 first, then IT-2210, IT-2440, etc. It is very important that this procedure is followed or a delay in processing your tax return could occur.

Name(s), Address, and Social Security Number(s): If the information on the pre-printed label is correct, moisten and attach the label to the tax return in the indicated area. **Do not use the label if any information on it is incorrect;** instead, print your name(s), address and social security number(s) in the spaces provided.

Your First Name	Middle Initial	Last Name
J O H N		O P U B L I C J R
Spouse's First Name	Middle Initial	Last Name
K A T H E R I N E		A D O E - P U B L I C
Present Address (Number and street or rural route)		City or Town
1 2 3 M A I N S T		A N Y T O W N

Foreign or Military Addresses: The US Post Office requires that the full foreign country name appear in all addresses. Therefore, the foreign country name should be entered after the city name with an empty box between the two names. 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 along with a two-character "state" abbreviation of AE, AP, or AA and the zip code. Place these three or two letter designations in the city name area with an empty box between the two designations.

Filing Status: You must complete the "Filing Status" area. Make sure to complete the appropriate box. Please note that these boxes are not identical to the ones on your federal income tax return.

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.

School District Number: Enter the 4-digit school district number for where you are living at the time of filing. The list of school district numbers can be found on pages 22 and 23. If the four digit school district number is not entered, the processing of your return will be delayed.

County Information: Enter the 2-digit code numbers for the county(s) where you lived and worked on January 1, 1996. You can find these code numbers on the *1996 County Income Tax Chart* on the back of Schedules CT-40 or CT-40PNR. The numbers are located in the column to the left of the county name.

See the instructions on page 20 for more information, including the definitions of the county where you lived and worked, details for military personnel, retired individuals, out-of-state filers, etc.

Income and Indiana Additions

Full Year Resident Form IT-40 Filers: Lines 1-6
(Part year residents and full-year nonresident filers should skip to the instructions beginning on page 18.)

You may round off your amounts to the nearest dollar.

Federal Adjusted Gross Income: Enter the amount you reported as your “Federal Adjusted Gross Income” on Line 31 of Federal Form 1040, Line 16 of Federal Form 1040A, or Line 4 of Federal Form 1040EZ. *This is your income before the standard or itemized deductions or exemptions allowed on the federal income tax return.* If the amount is a loss, place parentheses () around the (loss) figure. If you were not required to file a federal return, report the amount you would have shown on your federal return if you had been required to file.

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

If you did complete one or more of these federal schedules, and if you claimed deductions for any state income tax, local real estate and/or personal property taxes on those schedules, then you must add these taxes back to your Indiana income. Enter the total amount of these taxes on this line.

Net Operating Loss Add-Back: If you reported a net operating loss deduction on your federal return that was carried forward from prior years, you must complete this line. Write the amount of the net operating loss deduction as a positive figure. (You will claim an **Indiana Net Operating Loss Deduction** on Schedule 1, Line 13.)

Ordinary Income Portion of Lump Sum Distributions: If you completed Federal Form 4972, you must complete this line because the income reported on that form is also taxable for Indiana purposes. The amount you should include on this line includes the capital gains reported on Part II plus the ordinary income reported on Part III of Federal Form 4972.

Other Income: If you received any other type of taxable income that wasn’t included in your Line 1 income, enter it on this line.

Indiana Deductions: Form IT-40 Schedule 1 or Form IT-40PNR Schedule D

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 subject to Indiana property tax.

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

- If you rented a mobile home or paid rent for a lot for your mobile home, 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 cannot 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 non-profit organization;
- c) student housing;
- d) property owned by a cooperative association; or
- e) property located outside of Indiana.

The renter’s deduction is the actual amount of rent paid or \$1500, whichever is *less*. You must complete all the information on the deduction schedule. If you moved during the year or had more than one landlord, you must list the same information for each place that you rented. Attach additional sheets if necessary.

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.

State Tax Refund Reported on Federal Return: If you had to report your state income tax refund as income on your federal return you should deduct it on your Indiana tax return. This amount is shown on your federal income tax return, Form 1040, Line 10, as “Taxable refunds, credits, or offsets of state and local income taxes.” Since Indiana does not tax this income, if it was included as income on Line 1 of the Form IT-40 (Form IT-40PNR Schedule A, Line 15C) you should use this amount as a deduction.

Interest on U.S. Government Obligations Deduction: If the income on Line 1 of Form IT-40 (IT-40PNR Schedule A, Line 3C)

Remember your Sales and Use Tax obligation.
See instructions on page 11.

includes interest income, you may be able to take a deduction. If any part of your interest income is from a direct obligation of the U.S. Government, you can deduct these amounts.

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

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

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

Taxable Social Security and/or Railroad Retirement Benefits Deduction: The income on Line 1 of Form IT-40 (Form IT-40PNR Schedule A, Line 15C) might include social security and/or tier 1 and tier 2 railroad retirement benefits that are taxable for federal purposes. These amounts are usually shown on the line indicated as "social security benefits" and/or "total pensions and annuities" on your federal income tax returns, Forms 1040 and 1040A. Indiana does not tax this type of income. Therefore, enter the amount of social security and/or railroad retirement benefits that were reported as being taxable on your federal income tax return.

Military Service Deduction: If the income on Line 1 of Form IT-40 (IT-40PNR Schedule A, Line(s) 1 and/or 2) includes active or reserve military pay, you may be able to take this deduction.

Also, if you are retired from the military or if you are the surviving spouse of a person who was in the military, you may be able to take this deduction if:

- a) you were at least 60 years of age by December 31, 1996;
- b) you were receiving military retirement or survivor's benefits in 1996; and
- c) the total benefits received as retirement income were reported on your federal return.

If you received military retirement pay or survivor's benefits, you **must** attach your retirement pay or survivor's benefit statement to the tax return.

The deduction is equal to the actual amount of military income received (i.e. military pay, retirement pay, or survivor's benefits) or \$2000, whichever is *less*. If both you and your spouse received military income, you may each claim the deduction for a maximum of \$4000. For more information about this deduction, contact the Department to get Income Tax Information Bulletins #6 and #27.

Caution: If you received both military pay and retirement pay or survivor's benefits during the tax year, the total deduction cannot be greater than \$2000 per qualifying person. For example, if you earned \$3000 in military pay the first half of the year and \$1500 in retirement pay the second half of the year, you can deduct only \$2000 of your income.

Non-Indiana Locality Earnings Deduction: If you received income that was subject to both Indiana state income tax and a local tax in another state, you may be allowed to deduct up to \$2000.

Example: You earned \$8000 in Smith City, Kentucky. Your employer withheld an \$80 Smith City (local) tax from your wages. Since your wages were taxed by a non-Indiana locality, you are eligible to take a \$2000 deduction.

You may deduct the amount of your income that is taxed by a non-Indiana locality **or** \$2000, whichever is *less*. If you and your spouse both qualify, you may each claim the deduction for a maximum of \$4000 (limited to no more than \$2000 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 the locality to which the tax was paid. The name of the locality is usually found in box 19, Locality Name, of the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

Insulation Deduction: If you installed new insulation, weather stripping, double pane windows, storm doors or storm windows in your Indiana home during 1996, you may be able to take the insulation deduction. In order to take the insulation deduction the following requirements must be met:

- a) the insulating items must have been installed in your principal place of residence located in Indiana;
- b) the part of your home where the insulating items were installed must have been built *before* January 1, 1993;
- c) 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
- d) 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 \$1000. (You cannot include the cost of labor that you did yourself.)

When claiming the deduction attach a separate sheet stating:

- a) the item purchased;
- b) the purchase price;
- c) the place of purchase;
- d) the date of purchase;
- e) the date of installation; and
- f) the amount paid for labor.

