
Indiana Department of Revenue

2006

IT-40

(Index found on Pages 41 and 42.)

Indiana Full-Year Resident

Individual Income

Tax Booklet

STATE of INDIANA



INDIANAPOLIS, IN 46204-2253

DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH
100 N. SENATE AVE

Dear Taxpayer:

Over the past year, the Indiana Department of Revenue has initiated a number of efforts to better serve taxpayers. We've made customer-service training and standards mandatory for all those employees that interact with taxpayers daily. In addition, we've taken steps toward an agency structure that better combines our expertise so you get knowledgeable, timely answers to your questions.

The Department also has been busy gathering feedback from taxpayers throughout the state, particularly on the use of our electronic tools, such as I-File, a free Web program that makes it faster and easier to file your state individual income taxes. We asked for feedback from taxpayers that used I-File to file their 2005 tax returns to determine how this service measured up, and more than 1,000 responded to our survey. We learned that:

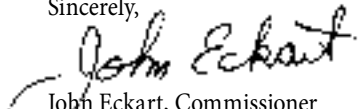
- 94 percent were satisfied with their I-File experience.
- 95 percent indicated they would likely use I-File again.
- 96 percent said they would recommend I-File to someone else.

On average, Hoosiers that use I-File get their refunds in 14 days, compared to six to eight weeks if filed with a paper return. Electronic filing in general also helps the state save money through reduced processing and printing costs. For example, it costs about \$1 to process a paper return, but only around 4 cents to process an electronic return.

Providing services like I-File is essential in our efforts to provide better overall customer service to the citizens of Indiana. They are also essential in providing more efficient and effective use of government resources – resources that your tax dollars support.

I look forward to our continued effort to bring you improved services. If you have any comments about how we're doing in this endeavor, please share those with me at feedback@dor.in.gov. Your input is very valuable in helping us move forward in the right direction.

Sincerely,


John Eckart, Commissioner
Indiana Department of Revenue

File your 2006 Indiana individual income taxes with I-File, Indiana's free online tax filing service. I-File offers many user-friendly features that make it faster and easier to file your taxes. These features include:



- **Question-and-answer** format that walks you through each step of completing your 2006 tax return.*
- **Personal information pre-filled** (i.e. name, address and employer) to save you time when filing.
- **Resume** function that allows you to save your work and finish at another time.
- **Help links** referencing exact text within information booklets.
- **Refund** received, on average, within 7 to 14 days.
- **Payment** accepted online.
- **Filing** time for average user is just 30 minutes.
- **Reprinting** of completed forms available for up to one year.

To take advantage of this free service visit www.ifile.in.gov

*Please note you cannot file the Form SC-40, Unified Tax Credit for the Elderly form, using the I-File program.

Which Indiana Tax Form Should I File?

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

Indiana Full-Year Residents

Use Form IT-40EZ:

If you (and your spouse, if filing jointly) were a full-year Indiana resident and all of the following are true:

- You filed a federal Form 1040EZ,
- You are claiming only the renter's deduction and/or unemployment compensation deduction, and
- You have only Indiana state and county tax withholding credits and/or an Indiana earned income credit.

Use Form IT-40:

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

All Other Individuals

Use Form IT-40RNR:

If you (and your spouse, if filing jointly) were:

- A full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and
- Your only type of income from Indiana was from wage, tip, salary or other compensation.*

*If you have any other kind of Indiana-source income, you are required to file Form IT-40PNR (see below).

Note: If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state. A listing of other states' tax forms can be found at www.taxadmin.org/fta/link/forms.html

Use Form IT-40PNR:

If you (and/or your spouse, if filing jointly) were an Indiana resident for less than a full year (or not at all) and you do not qualify to file Form IT-40RNR.

Military Personnel

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

2006 Changes

Where to Mail Your Tax Return-New Labels for Envelope

Mailing labels are included in this booklet. You must choose one and place it on the enclosed envelope. Tax returns with attached payments have a different post office box number for mailing purposes. See page 16 for details.

Posey County Adopts County Income Tax

Posey County residents should see page 23 for information on how to figure county income tax.

Homeowner's Property Tax Deduction Catch-up

Did you pay property tax in **2005** for the 2002 (payable in 2003) and/or 2003 (payable in 2004) assessment periods? If so, see page 17 to see if you qualify for a deduction.

Individual Taxpayer Identification Number (ITIN)

See instructions on page 5 if you have, or are applying for, an ITIN.

Partnership and S Corporation Disclosure Requirement

Complete the new Schedules 3 and 3A if you receive income (loss) from a partnership(s) and/or S corporation(s). See page 35 for more information.

Coal Gasification Technology Investment Credit

A credit is available for qualified investments in a coal gasification power plant. See page 31 for more information.

Economic Development for a Growing Economy (EDGE) Credit

See page 12 to see if you qualify for this job retention credit.

Enterprise Zones Update

The Indiana Army Ammo enterprise zone has been renamed River Ridge Development; the Gary and Terre Haute zones have expired. See page 20 for a complete listing.

Headquarters Relocation Credit

A business with annual worldwide revenue of \$100 million that relocates its corporate headquarters to Indiana may be eligible for a credit. See page 32 for more information.

Hoosier Business Investment Credit

The Hoosier Business Investment credit has been extended until Dec. 31, 2011. See page 32 for more information.

Need Tax Forms or Information Bulletins?

Use Your Personal Computer

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

Use Your Telephone

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

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

For hearing impaired taxpayers, call our Telephone Device for the Deaf (TDD) number, (317) 232-4952. Call during regular business hours of 8 a.m. to 4:30 p.m., Monday – Friday, for assistance.

Visit a District Office, Post Office or Library

Tax forms are available at district offices listed on page 40. These offices are open Monday - Friday between the hours of 8 a.m. and 4:30 p.m. Also, contact your library or post office to see if they stock any tax forms.

Get Large Print Forms

The Department has large print IT-40 booklets available for sight impaired Hoosier taxpayers. Call the Forms Order Request Line (317) 615-2581 to get a large print IT-40 booklet.

Need Help With Your Return?

Local Help

For help, visit any of the district offices listed on page 40 or take advantage of the IRS Volunteer Return Preparation Program (VRPP). This program offers free tax return help to low income, elderly and special needs individuals. Volunteers will fill out federal and state forms for those who qualify. Call the IRS at 1-800-829-1040 to find the nearest VRPP location. Be sure to take your W-2s, 1099s and/or WH-18s with you. If you are going to a district office, also take a copy of your completed federal tax return.

Automated Information Line

Call the automated information line at (317) 233-4018 to get the status of your refund, billing information, and prerecorded tax topics. These topics include collection procedures, business registration requirements, payment plan procedures, estimated tax procedures, underpayment of estimated tax penalty, use tax, county tax, and 2006 tax year highlights. If you wish to check billing information, be sure to have a copy of your tax notice. The system will ask you to enter the tax identification number or Social Security number shown on the notice.

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

Internet

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

Telephone

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

Ready To File Your Return?

Use the Electronic Filing Program

Over 1.3 million Hoosier taxpayers used the Electronic Filing Program to file their 2005 state and federal individual income tax returns. Electronic filing provides Indiana taxpayers the opportunity to file their federal and state tax returns immediately and receive their Indiana refunds in about half the time it takes to process a paper return. It takes even less time if you use direct deposit, which deposits your refund directly into your bank account. Even if there is an amount due on either return, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue. Contact your tax preparer to see if he/she provides this service.

I-File

This fast, friendly and free electronic program allows taxpayers to prepare and file state tax returns using the Internet. A user-friendly program, I-File features a question-and-answer format and help links to guide users through filing. For more information and to take advantage of this free service, please visit our Web site at www.ifile.in.gov

Our Web Site

Our Web site contains tax filing options, a **Spanish version of the IT-40 booklet with forms**, downloadable blank forms and instructions, information bulletins, commissioner's directives, an online helpdesk, helpful e-mail links and a calendar with filing due dates. Visit the Department's Web site at www.in.gov/dor

Where's Your Refund?

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

- Call (317) 233-4018 for automated refund information.
- Go to www.in.gov/dor/individual/maintenance.html and click on the word 'Online'.
- Call (317) 232-2240 from 8 a.m. to 4:30 p.m. Monday - Friday, and a representative will help you.

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

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

Moving?

If you move to a new address after filing 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.

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

- Go to www.in.gov/dor/individual/maintenance.html and click on the words 'change your mailing address'.
- Call the Department at 317-232-2240.
- Call or visit a district office near you (see list on page 40).

Public Hearing - June 11, 2007

The Department will hold a public hearing on June 11, 2007. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9 a.m. in Conference Room 6 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, IN, 46204.

Before You Begin

Important: Complete your federal tax return first.

Filling in the Boxes

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

Social Security Number (SSN)

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

Individual Taxpayer Identification Number (ITIN)

If you already have an ITIN, enter it wherever your Social Security number is requested on your tax return. If you are in the process of applying for an ITIN, check the box located directly beneath the SSN area at the top of the form. For information on how to get an ITIN, contact the Internal Revenue Service at 1-800-829-3676 and request federal Form W-7, or find it online at www.irs.ustreas.gov/pub/irs-pdf/fw7.pdf

Married Filing Separately

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

Married Persons Who Live Apart Filing Status

If you were not divorced or legally separated in 2006, you may have qualified for and filed as 'head of household' on your federal

income tax return. If you did, don't check the married filing separately box. Also, do not enter either your spouse's name or Social Security number.

Name and Address

The first Form IT-40 in this booklet may have your name(s) and address already filled in. If any of the information is incorrect, don't use that form. Instead, print the correct information on the second Form IT-40 in the booklet and use it to file.

P.O. Box

Enter your box number instead of your street address only if your post office does not deliver mail to your home.

School Corporation Number

Enter the four-digit school corporation number (found on pages 36 or 37) for where the primary taxpayer lived on January 1, 2006. The primary taxpayer is the first name listed at the top of the tax return. If the primary taxpayer did not live in Indiana on January 1, 2006, enter the code number "9999". Contact a local school or your county auditor's office if you're not sure which school corporation you live in.

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

Note: If the school corporation number is not entered, the processing of your return will be delayed.

Foreign or Military Addresses

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

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

County Information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on January 1, 2006. You can find these code numbers on the chart on page 21 in the column titled *County Code #*. See the instructions beginning on page 23 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, homemakers, unemployed individuals, out-of-state filers, etc.

Refund Check Address

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

Please round your amounts to the nearest whole dollar.

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

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

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

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

Losses or Negative Entries

Put brackets around any losses or negative entries. *Example.* (1.00).

Attaching W-2s and Enclosing Checks and Forms

Staple your W-2s, 1099s, and/or WH-18s under line 1 on the front of Form IT-40. To help us process your form please make sure these attachments don't cover the county box information above line 1 or the boxes at the bottom of the form under line 30.

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

Attaching Schedules

When assembling your tax return, schedules should be attached to the back of Form IT-40 in an attachment sequence order. This attachment sequence number is located in the upper right-hand corner of the schedule. For example, attach Schedules 1 & 2 (attachment sequence No. 01) first and then Schedule CT-40 (attachment sequence No. 02) second. Attach by placing one staple in the upper left-hand corner.

If you have a schedule on which you've made no entry, do not attach it unless you have completed information on the back of it.

Who Should File?

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

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

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

There are four types of returns available. The type you need to file is generally based on your residency status. Read the following to decide if you are 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 or Form IT-40EZ for Full-Year Indiana Resident Filers with No Dependents. If you filed a 2006 federal Form 1040EZ, were a full-year resident of Indiana, claim only the renter's deduction and/or unemployment compensation deduction, and have only Indiana state and county tax withholding credits or an earned income credit, then you should file the simplified Form IT-40EZ. If you are not eligible to file Form IT-40EZ, or have any other deductions or credits, you must file Form IT-40.

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

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

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

Indiana allows \$1,000 for each exemption claimed on your federal return, plus an additional \$1,500 for certain dependent children (see instructions on page 9 for more information). If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you are eligible 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 total exemptions, you must file Indiana Form IT-40 or IT-40EZ.

If your gross income is less than your total exemptions, you are not required to file. However, you may want to file a return to get a refund of any state and/or county tax withheld by your employer, or other refundable credits, such as an earned income credit.

Part-Year Residents and Full-Year Nonresidents

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

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

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

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

Deceased Taxpayers

If an individual died during 2006, or died after Dec. 31, 2006, but before filing his/her tax return, the executor, administrator or surviving spouse must file a tax return for the individual if:

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

Make sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on the back of the IT-40. For example, a date of death of Jan. 9, 2006, would be entered as 01/09/2006. Note: The date of death should not be entered here if the individual died after Dec. 31, 2006, but before filing the tax return. The date of death information will be shown on the individual's 2007 tax return.

Signing the deceased individual's tax return

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

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

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

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

A refund check for a deceased individual

If you (the surviving spouse, administrator, executor or other) have received a refund check and cannot cash it, contact the Department to get a widow's affidavit (www.in.gov/dor/taxforms/99pdfs/poa30.pdf) or a distributee's affidavit (www.in.gov/dor/taxforms/99pdfs/poa20.pdf). Send the completed affidavit, the refund check and a copy of the death certificate to the Department so a refund check can be issued to you.

Military Personnel - Residency

If you were an Indiana resident when you enlisted, you remain an Indiana resident no matter where you are stationed. You must report all your income to Indiana on Form IT-40.

If you changed your legal residence (military home of record) during 2006, you are a part-year resident and should file Form IT-40PNR. You must also attach a copy of Military Form DD-2058 to the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, plus any income from Indiana sources.

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

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

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

Important: Refer to the instructions on page 24 for an explanation of county of residence for military personnel.

When Should You File?

Your tax return is due April 16, 2007. If you file after this date, you may have to pay interest and penalty. See page 14 for more information.

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

Penalty for Late Payment

If you do not 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 page 14 for instructions on penalty and interest.

What if You Can't File on Time?

If you can't file by the due date and you don't think you will need to make a payment when you file your 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 page 10 for instructions on the unified tax credit for the elderly.

If you can't file on time, and expect to owe when you file, you may need to apply for an extension of time to file. 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 will need to estimate 90 percent of your expected tax, subtract the credits you expect to have, and pay any remaining amount due by April 16, 2007.

Get Indiana's extension Form IT-9, and mail it (including your remittance) by April 16, 2007. This extends the filing date to June 16, 2007. Form IT-9 is located on page 38. You may also file for an extension and make an extension payment online at www.in.gov/dor/epay

Indiana also recognizes valid federal extension dates plus 30 days. If you have a federal extension, attach a copy of Form 4868 to your Indiana return when filing. Make sure you file no later than Nov. 16, 2007. **Note:** Remember that 90 percent of the tax due to Indiana must still be paid by April 16, 2007, in order to escape a penalty charge. Interest will be due on any tax that remains unpaid during the extension period.

Military personnel on duty outside of the U.S. and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be attached to the return verifying that you were outside of the U.S. or Puerto Rico on April 16, 2007.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. Also, if they are hospitalized outside the United States as a result of such service, the 180 day extension period begins after being released from the hospital. The spouse of such service member must use the

same method of filing for both federal and Indiana (e.g. single or joint). When filing the return, write "Combat Zone" across the top of the form (above your Social Security number).

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

Income and Indiana Additions: Line-by-Line Instructions

You must complete your federal income tax return (Form 1040, 1040A or 1040EZ) before starting your Indiana income tax return. Line numbers from your federal income tax return are referenced in many of the following instructions. While every effort has been made to make the instructions as clear as possible, sometimes the line numbers change on the federal income tax return after the Indiana forms are printed. Please contact us if you are unsure as to whether or not you are looking at the correct line on your federal income tax return (see page 4 of this booklet for contact information).

When Not to Fill In a Line

If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Example. Steve does not have income taxed on federal Form 4972. Steve will leave line 4 blank.

Line 1 - Federal Adjusted Gross Income

Enter the **adjusted gross income** from your federal Form 1040 (line 37), 1040A (line 21), or 1040EZ (line 4). If you were not required to file a federal return, complete a "sample" federal return and report the amount you would have shown on your federal return if you had been required to file.

If the amount is a loss, or negative entry, place it in a (bracket).

Line 2 - Tax Add-Back

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

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

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

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

Do not add back property taxes on this line.

Note: Income, losses and/or expenses from other schedules and forms may flow through to federal Schedules C, E and F. For example, partnership income from federal Schedule K-1 (Form 1065) may be included on federal Schedule E, while expenses from

federal Form 8829 may be included on federal Schedule C.

Make sure to check the other forms and schedules to see if they also include deductions for any taxes based on or measured by income and levied at any state level from which your pro rata share must be added back here.