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

Disability Retirement Deduction: In order to take this deduction, you must have:

- a) been permanently and totally disabled at the time of retirement;
- b) retired on disability before December 31, 1996;
- c) been under the age of 65 at the end of 1996; and
- d) received disability retirement income during 1996.

If you meet these qualifications, you should complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. For more information about this deduction, contact the Department to get Income Tax Information Bulletin #70 and Schedule IT-2440.

This schedule **must** be attached to your tax return when claiming this deduction.

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

Civil Service Annuity Deduction: If the income on Line 1 of Form IT-40 (Form IT-40PNR Schedule A, Line 5C) 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, 1996.

To figure your deduction take the amount of annuity payments received or \$2000, 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 1996 was \$6000, and you received social security benefits of \$1200, your deduction would be figured in the following manner.

Lesser of the amount of the:
 Annuity (\$6000) or \$2000 \$2000
 Social security benefits - 1200
 Allowable deduction \$ 800

If you and your spouse both received annuities, you may each take this deduction for a maximum of \$4000, 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.

Nontaxable Portion of Unemployment Compensation: If you reported unemployment compensation on your federal income tax return, Forms 1040, Line 19 or 1040A, Line 12, then this amount is also included on Line 1 of Form IT-40 (Form IT-40PNR Schedule A, Line 15C.) Indiana can differ from the federal government in determining the taxable portion.

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

Indiana State Lottery Winnings: If you win any prize money from the Indiana Hoosier Lottery Commission, either by winning an instant game, a pull-tab game or an on-line game such as Lotto Cash, or Hoosier Lottery Powerball, you must report those winnings as income on your federal income tax return. However, Indiana **does not** tax winnings paid by the Hoosier Lottery Commission. Therefore, if you reported these winnings on your federal return and they are included on Line 1 of Form IT-40 (Form IT-40PNR Schedule A, Line 15C) enter this amount as a deduction.

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

Indiana Net Operating Loss Deduction: You may take a deduction for the Indiana portion of the total federal net operating loss deduction you added back on Form IT-40 Line 3*. This will be a net operating loss deduction from an earlier year(s) carried forward to 1996. The amount you deduct will be stated as a positive figure. Attach the following copies to your state tax return:
 a) federal Forms 1045 and 1045 Schedule A; or
 b) a detailed breakdown showing the federal loss calculation; **and**
 c) a completed Indiana Schedule IT-40NOL.

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

*Even though Form IT-40PNR filers have not entered their federal NOL deduction on Schedule A, they may still qualify for the Indiana deduction. See Schedule IT-40NOL for details.

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

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

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

Unemployment Compensation Worksheet

Note: If you were married but filing separately, and you lived with your spouse at any time during 1996, 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 IT-40, Line 1 or IT-40PNR Line 1B	1		
2. Federal adjusted gross income from Form 1040, Line 31, Form 1040A, Line 16, or Form 1040EZ, Line 4	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return	3		
4. Subtract Line 3 from Line 2. If zero or less, enter -0-	4		
5. Enter one-half (1/2) of the amount on Line 4	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either Line 1 or Line 5, whichever is smaller	6		
7. Subtract Line 6 from Line 1. Carry this amount to Form IT-40, Schedule 1, Line 11 or Form IT-40PNR, Schedule D, Line 11	7		

If you lived and worked for a qualified employer* in an enterprise zone you may be able to take this deduction. Your employer will provide you with Form IT-40QEC if you're eligible to claim this deduction. The amount of the deduction is one-half (1/2) of the earned income shown on that form or \$7500, whichever is less. Form IT-40QEC must be attached to the Form IT-40 (Form IT-40PNR). For additional information about this deduction, contact the Department for Income Tax Information Bulletin #66.

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

Note: If you are a part-year or full-year nonresident, your deduction will be based on the amount of wage income from the zone reported on Form IT-40PNR Schedule A, Lines 1C and 2C.

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 that are reported in Box 2 and/or Box 7. Make sure you attach Form IN-MSA or your claimed deduction will be denied.

Note: If you are a part-year or full-year nonresident your deduction will be limited to the amount of wage and interest income reported on Form IT-40PNR Schedule A, Lines 1C, 2C and/or 3C.

Recovery of Deductions: If you did not complete the "other income" Line 21 on your federal income tax return, Form 1040, then **do not** complete this line.

If you reported *recovered* itemized deductions as "other income" on your federal income tax return, use that amount as a deduction. A part-year resident who reported recovered itemized deductions on Form IT-40PNR Schedule A, Line 15C, should use that amount as a deduction.

Note: Indiana **does not** allow itemized deductions.

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

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

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

Other Deductions

Law Enforcement Reward Deduction: If you reported the amount you received as a reward as other income on Line 21 of your federal income tax return, Form 1040, you may be eligible for this deduction.

If you received the reward for providing information to a law enforcement official or agency; if the information assisted in the arrest, indictment, or the filing of charges against a person; and if you are not compensated for investigating crimes, the person convicted of the crime or the victim of the crime; then you can deduct the *lesser* of the amount received or \$1000.

Part-year residents will be eligible for this deduction if they included this income on Form IT-40PNR Schedule A, Line 15C.

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 areas within Allen County are also eligible to designate zones. If you lived and worked for a qualified employer in an enterprise zone you may be able to take this deduction.

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

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

Note: If you are a part-year or full-year nonresident, your deduction will be based on the amount of wage income from the zone reported on Form IT-40PNR Schedule A, Lines 1C and 2C.

Indiana Exemptions

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

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

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

Age 65 or Older or Blind: If you and/or your spouse are age 65 or older, you can take an additional \$1000 exemption. If you and/or your spouse are legally blind, you can take a \$1000 exemption. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line x \$1000.

Total Prorated Exemptions: Form IT-40PNR Line 7: You are allowed to deduct only the percentage of your exemptions determined by the ratio of your Indiana income compared to your total income. Divide your Indiana income (Line 1B) by your total income (Line 1A) and enter the result on Line 7. Please round to two figures. Example: \$3000 ÷ \$8000 = .38 (.375)

rounds up: if the result was .374 or lower, round down to .37.) If the amount obtained is greater than 1.00, enter 1.00.

County Tax Instructions (See Page 20)

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

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.

Note: When purchases of cars, watercraft, aircraft, and trailers are made out-of-state by Indiana residents for use in Indiana, the sales or use tax must be paid to Indiana regardless if sales tax was paid in the state where the item was purchased. For more information regarding use tax on cars, watercraft, and aircraft call (317) 233-4015.

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

Household Employment Taxes: If you paid cash wages during 1996 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* they worked in and around your home as a babysitter, 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 \$1000 to a household worker who is your employee you may have needed to have withheld state and county income taxes and/or pay state employment tax. If you would like to pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H.

Indiana Credits

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

You **must** attach your W-2s, WH-18s 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 that you 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 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.

1996 Estimated Tax Paid: If you made estimated tax payments for state and/or county tax, enter the total paid for 1996 on this line. Also include any payments made with Form IT-9 “Extension of Time to File” for tax year 1996. *Do not include any estimated tax paid for 1997.*

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, 1996;
- b) The amount on Line 1 of Form IT-40 (Form IT-40PNR, Line 1A) must be *less than \$10,000*;

Sales/Use Tax Worksheet

List all purchases of property from out-of-state sources.

Description of Personal Property Purchased	Date of Purchase	Purchase Price of Property
1. Total purchase price of property subject to the sales/use tax	1	
2. Sales/use tax: Multiply Line 1 by .05 (5%)	2	
3. Sales tax previously paid on the above items (up to 5% per item)	3	
4. Total amount due: Subtract Line 3 from Line 2. Carry to Form IT-40, Line 15 or Form IT-40PNR, Line 12. If the amount is negative, enter zero	4	

- c) You must have been a resident of Indiana for 6 months or more during 1996; and
- d) You must not have been in prison for 180 days or more in 1996.

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

If you meet the requirements for claiming the Unified Tax Credit for the Elderly, but you don't have any income to report on Line 1 of Form IT-40 (Form IT-40PNR, Line 1A), or the income reported on those lines is less than the Total Exemptions on Form IT-40 Line 11 (Form IT-40PNR, Line 8), then you can claim a refund for this credit on Form IT-40 or Form SC-40 Unified Tax Credit for the Elderly.

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

The deadline for claiming this credit is July 1, 1997. 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 July 1, whichever is later.

To figure your Unified Tax Credit for the Elderly:

Use Table A if:

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

- a) you are filing a joint return, lived with your spouse during all of 1996 and both of you were age 65 or older by December 31, 1996; **or**
- b) both you and your spouse met all the requirements, and your spouse died after January 1, 1996.

If a spouse dies after January 1, 1996, the surviving spouse can claim this credit and use the "joint" filing status. 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.

Table A	
Joint Filers Both Age 65 or Older	
If the income on Line 1 of Form IT-40 or Line 1A of Form IT-40PNR is:	Your Allowable Credit is:
less than \$1,000.....	\$140
between \$1,000 and \$2,999.....	\$90
between \$3,000 and \$9,999.....	\$80

Use Table B if:

- You meet all the requirements noted above;
- You are filing a joint return and only one of you is age 65 or older;
- You are married, but did not live with your spouse during 1996; or
- You are single or widowed.

Table B	
Only One Person Age 65 or Older	
If the income on Line 1 of Form IT-40 or Line 1A of Form IT-40PNR is:	Your Allowable Credit is:
less than \$1,000.....	\$100
between \$1,000 and \$2,999.....	\$50
between \$3,000 and \$9,999.....	\$40

Important: With the exception of the 'County Credit for the Elderly' and 'Credit for Taxes Paid to Localities Outside Indiana', all of the following credits, when added together, can't be greater than the amount of the state adjusted gross income tax on Form IT-40, Line 13 or Form IT-40PNR, Line 10.

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

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

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

Credit for Local Taxes Paid Outside of Indiana: If you figured county tax on Form IT-40, Line 14 (Form IT-40PNR, Line 11) and you had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local government, and they did not refund the tax or give you a credit for Indiana county tax.

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

The *County Income Tax Chart* found on the back of Schedules CT-40 or CT-40PNR lists the counties with their combined tax rates, if applicable. For instance, the Tippecanoe County resident tax rate of .0125 is made up of COIT (.006) plus CEDIT (.0065) for a .0125 combined county tax rate. If the county that you paid tax to assesses CEDIT, the chart below will help you to determine the correct rate to use to figure this credit.

Step 1: Figuring your rate: If your January 1, 1996 county of residence is on the chart on the next page, use the rate in Column A to figure your credit. If that county isn't on the chart, use the resident rate you entered on Schedule CT-40 or CT-40PNR, Section 1, Line 4 A/B.

If your January 1, 1996 county of residence doesn't have a county tax but the January 1, 1996 county where you worked is on the chart below, use the rate in Column B to figure your credit. If that county isn't on the chart, use the nonresident rate that you entered on Schedules CT-40 or CT-40PNR, Section 2, Line 6A/B.

CEDIT County Chart

<u>County</u>	A	B
	<u>Resident</u>	<u>Nonresident</u>
Adams	.0045	.001125
Allen	.006	.0015
Blackford	.01	.0025
Brown	.01	.0025
Carroll	.01	.0025
Cass	.01	.0025
Clinton	.01	.0025
Crawford	.0075	.0025
Decatur	.01	.0025
Dekalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.01	.0025
Floyd	(Cannot take credit)*	
Franklin	.01	.0025
Fulton	.01	.0025
Gibson	(Cannot take credit)*	
Harrison	.0075	.0025
Hendricks	.01	.0025
Howard	.007	.00175
Jackson	.01	.0025
Jay	.01	.0025
Jennings	.01	.0025
Lagrange	.01	.0025
Martin	.008	.002
Miami	.006	.0015
Orange	.01	.0025
Parke	.01	.0025
Perry	.0050	.00125
Pike	(Cannot take credit)*	
Pulaski	.01	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	(Cannot take credit)*	
Shelby	.01	.0025
Spencer	(Cannot take credit)*	
Starke	.005	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.01	.0025
Vermillion	(Cannot take credit)*	
Wabash	.01	.0025
Warren	.01	.0025
Warrick	(Cannot take credit)*	
Washington	.01	.0025
Wayne	.01	.0025
White	.01	.0025
Whitley	.01	.0025

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

Step 2: Figuring Your Credit: The amount of the Credit for Local Taxes Paid Outside of Indiana is the lesser of:

- a) your rate from Step 1 multiplied by income taxed by the other locality;
- b) the amount of tax paid to the other locality;
- c) the amount of tax withheld from your earnings and paid to the locality as shown on your W-2 form(s); or
- d) the amount of Indiana county tax on Form IT-40, Line 14 or Form IT-40PNR, Line 11.

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

If you were an Indiana resident during part or all of 1996 and had income from any of the states listed in Group A below, you should first find out what the other state's rules are concerning the taxation of your income.

Group A

No Agreement (Credit taken on resident return)

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

Any foreign countries or U.S. possessions

*(Capital gain, interest, and dividends only)

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 IT-40 Line 13 or IT-40PNR Line 10 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 not be allowed. Likewise, you **must** attach Federal Form 1116 if claiming this credit due to foreign earned income.

Group B

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

Illinois	Kentucky	Michigan
Ohio	Pennsylvania	Wisconsin

If you were an Indiana resident during 1996 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. What this means is you still have to include this income on your Indiana return and pay the Indiana tax. You 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*. See the instructions beginning on page 18.

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona	Oregon
California	Washington D.C.

If you were an Indiana resident during 1996 and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid. Note: For taxpayers residing in Washington, D.C., please contact the Department for Income Tax Information Bulletin 28. There is a special exception for this credit for Washington, D.C. residents that you must be aware of when calculating this credit.

If you were a resident of one of the Group C states during 1996 and had income from Indiana, you must figure your Indiana tax on *Form IT-40PNR*. You will then calculate the credit on the *Form IT-40PNR* for taxes paid to other states. Again, get *Income Tax Information Bulletin 28* from the Department.

Group D

No State Income Tax (No credit allowed)

Alaska	Florida	Nevada	South Dakota
Texas	Washington	Wyoming	

If you were an Indiana resident during 1996 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.

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 and chart to figure your credit.

Step 1: Find your county tax rate from CT-40 or CT-40PNR Section 1, Line 4A/B or Section 2, Lines 6A/B.

Step 2: Find the factor listed on the chart that corresponds to your county tax rate.

Step 3: Multiply the elderly credit from your federal Schedule R by the *Step 2* amount.

Step 4: Compare the amount calculated in *Step 3* with the county tax shown on *Form IT-40*, Line 14 or *Form IT-40PNR*, Line 11.

Whichever amount from *Steps 1 - 4* is smaller is your allowable credit. Make sure to attach the completed federal Schedule R to your tax return.

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 \times .06667 = \36.66 (rounded to \$37)).