Line 3 - Net Operating Loss Add-Back

Any net operating loss (NOL) deduction taken on line 21 of your federal Form 1040 must be added back on this line. Write the amount of the net operating loss as a **positive** figure. (You will claim an Indiana net operating loss deduction on Schedule 1, under line 11.)

Note: If your federal adjusted gross income this year is a loss, and you have not included a net operating loss as a deduction on line 21 of your 2006 federal Form 1040, then leave this line blank.

Line 4 - Lump Sum Distribution

If you completed federal Form 4972, add any capital gains reported on Part II and any ordinary income reported on Part III of federal Form 4972. Enter the total here as a positive amount.

Line 5 - Domestic Production Activities Add-Back

If you claimed a domestic production activities deduction on your federal Form 1040, line 35, enter that amount here.

Line 6 - Other

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

Figure the net income (or loss) which would have been included in federal adjusted gross income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount, on line 6.

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

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

Example. Ann made an initial adjustment for bonus depreciation on last year's Indiana tax return. This year she figures she is entitled to a \$150 *additional* depreciation amount for state tax purposes. She should enter that amount as a negative entry, or (\$150), on line 6.

Get Commissioner's Directive #19 at www.in.gov/dor/reference/comdir/pdfs/cd19.pdf for additional information.

Section 179 Depreciation - You may have figured IRC Section 179 depreciation using up to a \$100,000 ceiling for federal tax purposes. Indiana allows you to figure IRC Section 179 depreciation using a ceiling of no more than \$25,000.

If you figured IRC Section 179 depreciation using a ceiling amount over \$25,000, you'll need to add back the difference between it and \$25,000 on line 6.

Line 8 – Indiana Deductions

Use Schedule 1 to figure your Indiana deductions. Instructions for Schedule 1 begin on page 16.

Indiana Exemptions: Lines 10 - 13

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

Line 10 - Exemptions

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

Example. John and Lisa have a 12-year-old daughter. On John and Lisa's joint federal return they claim themselves and their daughter as exemptions. They'll enter 3 in the box on line 10 for a total of \$3,000 exemptions.

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

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

Line 11 - Additional Exemption for Dependent Child

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

Dependent Child Definition: According to state statute, a dependent child must be a son, stepson, daughter, stepdaughter and/or foster child (and/or your spouse's child if filing a joint return). He/she must be either under the age of 19 by Dec. 31, 2006, or be a full-time student who is under the age of 24 by Dec. 31, 2006.

If any dependent(s) you are eligible to claim on your federal return also meets the *Dependent Child Definition* above, enter that number in the box on line 11.

Example. John and Lisa claimed their 12-year-old daughter as an exemption on their federal return. Since their daughter is under the age of 19, John and Lisa will claim one exemption on line 11 for a total of \$1,500.

Example. Jessie's elderly father and her nine-year-old daughter lived with her the entire year. She claimed both as dependents on her federal return. Jessie will claim her daughter for the additional exemption on line 11. She is not allowed to claim the additional exemption for her father.

Note: Not all dependent children are eligible for this additional exemption. For instance, if you claimed a grandson or nephew as an exemption on your federal return, you should also claim an exemption for him on line 10. However, since he doesn't qualify under the *Dependent Child Definition* above, you will not be able to claim the additional exemption for him on line 11.

Line 12 - Age 65 or Older or Blind

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

Line 13 - Additional Exemption for Age 65 or Older

An additional \$500 exemption is available for you and/or your spouse (if filing a joint return) if you are age 65 or older and the amount on line 1 is less than \$40,000. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$500.

Line 17 – County Tax

To figure your county tax, complete Schedule CT-40. Instructions for Schedule CT-40 begin on page 23.

Line 18 - Use Tax on Out-of-State Purchases

If you have purchased items while you were outside Indiana, through the mail (for instance, by catalog or offer through the mail), through radio or television advertising and/or over the Internet, these purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called "use" tax, is figured at 6 percent.

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.

Complete the worksheet on page 10 to figure your tax. If you paid sales tax to the state where the item was originally purchased, you are allowed a credit against your Indiana use tax for an amount up to 6 percent.

Line 19 - Household Employment Taxes

If you paid cash wages during 2006 to an individual who is *not*

- Your spouse.
- Your child under age 21.
- Your parent.
- An employee under age 18.

and the individual worked in and around your home as a baby-sitter, nanny, health aide, private nurse, maid, caretaker, yard worker or someone who does similar domestic duties, then that individual *may* be defined as your employee.

Sales/Use Tax Worksheet

List all purchases made during 2006 from out-of-state companies.

Column A Description of personal property purchased from out-of-state	Column B Date of Purchase(s)	Column C Purchase Price of Property(s)
Magazine subscriptions:		
Mail order purchases:		
Internet purchases:		
Other purchases:		
1. Total purchase price of property subject to the sales/use tax: enter total of Column C	1	
2. Sales/use tax: Multiply line 1 by .06 (6%)	2	
3. Sales tax previously paid on the above items (up to 6% per item).....	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40, line 18. If the amount is negative, enter zero and put no entry on line 18 of the IT-40.....	4	

For more information on defining an employee get Federal Publication 926, *Household Employer's Tax Guide*, by visiting www.irs.gov/publications/p926/index.html or calling the IRS at 1-800-829-1040.

If you paid cash wages over \$1,500 to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2005 or 2006 to **all** household employees, you should have withheld state and county income taxes. To pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H, or download one from our Web site at www.in.gov/dor/taxforms

Line 20 - Indiana Advance Earned Income Credit Payment (from W-2s)

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

Indiana Credits

Lines 22 and 23 - Indiana State and County Tax Withheld

The amount of state tax withheld is usually shown in box 17 and the amount of county tax withheld is usually shown in box 19 of the W-2s. You **must** attach your W-2s, WH-18s and/or Form 1099s to your tax return to verify the amount withheld.

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

If you had more than one job, attach a W-2 from each job so you can get credit for all Indiana state and county tax withheld.

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

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

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

Line 24 - 2006 Estimated Tax Paid

If you made estimated tax payments, enter the total paid for 2006 on this line. Also include any **extension payment** made with Form IT-9 "Extension of Time to File" for tax year 2006.

Note: Do not include on this line any estimated tax paid for tax year 2007.

Line 25 - Unified Tax Credit for the Elderly

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

- You and/or your spouse must have been age 65 or older by Dec. 31, 2006,
- If married and living together at any time during the year, you must file a joint return,
- The amount on line 1 of Form IT-40 must be *less than \$10,000*,
- You must have been a resident of Indiana for six months or more during 2006, and
- You must not have been in prison for 180 days or more in 2006.

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

Important:

- If your spouse died after Jan. 1, 2006, you can claim this credit by filing a joint return.
- If a person dies and does not have a surviving spouse, then no one can claim the credit on behalf of the deceased person.

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

Note: You must file the Form IT-40 if you are eligible for the Lake County residential income tax credit. See line 27 instructions for more information.

To get the Form SC-40 visit www.in.gov/dor/taxforms/06pdfs/06-sc40.pdf or call (317) 615-2581. You can claim the credit on either Form IT-40 or Form SC-40, but *file only one of these forms, and only file once.*

The deadline for claiming this credit is July 2, 2007.

The only exception to this rule is if you have a valid extension of time to file your tax return.

To figure your Unified Tax Credit for the Elderly:

Use Table A if:

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

- You are filing a joint return, lived with your spouse during 2006 and both of you were age 65 or older by Dec. 31, 2006, **or**
- Both you and your spouse met all the requirements, and your spouse died after Jan. 1, 2006.

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

Use Table B if:

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

- You are age 65 or older and are single or widowed,
- You are filing a joint return and only one of you is age 65 or older, **or**
- You are married but did not live with your spouse during 2006, are age 65 or older and are married filing separately.

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

* Once you have located your credit on Table A or Table B, enter that amount on line 25.

Line 26 Indiana’s Earned Income Credit: Schedule IN-EIC

Indiana’s earned income credit is based on your federal earned income credit. If your federal earned income credit is \$9 or more, you may be eligible for Indiana’s earned income credit.

The earned income credit will lower the tax you owe and may give you a refund even if you don’t owe any tax.

To claim the credit you must complete and attach Schedule IN-EIC. Get Information Bulletin #92 at www.in.gov/dor/reference/bulletins/income/pdf/ib92.pdf for additional information.

Line 27 - Lake County (Indiana) Residential Income Tax Credit

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

1. You paid property tax to Lake County (Indiana) during 2006 on your residence. Your “residence” is your principal dwelling. You must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.

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

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

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

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

3. You are not claiming the homeowner’s residential property tax deduction for the 2006 assessment period on Indiana Schedule 1, line 2, Box A.

How do I figure my credit?

Step 1 Did you pay property tax to Lake County (Indiana) on your residence for 2006? Yes No

If yes, continue to Step 2.

If no, **STOP**. You do not get this credit.

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

\$ _____

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

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

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

Worksheet A:

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

A1 Enter the amount of Indiana property tax you paid for the 2006 assessment period on your Lake County residence.....**A1** \$ _____

A2 Maximum credit**A2** \$ **300.00**

A3 Enter the **smaller** of A1 or A2. This is your credit. Enter here and on IT-40, line 27.....**A3** \$ _____

Worksheet B: Earned Income Phaseout

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

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

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

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

B4 Multiply the amount on B3 by .5.....**B4** \$ _____

B5 Enter the amount of Indiana property tax you paid for the 2006 assessment period on your Lake County residence.....**B5** \$ _____

B6 Enter the **smaller** of B4 or B5. This is your credit. Enter here and on IT-40, line 27.....**B6** \$ _____

Important: Remember, you can claim either this credit OR the homeowner's residential property tax deduction on Schedule 1, line 2, Box A, but not both.

Line 28 – Economic Development for a Growing Economy Credit (EDGE Credit)

If you have business income (including partnership or S corporation income) you may be eligible for the EDGE credit. This credit is available to businesses who conduct certain activities which are designed to foster job creation or job retention in Indiana.

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

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indpls., IN, 46204, for eligibility requirements, or visit www.in.gov/iedc/incentives/edge.html for additional information.

Note: The approved credit agreement letter from the IEDC must be attached or this credit will not be allowed.

Line 29 – Indiana Credits

To figure your Indiana credits, complete Schedule 2. Instructions for Schedule 2 begin on page 26.

Line 33 – Overpayment

If the line 32 total credits are more than the line 31 total tax, you have an overpayment. Enter the difference between those two amounts here.

A note about refund offsets

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

Line 34 - Contribution to Indiana Nongame Wildlife Fund

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

Enter the amount of your refund you wish to donate to the Nongame Wildlife Fund on line 34. You can donate all or a part of your refund. Donations must be a minimum of \$1.

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

Read more about Indiana's Wildlife Diversity Section and how donations have helped Indiana's endangered wildlife at www.in.gov/dnr/fishwild/endangered/fund.htm

Note: The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame Wildlife Fund and wish to apply a payment to your 2007 estimated tax account, the overpayment will be applied first to the wildlife fund and then to the estimated tax payment. Any amount left will be refunded to you.

Line 36 - Amount to be Applied as a 2007 Estimated Tax Installment Payment

If you expect to have income during the 2007 tax year that:

- Will not have Indiana income taxes withheld, or
- If you think the amount withheld will not be enough to pay your tax liability, and
- You expect to owe more than \$400 when you file your tax return, then you should pay estimated tax.

There are several ways you can make estimated tax payments. First, use the worksheet on page 39 to see how much you will owe. Then, if you want to make an estimated tax installment payment on this tax return, carry the amount from line I of the worksheet to line 36 of Form IT-40.

You may use some or all of your line 35 overpayment as an installment payment. You may also send a payment with your tax return to make or to increase an installment payment.

Example. You have an \$80 overpayment on line 35. Instead of getting a refund, you want to apply the \$80 towards your estimated tax account. You also want to make an additional \$20 payment, bringing the total amount paid up to \$100. Enter \$100 on line 36, and enter the \$20 additional amount due on line 40.

Important: Any installment payment amount entered on line 36 will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 16, 2007, will be considered to be a 2007 first installment payment; June 3, 2007, will be considered to be a 2007 second installment payment; and July 22, 2007, will be considered to be a 2007 third installment payment. **Note:** If you are filing this return *after* Jan. 15, 2008, you will not be able to make an installment payment on this line.

If you do not want to make an estimated payment on this tax return, you may use Form ES-40 on page 39 of this booklet to make the payment. Also, you may already have received a coupon booklet if you made estimated tax payments to the Department last year. Payment may also be made online, via credit card or check, at www.in.gov/dor/epay. See line 43 instructions on page 15 for details about using IN-ePay.

Regardless of which payment option you choose, please use only one method to make an installment payment (i.e. don't put an entry on line 36 and, at the same time, enclose an ES-40).

Note: An entry on this line will reduce your refund or increase the amount you owe.

For additional information about estimated taxes see Information Bulletin #3. You may access the bulletin at www.in.gov/dor/reference/bulletins/income/pdf/ib03.pdf

Line 37 - Penalty for Underpayment of Estimated Tax

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

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

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

You might owe this penalty if:

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

If either of these cases apply to you, you must complete Schedule IT-2210 or IT-2210A to see if you owe a penalty or if you meet an exception. If you owe this penalty, attach Schedule IT-2210 or IT-2210A to your tax return and write the penalty amount on Form IT-40, line 37.

*You must have timely paid 100 percent of lines 16 and 17 of your 2005 IT-40. Note: If last year's **Indiana adjusted gross income** was more than \$150,000 (\$75,000 for married filing separately), you must pay 110 percent of last year's tax (instead of 100%).

**Farmers and fishermen should see the special instructions on page 15.

Important.

If it looks like you owe a penalty for the underpayment of estimated tax, and

- You didn't report a penalty amount on line 37, and
- You didn't attach Schedule IT-2210 or Schedule IT-2210A showing you meet an exception to owing a penalty,

then the Department will automatically figure a penalty for you.

Should I use Schedule IT-2210 or IT-2210A?

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

Example. Jim and Sarah together received \$1,000 pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception to the penalty.

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

Example. Bill's income is from selling fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 16, 2007, first installment due date.

Example. Rachael received a sizeable lump sum distribution in December of 2006. She figured how much estimated tax was due, and paid it by the January 16, 2007, fourth period installment due date. By completing Schedule IT-2210A, she shows she owes no penalty for the first three installment periods, and that a proper payment was made for the fourth installment period. She will owe no penalty.

Visit our Web site at www.in.gov/dor/taxforms/individual06.html to get Schedule IT-2210 or IT-2210A.

Line 38 Refund

You have a refund if line 35 is greater than the combined amounts entered on lines 36 and 37. However, if the combination of line 36 plus line 37 is *greater* than the line 35 amount, no refund is due. Instead, you will have an amount due to the Department. Enter the amount on line 40 and leave line 38 blank.

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

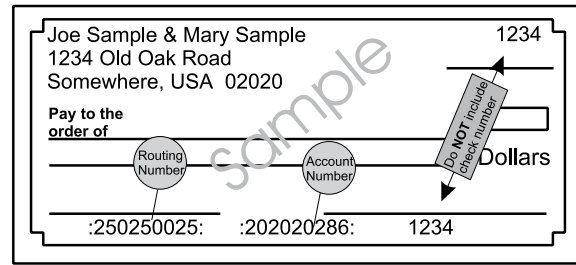
Note: There is a **statute of limitations** on filing refund claims. When filing your 2006 tax return, a claim for refund of excess withholding credits must be made no later than April 16, 2009. A claim for refund of all other excess payments and refundable credits must be made by April 16, 2010. (The claim is considered to be made on the day your return is postmarked.)

Line 39 - Direct Deposit

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

If you want your refund directed into your checking or savings account, complete lines 39a, b and c.

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



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

If you currently have a **Hoosier Works MasterCard** and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 39b, where it says "Account Number" (**do not** write anything on line 39a "Routing Number"). You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.

Note: DO NOT use your MasterCard 16-digit number.

Make sure to check the "Hoosier Works MC" box on line 39c.

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

Line 40 -

If line 38 is less than zero, you have an amount due. Enter here as a positive number and skip to line 41.

OR

If line 31 is greater than line 32, complete the following steps:

- Subtract line 32 from line 31 and enter the total here..... **A** _____
- Enter any amount from line 36.....**B** _____
- Enter any amount from line 37.....**C** _____
- Add lines A + B + C. Enter total here and on line 40.....**D** _____

Line 41 - Penalty

If your tax return is filed after the April 16, 2007, due date and you have an amount due, you will probably owe a penalty. Penalty is 10 percent of the amount due (line 40 minus lines 36 and 37) or \$5, whichever is greater. Exception: If you have an extension of time to file, are filing by the extended filing due date and have prepaid at least 90 percent of the amount due by April 16, 2007, then no penalty is due.