County Credit For the Elderly Chart

If your County Tax Rate is:	Then your Factor is:	If your County Tax Rate is:	Then your Factor is:
0.001	0.00667	0.00625	0.04167
0.0015	0.01	0.0065	0.04333
0.00175	0.01167	0.007	0.04667
0.002125	0.01417	0.008	0.05333
0.002375	0.01583	0.0085	0.05667
0.0025	0.01667	0.00875	0.05833
0.00275	0.01833	0.0095	0.06333
0.002875	0.01917	0.01	0.06667
0.003	0.02	0.011	0.07333
0.003125	0.02083	0.01125	0.075
0.0035	0.02333	0.01175	0.07833
0.00375	0.025	0.012	0.08
0.004	0.02667	0.0125	0.08333
0.00425	0.02833		
0.0045	0.03		
0.005	0.03333		
0.0055	0.03667		
0.006	0.04		
0.006125	0.04083		

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

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

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

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

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

Personal Computer Tax Credit: This credit is available to any taxpayer donating a new or used personal computer to the Buddy-Up With Education Program administered by the Central Indiana Educational Service Centers. The credit is equal to \$125 for each personal computer approved for use by the Central Indiana Educational Service Center.

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

High Technology Equipment Donation Credit: A taxpayer who donates high technology equipment to Indiana schools may be eligible to receive a credit of 18.75% of the book value of any used equipment or 25% of the cost if the equipment is new. To find out more information about this credit, contact the State Board of Education if donating to grades kindergarten through the twelfth grade or the Commission for Higher Education if donating to grades above the twelfth grade level.

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

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

Currently, an airport development zone is established within the city of Gary. Areas within the city of Terre Haute and areas within Allen County are also eligible to designate 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 to be used for the airport development zone credits even though the title on the forms indicates only enterprise zones.) *Sole proprietors must maintain good standing with the Enterprise Zone authority to maintain eligibility for any enterprise zone credits.*

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

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

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) 232-6675 for more information about this credit.

Historic Rehabilitation Tax Credit: A Historic Rehabilitation Tax Credit is available for the rehabilitation or preservation of a historic building that is listed on the Indiana Register of Historic Sites and Structures and is at least 50 years old. The structure must be at least 2000 square feet on the ground floor and must be income producing. The cost of rehabilitation or preservation must also exceed \$5000. 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.

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.

Twenty-First Century Scholars Program Credit: A tax credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50% of the

contributions made during the tax year up to a maximum limit of \$100 for a single return and \$200 for a joint return.

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

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

Maternity Home Credit: An income tax credit is allowed for maternity home owners who provide a temporary residence to at least one pregnant woman for at least 60 consecutive days during the pregnancy. The maternity home owner must annually file an application with the State Department of Health to be eligible to claim this credit. A copy of the approved application must be attached to your tax return before the credit can be taken. Contact the State Department of Health at (317) 233-1261 to obtain an application and more information about this credit.

Other Credits

Riverboat Building Credit: A tax credit has been established for any individual or company that builds or refurbishes a riverboat that is 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 Department of Commerce at (317) 233-4271 for more information about this credit.

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

Overpayment Subtotal: If the amount is a negative figure, then you will not get a refund. You owe additional taxes and should enter the amount on Form IT-40, Line 31 or Form IT-40PNR, Line 28.

Contribution To Indiana Nongame And Endangered Wildlife Fund: The Nongame and Endangered Wildlife Fund gives you an opportunity to contribute to the conservation of wildlife that is endangered or not hunted, such as bald eagles, river otters, spotted turtles and songbirds. If you wish to contribute any part of your refund (Form IT-40 Line 24 or Form IT-40PNR Line 21), just enter the amount of your donation. Your donation must be at least



\$1.00.

If you do not have a refund, but want to support the Nongame and Endangered Wildlife Program, *do not change your tax return*. You can make a contribution directly to the Nongame and Wildlife Fund by completing the form on the last page of this tax booklet.

Amount to be Applied to First Installment of your 1997 Estimated Tax: If you expect to have income that won't have Indiana income taxes withheld, and if the state and county tax due on this tax return will be \$400 or more (increased for 1997), then you should pay the Department estimated tax every installment period. Use the worksheet on page 25 to see how much you owe. If you want to make your first installment estimated payment on this tax return carry the amount from Line I of the worksheet to Form IT-40 Line 28 (Form IT-40PNR Line 25).

You may also apply any amount of your overpayment to your first installment estimated payment. If you do not wish to make an estimated payment on this tax return, you can use Form ES-40 on page 25 of this booklet to make the payment.

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

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

Penalty for Underpayment of Estimated Tax: You might owe a penalty for underpayment of estimated tax if you didn't have taxes withheld from your income and/or you didn't pay enough estimated tax throughout the year. (Generally, if you owe \$100 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.)

You might owe this penalty if:

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

** If the 1995 Indiana adjusted gross income was more than \$150,000 (\$75,000 for married individuals filing separately), you must enter 110% of last year's tax (instead of 100%).*

If either of these cases applies to you, you must complete Schedule IT-2210 to see if you owe a penalty or if you meet an exception. If you owe this penalty, attach Schedule IT-2210 to your tax return and write the penalty amount on Form IT-40, Line 29 or Form IT-40PNR, Line 26.

Contact the Department to get Schedule IT-2210.

Penalty: If your tax return is filed after the April 15, 1997 due date and you have an amount due, you will probably owe a penalty. Penalty is 10% of the amount due on Form IT-40, Line 27 (Form IT-40PNR, Line 24) 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 paid at least 90% of the amount due, then no penalty is due.

Interest: If your tax return is filed after the April 15, 1997 due date and you have an amount due, you will owe interest (even if you have an extension of time to file.) Contact the Department for the current interest rate by calling (317) 232-2240.

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

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 it is issued. This includes money owed for past due taxes, student loans, child support, food stamps or an IRS levy. If the Department applies your refund to any of these debts, you will receive a letter explaining the situation.

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

The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame and Endangered Wildlife Fund or applied a payment to the First Installment 1997 Estimated Tax, the overpayment will be applied first to the estimated tax payment and then to the wildlife fund. Any amount left will be refunded to you.

Discover® Card Payment: The *Amount You Owe* on Form IT-40, Line 34 (Form IT-40PNR, Line 31) may be paid by using the Discover® Card. If you choose to use this form of payment, fill out the information at the bottom of page 2 of the Form IT-40 (Form IT-40PNR.) Note that a handling fee based on the following chart will be charged by the Discover® Card Company on your monthly bill from them. **Do not** add this to the *Amount You Owe* when completing the credit card information.

<u>Amount of Tax Due</u>	<u>Handling Fee</u>
\$1.00 - \$500.00	\$4.00
\$500.01 - \$1,000.00	\$9.00
\$1,000.01 - \$2,000.00	\$16.00
\$2,000.01 - \$3,000.00	\$25.00
\$3,000.01 - and up	\$35.00

Returned Checks: If your check is returned unpaid by your banking institution due to non-sufficient funds (NSF) you will be charged a ten percent (10%) penalty on the amount due or \$5.00, whichever is greater, plus interest. The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not timely received, 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.

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

Motor Vehicle Information: Indiana law requires you to give certain information about all motor vehicles you owned or leased on December 31, 1996, when you file your income tax return.

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

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

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

Residency Status: Form IT-40PNR filers need to enter the date and 2-letter abbreviation of the other state where they lived during 1996. If you lived in more than one other state during the year, attach this information to your return. Note: If you lived out of the country, enter "OC", which stands for out-of-country, in this area.

Farmers and Fishermen: If two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided your tax return is filed and *all* taxes are paid by March 3, 1997.

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. Mark 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, mark the appropriate box on the back of the tax return.

If you use a professional tax preparer and don't need forms and instructions mailed to you next year, please mark the appropriate box on the back of the tax return.

Signature Section: Carefully read the statement directly above the 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 the *Authorization Section*). We also ask for the daytime telephone number of the preparer if you authorize us to discuss your tax return with the preparer.