Line 42 - Interest

If your tax return is filed after the April 16, 2007, due date and you have an amount due, you will owe interest (even if you have a valid extension of time to file). Interest should be figured on the sum of line 40 minus lines 36 and 37. Contact the Department for the current interest rate by calling (317) 232-2240 or visit our Web site at

www.in.gov/dor/reference/notices/pdfs/dn03.pdf to get Departmental Notice #3.

Line 43 - Amount You Owe - Payment Options

There are several ways to pay the amount you owe.

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

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

You may pay by using American Express, Discover, MasterCard, Visa or electronic check (eCheck) by calling 1-888-829-3746 (toll free). Or, log on to www.in.gov/dor/epay and use your Discover, MasterCard or Visa to make a payment.

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

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

Note: No payment is due if you owe less than \$1.

Returned Checks

If your check is returned unpaid by your banking institution, you will be charged a 10 percent penalty on the amount due or \$5, whichever is greater, plus interest. The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not received immediately, the penalty will be increased to the face value of the check or 100 percent of the unpaid tax, whichever is smaller. Also, any permits and/or licenses issued by the Department may be revoked if the assessed amount is not paid immediately.

Additional Information

Out-of-State Income Information

If you and/or your spouse worked in Illinois, Kentucky, Michigan, Ohio, Pennsylvania and/or Wisconsin you must enter your salary, wage, tip and/or commission income from those states in the appropriate boxes. Note: This entry is for information purposes only, and will not change your refund amount or the amount you may owe.

Farmers and Fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing,

mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- Paying all your estimated tax on or by January 16, 2007, and filing your Form IT-40 by April 16, 2007, **or**
- Filing your Form IT-40 by March 1, 2007, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

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

Are You Filing a Federal Income Tax Return?

You must check the yes or no box to answer the question: "Are you filing a federal income tax return for 2006?"

E-Mail Address

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

Authorization Section

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

Deceased Individual Information

If the taxpayer and/or spouse died during 2006, and this return is being filed with his/her name on it, make sure to enter the month and day of death in the appropriate box located on the back of the IT-40. For example, a date of death of Jan. 9, 2006, would be entered as 01/09. See instructions on page 6 for more information.

Note: If the taxpayer and/or spouse died before 2006, or after Dec. 31, 2006, but before filing their tax return, do not enter his/her date of death in this box.

Signature Section

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

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

Signing a tax return for a deceased individual

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

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

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

Make sure you keep a copy of your completed return.

Unresolved Problems?

Use the Taxpayer Advocate

As prescribed by the Taxpayer Bill of Rights, the Department has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of taxpayer complaints and complex tax issues. If you have a complex tax issue you must first pursue resolution through normal channels, such as contacting the Taxpayer Services Division (317-232-2240), Collection Division (317-232-2165), etc. If you are still unable to resolve your tax issue, or a tax assessment places an undue hardship on you, you may receive assistance from the Office of the Taxpayer Advocate.

For more information, and to get required schedules if filing for an offer in compromise or a hardship case, visit our Web site at www.in.gov/dor/taxforms/fs1.html. You may also contact the Taxpayer Advocate's Office directly at this e-mail address: taxpayeradvocate@dor.in.gov, or by telephone at (317) 232-4692. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, IN 46206-6155.

Where to Mail Your Tax Return – New Labels for Envelope

You'll find mailing labels next to the envelope enclosed in this booklet. **Beginning this year, returns with payments enclosed have a different post office box number for mailing purposes.**

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

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

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

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

Indiana Deductions:

Schedule 1 – Line-by-Line Instructions

Line 1 - Renter's Deduction

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

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

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

If you rented a manufactured home or paid rent for your manufactured home lot, you may claim the renter's deduction if the above requirements are met.

Rent paid for summer homes or vacation homes is *not* deductible.

You cannot claim the renter's deduction if the rental property was not subject to Indiana property tax. Examples of this type of property are:

- Government owned housing.
- Property owned by a nonprofit organization.
- Student housing.
- Property owned by a cooperative association.
- Property located outside of Indiana.

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

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

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

How much rent can I deduct? You can deduct up to \$2,500 or the amount of rent paid, whichever is less.

Example. Emily paid \$4,800 in rent on her principal place of residence. She will claim a \$2,500 renter's deduction.

Example. Bill paid \$400 rent for his first apartment. He moved to another location during the year and paid \$2,300 rent for the rest of the year. His deduction will be limited to \$2,500 even though he paid \$2,700 altogether.

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

For more information about this deduction, visit www.in.gov/dor/reference/bulletins/income/pdf/ib38.pdf or contact the Department at (317) 232-2240 to get Income Tax Information Bulletin #38.

Line 2 - Homeowner's Residential Property Tax Deduction

You may be able to take a deduction of up to \$2,500 of the Indiana property taxes (residential real estate taxes) paid on your principal place of residence.

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

Catch-up deduction

Did you make a delayed property tax payment for your home in 2005 for property taxes assessed for the 2002 (payable 2003) and/or 2003 (payable 2004) assessment years? If you did, you may be eligible for a deduction. See *Catch-up deduction* in the next column for details.

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

Important: You cannot claim this deduction for property tax paid in 2006 if you are claiming the Lake County residential income tax credit on line 27.

How do I claim my deduction? First, complete the information area on Schedule 1, line 2. Then, enter your allowable deduction for property taxes paid in 2006 in Box A.

- Enter the address of your principal residence where the Indiana property tax was paid if it's different from the address on the front of the return. If you had more than one principal residence during the year, and you paid Indiana property tax on both residences, list the additional residence on a separate piece of paper.

Example. Sue and Mack married in 2006. They sold both of their homes during the year and began renting. They are eligible to claim a property tax deduction on the combined property taxes paid on both homes if they are filing a joint return (limited to \$2,500 altogether).

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

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

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

How do I find out how much I paid in Indiana property tax on my principal residence? Indiana counties annually send statements to homeowners showing how much property tax is due on their property. Add together the 2006 spring and fall installments if you paid both of them.

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

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

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

Catch-up deduction

As a result of the 2002 statewide property tax reassessment, several Indiana counties did not *issue* property tax statements for the 2002 (payable in 2003) and/or 2003 (payable in 2004) assessment years until 2005. If you paid property taxes on your principal residence **during 2005** for these assessment years, you may be eligible for a deduction. For more information, read *2002 Property Taxes Payable in 2003* and *2003 Property Taxes payable in 2004* on page 18.

Note: You cannot take a deduction

- for any payments that already have been claimed on your 2003 or 2004 tax returns,
- or if you claimed the Lake County residential income tax credit on your 2003 or 2004 tax returns.

Important: This catch-up deduction is available **only** if your payments were late because of the delay in receiving the property tax statement(s).

Example. Sam did not pay his 2002 property taxes (which were payable in 2003) until he got the property tax statement in 2005. He owed \$1,200, and paid it in 2005. He is eligible for a \$1,200 catch-up deduction.

Example. Jake did not get his property tax statement for his 2002 property taxes that were payable in 2003. He thought he would owe around \$3,000, so he went ahead and paid that amount in 2003, and claimed the maximum \$2,500 deduction on his 2003 tax return. When he finally got the property tax statement during 2005, he actually owed \$150 more (\$3,150 was due altogether). He paid the \$150 remaining property tax due in 2005. Since he had already claimed the maximum deduction (\$2,500) on his 2003 income tax return, he can't claim the additional \$150 amount paid in 2005.

Example. Maggie did not get a statement for her 2003 property taxes due (payable in 2004) until 2005. Meanwhile, she went ahead and paid \$300 in 2004, and claimed a \$300 Lake County residential income tax credit on her 2004 tax return. After getting the property tax statement in 2005, she paid the \$1,700 remaining balance due. Maggie's not eligible for a catch-up deduction because she claimed the Lake County residential income tax credit on her 2004 tax return.

2002 Property Taxes Payable in 2003

During 2005 did you pay some or all of the 2002 property taxes due on your home (which normally would have been payable in 2003)? If no, stop. You are not eligible for a catch-up deduction for this year. If yes, continue.

Did you claim the Lake County residential income tax credit on your 2003 tax return? If yes, stop. You are not eligible for a catch-up deduction. If no, go on to Step 1.

Step 1	Maximum deduction	\$ 2,500
Step 2	Enter the amount of 2002 property taxes paid on	_____
Step 3	Enter the amount of 2002 property taxes paid on	_____
Step 4	Enter the amount of 2002 property taxes paid on	_____
Step 5	Enter the smaller of Step 3 or Step 4 here and on Schedule 1, line 2, Box B	\$ _____

See replacement worksheets. 3/7/07

2003 Property Taxes Payable in 2004

During 2005 did you pay some or all of the 2003 property taxes due on your home (which normally would have been payable in 2004)? If no, stop. You are not eligible for a catch-up deduction for this year. If yes, continue.

Did you claim the Lake County residential income tax credit on your 2004 tax return? If yes, stop. You are not eligible for a catch-up deduction. If no, go on to Step 6.

Step 6	Maximum deduction	\$ 2,500
Step 7	Enter the amount of 2003 property taxes paid on	_____
Step 8	Enter the amount of 2003 property taxes paid on	_____
Step 9	Enter the amount of 2003 property taxes paid on	_____
Step 10	Enter the smaller of Step 8 or Step 9 here and on Schedule 1, line 2, Box C	\$ _____

See replacement worksheets. 3/7/07

Line 3 - State Tax Refund Reported on Federal Return

If you entered a state tax refund amount on line 10 of your federal Form 1040, then enter that amount here.

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

If the amount on line 1 of Form IT-40 includes interest income, you may be able to take a deduction. If any part of your interest income included on line 1 is from a direct obligation of the U.S. government, you can deduct this amount.

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

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

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

Get the Department's Income Tax Information Bulletin #19 at www.in.gov/dor/reference/bulletins/income/pdf/ib19.pdf for more information about this deduction.

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

Indiana does not tax Social Security income or the railroad retirement benefits that are issued by the Railroad Retirement Board. To figure your deduction:

- Enter the amount from Form 1040, line 20b (Form 1040A, line 14b), on Indiana's Schedule 1, line 5.
- If you have included railroad retirement benefits that are issued by the Railroad Retirement Board on line 16b of your federal Form 1040, or on line 12b of your federal Form 1040A, then enter that amount on Indiana's Schedule 1, line 6.

Note: Do not enter any other types of pension or retirement income on these lines.

Line 7 - Military Service Deduction

The income on line 1 of Form IT-40 may include active or reserve military pay. If it does, you will be able to take a deduction (regardless of your age).

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

- You were at least 60 years of age by December 31, 2006,
- You were receiving military retirement or survivor's benefits in 2006, and
- The benefits received as retirement income were reported on your federal return.

Your deduction will be the actual amount of military income received (i.e. military pay, retirement pay and/or survivor's benefits) or \$2,000, whichever is less. If both you and your spouse received military income, you may each claim the deduction for a maximum of \$4,000.

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

Example. Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form

shows regular military wage income of \$950, and \$19,000 income earned while being stationed in a combat zone. Only \$950 of his income is taxed on his federal return; likewise, Indiana will only tax \$950. Jim should claim a \$950 military deduction (the lesser of the income being taxed [\$950] or \$2,000).

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

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

Get Income Tax Information Bulletins #6 and #27 from www.in.gov/dor/reference/notices/index.html for more information about this deduction.

Line 8 - Non-Indiana Locality Earnings Deduction

You may be allowed a deduction if you have income being taxed by a locality (local governmental unit) located in another state. A "locality" could be a city, county, parish, etc.

Example. You earned wages in Louisville, KY. Your employer withheld a Louisville city (locality) tax. Since your wages were taxed by a non-Indiana locality (Louisville), you are eligible to take a deduction.

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

You must attach proof the tax was paid to a locality outside Indiana in order to be allowed this deduction. A W-2 form is proof as long as the W-2 form shows a withholding amount and the name of the non-Indiana locality where the tax was paid. The name of the locality is usually found in box 20, Locality Name, on the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

Line 9 - Insulation Deduction

You may be able to take this deduction if you installed new insulation in your Indiana home during 2006. Insulation includes weather stripping, double pane windows, storm doors and storm windows. To take this deduction the following requirements must be met:

- The insulating items must have been installed in your principal place of residence located in Indiana,
- The part of your home where the insulating items were installed must have been built *before* January 1, 2003,
- The insulating items must be an *upgrade* and not a replacement **or** like-kind item (e.g., replacing a double pane window with a new double pane window won't qualify, but replacing a double pane window with a triple pane window will qualify), and
- The deduction must be taken in the year the insulating items were installed.

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

When claiming the deduction, attach a separate sheet with the following information.

- Item(s) purchased.
- Purchase price.
- Place of purchase.
- Date of purchase.
- Date of installation.
- Amount paid for labor.

Get Income Tax Information Bulletin #43 at www.in.gov/dor/reference/bulletins/income/pdf/ib43.pdf for more information about this deduction.

Unemployment Compensation Worksheet

Note: If you were married but filing separately, and you lived with your spouse at any time during 2006, 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	1		
2. Federal "adjusted gross income" from Form 1040, Form 1040A, or Form 1040EZ	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return	3		
4. Subtract line 3 from line 2. If zero or less, enter -0-	4		
5. Enter one-half ($1/2$) of the amount on line 4	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6		
7. Subtract line 6 from line 1. Carry this amount to Schedule 1, line 10	7		

Line 10 - Nontaxable Portion of Unemployment Compensation

You may be eligible for a deduction if you reported unemployment compensation on your federal income tax return. Complete the worksheet on page 19 to see if you are eligible.

Line 11 - Other Deductions

Each of the following deductions has been assigned a three-digit code number. When claiming the deduction on Schedule 1 under line 11, write the name of the deduction, the three-digit code number and the amount claimed.

Example. Enter the following information on line 11a to claim a \$130 civil service annuity deduction and on 11b to claim a \$5,200 NOL deduction:

11a. Civil Service Annuity	6 0 1	11a	130
b. Indiana Net Operating Loss	6 0 7	11b	5,200

Airport Development Zone Employee Deduction 600

Certain areas within Indiana have been designated as airport development zones. Currently, Allen County is eligible to designate zones. If you lived in an airport development zone and worked for a qualified employer in that zone you may be able to take this deduction.

Your *employer* will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. You must attach Form IT-40QEC to the Form IT-40 to support any claimed deduction.

Enter **600** under line 11 if claiming this deduction.

Civil Service Annuity Deduction 601

The income on line 1 of Form IT-40 may include federal civil service annuity payments. If it does, you may be able to take a deduction *if* you were at least 62 years of age by December 31, 2006.

To figure your deduction, begin with the amount of annuity payments received or \$2,000, whichever is less. Subtract from that amount any Social Security and railroad retirement benefits (issued by the Railroad Retirement Board) you received.

Example. Your civil service annuity is \$6,000. Your Social Security income is \$1,200. Here's how to figure your deduction:

Lesser of the amount of the annuity (\$6,000) or \$2,000	\$ 2,000
Social Security benefits	- 1,200
Allowable deduction	\$ 800

If you and your spouse both received civil service annuities, you may each take this deduction for a maximum of \$4,000 (no more than \$2,000 per qualifying person), provided you both meet the age requirement.

This deduction is available only to the annuitant and is not available to the annuitant's beneficiary. Get Income Tax Information Bulletin #6 at www.in.gov/dor/reference/bulletins/income/pdf/ib06.pdf for more information about this deduction.

Enter **601** under line 11 if claiming this deduction.

Disability Retirement Deduction 602

To take this deduction you must have:

- Been permanently and totally disabled at the time of retirement,
- Retired on disability before December 31, 2006, and
- Received disability retirement income during 2006.

If you meet these qualifications, you must complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. Schedule IT-2440 **must** be attached to your tax return when claiming this deduction.

Get Income Tax Information Bulletin #70 and Schedule IT-2440 from the Department for more information about this deduction.

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

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

Enter **602** under line 11 if claiming this deduction.

Enterprise Zone Employee Deduction 603

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

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

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Development
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

Your *employer* will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. You must attach Form IT-40QEC to the Form IT-40 to support any claimed deduction.

Enter **603** under line 11 if claiming this deduction.

Human Services Deduction 605

The human services deduction is intended to alleviate any individual

2006 Indiana County Income Tax Rates and County Codes

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

County Code #	County Name	Resident Rate	Nonresident Rate	County Code #	County Name	Resident Rate	Nonresident Rate
01	Adams	.01124	.00674	52	Miami	.01165*	.0062125*
02	Allen	.01	.0055	53	Monroe	.01	.0025
03	Bartholomew	.01	.0025	54	Montgomery	.0105*	.003*
04	Benton	.0129	.0054	55	Morgan	.0127	.0052
05	Blackford	.0136	.0061	56	Newton	.01	.0025
06	Boone	.01	.0025	57	Noble	.015	.0075
07	Brown	.0125	.005	58	Ohio	.01	.0025
08	Carroll	.011	.0035	59	Orange	.0125	.005
09	Cass	.015	.0075	60	Owen	.013*	.0055*
10	Clark	.015	.0075	61	Parke	.015	.0075
11	Clay	.0125	.0025	62	Perry	.0103*	.00655*
12	Clinton	.015	.0075	63	Pike	.004	.004
13	Crawford	.01	.005	64	Porter	.005*	.005*
14	Daviess	.0175*	.0075*	65	Posey	.001*	.00025*
15	Dearborn	.006	.0015	66	Pulaski	.0173	.0068
16	Decatur	.0133	.0058	67	Putnam	.01375*	.00625*
17	DeKalb	.015	.0075	68	Randolph	.015	.0075
18	Delaware	.0105	.006	69	Ripley	.0138	.0063
19	Dubois	.01	.0055	70	Rush	.015*	.0075*
20	Elkhart	.015	.005	71	St. Joseph	.008	.0035
21	Fayette	.0137	.0062	72	Scott	.0116	.0041
22	Floyd	.0115	.0065	73	Shelby	.0125	.005
23	Fountain	.011	.0035	74	Spencer	.008	.00575
24	Franklin	.0125	.005	75	Starke	.0103*	.0078*
25	Fulton	.0143	.0068	76	Steuben	.0129	.0054
26	Gibson	.005	.005	77	Sullivan	NA	NA
27	Grant	.0125	.005	78	Switzerland	.01	.0025
28	Greene	.01	.0025	79	Tippecanoe	.0105*	.006*
29	Hamilton	.01	.0025	80	Tipton	.0133	.0058
30	Hancock	.0115	.004	81	Union	.015	.005
31	Harrison	.01	.005	82	Vanderburgh	.01	.0025
32	Hendricks	.014	.0065	83	Vermillion	.001	.001
33	Henry	.01125*	.00375*	84	Vigo	.0125	.0075
34	Howard	.009	.00375	85	Wabash	.015	.0075
35	Huntington	.0125	.005	86	Warren	.01285*	.00535*
36	Jackson	.016*	.0075*	87	Warrick	.005	.005
37	Jasper	.01375*	.005*	88	Washington	.015	.0075
38	Jay	.015*	.0075*	89	Wayne	.015	.005
39	Jefferson	.0035	.0035	90	Wells	.0145	.007
40	Jennings	.0125	.005	91	White	.01285*	.00535*
41	Johnson	.01	.0025	92	Whitley	.012329*	.004829*
42	Knox	.0105*	.006375*				
43	Kosciusko	.01	.00475	00 All Other States			
44	LaGrange	.014	.0065	except the following:			
45	Lake	NA	NA	94	Illinois		
46	LaPorte	.0095	.007	95	Kentucky		
47	Lawrence	.01	.0025	96	Michigan		
48	Madison	.0125	.005	97	Ohio		
49	Marion	.0085*	.002125*	98	Pennsylvania		
50	Marshall	.0125	.0025	99	Wisconsin		
51	Martin	.01	.004				

income tax burden which might be imposed on Medicaid recipients who are living in a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home or a certified Christian Science facility.* The goal of the human services tax deduction is to reduce the affected individual's adjusted gross income tax liability to zero (0).

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

Generally, the deduction should not be used in conjunction with most tax credits in order to create a refund.

If you are a Medicaid recipient and live in one of the facilities listed above, to determine whether you're eligible for the deduction you must first prepare your tax return without claiming a human services deduction. Generally, if a refund is due, you are not eligible for a deduction. File your return without claiming the deduction and a refund will be issued. However, if an amount is due, you are eligible to use a deduction.

Enter **605** under line 11 if claiming this deduction.

Indiana Lottery Winnings Deduction 606

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

Most of these winnings are fully taxable by Indiana. However, some of the winnings may be exempt from Indiana tax. Also, annuity payments received for drawings held before July 1, 2002, are exempt from Indiana tax.

Complete the worksheet below to see if you are eligible for a deduction.

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

Enter **606** under line 11 if claiming this deduction.

Indiana Net Operating Loss Deduction 607

You may take a deduction for the Indiana portion of the federal net operating loss deduction you added back on line 3 of Form IT-40. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2006.) Write the amount you deduct as a positive figure. Attach the following to your tax return:

- Schedule A from federal Form 1045, and
- A completed Indiana Schedule IT-40NOL.

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

Enter **607** under line 11 if claiming this deduction.

Indiana Partnership Long Term Care Policy Premiums Deduction 608

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

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

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

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

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

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

Lottery Winnings Worksheet

A Enter the amount of winnings from the Hoosier Lottery Commission that you have reported on your federal Form 1040, line 21.....	A \$ _____
B Locate those W-2Gs (issued by the Hoosier Lottery Commission) showing Indiana <u>state</u> withholding in Box 14. Add the amounts from Box 1 of each of those W-2G's; enter total here.....	B \$ _____
C Exemption	C \$ <u>1,200.00</u>
D How <u>many</u> W-2Gs did you locate in step B above (e.g. 1, 2, etc.)?	D X _____
E Multiply line C by line D; enter result here	E \$ - _____
F Subtract line E from line B; enter result here	F \$ - _____
G Subtract line F from line A. Enter here and on Schedule 1 under line 11	G \$ _____

Example. Sam paid \$645 in Indiana Partnership long term care premiums. He deducted \$400 of those premiums on the front page of Form 1040. He'll be able to deduct the \$245 difference (\$645 - \$400) on Indiana Schedule 1 under line 11.

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

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

Enter **608** under line 11 if claiming this deduction.

Law Enforcement Reward Deduction 611

You may be eligible for this deduction if you reported an amount you received as a reward as "other income" on line 21 of your federal Form 1040.

If you received a reward for providing information to a law enforcement official or agency; if the information assisted in the arrest, indictment or the filing of charges against a person; and if you are not compensated for investigating crimes, the person convicted of the crime or the victim of the crime; then you can deduct the *lesser* of the amount received or \$1,000.

Enter **611** under line 11 if claiming this deduction.

Medical Savings Account Deduction 612

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

Note: You are not eligible to claim this deduction if you also claimed a medical savings account deduction on the front page of federal Form 1040.

Make sure you attach Form IN-MSA or your claimed deduction will be denied.

Enter **612** under line 11 if claiming this deduction.

Recovery of Deductions 616

You are not eligible for this deduction if you did not complete the "other income" line on your federal Form 1040.

Generally, Indiana **does not** allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your federal Form 1040, enter that amount on this line. (A *recovery* is a return of an amount you deducted in an earlier year. The most common recoveries are refunds [see Schedule 1, line 3], reimbursements and rebates of deductions previously itemized on federal Schedule A.)

Enter **616** under line 11 if claiming this deduction.

County Tax Schedule CT-40: Line-by-Line Instructions

Complete Schedule CT-40 if, on Jan. 1, 2006, you and your spouse (if filing a joint return) lived and/or worked in an Indiana county that has a tax. As of Jan. 1, 2006, only two Indiana counties **do not** have a county tax. They are Lake County and Sullivan County.

When to attach the completed Schedule CT-40 to your state tax return. You must attach Schedule CT-40 to your return if, on Jan. 1, 2006, you were:

- Single or married filing separately, you lived in a county that doesn't have a tax, but worked in a county that does have a tax,
- Married filing jointly and each lived in different counties, or
- Married filing jointly, you both lived in a county that doesn't have a tax, but one or both of you worked in a county that does have a tax.

You are not required to attach Schedule CT-40 if you use any other filing situation.

Note: It is OK to attach the Schedule CT-40 to your tax return even if it is not required. For instance, if you need to attach Schedules 1 and 2, and the completed CT-40 is on the back of it, you may go ahead and send it in.

County Where You Lived Defined

The county where you lived is the county where you maintained your home on Jan. 1, 2006. If you had more than one home in Indiana on this date, then your county of residence as of Jan. 1, 2006, 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 2006.

Did you move during the year?

If you moved to another Indiana county after Jan. 1, 2006, the county where you lived for tax purposes *will not change until the next year.*

If, on Jan. 1, 2006, 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 Jan. 1, 2006, you lived in a county that doesn't have a tax, then county tax will be figured on your income from your principal employment if the county where you worked on Jan. 1, 2006, has a tax (see definition below).

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on Jan. 1, 2006. If you began working in another county after Jan. 1, 2006, the county where you worked for tax purposes *will not change until next year.*

Example. Jessie worked in Marion County on Jan. 1, 2006. She quit that job and began a new one in Johnson County on Feb. 10, 2006. She will enter the Marion County two-digit code (49) as the county where she worked even though she changed jobs during the year.

If you had more than one job on Jan. 1, 2006, your principal place of employment is the job where you worked the most hours and earned the most income.

If, on Jan. 1, 2006, your county of principal employment was *not* in Indiana, write county code “00” (out-of-state) in the *County Where You Worked* box.

Exception: If you worked in any of the following states on Jan. 1, 2006, enter their two-digit code number (instead of 00):

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

Principal Employment Income

You must figure your principal employment income if, on Jan. 1, 2006, you *lived* in a county that did not 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. See instructions for Section 2, line 1 on page 25 for more information.

Military Personnel

If you were stationed in Indiana, your county of residence is the county where you lived on Jan. 1 of the year you entered the military service. If, on Jan. 1, 2006, you were stationed *outside* Indiana and your family was with you, write county code “00” (out-of-state) in all the county boxes (you won’t owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and a family were still living in an Indiana county on Jan. 1, 2006, you are considered to be a resident of that county and will be subject to county tax.

Retired Persons, Homemakers or Unemployed

If you were retired, a homemaker, or were unemployed on Jan. 1, 2006, put your county of residence two-digit code number in *both* the Indiana County where you lived and Indiana County Where You Worked boxes. **Do not write the word “Retired,” “Homemaker” or “Unemployed” over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return

If you lived in different counties on Jan. 1, 2006, both of you need to figure your county tax separately on Section 1.

If both of you lived in a county on Jan. 1, 2006, that had no tax, but worked in a county that did have a tax, you must figure your tax separately on Section 2.

If only one of you is subject to county tax, then you may use all of the exemptions from Form IT-40, line 14, *except for your spouse’s personal exemption*, to figure your tax. See Section 2: Line-by-Line

instructions on page 25 for more information.

County Tax Schedule CT-40

Section 1: Line-by-Line Instructions

Where Did You Live?

Did you live in a county on Jan. 1, 2006, that has a tax? If yes, complete Section 1 for yourself, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-by-Line Instructions.

Did your spouse live in a county on Jan. 1, 2006, that has a tax? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-by-Line Instructions.

Line 1

If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 15 of Form IT-40.

If you are filing a joint return and you both lived in the same county on Jan. 1, 2006, enter in Column A the state taxable income from line 15 of Form IT-40. Leave Column B blank.

Example. On Jan. 1, 2006, Jack and Diane lived in the same county, and that county has a tax. They will enter their Form IT-40, line 15 combined state taxable income in Column A.

If you are filing a joint return and you and your spouse lived in different counties on Jan. 1, 2006, enter each person’s share of state taxable income from Form IT-40, line 15, in the appropriate columns.

Example. Simon and Tina married in 2006 and are filing a joint return. On Jan. 1, 2006, Simon lived in Greene County and Tina lived in Clay County. Their Form IT-40 line 15 income of \$36,300 includes the following breakdown:

Simon: \$20,000 wages
+ 150 (1/2 joint interest income)
- 1,000 exemption
\$ 19,150 income for CT-40 Section 1, line 1 Column A

Tina: \$18,000 wages
+ 150 (1/2 joint interest income)
- 1,000 exemption
\$ 17,150 income for CT-40 Section 1, line 1 Column B

Example. The circumstances are the same as the example above except Tina lived in Sullivan County, which does not have a county tax. Simon would still enter his \$19,150 share of the Form IT-40 line 15 amount on CT-40 Section 1, line 1, Column A. However, Column B will be left blank since Tina won’t owe a county tax.

Line 2

If you claimed a non-Indiana locality earnings deduction on Schedule 1, line 8, enter that amount on this line in Column A. If you are completing Column B instead, and your spouse is the one taking this deduction, then enter it in Column B.



Form
IT-40
State Form 154
R5 / 8-06

2006

**Indiana Full-Year Resident
Individual Income Tax Return**

Due April 16, 2007

If you are **not** filing for the calendar year January 1 through December 31, 2006, enter period from: _____ to: _____

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

Check if applying for ITIN **UU** Check if applying for ITIN **VV**

Your first name **D** Initial **E** Last name **F**

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

Present address (number and street or rural route) (If you have a P.O. box, see instructions on page 5.) **J** School Corporation Number (see pages 36 and 37) **N**

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

Enter the **2-digit county code** numbers (found on page 21 in the instruction booklet) for the county where you lived and worked on January 1, 2006.

Yourselves **Spouse**

County where you lived **P** County where you worked **Q** County where spouse lived **R** County where spouse worked **S**


If you have a loss (or negative entry), please indicate so by placing it in a bracket. Example: (1.00)
Please round all entries to the nearest whole dollar (see instructions on page 6).

1. Enter your federal adjusted gross income from your federal return (see instructions on page 8).	1		
2. Tax add-back: certain taxes deducted from federal Schedule C, C-EZ, E, and/or F	2		
3. Net operating loss carryforward from federal Form 1040, 'Other income' line	3		
4. Income taxed on federal Form 4972 (lump sum distribution) (attach Form 4972: see page 8)	4		
5. Domestic production activities add-back (see page 8)	5		
6. Other (see instructions on page 8)	6		
7. Add lines 1 through 6 Total Indiana Income ▶	7		
8. Indiana deductions: Enter amount from Schedule 1, line 12 and attach Schedule 1	8		
9. Line 7 minus line 8 Indiana Adjusted Income ▶	9		
10. Number of exemptions claimed on your federal return <input type="text"/> x \$1,000. (If no federal return was filed, enter \$1,000 per qualifying person: see instructions on page 9) ..	10		00
11. Additional exemption for certain dependent children (see instructions on page 9). Enter number <input type="text"/> x \$1,500	11		00
12. Check box(es) below for additional exemptions if, by December 31, 2006: <u>You were:</u> <input type="checkbox"/> 65 or older <input type="checkbox"/> or blind. <u>Spouse was:</u> <input type="checkbox"/> 65 or older <input type="checkbox"/> or blind. Total the number of boxes checked <input type="text"/> x \$1,000	12		00
13. Check box(es) below for additional exemptions if, by December 31, 2006: <u>You were:</u> <input type="checkbox"/> 65 or older and line 1 above is less than \$40,000. <u>Spouse was:</u> <input type="checkbox"/> 65 or older and line 1 above is less than \$40,000. Total the number of boxes checked <input type="text"/> x \$500	13		00
14. Add lines 10, 11, 12 and 13..... Total Exemptions ▶	14		00
15. Line 9 minus line 14 (if answer is less than zero, leave blank) State Taxable Income ▶	15		
16. State adjusted gross income tax: multiply line 15 by 3.4% (.034)	16		
17. County income tax. See instructions on page 23	17		
18. Use tax due on out-of-state purchases. See instructions on page 9	18		
19. Household employment taxes: attach Schedule IN-H (see instructions on page 9)	19		
20. Indiana advance earned income credit payments from W-2(s) (see instructions on page 10)	20		
21. Add lines 16 through 20. Enter here and on line 31 on the back Total Tax ▶	21		
22. Indiana state tax withheld (from box 17 of your W-2s, box 8 of WH-18s or from 1099s)	22		
23. Indiana county tax withheld (from box 19 of your W-2s, box 9 of WH-18s or from 1099s)	23		
24. Estimated tax paid for 2006: include any extension payment made with Form IT-9	24		
25. Unified tax credit for the elderly: see instructions on page 10	25		
26. Earned income credit: attach Schedule IN-EIC and enter amount from Section A, line A-2	26		
27. Lake County Residential income tax credit: see instructions on page 11	27		
28. Economic development for a growing economy credit: see instructions on page 12	28		
29. Indiana credits: enter the total from Schedule 2, line 7 and attach Schedule 2	29		
30. Add lines 22 through 29. Enter here and on line 32 on the back Total Credits ▶	30		

AA BB CC DD

Staple W-2 forms on the front of this page only between lines 1 and 30

Paperclip check or money order here


31. Enter the Total Tax from line 21 on the front of this form	▶	31	
32. Enter the Total Credits from line 30 on the front of this form	▶	32	
33. If line 32 is more than line 31, subtract line 31 from line 32 (if smaller, skip to line 40)		33	
34.  Amount of line 33 to be donated to the Indiana Nongame Wildlife Fund		34	
(see instructions on page 12)		35	
35. Subtract line 34 from line 33		36	
SUBTOTAL		37	
36. Amount to be applied to your 2007 estimated tax account (see instructions on page 13)		38	
37. Penalty for underpayment of estimated tax for 2006: attach Schedule IT-2210 or IT-2210A			
38. Refund: Line 35 minus lines 36 and 37 (if less than zero see instructions on page 14).....	YOUR REFUND ▶		



39a. Routing Number

b. Account Number

c. Type of Account Checking Savings Hoosier Works MC

 **Direct Deposit**
your refund, see instructions on page 31.

40. If line 31 is more than line 32, subtract line 32 from line 31. Add to this any amounts from lines 36 and 37, and enter total here (see instructions on page 14)		40	
SUBTOTAL		41	
41. Penalty if filed after due date (see instructions on page 14)		42	
42. Interest if filed after due date (see instructions on page 14)		43	
43. Amount Due: Add lines 40, 41 and 42	AMOUNT YOU OWE ▶		

▶ No payment is due if you owe less than \$1. **Do Not Send Cash.** Please make your check or money order payable to: **Indiana Department of Revenue.** Credit card payers must see page 15 for instructions.