Instructions for Nonresidents and Part-Year Residents

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

Indiana income includes income from the following sources:

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

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

Reciprocal States: Special Instructions

If you were a resident of Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and you received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this was the only type of income you earned from Indiana, you should file *Form IT-40RNR*, Reciprocal Nonresident Indiana Individual Income Tax Return. You may call (317) 486-5103 to get this form.

Reciprocal state residents should file Form IT-40PNR if they received other types of Indiana source income in addition to wages, tips, salaries and commissions. (Since Indiana won't tax the wages, salaries, tips or commissions, make sure to **not** put them in Column C.)

Form IT-40PNR: Schedules A, B and C Instructions

Schedules A, B and C will help you to separate the income to be taxed by Indiana. Unless otherwise stated, enter in Column A your income as it appears on your federal return. Enter in Column B your income that is subject to tax in other states. Enter in Column C your income subject to Indiana income tax.

Enter on the appropriate lines of these schedules your income or losses. Put parentheses () around any (loss).

Schedule A: Income or Loss

Lines 1 and 2 — Wages, Salaries, Tips, etc.: Enter wages, salaries, tips, or other compensation received as an employee. You should report your income on Line 1 and your spouse's

income on Line 2. 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 C earned *while you were a resident of a reciprocal agreement state (see Reciprocal States: Special Instructions.)*

Line 3 — 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 C. In Column B, enter any interest and dividend income received while a legal resident of another state. 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 C is from U.S. Savings Bonds, Treasury Notes, T-Bills, etc., you may deduct these amounts on Form IT-40PNR, Schedule D, Line 3.

Line 4 — Gain or (Loss) from Sale or Exchange of Property: Enter the gain or (loss) from the sale or exchange of property as reported for federal tax purposes. This would include income from Federal Schedule D, the capital gains distribution, and income from Federal Form 4797. **Note:** Any capital loss claimed is subject to the same capital loss limitations that apply for federal tax purposes.

Line 5 — Pensions, Annuities, etc.: Enter in Column A all taxable pensions, annuities and other retirement income as reported on your federal return. Enter in Column B income received while a legal resident of another state. Enter in Column C income received while an Indiana resident. **Note:** If you have social security and/or railroad retirement benefits that are included in Column C, you should deduct them on Schedule D, Lines 4 and 5, because they are not taxed by Indiana.

Note: The amounts on Lines 6 through 13 should reflect the allowable federal amounts after any passive activity loss limitations (federal Form 8582.)

Lines 6 and 7 — Business and Farm Income or (Loss): Enter in the appropriate columns of these lines the net amounts of income or (loss) as shown on Federal Schedules C, C-EZ and F. Also, see the instructions for Tax Add-Back on Line 12.

Line 8 — Net Rent or Royalty Income or (Loss): Enter in the appropriate columns the net rent and royalty income or (loss) reported in Part 1 of Federal Schedule E. Also, see the instructions for Tax Add-Back on Line 12.

Lines 9, 10, and 11 — Partnership, Trust and Estates, and S Corporation Income or (Loss): Enter the income or (loss) from partnerships, trusts and estates, and S corporations, as reported on your Federal Schedule E. If, while a nonresident, you received interest or dividend income from an Indiana trust or estate and such income is not an integral part of an Indiana business administered by the trust or estate, you should not enter this income in Column C. See the instructions for Tax Add-Back on Line 12.

Line 12 — Tax Add-Back: If you have entries on Lines 6 through 11 above, and if you claimed deductions for any state income tax, local real estate and/or personal property tax on the federal schedules from which those entries came, you must add these taxes back to your income. Make sure the amounts you report in Column C are in direct relation to the income (loss) reported in Column C on Lines 6 through 11 above.

Line 13 — 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 (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.

Line 14 — Lump Sum Distribution: Enter in Column A the capital gains from Part II plus the ordinary income portion from Part III of federal Form 4972. Enter in Column C the amounts received while you were an Indiana resident.

Line 15 — Other Income: Enter any other income for which there is no line provided on the IT-40PNR return. Other income would include taxable social security and railroad retirement benefits, taxable unemployment compensation, taxable refunds, taxable IRA deductions, prizes, awards, amounts recovered from bad debts, gross lottery and gambling winnings, director's fees, alimony received, etc., as reported on your federal return. List the sources of the income or (loss) reported on this line.

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

Any social security and/or railroad retirement benefits taxable for federal purposes must be included on this line. However, because Indiana does not tax these types of income, you should deduct the amount on Form IT-40PNR, Schedule D, Lines 4 and 5.

Enter the unemployment income that is taxable on your federal return. However, only a portion of your unemployment income may be taxable to Indiana. Since you may be eligible to deduct some or all of this income, see the instructions for the deduction on Schedule D, Line 11.

Line 16 — Total Income: Add Lines 1 through 15 for Columns A and C.

Schedule B: Adjustments to Income from federal Form 1040 or 1040A

Lines 17 through 25: This section should be used to subtract any allowable adjustments used in arriving at your federal adjusted gross income. Enter in Column A your adjustments to income as they appear on your federal return. **Do not** enter any federal itemized deductions in this section. Enter in Column B that portion of your federal adjustments which applies to income reported in Column B of Schedule A. Enter in Column C that portion of your adjustments which applies to Indiana income reported in Column C of Schedule A.

Line 17 — Individual Retirement Account Deductions: Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal return. Enter in Column C 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 C, you must use the percentage that your Indiana compensation bears to your federal compensation. Use the formula below:

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

Line 18 — Moving Expenses: Enter in Column A the amount of moving expense deduction reported on your federal return. If you moved to Indiana, report this amount in Column C. If you moved from Indiana to another state, report this amount in Column B only.

Line 19 — Self-Employment Tax Deduction: If you are eligible to take this adjustment on your federal return, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction on this line.

Line 20 — Self-Employed Health Insurance Deduction: If you are eligible to take this adjustment on your federal return, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction on this line.

Line 21 — Payments to Keogh Plans and Self-Employed Retirement Plans: You are allowed a deduction in Column C based on Indiana self-employment income reported in Column C of Schedule A 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 C 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:

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

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.

Enter in Column A the Keogh deduction reported on your federal return. Figure the amount to be reported in Column C using the same formula that was used to calculate the self-employed retirement plan adjustment above.

Line 22 — Penalty on Early Withdrawal of Savings: If, while a resident of Indiana, you had interest forfeited for early withdrawal of funds from a certificate of deposit or other time deposit savings account, you may enter this amount as an

adjustment in Column C (provided it is reported on Line 3C of Schedule A).

Line 23 — Alimony paid: If, while a resident of Indiana, you paid amounts under the terms of a decree of divorce or separation, or a written document pertaining to that decree which qualify as an adjustment for federal tax purposes, you may take an adjustment in Column C for such amounts paid. (Child support is not alimony.)

Line 24 — Other federal adjustments: Enter any other adjustments claimed on your federal tax return that are not shown above. Make sure to attach a front-page copy of your federal Form 1040 to support this amount. Note: **Do not** enter any net operating loss deduction claimed on your federal Form 1040. Instead, complete Schedule IT-40NOL and report your allowable Indiana loss on Schedule D, Line 13.

Line 25 — Total adjustments: Add Lines 17 through 24 for Columns A and C.

Schedule C: Totals

Line 26 — Enter on Line 26A the total of Schedule A, Line 16A minus Schedule B, Line 25A. Enter on Line 26B the total of Schedule A, Line 16C minus Schedule B, Line 25C. Carry these totals to Form IT-40PNR, Lines 1A and 1B.

Schedules CT-40 and CT-40PNR Instructions

Enter the 2-digit county code numbers from the chart on the back of Schedule CT-40 (CT-40PNR). Note: These counties *must* be the same as the ones you put on the front of Form IT-40 (Form IT-40PNR.)

If, on January 1, 1996, you and/or your spouse lived or worked in an Indiana county that had a county tax, then you must complete this schedule. The counties that have a tax are listed on the back of Schedule CT-40 (CT-40PNR) with their tax rates. *Note: If the county on the chart has the initials "NA" in the rate columns, it doesn't have a county tax.* Its name is listed there so you can find the 2-digit code number for your county. Also, code number "93" is to be used by part-year or full-year nonresidents and for Indiana residents who worked out-of-state.

County of Residence: Your county of residence is the county where you maintained your home on January 1, 1996. If you had more than one home in Indiana on this date, then your county of residence as of January 1, 1996 was:

- where you were registered to vote. If this did not apply, then your county of residence was;
- where your personal automobile was registered. If this did not apply, then your county of residence was;
- where you spent the majority of your time in Indiana during 1996.

If you moved to another Indiana county after January 1, 1996, your county of residence for tax purposes will not change until next year.

- If, on January 1, 1996, you lived in a county that has a tax, then you will owe county tax on all of your Indiana adjusted gross income.

- If, on January 1, 1996, you lived in a county that has no tax, then county tax will be figured on your income from your principal employment if the county where you worked on January 1, 1996 has a tax.

County Where You Worked: Your 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, 1996. If you began working in another county after January 1, 1996, the county where you worked for tax purposes *will not change until next year*. If you had more than one job on January 1, 1996 your Principal Place of Employment is the job where you worked the most hours and earned the most income.

Example 1 - Jessie worked in Marion County on January 1, 1996. She quit that job and began a new one in Johnson County on February 10, 1996. She will enter the Marion County 2-digit code (49) as the county where she worked for 1996 even though she changed jobs during the year.

If, on January 1, 1996, your county of principal employment was *not* in Indiana, write county code "93" (out-of-state) in the County of Principal Employment box.

Principal Employment Income: You must figure your principal employment income if, on January 1, 1996, you *lived* in a county that *didn't* have a tax but *worked* in a county that *did* have a tax. Your principal employment income is income you earned from your main work activity (job) for the entire year.

Example 2 - Jessie earned \$1,000 at her Marion County job from January 1 through February 2, 1996. She earned \$14,000 at her Johnson County job she began on February 10 and worked through year's end. Her principal employment income for the year subject to county tax is \$15,000.

Example 3 - Steve earned \$15,000 from his full-time job. He also earned \$2,000 from a part-time job. If you work a part-time job and a full-time job at the same time, only the income earned from the job where you *worked the most hours and made the most income* will be principal employment income subject to tax. Steve's principal employment income that is subject to tax is \$15,000.

Military Personnel: If 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, 1996, you were stationed *outside* of Indiana and your family was with you, write county code "93" (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, 1996, you are considered to be a resident of that county.

Retired Persons: If you were retired by January 1, 1996, put your county of residence 2-digit code number in *both* the Indiana County of Residence and Indiana County of Principal Employment boxes. **Don't write "Retired"**.

claimed by either spouse, as long as the total of Line 4, Columns A and B is not greater than Line 11 on the Form IT-40 (Form IT-40PNR, Line 8.)

Example 7 - On January 1, 1996, Jack and Sue lived in a county that didn't have a tax. Jack worked in a county that did have a tax. Even though they claimed \$2000 in total exemptions on their tax return, Jack will use only his \$1000 personal exemption.

Example 8 - On January 1, 1996, Howard lived in a county that didn't have a tax but he worked in a county that did have a tax. He moved to another state on July 1, 1996. He is allowed to claim his IT-40PNR Line 8 prorated exemption total of \$640.

Add the total county tax due from Section 1, Line 9 plus any amount from Section 2, Line 8. Carry to Form IT-40, Line 14 (Form IT-40PNR, Line 11).

Special Note to Married Taxpayers Filing a Joint Return:

- If you lived in different counties on January 1, 1996, both of you need to figure your county tax separately on Section 1.
- If both of you lived in a county on January 1, 1996 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 on Form IT-40, Line 11 (Form IT-40PNR Line 8) *except for your spouse's*, to figure your tax. (See Line 4 instructions below.)

Section 1 Line 1 Instructions: Enter your share of state taxable income (Form IT-40, Line 12, Form IT-40PNR, Line 9) in the appropriate columns. Note: If you are married filing a joint return and you *both* lived in the same county that has a tax on January 1, 1996, enter your combined information in Column A and ignore Column B, Lines 1 through 5. You should complete Column A, Lines 2 through 5.

Example 4: On January 1, 1996 Jim and Rita lived in the same county that has a tax. They'll enter their Form IT-40, Line 12 (IT-40PNR, Line 9) combined state taxable income on Schedule CT-40 (CT-40PNR) Section 1, Line 1A. Column B will be left blank.

Section 2 Instructions

Line 1 - Enter your principal employment income. This includes income from wages, tips, salaries and commissions, net self-employment income from Federal Schedule C/C-EZ and/or net farm income from Federal Schedule F. **Do not** include passive source income like interest, dividends, pensions, capital gains, farm rental, etc.

Example 5 - During 1996 Jake earned \$15,000 from his job, received \$50 interest income and \$800 pension income. The principal employment income he will enter on Line 1 is \$15,000.

Line 2 - If, on Line 1, you reported income from which the following deductions were claimed: self-employed retirement deduction, IRA's, military service deduction or enterprise zone employee deduction, then claim that deduction on this line in the appropriate column.

Example 6 - Maria reported her \$9,000 military income on Line 1. On this line she needs to include the \$2,000 military deduction she claimed on Form IT-40, Schedule 1, Line 6 (Form IT-40PNR, Schedule D, Line 6.)

Line 4 - If you are filing a single or widowed tax return enter your total exemptions from Form IT-40, Line 11 (Form IT-40PNR, Line 8.) If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Form IT-40, Line 11 (Form IT-40PNR, Line 8.) Exemptions for dependents can be