Out-of-State Income Information

• Enter any salary, wage, tip &/or commission received from Illinois, Kentucky, Michigan, Ohio, Pennsylvania and/or Wisconsin:

Yourself \$ T

Spouse \$ U

X • If two-thirds of your gross income was made from farming or fishing, please check here.

Important: If you checked the box, you must attach Schedule IT-2210 or IT-2210A.

Your Daytime Telephone Number
HH

Spouse's Daytime Telephone Number
II

TT **Are you filing a federal income tax return for 2006?** Yes No

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

JJ
E-mail address where we can reach you (see page 15)

Authorization

Under penalty of perjury, I have examined this return and all attachments and to the best of my knowledge and belief, it is true, complete and correct. I understand that if this is a joint return, any refund will be made payable to us jointly and each of us is liable for all taxes due under this return. Also, my request for direct deposit of my refund includes my authorization to the Indiana Department of Revenue to furnish my financial institution with my routing number, account number, account type, and Social Security number to ensure my refund is properly deposited. I give permission to the Department to contact the Social Security Administration in order to confirm the Social Security number(s) used on this return are correct.

Your Signature	Date
Spouse's Signature	Date

If any individual listed at the top of the IT-40 died *during* 2006, enter date of death below.

EE Taxpayer's date of death 2006

FF Spouse's date of death 2006

Paid Preparer's name	KK <input type="checkbox"/> Federal I.D. Number <input type="checkbox"/> PTIN OR <input type="checkbox"/> Social Security Number
MM <input type="text"/>	LL <input type="text"/>
Address	Preparer's daytime telephone number
NN <input type="text"/>	RR <input type="text"/>
City	Preparer's Signature
OO <input type="text"/>	Date
State <input type="text"/> Zip Code + 4 <input type="text"/>	
PP <input type="text"/> QQ <input type="text"/>	

Enclosing payment? Mail to: Indiana Department of Revenue, P.O. Box 7224, Indianapolis, IN 46207-7224.

Mail all other returns to: Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

(Keep a copy for your records.)

Schedule 1: Indiana Deductions
(Schedule 2 begins after line 12 below)

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

Instructions for Schedule 1 begin on page 16.

1. Renter's deduction: Address where rented if different from the one on the front page (enter below)
 B _____ Landlord's name and address (enter on next line)
 C _____ Amount of rent paid \$ D _____
 Number of months rented E _____ Enter the lesser of \$2,500 or amount of rent paid

Please round all entries to the nearest whole dollar (see instructions on page 6).

2. Homeowner's residential property tax deduction: enter address where property tax was paid if different from front page F _____
 Enter the lesser of \$2,500 or the actual amount of property tax paid for 2006 Box A \$

Catch-Up Deduction

- Enter the amount of 2002 property taxes paid during 2005 (if any) from Step 5 of the worksheet on page 18 Box B \$
- Enter the amount of 2003 property taxes paid during 2005 (if any) from Step 10 of the worksheet on page 18 Box C \$

Add boxes A, B and C, enter the total here (combined deduction cannot be more than \$7,500)

- 3. State tax refund reported on federal return (see page 18).....
- 4. Interest on U.S. government obligations (see page 18).....
- 5. Taxable Social Security benefits (see page 18)
- 6. Taxable railroad retirement benefits (see page 18).....
- 7. Military service deduction: \$2,000 maximum for qualifying person (see page 18).....
- 8. Non-Indiana locality earnings deduction: \$2,000 maximum per qualifying person (see page 19)
- 9. Insulation deduction: \$1,000 maximum: attach verification (see page 19)
- 10. Nontaxable portion of unemployment compensation (see page 20).....

11. **Other Deductions:** See instructions beginning on page 20 (attach additional sheets if necessary)

- a. Enter deduction name _____ I code no. _____
- b. Enter deduction name _____ J code no. _____
- c. Enter deduction name _____ K code no. _____
- d. Enter deduction name _____ L code no. _____

12. Add lines 1 through 11 and enter total on line 8 of Form IT-40 **Total Deductions** ▶

1		
Did you pay 2002 and/or 2003 property taxes in 2005? If yes, see instructions for line 2 on page 17.		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11a		
11b		
11c		
11d		
12		

Schedule 2: Indiana Credits

- 1. Credit for local taxes paid outside Indiana (see page 27).....
- 2. County credit for the elderly: attach federal Schedule R (see page 27)
- 3. **Other Local Credits:** See instructions on page 27 (attach additional sheets if necessary)
 - a. Enter credit name _____ A code no. _____
 - b. Enter credit name _____ B code no. _____

Important: Lines 1 through 3 cannot be greater than the county tax due on IT-40 line 17 (see page 28)

- 4. College credit: attach Schedule CC-40 (see page 28)
- 5. Credit for taxes paid to other states: attach other state's return (see page 28)
- 6. **Other Credits:** See instructions on page 30 (attach additional sheets if necessary)
 - a. Enter credit name _____ C code no. _____
 - b. Enter credit name _____ D code no. _____
 - c. Enter credit name _____ E code no. _____
 - d. Enter credit name _____ F code no. _____

Important: Lines 4 through 6 added together cannot be greater than the state adjusted gross income tax due on IT-40 line 16 (see *Additional Limitations* on page 35)

7. Add lines 1 through 6 and enter total on line 29 of Form IT-40 **Total Credits** ▶

1		
2		
3a		
3b		
4		
5		
6a		
6b		
6c		
6d		
7		

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

SECTION 1: To be completed by those taxpayers who were residents of a county that had adopted a county income tax.

P Your county of residence as of January 1, 2006.

--	--

 R Spouse's county of residence as of January 1, 2006.

--	--

 (Enter 2-digit county code # from the chart on page 21.) (Enter 2-digit county code # from the chart on page 21.)

	Column A - Yourself	Column B - Spouse's
1. Enter the amount from IT-40, line 15. Note: If both you and your spouse lived in the same county on January 1, enter the entire amount from Form IT-40, line 15 on line 1A only. See instructions on page 24	1A	1B
2. If you claimed a non-Indiana locality earnings deduction on Schedule 1, line 8, enter the amount here. If not, leave blank	2A	2B
3. Add lines 1 and 2	3A	3B
4. Enter the resident rate from the county tax chart on page 21 for the county code number shown above	4A	4B
5. Multiply line 3 by the rate on line 4	5A	5B
6. Add lines 5A and 5B. Enter the total here. Note: Perry County residents: If you live in Perry County and worked in the Kentucky counties of Breckinridge, Hancock or Meade, you must complete lines 7 and 8. Otherwise, enter the total here and on line 9 below (see page 25)	6	6
7. Enter the amount of income that was taxed by any of the Kentucky counties listed on line 6 above	7	7
8. Multiply line 7 by .0053 and enter total here	8	8
9. Line 6 minus line 8. Enter the total here and on line 17 of Form IT-40	9	9

SECTION 2: To be completed by those taxpayers who, on January 1, 2006, were residents of a county that had not adopted a county income tax, but worked in an Indiana county that had adopted a county income tax.

Q Your county of principal employment as of January 1, 2006. (Enter 2-digit county code # from the chart on page 21.)

--	--

 S Spouse's county of principal employment as of January 1, 2006. (Enter 2-digit county code # from the chart on page 21.)

--	--

	Column A - Yourself	Column B - Spouse's
1. Enter your principal employment income by entering the total income from your W-2s and/or net self-employment income (from federal Schedule C/C-EZ; federal Form 1065, Schedule K-1 and/or farm income from federal Schedule F). If you worked two or more jobs at the same time, enter the portion you earned from your main job. See page 25 for further Section 2 instructions	1A	1B
2. Enter any amounts for payments made to self-employed retirement plans, IRA's, etc. See page 25 for the complete list of allowable deductions and further instructions	2A	2B
3. Subtract line 2 from line 1	3A	3B
4. Enter some or all of the exemptions from line 14 of Form IT-40 (see instructions on page 25)	4A	4B
5. Subtract line 4 from line 3	5A	5B
6. Enter the nonresident rate from the county tax rate chart on page 21 for the county number shown above under the Section 2 heading	6A	6B
7. Multiply the income on line 5 by the rate on line 6	7A	7B
8. Enter total of 7A plus 7B. Add to any Section 1, line 9 amount, and carry to line 17 of Form IT-40	8	8

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

Section A: Figure Your Indiana Earned Income Credit

A-1 Enter the earned income credit from your federal income tax return Form 1040 line 66a, Form 1040A line 40a, or Form 1040EZ line 8a (must be \$9.00 or more: see instructions)..... **A-1\$** _____

A-2 Multiply line A-1 by .06 and enter here. Carry this total to Form IT-40, line 26, or Form IT-40PNR, line 22..... **Indiana Earned Income Credit** **A-2\$** _____

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

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

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

Enter each child's name here Enter each child's Social Security Number	1 First _____ Last _____ SSN _____	2 First _____ Last _____ SSN _____	3 First _____ Last _____ SSN _____	4 First _____ Last _____ SSN _____
---	--	--	--	--

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

B-1	Your child	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>
	Adopted child	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>
	Grandchild	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>
	Stepchild	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>
	Foster child, (not related)	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>
	Other (related foster child, or other related child - see instructions)	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>
B-2	Under age 18	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>
	Age 18	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>
	Age 19 - 24 and a full-time student	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>
	Age 19 or older and totally disabled	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>
B-3	Child lived with you at least 1/2 of the year.	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>
	Child was born or died in 2006, and lived with you while alive in 2006.	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>

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

Indiana's Earned Income Credit Instructions

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

If, during 2006:

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

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

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

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

Section A – Figure Your Credit

Enter on Line A-1 the amount of earned credit* from your

- Federal Form 1040, line 66a or
- Federal Form 1040A, line 40a or
- Federal Form 1040EZ, line 8a.

* **Important:** This amount must be at least \$9.00 or more (a smaller federal earned income credit will create an Indiana credit of less than \$1).

Multiply the amount on Line A1 by .06 (6%) and enter the result on line A-2. This is your Indiana earned income credit. Enter this amount on your Form IT-40, line 26, or on Form IT-40PNR, line 22.

Section B - Qualifying Child

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

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

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

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

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

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

Caution: You must know what your federal earned income credit is before you can figure your Indiana earned income credit. Some individuals ask the Internal Revenue Service (IRS) to figure their federal earned income credit for them. If you have chosen to do this, you must wait to claim Indiana's earned income credit until you find out what your earned income credit is from the IRS. Your Indiana income tax return, Form IT-40, IT-40PNR, or IT-40EZ, must be filed by April 16, 2007. If you don't know what your federal earned income credit is by Indiana's filing due date, go ahead and file your Indiana return without claiming the earned income credit. Then, when you find out what your federal earned income credit is, file an amended (corrected) Indiana tax return, Form IT-40X, to claim your Indiana earned income credit.

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

A

Your Social Security Number

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

Part 1: Schedule K-1 Totals

Enter in Box 1 the total number of federal Schedule K-1s you received for the tax year from all partnerships and/or S corporations. Include the number of spouse's federal Schedule K-1s if married filing jointly **Box 1**

Note: You also must complete Schedule 3A if you have more than ten federal Schedule K-1s entered in Box 1.

Part 2: Partnership and S Corporation Information

Provide the following information if you are reporting partnership and/or S corporation income (loss) on federal Schedule E, Part II.*

Column A – Enter from each federal Schedule K-1 the employer identification number (EIN).

Column B – Enter the ordinary business income (loss) from each corresponding federal Schedule K-1, Part III, line 1.

* If you have a federal Schedule K-1 from Form 1065-B, enter the following information:

Column A – Enter partnership's employer I.D. number.

Column B – Enter from Box 1 of federal Schedule K-1 (from Form 1065-B) any taxable income (loss) from passive activities.

COLUMN A Employer ID Number (from federal Sch. K-1, Part I)		COLUMN B Line 1 Income (loss) (from federal Sch. K-1, Part III)			COLUMN A Employer ID Number (from federal Sch. K-1, Part I)		COLUMN B Line 1 Income (loss) (from federal Sch. K-1, Part III)	
1A		1B			6A		6B	
2A		2B			7A		7B	
3A		3B			8A		8B	
4A		4B			9A		9B	
5A		5B			10A		10B	

**Schedule 3A: Continuation of
Partnership and S Corporation Disclosure**

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

Complete Schedule 3A if you have information from additional K-1s to report after completing Schedule 3. Use additional pages if necessary. Attach to Form IT-40.

COLUMN A		COLUMN B		COLUMN A		COLUMN B	
Employer ID Number (from federal Sch. K-1, Part I)		Line 1 Income (loss) (from federal Sch. K-1, Part III)		Employer ID Number (from federal Sch. K-1, Part I)		Line 1 Income (loss) (from federal Sch. K-1, Part III)	
11A		11B		49A		49B	
12A		12B		50A		50B	
13A		13B		51A		51B	
14A		14B		52A		52B	
15A		15B		53A		53B	
16A		16B		54A		54B	
17A		17B		55A		55B	
18A		18B		56A		56B	
19A		19B		57A		57B	
20A		20B		58A		58B	
21A		21B		59A		59B	
22A		22B		60A		60B	
23A		23B		61A		61B	
24A		24B		62A		62B	
25A		25B		63A		63B	
26A		26B		64A		64B	
27A		27B		65A		65B	
28A		28B		66A		66B	
29A		29B		67A		67B	
30A		30B		68A		68B	
31A		31B		69A		69B	
32A		32B		70A		70B	
33A		33B		71A		71B	
34A		34B		72A		72B	
35A		35B		73A		73B	
36A		36B		74A		74B	
37A		37B		75A		75B	
38A		38B		76A		76B	
39A		39B		77A		77B	
40A		40B		78A		78B	
41A		41B		79A		79B	
42A		42B		80A		80B	
43A		43B		81A		81B	
44A		44B		82A		82B	
45A		45B		83A		83B	
46A		46B		84A		84B	
47A		47B		85A		85B	
48A		48B		86A		86B	

Line 4

Find your county on the County Income Tax Chart on page 21. Find the rate from the *Resident Rate* column and enter it here. For example, if your county is Elkhart, enter .015.

Line 6

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

Line 7

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

Line 9

Subtract the amount on line 8 from the amount on line 6. Enter that amount here or, if there were no entries on those lines, enter the amount from line 6. Also enter this amount on your IT-40, line 17.

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

Complete Section 2 if, on Jan. 1, 2006, you were a resident of Lake County or Sullivan County and you worked in a county that does have a county tax.

Line 1

Enter your principal employment income for the year. This includes income from wages, tips, salaries and commissions; net self-employment income from federal Schedule C/C-EZ; federal Form 1065, Schedule K-1; and/or net farm income from federal Schedule F. **Do not** include passive-source income like non-business interest and dividends, pension, capital gains, farm rental, etc. Also, do not include income from a part-time job if you hold it at the same time you have a full-time job.

Example. During 2006, Jake received income from the following sources:

- \$15,000 from his full-time job (held for the entire year)
- \$1,850 from his part-time job
- \$50 nonbusiness interest income
- \$800 pension income

Jake will enter his \$15,000 principal employment income on line 1.

If you had more than one job at different times during the year (not including part-time employment), add the income from those jobs and enter here.

Example. Sarah had two full-time jobs during the year. She earned \$7,000 from her first job, which she held from January through April. She began a new job in May and worked through year's end, earning \$11,000. She should enter the \$18,000 combined amount here.