Indiana School Districts

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

County District Number and Name	Dearborn 1560 Sunman-Dearborn Comm. 1600 South Dearborn Comm. 1620 Lawrenceburg Comm.	Gibson 2725 East Gibson 2735 North Gibson 2765 South Gibson	Jackson 3640 Medora Community 3675 Seymour Community 3695 Brownstown Central Comm. 3710 Crothersville Community
Adams 0015 Adams Central Comm. 0025 North Adams Community 0035 South Adams	Decatur 1655 Decatur Co. Community 1730 Greensburg Community	Grant 2815 Eastbrook Community 2825 Madison-Grant United 2855 Mississinewa Community 2865 Marion Community	Jasper 3785 Kankakee Valley 3815 Rensselaer Central
Allen 0125 M.S.D. Southwest Allen Co. 0225 Northwest Allen County 0235 Fort Wayne Community 0255 East Allen County	Dekalb 1805 DeKalb County Eastern Community 1820 Garrett-Keyser-Butler Community 1835 DeKalb County Central United	Greene 2920 Bloomfield School District 2940 Eastern School District 2950 Linton-Stockton 2960 M.S.D. Shakamak 2980 White River Valley School District	Jay 3945 Jay
Bartholomew 0365 Bartholomew Consolidated 0370 Flatrock-Hawcreek	Delaware 1875 Delaware Community 1885 Harrison-Washington Community 1895 Liberty-Perry Community 1900 Cowan Community 1910 Mt. Pleasant Township Community 1940 Daleville Community 1970 Muncie Community	Hamilton 3005 Hamilton Southeastern 3025 Hamilton Heights 3030 Westfield-Washington 3055 Marion-Adams 3060 Carmel-Clay 3070 Noblesville	Jefferson 3995 Madison Consolidated 4000 Southwestern Jefferson Consolidated
Benton 0395 Benton Community	Dubois 2040 Northeast Dubois County 2100 Southeast Dubois County 2110 Southwest Dubois County 2120 Greater Jasper Consolidated	Hancock 3115 Southern Hancock Co. Community 3125 Greenfield Central Comm. 3135 Mt. Vernon Community 3145 Eastern Hancock County Community	Jennings 4015 Jennings County
Blackford 0515 Blackford Community	Elkhart 2155 Fairfield Community 2260 Baugo Community 2270 Concord Community 2275 Middlebury Community 2285 Wa-Nee Community 2305 Elkhart Community 2315 Goshen Community	Harrison 3160 Lanesville Community 3180 North Harrison Comm. 3190 South Harrison Comm.	Johnson 4145 Clark-Pleasant Comm. 4205 Center Grove Community 4215 Edinburgh Community 4225 Franklin Community 4245 Greenwood Community 4255 Nineveh-Hensley-Jackson United
Boone 0615 Western Boone County 0630 Eagle-Union Community 0665 Lebanon Community	Fayette 2395 Fayette County	Hendricks 3295 Northwest Hendricks 3305 Brownsburg Community 3315 Avon Community 3325 Danville Community 3330 Plainfield Community 3335 Mill Creek Community	Knox 4315 North Knox 4325 South Knox 4335 Vincennes Community
Brown 0670 Brown County	Floyd 2400 New Albany-Floyd County Consolidated	Henry 3405 Blue River Valley 3415 South Henry 3435 Shenandoah School Corp. 3445 New Castle Community 3455 Charles A. Beard Memorial	Kosciusko 4345 Wawasee Community 4415 Warsaw Community 4445 Tippecanoe Valley 4455 Whitko Community
Carroll 0750 Carroll Consolidated 0755 Delphi Community	Fountain 2435 Attica Consolidated 2440 Covington Community 2455 Southeast Fountain	Howard 3460 Taylor Community 3470 Northwestern 3480 Eastern Howard Comm. 3490 Western 3500 Kokomo-Center Township Consolidated	Lagrange 4515 Prairie Heights Comm. 4525 Westview 4535 Lakeland
Cass 0775 Pioneer Regional 0815 Southeastern 0875 Logansport Community	Franklin 2475 Franklin Co. Community	Huntington 3625 Huntington Co. Comm.	Lake 4580 Hanover Community 4590 River Forest Community 4600 Merrillville 4615 Lake Central 4645 Tri Creek 4650 Lake Ridge 4660 Crown Point Community 4670 School City of East Chicago 4680 Lake Station Community 4690 Gary Community 4700 Griffith Public 4710 Hammond City 4720 School Town of Highland 4730 School City of Hobart 4740 School Town of Munster 4760 Whiting City
Clark 0940 West Clark Community 1000 Clarksville Community 1010 Greater Clark County	Fulton 2640 Union Township 2645 Rochester Community 2650 Caston		
Clay 1125 Clay Community			
Clinton 1150 Clinton Central 1160 Clinton Prairie 1170 Frankfort Community 1180 Rossville Consolidated			
Crawford 1300 Crawford Co. Community			
Daviess 1315 Barr-Reeve Community 1375 North Daviess County 1405 Washington Community			

Indiana School Districts (continued)

County District Number and Name	Morgan 5900 Monroe-Gregg 5910 Eminence Consolidated 5925 M.S.D. Martinsville 5930 Mooresville Consolidated	Randolph 6795 Union 6805 Randolph Southern 6820 Monroe Central 6825 Randolph Central 6835 Randolph Eastern	Union 7950 Union County
Laporte 4770 Cass Township 4790 Dewey Township 4805 New Prairie United 4860 New Durham Township 4880 Prairie Township 4925 Michigan City Area 4940 South Central Community 4945 LaPorte Community	Newton 5945 North Newton 5995 South Newton	Ripley 6865 South Ripley Community 6895 Batesville Community 6900 Jac-Cen-Del Community 6910 Milan Community	Vanderburgh 7995 Evansville-Vanderburgh
Lawrence 5075 North Lawrence Comm. 5085 Mitchell Community	Noble 6055 Central Noble Community 6060 East Noble 6065 West Noble	Rush 6995 Rushville County	Vermillion 8010 North Vermillion Comm. 8020 South Vermillion Comm.
Madison 5245 West Central Community 5255 South Madison Comm. 5265 Alexandria Community 5275 Anderson Community 5280 Elwood Community	Ohio 6080 Rising Sun-Ohio County Community	St. Joseph 7150 John Glenn 7175 Penn-Harris-Madison 7200 Mishawaka City 7205 South Bend Community 7215 Union-North United	Vigo 8030 Vigo County
Marion 5300 M.S.D. Decatur Township 5310 Franklin Township Comm. 5330 M.S.D. Lawrence Township 5340 M.S.D. Perry Township 5350 M.S.D. Pike Township 5360 M.S.D. Warren Township 5370 M.S.D. Washington Township 5375 M.S.D. Wayne Township 5380 Beech Grove 5385 Indianapolis Public 5400 Speedway City	Orange 6145 Orleans Community 6155 Paoli Community 6160 Springs Valley Comm.	Scott 7230 Scott Co. District No. 1 7255 Scott Co. District No. 2	Wabash 8045 Manchester Community 8050 M.S.D. Wabash County 8060 Wabash City
Marshall 5455 Culver Community 5470 Argos Community 5480 Bremen Public 5485 Plymouth Community 5495 Triton	Owen 6195 Spencer-Owen Comm.	Shelby 7285 Shelby Eastern 7350 Northwestern Consolidated 7360 Southwestern Consolidated 7365 Shelbyville Central	Warren 8115 M.S.D. of Warren County
Martin 5520 Shoals Community 5525 Loogootee Community	Parke 6260 Southwest Parke Comm. 6300 Rockville Community 6310 Turkey Run Community	Spencer 7385 North Spencer County 7445 South Spencer County	Warrick 8130 Warrick County
Miami 5615 Maconoquah 5620 North Miami Consolidated 5625 Oak Hill United 5635 Peru Community	Perry 6325 Perry Central Community 6340 Cannelton City 6350 Tell City-Troy Township	Starke 7495 Oregon-Davis 7515 North Judson-San Pierre 7525 Knox Community	Washington 8205 Salem Community 8215 East Washington 8220 West Washington
Monroe 5705 Richland-Bean Blossom Community 5740 Monroe Co. Community	Pike 6445 Pike County	Steuben 7605 Fremont Community 7610 Hamilton Community 7615 M.S.D. Steuben County	Wayne 8305 Nettle Creek 8355 Western Wayne 8360 Centerville-Abington Community 8375 Northeastern Wayne 8385 Richmond Community
Montgomery 5835 North Montgomery Comm. 5845 South Montgomery Comm. 5855 Crawfordsville Comm.	Porter 6460 M.S.D. Boone Township 6470 Duneland 6510 East Porter County 6520 Porter Township 6530 Union Township 6550 Portage Township 6560 Valparaiso Community	Sullivan 7645 Northeast 7715 Southwest	Wells 8425 Southern Wells Comm. 8435 Northern Wells Comm. 8445 M.S.D. Bluffton-Harrison
	Posey 6590 M.S.D. Mount Vernon 6600 M.S.D. North Posey Co. 6610 New Harmony Town and Township	Switzerland 7775 Switzerland County	White 8515 North White 8525 Frontier 8535 Tri County 8565 Twin Lakes
	Pulaski 6620 Eastern Pulaski Comm. 6630 West Central	Tippecanoe 7855 Lafayette 7865 Tippecanoe 7875 West Lafayette Comm.	Whitley 8625 Smith-Green 8665 Whitley Co. Consolidated
	Putnam 6705 South Putnam Community 6715 North Putnam Community 6750 Cloverdale Community 6755 Greencastle Community	Tipton 7935 Northern Community Schools 7945 Tipton Community	



Form IT-9
Revised 9-96
SF 21006

**1996 Application For Automatic Extension
Of Time To File Indiana Form IT-40 Or Form IT-40PNR**
NOTE: Form IT-9 is an automatic extension of time to file until June 15, 1997.
This IS NOT an extension of time to pay any state and/or county taxes due.