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

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

Line 2

You may use certain deductions to lower the amount of income to be taxed. **These deductions must have been claimed on your federal tax return and/or on Indiana Schedule 1, and must have a direct relationship to the income being taxed on line 1.**

Allowable deductions from your Indiana return can include

- Airport development zone employee deduction
- Enterprise zone employee deduction
- The active military pay deduction
- (Indiana) medical savings account deduction

Allowable deductions from your federal return can include

- Archer MSA deduction
- Certain business expenses of reservists, performing artists and fee-based government officials
- Health savings account deduction
- Moving expenses*
- One-half self-employment tax
- SEP, SIMPLE and qualified plans
- Self-employed health insurance deduction
- IRA deduction
- The deduction for the jury duty pay you gave to your employer.

Note: Do not include the domestic production activities deduction.

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

Example. Ann's only income was \$21,000 in wage income, which she reported on line 1. She claimed a \$2,000 IRA deduction on her federal Form 1040. She should claim the \$2,000 IRA deduction on this line.

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

Line 4

If you are filing a single or married filing separately tax return, enter your total exemptions from Form IT-40, line 14. If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Form IT-40, line 14. Note: You cannot claim your spouse's personal exemption. Exemptions for dependents can be claimed by either spouse, as long as the total of line 4, Columns A and B is not greater than line 14 on the Form IT-40.

Rate Conversion Chart

County	A		County	B	
	Resident	Nonresident		Resident	Nonresident
Adams	.006	.0015	Marion	.0085*	.002125*
Allen	.006	.0015	Marshall	.0125	.0025
Bartholomew	.01	.0025	Martin	.008	.002
Benton	.01	.0025	Miami	.00725*	.0018125*
Blackford	.01	.0025	Monroe	.01	.0025
Boone	.01	.0025	Montgomery	.01	.0025
Brown	.01	.0025	Morgan	.01	.0025
Carroll	.01	.0025	Newton	.01	.0025
Cass	.01	.0025	Noble	.01	.0025
Clark	.01	.0025	Ohio	.01	.0025
Clay	.0125	.0025	Orange	.01	.0025
Clinton	.01	.0025	Owen	.01	.0025
Crawford	.0075	.0025	Parke	.01	.0025
Daviess	.0125	.0025	Perry	.005	.00125
Dearborn	.006	.0015	Pike	(Cannot take credit)**	
Decatur	.01	.0025	Porter	(Cannot take credit)**	
DeKalb	.01	.0025	Posey	.001*	.00025*
Delaware	.006	.0015	Pulaski	.013	.0025
Dubois	.006	.0015	Putnam	.01	.0025
Elkhart	.0125	.0025	Randolph	.01	.0025
Fayette	.01	.0025	Ripley	.01	.0025
Floyd	.0075	.0025	Rush	.01	.0025
Fountain	.01	.0025	St. Joseph	.006	.0015
Franklin	.01	.0025	Scott	.01	.0025
Fulton	.01	.0025	Shelby	.01	.0025
Gibson	(Cannot take credit)**		Spencer	.003	.00075
Grant	.01	.0025	Starke	.005	.0025
Greene	.01	.0025	Steuben	.01	.0025
Hamilton	.01	.0025	Sullivan	NA	NA
Hancock	.01	.0025	Switzerland	.01	.0025
Harrison	.0075	.0025	Tippecanoe	.006	.0015
Hendricks	.01	.0025	Tipton	.01	.0025
Henry	.01	.0025	Union	.0125	.0025
Howard	.007	.00175	Vanderburgh	.01	.0025
Huntington	.01	.0025	Vermillion	(Cannot take credit)**	
Jackson	.011	.0025	Vigo	.0075	.0025
Jasper	.01125*	.0025	Wabash	.01	.0025
Jay	.01	.0025	Warren	.01	.0025
Jefferson	(Cannot take credit)**		Warrick	(Cannot take credit)**	
Jennings	.01	.0025	Washington	.01	.0025
Johnson	.01	.0025	Wayne	.0125	.0025
Knox	.0055*	.001375*	Wells	.01	.0025
Kosciusko	.007	.00175	White	.01	.0025
LaGrange	.01	.0025	Whitley	.01	.0025
Lake	NA	NA			
LaPorte	.005	.0025			
Lawrence	.01	.0025			
Madison	.01	.0025			

* These rates have changed since last year.

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

NA These counties have no county tax.

Example. On Jan. 1, 2006, Jack and Sue lived in a county that does not have a tax. Jack worked in a county that does have a tax. They claim themselves and their dependent child for exemption purposes. They claimed \$4,500 in total exemptions (\$1,000 each plus an additional \$1,500 for their dependent child) on their tax return. Jack is allowed to use \$3,500, or all of the total exemptions except for Sue's \$1,000 personal exemption.

Line 6

Find your county on the *County Income Tax Chart* on page 21. Find the rate from the *Nonresident Rate* column (the second column of rates over) and enter it here. For example, if your county is Elkhart, enter .005.

Line 8

Add the amounts from line 7, Columns A and B. Enter the total here

and on line 17 of Form IT-40.

Note: If you have figured a tax in Section 1 and Section 2, add amounts from Section 1, line 9 and Section 2, line 8, and enter on form IT-40, line 17.

Indiana Credits:

Schedule 2 – Line-by-Line Instructions

Note: The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax liabilities. See the limitation areas after the line 3 and line 6 instructions.

Line 1 - Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40, line 17, **and** had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local governmental entity and they did not refund the tax or give you a credit for Indiana county tax.

The credit can be used to reduce your Indiana county tax if it is the County Adjusted Gross Income Tax or the County Option Income Tax. It **cannot** be used to reduce any County Economic Development Income Tax.

Step 1: Figuring your rate: If your Jan. 1, 2006, county of residence has a rate on the **Rate Conversion Chart** on page 26, use the rate in Column A to figure your credit.

If your Jan. 1, 2006, county of residence doesn't have a rate on the **Rate Conversion Chart** on page 26, but the Jan. 1, 2006, county where you worked has a rate on the **Rate Conversion Chart**, use the rate in Column B to figure your credit.

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

- | | | |
|-----------|--|----------------|
| A. | Enter the amount of tax paid to the non-Indiana locality | A _____ |
| B. | Multiply the amount of income taxed by the non-Indiana locality by the rate from Step 1..... | B _____ |
| C. | Enter the amount of Indiana county income tax shown on Form IT-40, line 17 | C _____ |

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

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

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

- A county tax amount on Form IT-40, line 17, **and**
- A local income tax that you had to pay outside Indiana.

Note: See the **Limitation** on page 28.

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

If you take a credit on federal Schedule R, *Credit for the Elderly or the Disabled*, and you owe county tax, you may be allowed a credit. Use the chart at the top of the next column to figure your credit.

The amount of the county credit for the elderly is the **lesser** of the amount on D or E. You must attach a copy of federal Schedule R.

- | | | |
|-----------|---|----------------|
| A. | Enter your county tax rate (from Schedule CT-40, Section 1 line 4A, or Section 2 line 6) | A _____ |
| B. | Enter credit from federal Schedule R..... | B _____ |
| C. | Enter the factor from the County Credit for the Elderly Chart (on page 28) that corresponds to the rate on A above..... | C _____ |
| D. | Multiply B times C and enter result here | D _____ |
| E. | Enter the amount of Indiana county tax shown on Form IT-40, line 17 | E _____ |

Example. Melinda is 67 years old. She is entitled to a credit of \$550 on federal Schedule R. Her county tax rate is .015, so her factor from the chart is .10. Her county tax due is \$60. Melinda's county credit for the elderly is \$55 (the lesser of [\$550 x .10 = \$55] or \$60).

Note: See the **Limitation** on page 28.

Line 3 - Other Local Credits

Both of the following credits have been assigned a three-digit code number. When claiming the credit on Schedule 2 under line 3, enter the name of the credit, the three-digit code number and the amount claimed.

Example. Enter the following information on line 3a to claim a \$200 community revitalization enhancement district credit and on line 3b to claim a \$175 voluntary remediation credit:

3a. Comm. Rev. Enhanc. Dist. Cr.	8 0 8	3a	200
b. Voluntary Remediation Cr.	8 3 6	3b	175

Community Revitalization Enhancement District Credit 808

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

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

The credit is nonrefundable and cannot be carried back. You may carry forward any excess credit to the next tax year.

The allowable credit is the lesser of the available credit or the county tax due on line 17 of Form IT-40. Also, claim any unused amount (within certain limitations) on Schedule 2 under line 6 (see instructions for this credit on page 31).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information.

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:
.00025	.002	.0078	.052
.001	.007	.008	.053
.0015	.01	.0085	.057
.002125	.014	.009	.06
.0025	.017	.0095	.063
.003	.02	.01	.067
.0035	.023	.0103	.069
.00375	.025	.0105	.07
.004	.027	.011	.073
.0041	.027	.01124	.075
.00475	.032	.01125	.075
.004829	.032	.0115	.077
.005	.033	.0116	.077
.0052	.035	.01165	.078
.00535	.036	.012329	.082
.0054	.036	.0125	.083
.0055	.037	.0127	.085
.00575	.038	.01285	.086
.0058	.039	.0129	.086
.006	.04	.013	.087
.0061	.041	.0133	.089
.0062	.041	.0136	.091
.0062125	.041	.0137	.091
.00625	.042	.01375	.092
.0063	.042	.0138	.092
.006375	.043	.014	.093
.0065	.043	.0143	.095
.00655	.044	.0145	.097
.00674	.045	.015	.10
.0068	.045	.016	.107
.007	.047	.0173	.115
.0075	.05	.0175	.117

Enter **8 0 8** under line 3 if claiming this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** in the next column for additional limitations.

Voluntary Remediation Credit 836

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

For additional information, contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101 100 N Senate Ave., Indianapolis, IN, 46204, or call (317) 232-8827.

See the voluntary remediation credit instructions for line 6 on page 35.

Note: See the **Limitation** below.

Enter **8 3 6** under line 3 if claiming this credit.

Restriction for Certain Tax Credits - Limited to One per Project

PL 199-2005 (IC 6-3.1-1-3) provides that a taxpayer may not be granted more than one credit for the same project. The credits that are included are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit.

Get Commissioner's Directive #29 at www.in.gov/dor/reference/comdir/pdfs/cd29.pdf for more information.

Apply this restriction first when figuring your credits. Then apply the following **Limitation**.

Limitation: There is one final limitation if you have entries on lines 1, 2 and/or 3 of Schedule 2. These credits, *when combined*, cannot be greater than the county tax shown on Form IT-40 line 17; if they are, adjust the amounts before you enter them. See the following example.

Example.

- A line 1 credit for local taxes paid outside of Indiana of \$100 plus a line 2 county credit for the elderly of \$20 equals \$120.
- Your IT-40 line 17 county tax due is \$115.
- Since your combined credits are \$5 more than your county tax due, reduce your last entry (the \$20 county credit for the elderly) by \$5 to \$15.
- Enter \$15 on line 2, and attach an explanation showing your calculations.

Line 4 - College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to \$100 on a single return or \$200 on a joint return. To claim this credit you must complete and attach Schedule CC-40. Contact the Department to get more information and get Schedule CC-40 at www.in.gov/dor/taxforms/06pdfs/06-cc40.pdf

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.

Note: See the **Additional Limitation** on page 35.

Line 5 - Credit for Taxes Paid to Other States

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

If you were an Indiana resident during part or all of 2006 and had income from any of the states listed in Group A below, you should first find out what the other state's rules are concerning the taxation of your income.

Group A

No Agreement (Credit taken on resident return)

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

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

Group A Worksheet

A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return).....**A** _____

B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.4% (.034)**B** _____

C. Enter the amount of Indiana state income tax shown on Form IT-40 line 16.....**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, if you have a foreign tax credit, complete the Group A Worksheet and attach federal Form 1116. If Form 1116 was not required, attach Forms 1099-INT and/or 1099-DIV (or a substitute statement) to verify the foreign tax and amount of income being taxed.

Example. Ryan reported \$10,000 Illinois-source wage income on the Illinois nonresident individual income tax return, and paid \$300 tax to Illinois on that income. His Indiana state tax liability from line 16 of Form IT-40 is \$870.

He will enter the following information on the *Group A Worksheet*.

- A. \$300 (tax paid to Illinois)
- B. \$340 (\$10,000 x .034, tax due to Indiana)
- C. \$870 (Form IT-40 line 16)

Ryan's credit is \$300, which is the lesser of A, B and C.

Exception: Gambling winnings from other states. If you're not required to file another state's income tax return to report gambling winnings from that state, attach the W-2G issued by that state. Use the amount of state tax withheld by that state on Line A of the Group A Worksheet.

Group B

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

Kentucky Michigan Ohio Pennsylvania Wisconsin

If you were an Indiana resident during 2006 and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

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

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

Caution: You may have to make estimated tax payments to Indiana. If the reciprocal state employer does not withhold Indiana withholding on your wage income, or doesn't withhold enough, see page 13 for information on how to figure and pay estimated tax.

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 will need to file Form IT-40PNR.

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona Oregon California Washington D.C.

If you were an Indiana resident during 2006 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 see the Department for Income Tax Information Bulletin 28 at www.in.gov/dor/reference/bulletins/income/pdf/ib28.pdf for more information. There is a special exception for this credit for Washington, D.C. residents that you must be aware of when calculating this credit.

Group D

No State Income Tax (No credit allowed)

Alaska Florida Nevada South Dakota Texas Washington Wyoming

If you were an Indiana resident during 2006 and had income from one of the states in Group D, you are not allowed to claim this credit. These states do not have an income tax. You must file an Indiana resident return and pay Indiana tax on all your income.

Note: See the **Additional Limitation** on page 35.

Line 6 - Other Credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule 2 under line 6, enter the name of the credit, the three-digit code number and the amount claimed.

Example. Enter the following information on line 6a to claim a \$500 blended biodiesel credit and on line 6b to claim a \$275 Capital Investment Credit:

6a. Blended Biodiesel Credit	8 0 3	6a	500
6 b. Capital Investment Credit	8 0 4	6b	275

About Airport Development Zone Credits

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

Currently, areas within Allen County are eligible to designate airport development zones.

Who is eligible to claim these credits?

The following are eligible to claim the airport development zone employment expense credit and/or the airport development zone loan interest credit:

- Sole proprietors who operate and/or invest in a business located in a zone, and/or
- Businesses organized as partnerships, S corporations and fiduciaries (who may pass through airport development zone credits to their partners or shareholders).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about these credits.

Following are the three available airport development zone credits:

Airport Development Zone Employment Expense Credit 800

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/taxforms/pdfs/sch-ez123.pdf for more information and how to calculate this credit. Note: Schedule EZ must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 35.

Enter **8 0 0** under line 6 if claiming this credit.

Airport Development Zone Investment Cost Credit 801

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Additional Limitation** on page 35.

Enter **8 0 1** under line 6 if claiming this credit.

Airport Development Zone Loan Interest Credit 802

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule LIC at www.in.gov/dor/taxforms/pdfs/schlic.pdf for more information and how to calculate this credit. Note: Schedule LIC must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 35.

Enter **8 0 2** under line 6 if claiming this credit.

Blended Biodiesel Credit 803

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility, and for dealers who operate service stations that sell blended biodiesel at retail. Pass-through entities are eligible for this credit. An approved Form BD-100 must be attached to verify the claimed credit.

Contact the Indiana Economic Development Corporation, Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for more information. Also, get Information Bulletin 91 at <http://www.in.gov/dor/reference/bulletins/income/pdf/ib91.pdf> for additional information.

Note: See the **Additional Limitation** on page 35.

Enter **8 0 3** under line 6 if claiming this credit.

Capital Investment Credit 804

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

For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **804** under line 6 if claiming this credit.

Coal Combustion Product Credit 805

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components may be eligible for this credit. Pass-through entities are eligible for this credit. An approved Form CCP-100 must be attached to verify the claimed credit.

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

For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN, 46204, or call (317) 232-2339.

Note: See the **Additional Limitation** on page 35.

Enter **805** under line 6 if claiming this credit.

Coal Gasification Technology Investment Credit 806

A credit may be available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology.

Pass-through entities are eligible for this credit.

You must file an application for certification with the Indiana Economic Development Corporation. For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/

Note: See the **Additional Limitation** on page 35.

Enter **806** under line 6 if claiming this credit.

Community Revitalization Enhancement District Credit 808

See the Schedule 2 line 3 instructions for details about this credit. This credit is available to offset **both** your state and local tax liabilities, and any unused remainder is available to be carried forward. Pass-through entities are eligible for this credit.

If you did not use all of the available community revitalization enhancement district credit on Schedule 2, line 3, the remaining credit should be claimed on this line.

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

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **808** under line 6 if claiming this credit.

About Enterprise Zone Credits

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

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Development
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

The following are eligible to claim the enterprise zone employment expense credit and/or the enterprise zone loan interest credit:

Sole proprietors who operate and/or invest in a business located in a zone, and businesses organized as partnerships, S corporations and fiduciaries may pass through enterprise zone credits to their partners or shareholders.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about these credits.

Following are the three available enterprise zone credits:

Enterprise Zone Employment Expense Credit 812

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/taxforms/pdfs/sch-ez123.pdf for more information. Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: Schedule EZ must be attached if claiming this credit.

Note: See the **Additional Limitation** on page 35.

Enter **8 1 2** under line 6 if claiming this credit.

Enterprise Zone Investment Cost Credit 813

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **8 1 3** under line 6 if claiming this credit.

Enterprise Zone Loan Interest Credit 814

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

Get Information Bulletin #66 at www.in.gov/dor/reference/bulletins/income/pdf/ib66.pdf and Indiana Schedule LIC at www.in.gov/dor/taxforms/pdfs/schlic.pdf for more information and how to calculate this credit. **Note:** Schedule LIC must be attached if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Additional Limitation** on page 35.

Enter **8 1 4** under line 6 if claiming this credit.

Ethanol Production Credit 815

An Indiana facility with a capacity to produce forty million gallons of ethanol per year may be eligible for this credit. Proof of information for the credit calculation plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board must be attached to verify this credit.

Pass-through entities are eligible for this credit.

File Application for Ethanol Credit Certification, State Form 52302, with the Indiana Economic Development Corporation, Ethanol Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/ for additional information. Also, get Department Bulletin #93 at <http://www.in.gov/dor/reference/bulletins/income/pdf/ib93.pdf> for more information.

Note: See the **Additional Limitation** on page 35.

Enter **8 1 5** under line 6 if claiming this credit.

Headquarters Relocation Credit 818

A business with annual worldwide revenue of \$100 million that relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters.

For more information, including limitations and the application process, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, visit their Web site at www.in.gov/iedc/, and get Information Bulletin #97 at www.in.gov/dor/reference/bulletins/income/pdf/ib97.pdf

Enter **8 1 8** under line 6 if claiming this credit.

Historic Building Rehabilitation Credit 819

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

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

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. For additional information, you may call the Department of Natural Resources at (317) 232-1646, visit online at www.in.gov/dnr/historic, and get Department Bulletin #87 at <http://www.in.gov/dor/reference/bulletins/income/pdf/ib87.pdf>

Note: See the **Additional Limitation** on page 35.

Enter **8 1 9** under line 6 if claiming this credit.

Hoosier Business Investment Credit 820

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining, or finishing equipment. Pass-through entities are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation, located at One North Capitol, Suite 700, Indianapolis,

IN, 46204. Visit their Web site at www.in.gov/iedc/incentives/hbitc.html or call them at (317) 233-3638 for additional information.

Also, get Information Bulletin #95 at www.in.gov/dor/reference/bulletins/income/pdf/ib95.pdf for more information.

Note: See the **Restriction for Certain Tax Credits - Limited to One Per Project** on page 35 for additional limitations.

Enter **8 2 0** under line 6 if claiming this credit.

Indiana's Research Expense Credit 822

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.

Get Form IT-20 REC at www.in.gov/dor/taxforms/05pdfs/05-it20rec.pdf. This form must be completed and a copy attached to claim this credit. For more information, contact the Department.

Note: See the **Additional Limitation** on page 35.

Enter **8 2 2** under line 6 if claiming this credit.

Individual Development Account Credit 823

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

The organization must have an approved program number from the Housing Finance Authority before a contribution qualifies for pre-approval.

The credit is equal to 50 percent of the contribution, which must not be less than \$100 and not more than \$50,000. S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

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

To request additional information about the definitions, procedures, and qualifications for obtaining this credit, contact: Housing Finance Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 233-3638.

Note: See the **Additional Limitation** on page 35.

Enter **8 2 3** under line 6 if claiming this credit.

Industrial Recovery Credit 824

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If

the enterprise zone board approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment".

Get additional information regarding procedures for obtaining this credit from the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/dinosaur.html

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **8 2 4** under line 6 if claiming this credit.

Maternity Home Credit 825

An income tax credit is allowed for maternity home owners who provide a temporary residence to at least one unrelated pregnant woman for at least 60 consecutive days during her pregnancy. The maternity home owner must file an application annually with the State Department of Health to be eligible to claim this credit. A copy of the approved application must be attached to your tax return before the credit can be taken.

Contact the Maternal and Child Health Division at (317) 233-1253 to obtain an application and more information about this credit.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **8 2 5** under line 6 if claiming this credit.

Military Base Investment Cost Credit 826

This credit is available for certain taxpayers who provide an income tax credit for a qualified investment in a business located in a military base, a military base reuse area, an economic development area, or a military base recovery site. The amount of the credit depends on the type of business, the number of jobs created, and the amount of the investment. The maximum amount of the credit may not exceed 30 percent of the investment.

Contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 600, Indianapolis, IN, 46204, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **8 2 6** under line 6 if claiming this credit.

Military Base Recovery Credit 827

A taxpayer who is an owner or developer of a military base recovery site may be eligible for a credit if investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the Enterprise Zone Board.

For more information about this credit contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8800, or visit their Web site at www.in.gov/iedc/

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 35 for additional limitations.

Enter **8 2 7** under line 6 if claiming this credit.

Neighborhood Assistance Credit 828

If you made a contribution or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777, for more information.

Form NC-20 must be attached to claim this credit.

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

Note: Do not report fees paid to your neighborhood association on this line. They are not eligible for this credit.

For more information about this credit, get Form NC-10 at www.in.gov/dor/taxforms/pdfs/nc10.pdf and Income Tax Information Bulletin #22 at www.in.gov/dor/reference/bulletins/income/pdf/ib22.pdf

Note: See the **Additional Limitation** on page 35.

Enter **8 2 8** under line 6 if claiming this credit.

Prison Investment Credit 829

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

Contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204, for additional information.

Note: See the **Additional Limitation** on page 35.

Enter **8 2 9** under line 6 if claiming this credit.

Rerefined Lubricated Oil Facility Credit 830

Effective Jan. 1, 2001, through Dec. 31, 2006, a pass-through entity may be eligible, as determined by the Indiana Economic Development Corporation, for a state tax offset credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil.

For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, visit their Web site at www.in.gov/iedc/, and get Information Bulletin #94 at <http://www.in.gov/dor/reference/bulletins/income/pdf/ib94.pdf>

Note: See the **Additional Limitation** on page 35.

Enter **8 3 0** under line 6 if claiming this credit.

Residential Historic Rehabilitation Credit 831

A credit is available for the repair and rehabilitation of historic residential property that is at least 50 years old and will be used as your primary residence.

For more information about this credit, get Information Bulletin #87A at www.in.gov/dor/reference/bulletins/income/pdf/ib87a.pdf Also, contact the Department of Natural Resources, Historic Preservation and Archaeology Division, Indiana Government Center South, Room W-274, Indianapolis, IN 46204, call them at (317) 232-1646, or visit their Web site at www.in.gov/dnr

Note: See the **Additional Limitation** on page 35.

Enter **8 3 1** under line 6 if claiming this credit.

Riverboat Building Credit 832

A tax credit has been established for any individual or company that builds or refurbishes a riverboat licensed to conduct legal gambling in Indiana. This credit is equal to 15 percent of the qualified investment and can be carried forward to subsequent tax years. The Indiana Economic Development Corporation must approve the costs of the qualified investment BEFORE the costs are incurred. Contact the Indiana Economic Development Corporation, Development Finance Division, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 234-0616, or visit their Web site at www.in.gov/iedc/ for additional information.

Note: See the **Additional Limitation** on page 35.

Enter **8 3 2** under line 6 if claiming this credit.

Teacher Summer Employment Credit 833

If you hire designated shortage certified teachers during the summer vacation, you may be able to take a credit. The qualified positions must be certified by the Department of Education, and the certificate must be attached to your tax return before the credit can be approved.

Contact the Department of Education at (317) 232-6676 for more information about this credit. For additional information, visit the Department of Education's web site at www.doe.state.in.us/legal

Note: See the **Additional Limitation** on page 35.

Enter **8 3 3** under line 6 if claiming this credit.

Twenty-First Century Scholars Program Credit 834

A credit is allowed for contributions made to the Twenty-First Century Scholars Program Support Fund. The credit is equal to 50 percent of the contributions made during the tax year up to a maximum limit of \$100 for a single return and \$200 for a joint return. To claim this credit you must complete and attach Schedule TCSP-40. Get a Schedule TCSP-40 at www.in.gov/dor/taxforms/05pdfs/05-tcsp40.pdf

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

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

Note: See the **Additional Limitation** in the next column.

Enter **834** under line 6 if claiming this credit.

Venture Capital Investment Credit 835

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit.

Certification for this credit must be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number (317) 232-8800, or visit their Web site at www.in.gov/iedc/incentives/venture.html

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** in the next column for additional limitations.

Note: See the **Additional Limitation** in the next column.

Enter **835** under line 6 if claiming this credit.

Voluntary Remediation Credit 836

See the Schedule 2, line 3, instructions on page 28 for details about this credit. This credit is available to offset **both** your state and local tax liabilities. Pass-through entities are eligible for this credit.

If you did not use all of the available voluntary remediation credit on Schedule 2, line 3, the remaining credit should be claimed on this line.

Contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N1101, Indianapolis, IN, 46204, for additional information.

Note: See the **Additional Limitation** in the next column.

Enter **836** under line 6 if claiming this credit.

Restriction for Certain Tax Credits - Limited to One per Project

PL 199-2005 provides that a taxpayer may not be granted more than one credit for the same project. The credits that are included are the capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base recovery credit, military base investment cost credit and the venture capital investment credit.

Apply this restriction first when figuring your credits. Then apply the following **Additional Limitation**.

Additional Limitation: There is one final limitation if you have entries on lines 4 through 6 of Schedule 2. These credits, *when combined*, cannot be greater than the state adjusted gross income tax shown on Form IT-40 line 16; if they are, adjust the amounts before you enter them. See the following example.

Example. The line 4 college credit of \$200 plus the line 5 credit for taxes paid to other states of \$300 equals a \$500 total credit. Your IT-40 line 16 state adjusted gross income tax due is \$360. Since your combined credits are \$140 more than your state tax due, reduce your last entry (the \$300 credit for taxes paid to other states) by the \$140 difference to \$160. Enter \$160 on line 5, and attach an explanation showing your calculations.

Line 7 - Total Credits

Add the credits on lines 1 through 6 (keeping in mind the limitations), and enter the total here. Carry this amount to Form IT-40, line 29.

Schedules 3 and 3A:

Partnership and S Corporation Disclosure

You are required to complete Schedule 3 if you reported partnership and/or S corporation income (loss) on your federal Schedule E, Part II.

You must complete Schedule 3A if you have more than ten K-1's listed on Schedule 3, Part I, Box 1.

Make sure you attach the completed schedule(s) to Form IT-40.

Indiana School Corporations

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

County	Dearborn	Gibson	Huntington
Corporation Number and Name			
Adams	1560 Sunman-Dearborn Comm 1600 South Dearborn Comm 1620 Lawrenceburg Comm	2725 East Gibson Sch Corp 2735 North Gibson Sch Corp 2765 South Gibson Sch Corp	3625 Huntington Co Comm
0015 Adams Central Comm 0025 North Adams Community 0035 South Adams Schools	Decatur 1655 Decatur Co Community 1730 Greensburg Community	Grant 2815 Eastbrook Community 2825 Madison-Grant United 2855 Mississinewa Community 2865 Marion Community 5625 Oak Hill United	Jackson 3640 Medora Community 3675 Seymour Community 3695 Brownstown Central Comm 3710 Crothersville Community
Allen	DeKalb	Greene	Jasper
0125 M.S.D. Southwest Allen Co 0225 Northwest Allen County 0235 Fort Wayne Community 0255 East Allen County	1805 DeKalb County Eastern Community Sch Dist 1820 Garrett-Keyser-Butler Community 1835 DeKalb County Central United Sch Dist 7610 Hamilton Community	2920 Bloomfield School District 2940 Eastern School District 2950 Linton-Stockton Sch Corp 2960 MSD Shakamak Schools 2980 White River Valley School District	3785 Kankakee Valley 3815 Rensselaer Central 6630 West Central Sch Corp 8535 Tri-County Sch Corp
Bartholomew	Delaware	Hamilton	Jay
0365 Bartholomew Consolidated 0370 Flatrock-Hawcreek 4215 Edinburgh Community	1875 Delaware Community 1885 Harrison-Washington Community Sch Corp 1895 Liberty-Perry Community 1900 Cowan Comm Sch Corp 1910 Mt. Pleasant Township Community Sch Corp 1940 Daleville Community Schools 1970 Muncie Community Schools	3005 Hamilton Southeastern 3025 Hamilton Heights Sch Corp 3030 Westfield-Washington Schools 3055 Marion-Adams Schools 3060 Carmel Clay Schools 3070 Noblesville Schools	3945 Jay Sch Corp
Benton	Dubois	Hancock	Jefferson
0395 Benton Community 5995 South Newton 8535 TriCounty	2040 Northeast Dubois County 2100 Southeast Dubois County 2110 Southwest Dubois County 2120 Greater Jasper Consolidated	3115 Southern Hancock Co Community Sch Corp 3125 Greenfield Central Comm 3135 Mt Vernon Community 3145 Eastern Hancock County Community Sch Corp	3995 Madison Consolidated 4000 Southwestern Jefferson Consolidated
Blackford	Elkhart	Harrison	Jennings
0515 Blackford Community	2155 Fairfield Comm Schools 2260 Baugo Community Schools 2270 Concord Community Schools 2275 Middlebury Community Schools 2285 Wa-Nee Community Schools 2305 Elkhart Community Schools 2315 Goshen Community Schools	3160 Lanesville Community 3180 North Harrison Comm 3190 South Harrison Comm 1300 Crawford Co Community	4015 Jennings County Schools
Boone	Fayette	Hendricks	Johnson
0615 Western Boone County 0630 Zionsville Community Schools 0665 Lebanon Community Sch Corp 3055 Marion-Adams	2395 Fayette County Sch Corp	3295 North West Hendricks 3305 Brownsburg Community 3315 Avon Community Sch Corp 3325 Danville Community 3330 Plainfield Community 3335 Mill Creek Community	4145 Clark-Pleasant Comm 4205 Center Grove Community 4215 Edinburgh Community 4225 Franklin Community 4245 Greenwood Community 4255 Nineveh-Hensley-Jackson United
Brown	Floyd	Henry	Knox
0670 Brown County Sch Corp	2400 New Albany-Floyd County Consolidated Sch Corp	3405 Blue River Valley Schools 3415 South Henry Sch Corp 3435 Shenandoah School Corp 3445 New Castle Community 3455 C A Beard Memorial Sch Corp 6795 Union Sch Corp 8305 Nettle Creek Sch Corp	4315 North Knox Sch Corp 4325 South Knox Sch Corp 4335 Vincennes Community
Carroll	Fountain	Howard	Kosciusko
0750 Carroll Consolidated Sch Corp 0755 Delphi Community Sch Corp 1180 Rossville Consolidated 8565 Twin Lakes Sch Corp	2435 Attica Consolidated Sch Corp 2440 Covington Community 2455 Southeast Fountain	3460 Taylor Community 3470 Northwestern Sch Corp 3480 Eastern Howard Comm 3490 Western Sch Corp 3500 Kokomo-Center Township Consolidated	4345 Wawasee Community 4415 Warsaw Community 4445 Tippecanoe Valley 4455 Whitko Community 2285 Wa-Nee Community 5495 Triton Sch Corp
Cass	Franklin		LaGrange
0815 Southeastern Sch Corp 0875 Logansport Community 0775 Pioneer Regional Sch Corp 2650 Caston Sch Corp	2475 Franklin Co Community 6895 Batesville Community 7950 Union County		4515 Prairie Heights Comm 4525 Westview Sch Corp 4535 Lakeland Sch Corp
Clark	Fulton		Lake
0940 West Clark Community 1000 Clarksville Community 1010 Greater Clark County	2645 Rochester Community 2650 Caston Sch Corp 4445 Tippecanoe Valley 5455 Culver Community 6620 Eastern Pulaski		4580 Hanover Community 4590 River Forest Community 4600 Merrillville Comm Schls 4615 Lake Central Sch Corp 4645 Tri Creek Sch Corp 4650 Lake Ridge Schools 4660 Crown Point Community 4670 School City of East Chicago 4680 Lake Station Community 4690 Gary Community Sch Corp 4700 Griffith Public Schools 4710 School City of Hammond 4720 School Town of Highland 4730 School City of Hobart 4740 School Town of Munster 4760 Whiting School City
Clay			
1125 Clay Community Schools 2960 MSD Shakamak Schools			
Clinton			
1150 Clinton Central Sch Corp 1160 Clinton Prairie Sch Corp 1170 Frankfort Community 1180 Rossville Consolidated			
Crawford			
1300 Crawford Co. Community			
Daviess			
1315 Barr-Reeve Community 1375 North Daviess Comm Sch 1405 Washington Community			

Indiana School Corporations Cont'd...