The purpose of Form IT-9: The IT-9 will allow you an automatic 60 day extension for filing your IT-40, Indiana Individual Income Tax Return, or the IT-40PNR, Indiana Part-Year Nonresident Individual Income Tax Return. **The IT-9 does not extend the time for paying your income tax.** The filing extension is automatic if you pay at least 90% of your state and county taxes by April 15, 1997.

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, 1997. If you don't, the extension is not valid and penalty and interest will be charged on the balance due.

Who should file Form IT-9: You should file this form and pay your tax if you can't file your income tax return (IT-40 or IT-40PNR) by the due date of April 15, 1997 and you expect to owe additional tax. Form IT-9 does not allow you an extension of time to pay your taxes.

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

If a penalty is due with your return, it is 10% of the tax due or \$5.00, whichever is greater. Any penalty due should be added to the amount of tax owed on your individual tax return at the time you file the return. Interest is charged on any unpaid tax even though an extension has been granted. The interest rate changes yearly. Contact the Department to find out the current interest rate. The interest should also be added to the amount of tax owed on your individual tax return at the time you file the return.

How to File: You can complete the worksheet below to figure 90% of your estimated income. Complete all information regarding your name(s), address and social security number(s). You must also be aware of your and your spouse's county of principal residence and county of principal work activity as of January 1, 1996.

Tax Computation Worksheet (see instructions below)

1. 1996 Income - Enter the total estimated or actual 1996 income	1. _____
2. Exemptions X \$1000	2. _____
3. State Taxable Income Tax - Line 1 minus Line 2	3. _____
4. State Adjusted Gross Income - Line 3 X .034	4. _____
5. County Income Tax - Line 3 X County Income Tax Rate	5. _____
6. Total Tax - Add Lines 4 and 5	6. _____
7. State and County Income Tax Withheld (See instructions)	7. _____
8. 1996 Estimated Income Tax Payments (See instructions)	8. _____
9. Other Credits (See instructions)	9. _____
10. Total Credits - Add Lines 7 through 9	10. _____
11. Total Tax - Line 6 minus Line 10	11. _____
12. Amount You Should Pay - Line 11 X .90	12. _____

Line 1: 1996 Income - Enter your total actual or estimated income for 1996. If filing a joint return, include your spouse's income.

Line 2: Exemptions - Determine your total exemptions as they appeared on your federal income tax return. If you did not complete a federal return, you are allowed an exemption for yourself and any qualifying dependents. Multiply this number by \$1000 and enter the total on this line.

Line 5: County Income Tax - Multiply Line 3 by your county income tax rate from the back of Schedules CT-40 or CT-40PNR.


Line 7: State and County Income Tax Withheld - Enter the amount of state tax withheld shown in box 18 of your W-2 form and county income tax, shown in box 21 of your W-2. You must also include your spouse's withholding and any amounts from Federal Form 1099s that indicate state or county income tax withholding.

Line 8: 1996 Estimated Tax Payments - Enter your total 1996 estimated income tax payments paid to the Department in 1996.

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

Line 12: Amount You Should Pay - Multiply Line 11 by .90 (90%) and enter here. Pay this amount with your IT-9, Extension of Time to File on or before April 15, 1997.

- If Line 12 shows no balance due, you don't need to file this form, unless you are claiming the Unified Tax Credit For The Elderly after June 30, 1997.
- Enclose your check or money order made out to the *Indiana Department of Revenue*. Write your social security number on the check or money order.
- Your extension payment may be claimed as a credit on Line 20 of the IT-40 or on Line 17 of the IT-40PNR.
- If you need additional help you may call the Department at (317) 232-2240 or visit your nearest District Office.

		
Form IT-9 Revised 8-96 SF 21006		
Indiana Department of Revenue EXTENSION PAYMENT FOR TAX YEAR 1996 DUE DATE: April 15, 1997		
Mail this voucher and payment to: Indiana Department of Revenue P.O. Box 6117 Indianapolis, IN 46206-6117		
DO NOT WRITE ABOVE		
Your First Name and Middle Initial	Last Name	Your Social Security Number
Spouse's First Name and Middle Initial	Last Name	Spouse's Social Security Number
Street Address		
City	State	Zip Code
Your Daytime Telephone Number ()	Enter Amount of Payment Here from Line 12 of Tax Computation Worksheet... \$	

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

223 S. Pete Ellis Drive, Ste. 20
Bloomington, IN 47408
(812) 339-1119

2 Clarksville District Office

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

3 Columbus District Office

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

4 Evansville District Office

500 S. Green River Road
Suite 201, Goodwill Building
Evansville, IN 47715
(812) 479-9261

5 Fort Wayne District Office

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

6 Kokomo District Office*

117 East Superior Street
Kokomo, IN 46901
(317) 457-0525

7 Lafayette District Office*

100 Executive Drive, Ste. B
Lafayette, IN 47905
(317) 448-6626

8 Merrillville District Office

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

9 Muncie District Office *

3414 W. Fox Ridge Lane
Muncie, IN 47304
(317) 289-6196



10 South Bend District Office

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

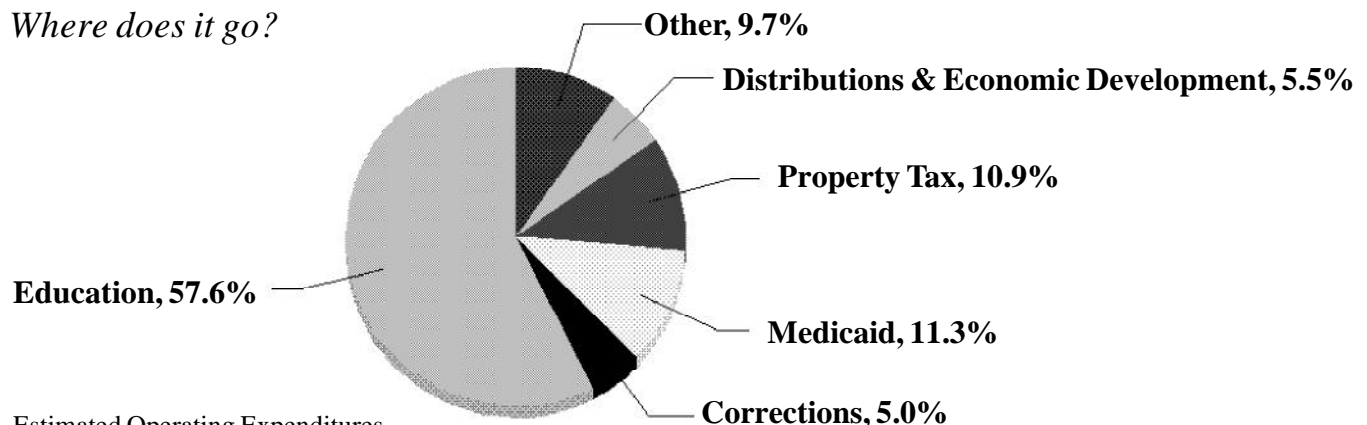
11 Terre Haute District Office

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

* The area code for the Kokomo, Lafayette and Muncie District Offices are scheduled to change to (765) in February 1997.

Your Indiana Tax Dollar

Where does it go?



Estimated Operating Expenditures
Fiscal Year 1995-96

Source: State Budget Agency