County

Corporation Number and Name

LaPorte

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

Lawrence

5075 North Lawrence Comm
 5085 Mitchell Community

Madison

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

Marion

5300 MSD Decatur Township
 5310 Franklin Township Comm
 5330 MSD Lawrence Township
 5340 MSD Perry Township
 5350 MSD Pike Township
 5360 MSD Warren Township
 5370 MSD Washington Township
 5375 MSD Wayne Township
 5380 Beech Grove City Schools
 5385 Indianapolis Public Schools
 5400 Sch Town of Speedway

Marshall

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

Martin

5520 Shoals Community
 5525 Loogootee Community

Miami

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

Monroe

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

Montgomery

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

Morgan

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

Newton

5945 North Newton Sch Corp
 5995 South Newton Sch Corp

Noble

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

Ohio

6080 Rising Sun-Ohio County
 Community

Orange

6145 Orleans Community Schools
 6155 Paoli Community Sch Corp
 6160 Springs Valley Comm

Owen

6195 Spencer-Owen Comm
 6750 Cloverdale Community

Parke

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

Perry

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

Pike

6445 Pike County Sch Corp

Porter

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

Posey

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

Pulaski

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

Putnam

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

Randolph

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

Ripley

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

Rush

6995 Rush County Schools
 3455 C A Beard Memorial Sch Corp

St. Joseph

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

Scott

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

Shelby

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

Spencer

7385 North Spencer County
 7445 South Spencer County

Starke

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

Steuben

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

Sullivan

7645 Northeast Sch Corp
 7715 Southwest Sch Corp

Switzerland

7775 Switzerland County

Tiptecanoe

7855 Lafayette Sch Corp
 7865 Tiptecanoe Sch Corp
 7875 West Lafayette Comm
 0395 Benton Community

Tipton

7935 Northern Community
 Sch Tipton Co
 7945 Tipton Community Sch Corp

Union

7950 Union County

Vanderburgh

7995 Evansville-Vanderburgh

Vermillion

8010 North Vermillion Comm
 8020 South Vermillion Comm

Vigo

8030 Vigo County Sch Corp

Wabash

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

Warren

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

Warrick

8130 Warrick County Sch Corp

Washington

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

Wayne

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

Wells

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

White

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

Whitley

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



**2006 Application for Automatic Extension
of Time to File Indiana Form IT-40 or Form IT-40PNR**

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

Note: Form IT-9 is an automatic extension of time to file until June 16, 2007. This is NOT an extension of time to pay any state and/or county taxes due.

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

Who should file Form IT-9: You should file this form and pay your tax if you can't file your income tax return (IT-40 or IT-40PNR) by the April 16, 2007, due date and you expect to owe additional tax.

Penalty and Interest: Indiana will accept the federal extension date, plus allow an additional 30 days. However, you must still pay 90 percent (.90) of your Indiana taxes by April 16, 2007. If you don't, the extension is not valid and both penalty and interest will be charged on the balance due. **Note:** Interest is due on any amount not paid by the April 16, 2007, due date.

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

Worksheet to figure your extension payment (see instructions below)	
1. 2006 Income: enter the total estimated or actual 2006 Indiana income, less Indiana deductions	1 _____
2. Exemptions (see instructions below)	2 _____
3. State taxable income: line 1 minus line 2	3 _____
4. State adjusted gross income tax: line 3 x .034	4 _____
5. County income tax: line 3 x county income tax rate from the county tax chart in the IT-40 or IT-40PNR booklet	5 _____
6. Total tax: add lines 4 and 5 and enter result here	Tax ▶ 6 _____
7. Subtotal: multiply line 6 by 90 percent (.90) and enter result here	90% of Tax ▶ 7 _____
8. State and county income tax withheld (see instructions).....	8 _____
9. 2006 estimated income tax payments (see instructions).....	9 _____
10. Other credits: (see instructions)	10 _____
11. Total credits: add lines 8, 9, and 10 and enter result here	Credits ▶ 11 _____
12. Minimum required extension payment: line 7 minus line 11 (enter zero if less than zero).....	Payment Amt. ▶ 12 _____

Line 1: 2006 Income - Enter your total actual or estimated income for 2006. If filing a joint return, include your spouse's income.

Line 2: Exemptions - Use the number of exemptions from your federal tax return (if you did not complete a federal return, you are allowed an exemption for yourself and each of your dependents). Multiply this number by \$1,000. You also may be eligible to claim certain children as additional exemptions (\$1,500 for each qualifying child). See the IT-40 or IT-40PNR instruction booklet for more information.

Lines 8, 9 and 10: Enter the amount of Indiana state tax and county income tax withheld as shown on your W-2s; your total estimated income tax payments paid to the department for the 2006 tax year; and other credits, which may include the college credit, the unified tax credit for the elderly, etc.

Line 12: Payment amount - Subtract line 11 from line 7 and enter here. Pay this amount with Form IT-9, Extension Payment Voucher, on or before April 16, 2007. Enclose your check or money order made out to the *Indiana Department of Revenue*. Write your social security number on the check or

money order. Note: All payments must be made with U.S. funds.

Also, you may pay by using American Express, Discover, MasterCard, Visa or electronic check over the Internet at www.in.gov/dor/epay, or call 1-888-829-3746 (toll free). A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction. **Note: Do not mail the voucher (below) if paying by credit card.**

Important: If line 12 shows no balance due, **do not file** this form unless you will be claiming the Unified Tax Credit for the Elderly after July 2, 2007.

Your extension payment must be claimed as a credit on line 24 of the IT-40 or line 20 of the IT-40PNR.

Military personnel in a presidentially declared combat zone should see the IT-40 or IT-40PNR instruction booklet for special filing instructions.



Form IT-9
State Form 21006
R5 / 8-06

**Indiana Department of Revenue
Extension Payment Voucher for Tax Year 2006**
Due Date: April 16, 2007

Do Not Mail if no payment is due

Your Social Security Number	First Name	M.I.	Last Name
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Spouse's Social Security Number	First Name	M.I.	Last Name
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Period Ending: December 31, 2006 Due Date: April 16, 2007

Street Address		
City	State	Zip Code

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



Indiana Department Of Revenue 2007 Estimated Tax Payment Return

If you expect to have income during the 2007 tax year that:

- Won't have Indiana income taxes withheld, or
- If you think the amount withheld won't be enough to pay your tax liability, and
- You expect to owe more than \$400 when you file your tax return,
then you should pay estimated tax. Use the worksheet below to see how much you'll owe.

Estimated Income Tax Worksheet

A. Total estimated Indiana income for 2007, less Indiana deductions	A	
B. Total exemptions: see the IT-40 or IT-40PNR instruction booklet	B	
C. Amount subject to Indiana income tax (line A minus line B)	C	
D. Amount of state income tax due (line C x .034)	D	
E. Amount of county income tax due (line C x your county tax rate from the IT-40 or IT-40PNR instruction booklet)	E	
F. Total estimated income tax for 2007 (line D + line E)	F	
G. a) Estimated State and County income tax withheld _____ b) Total of other credits _____ a + b	G	
H. Amount due (line F minus line G)	H	
I. Each installment amount for 2007 (line H divided by 4)	I	

If you don't want to make your first installment estimated payment for 2007 on your IT-40 or IT-40PNR income tax return, you can use the Form ES-40 coupon at the bottom of this page to make the payment. Due dates for all four installments are shown on the form. We suggest that first time estimated income taxpayers make a copy of the blank form. This is in case the vouchers that are automatically issued (after we receive your first payment) don't get to you by the next payment's due date. For more information about estimated income tax, contact the Department to get Income Tax Information Bulletin #3.

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

You may pay by using American Express, Discover, MasterCard, Visa or electronic check(eCheck) by calling 1-888-829-3746 (toll free). Or, log on to www.in.gov/dor/epay and use your Discover, MasterCard or Visa to make a payment. A convenience fee will be charged by the credit card processor based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the transaction.

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



Cut Along the Dotted Line

<p>FORM ES-40 State Form 46005 R5 / 8-06</p>	<p>Indiana Department Of Revenue 2007 Estimated Tax Payment Return</p>	
<p>Social Security Number</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	<p>First Name</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	<p>M.I.</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>
<p>Last Name</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>		
<p>Spouse's Social Security Number</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	<p>First Name</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	<p>M.I.</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>
<p>Last Name</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>		
<p>Street Address</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>		<p>\$</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>
<p>City</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	<p>State</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>	
		<p>Zip Code</p> <div style="border: 1px solid black; width: 100%; height: 20px;"></div>
<p>Send To: Indiana Department of Revenue P.O. Box 6102 Indianapolis, IN 46206-6102</p>		

Check the box to show which payment you are making:

- 1st** Installment Payment Due April 16, 2007
 2nd Installment Payment Due June 15, 2007
 3rd Installment Payment Due September 17, 2007
 4th Installment Payment Due January 15, 2008

DISTRICT OFFICE LOCATIONS

Indianapolis (Main Office)

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

Bloomington District Office

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

Clarksville District Office

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

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

Columbus District Office

3136 N. National Rd., Suite H
Columbus, IN 47201
(812) 376-3049

Evansville District Office

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

Fort Wayne District Office

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

Kokomo District Office

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

Lafayette District Office

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

Merrillville District Office

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

Muncie District Office

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

South Bend District Office

1025 Widener Lane
South Bend, IN 46614
(574) 291-8270

Terre Haute District Office

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

**District office business
hours are
8 a.m. to 4:30 p.m.
Monday - Friday.**



Access Indiana Information Network

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

www.in.gov

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

Index to Instructions

A

Address Change	4
Airport Development Zone:	
Employee Deduction	20
Employment Expense Credit	30
Investment Credit	30
Loan Interest Credit	30
Amount You Owe	15
Attachments to the Return	6
Authorization Section	15

B

Blended Biodiesel Credit	30
Bonus Depreciation	8

C

Capital Investment Credit	31
Change of Address / Moving?	4
Civil Service Annuity Deduction	20
College Credit	28
Coal Combustion Product Credit	31
Coal Gasification Technology Investment Credit	31
Commissioner's Message	2
Community Revitalization Enhan. District Credit	27, 31
County Credit for the Elderly or Perm. Disabled	27
County Tax:	
County Code Number (2-Digit)	5, 21
County Tax Rates	21
County Where You Lived Defined	23
County Where You Worked Defined	23
Military Personnel	24
Retired, Homemakers or Unemployed Persons	24
Credit for Local Taxes Paid Outside Indiana	27
Credit for Taxes Paid to Other States	28

D

Death of a Taxpayer:	
Enter Date of Death	15
Filing Requirements	6
How to Cash a Refund	7
How to Sign the Tax Return	7, 16
Dependents, Exemptions for	9
Direct Deposit	4, 14
Disability Retirement Deduction	20
District Offices	40
Domestic Production Activities Deduction Add-Back	8

E

Earned Income Credit	11
Economic Dev. for a Growing Economy Credit	12
Elderly Persons:	
County Credit for the Elderly or Permanently Disabled	27
County Income Tax - Retired Persons	24
Exemption	9
Human Services Deduction	20
Railroad Retirement Benefits Deduction	18

Social Security Benefits Deduction	18
Unified Tax Credit for the Elderly	10
Electronic Filing	4
Enterprise Zone:	
Employee Deduction	20
Employment Expense Credit	31
Investment Cost Credit	32
Loan Interest Credit	32
Estimated Tax	10, 13, 39
Ethanol Production Credit	32
Exemptions:	
Additional Dependent Child	9
Age 65 or Older or Blind	9
Personal	9
Extensions	
Extensions of Time to File	7, 38
Where to Report Extension Payment	10, 24

F

Farmers and Fishermen	15
Filing Status:	
Married Filing Separately	5
Married Persons Who Live Apart	5
Foreign or Military Address	5
Forms:	
Choosing the Right Form	3
Where to Get Them:	
Automated Information Line	4
District Offices	40
Form Order Line	3
Internet Address	3
Large Print Instructions, Forms	4
Free Tax Help	4

H

Headquarters Relocation Credit	32
Help with Unresolved Tax Issues	16
Historic Building Rehabilitation Credit	32
Homeowner's Residential Property Tax Deduction	17
Hoosier Business Investment Credit	32
Household Employment Taxes	9
Human Services Deduction	20

I

I-File	2
Indiana Advance Earned Income Credit Payment	10
Indiana Partnership Long Term Care Deduction	22
Individual Development Account Credit	33
Individual Taxpayer Identification Number (ITIN)	5
Industrial Recovery Account Credit	33
Insulation Deduction	19
Interest - Late Payment of Tax	14
Interest on U.S. Government Obligations Deduction	18
Internet Address	4

L

Law Enforcement Reward Deduction	23
Lake County Residential Income Tax Credit	11
Large Print IT-40 Booklet with Forms	4

Losses - How to Write Them	6
Lottery Winnings Deduction (Indiana)	22
Lump Sum Distribution	8

M

Maternity Home Credit	33
Medical Savings Account Deduction	23
Military Base Investment Cost Credit	33
Military Base Recovery Credit	33
Military Issues:	
Combat Zone Issues	7
County Tax	24
Extension of Time to File.....	7
Filing Requirements	7
Military Service Deduction	18
Residency	7
Military Service Deduction	18
Moving? / Change of Address	4

N

Neighborhood Assistance Credit	34
Net Operating Loss:	
Add-Back	8
Deduction (Indiana)	22
Nongame Wildlife Fund	12, Back Cover
Non-Indiana Locality Earnings Deduction	19

O

Offsets of Money Owed (Overpayment)	12
---	----

P

Part-Year Residents	3, 6
Partnership and S Corporation Disclosure	35
Payment Options	15
Penalty:	
Late Payment	14
Underpaying Estimated Tax	13
Returned Checks	15
Preparation Assistance	4
Prison Investment Credit	34
Property Tax Deduction, Homeowners	17
Public Hearing	5

R

Railroad Retirement Benefits Deduction	18
Recovery of Deductions	23
Refunds:	
Deceased Persons	7
Direct Deposit	14
General Information	4
Offsets of Money Owed (Overpayment)	12
Statute of Limitations (time limit to claim refund)	14
Where's Your Refund?	4
Renter's Deduction	16
Rerefined Lubricated Oil Facility Credit	34
Research Expense Credit (Indiana)	33
Residency:	

Full-Year Resident.....	3, 6
Full-Year Nonresident	3, 6
Part-Year Resident	3, 6
Residential Historic Rehabilitation Credit	34
Restrictions for Certain Schedule 2 Credits	28, 35
Riverboat Building Credit	34
Rounding	6

S

School Corporation Numbers	5, 36, 37
Section 179 Depreciation (Other)	8
Signing Tax Return	7, 15, 16
Social Security Benefits Deduction	18
Social Security Number	5
Spanish Version IT-40 Booklet with Forms	4
State Tax Refund Deduction (Rptd. on Federal Return)	18

T

Tax Add-Back	8
Taxpayer Advocate	16
Telephone Assistance:	
Automated Information Line	4
Basic Tax Questions	4
Order Forms	3
Teacher Summer Employment Credit	34
Twenty-First Century Scholars Program Credit	35

U

Unemployment Compensation, Nontax. Portion	20
Unified Tax Credit for the Elderly	10
Use Tax on Out-of-State Purchases	9

V

Venture Capital Investment Credit	35
Voluntary Remediation Credit	28, 35

W

What if You Can't File on Time?	7
What's New for 2006?	3
When Should You File?	7
Where to Mail Your Tax Return	16
Who Should File?	6
Withholding Tax:	
County (Indiana)	10
State (Indiana)	10
W-2s - Where to Attach	6

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



2006 IT-40

This booklet contains:

- **Form IT-40 and Instructions**
- Schedules 1 and 2, Deductions and Credits
- Schedule CT-40, County Tax
- Schedule IN-EIC, Earned Income Credit
- Schedules 3 and 3A
- Form ES-40, Estimated Tax Payment Voucher
- Form IT-9, Extension of Time to File
- Envelope for IT-40

Contributions to the Indiana Nongame Wildlife Fund

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

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

If you would like to make a donation to the Fund, you may donate all or a portion of your tax refund on line 34 of the IT-40. To make a direct donation, you can also complete the form below and mail it with a check or money order made payable to the Fund to: Nongame Wildlife Fund, Division of Fish and Wildlife, W-273, 402 West Washington St., Indianapolis, IN 46204.

You can learn more about Indiana's Nongame Wildlife Diversity Section at www.in.gov/dnr/fishwild/endangered/fund.htm



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

Name(s)

Address

City

State

Zip Code

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