

2010 INDIANA

IT-40 PNR Part-Year and Full-Year Nonresident Individual Income Tax Instruction Booklet

Index found on pages 50, 51 and 52.

Get tax forms and schedules at
www.in.gov/dor/4439.htm



I-File – Fast. Friendly. Free.

Use I-File, the state's free, Web-based tax filing service that allows you to file your Indiana individual income taxes quickly and securely. I-File's user-friendly features include:

- **Secure Web site** that keeps your personal information private.
- **Question-and-answer format** that chooses the correct tax form and walks you through each step of completing your taxes.
- **Pre-filled information** (i.e. name, address and employer), if you used I-File last year, will save you time when filing.
- **Resume function** allows you to save your work and finish at another time.
- **Help links** to answer your tax questions.
- **Reprint function** that allows you to print your completed tax return at a later date.
- **Review function**, so you can review your tax return in real time as you progress through your filing.
- **Navigation** that allows you to skip sections or to go back to previous sections.

Filing electronically through I-File only takes 30 minutes or less, and if you are due a refund and select to direct deposit, you can have your refund in your bank account in 7-10 business days versus 4-6 weeks if you had filed your Indiana return by paper.

What Others Are Saying About I-File:

More than 150,000 individuals used I-File during the 2010 filing season and gave it high praise. In fact, survey responses from more than 2,800 I-File users this year revealed that:

- 97 percent were satisfied or very satisfied with their I-File experience;
- 97 percent said they would likely or very likely use I-File in the future; and
- 97 percent would recommend I-File to a friend or family member.

Some of the thousands of comments the Department has received about taxpayers' I-File experience over the years include:

"Thank you so much for this service. It was very user-friendly and I appreciated the support in accomplishing this task! Now that's how my government can support me. Thanks again!" Bloomington, Indiana

"I used the state Web site to file my state tax return and had to comment that the experience was surprisingly easy and stress free. I did not expect it to be so easy to follow and clear about what had to be done. Thank you for making this almost fun." Richmond, Indiana

"Incredibly easy, extremely quick, and as painless as paying taxes can be. Thank you for offering this service. What a timesaver!!!!" Avon, Indiana

To begin filing your Indiana state taxes today, visit www.ifile.in.gov

Which Indiana tax form should you 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 8 for extensions of time to file procedures.

2010 Changes

Update: Line 1 of Form IT-40PNR assumes conformity with the Internal Revenue Code for federal changes adopted after Jan. 1, 2010. If the Indiana state legislature does not conform to these federal code changes, you may have to amend your return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check the Department's homepage at www.in.gov/dor/index.htm for updates.

County tax

Indiana counties were allowed to adopt or increase their local income tax rates through October 31, 2010. This publication was finalized before that date. This means your county tax rate on the back of Schedule CT-40PNR may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list you may:

- Log on to the Department's website at www.in.gov/dor/4388.htm
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 53 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

Unemployment Compensation

- **Add-Back.** If you received unemployment compensation you must complete line 5 on Schedule B: Add-Backs (see instructions on page 18).
- **Deduction.** Be sure to check out line 10 on Schedule C: Deductions (see instructions on page 23) to see if you are eligible to exempt some or all of your unemployment compensation.

Discharge of debt of a principal residence add-back

You may have to add back some or all of the amount of debt not reported on your federal tax return due to the discharge of indebtedness of your principal residence. See page 19 for details.

Other (current year conformity) add-back

Before this publication was finalized Indiana had not conformed to any changes to the Internal Revenue Code (IRC) that may have become law after January 1, 2010. Therefore, the IRC used to figure Indiana income may not be the same as the IRC used to figure federal income. This add-back is specific to these annual current year conformity issues. See page 19 for more information.

Nonresident military spouse earned income deduction

A spouse of a nonresident military servicemember may not owe tax to Indiana on earned income from Indiana sources. See page 26 for more information.

New employer credit

A **new employer credit** is available for certain new Indiana businesses. Application for certification must be made through the Indiana Economic Development Corporation. See page 40 for more information.

School scholarship credit

A **school scholarship credit** is available for individuals and corporations who donate to scholarship-granting organizations. See page 41 for more information.

Offset credit order of application update

Read about how to claim multiple offset credits. See page 42 for details.

Online payment plan now available

You may be able to set up a payment plan online after receiving a bill. See page 12 for more information.

Suffix field

New for 2010 is a specific location in which to enter a suffix (such as Jr. or Sr.). See page 5 for more information.

Zip/Postal Codes

Make sure to enter the postal code associated with a foreign country used in the address. See page 6 for more information.

Foreign country designation

You must use the foreign country's two-character code instead of writing the name of the country. See page 6 for more information.

Losses (or negative entries)

Report losses using a negative sign instead of (brackets). See page 6 for more information.

Use of commas curbed

Enter amounts without using commas. See page 6 for more information.

Direct deposit

A question has been added to the direct deposit information requested on Form IT-40PNR. See page 11 for more information.

Need tax forms or information bulletins?

Use your personal computer

Visit our website and download the forms you need. Our address is www.in.gov/dor/3650.htm

Use your telephone

Call the Forms Order Request Line (317) 615-2581 to have forms mailed to you. 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)

Need help with your return?

Local help

For help, visit any of the district offices listed on page 53 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 and 1099s 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 2010 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 shown on the notice.

If you have a rotary phone, please call (317) 232-2240, 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 to get information bulletins or policy directives on specific topics, visit our website at www.in.gov/dor/3650.htm

Telephone

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

Ready to file your return?

I-File

This fast, friendly and free online program allows taxpayers to prepare and file state tax returns using the Internet. 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 website at www.ifile.in.gov

Our website

Our website offers tax filing options, 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 website 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/3336 and click on the words *Where's my refund?*
- 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 monthly statement.

Moving?

You need to contact the Department if you move to a new address after filing your tax return, and you do not have a forwarding address on file with the post office.

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

- Go to www.in.gov/dor/3336 and click on the words *How do I change my mailing address with the Department?*
- Call the Department at (317) 232-2240.
- Call or visit a district office near you (see list on page 53).

Public Hearing - June 7, 2011

The Department will hold a public hearing on June 7, 2011. The hearing will be held at 9 a.m. in Conference Room 18 of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Ind. You may also submit your questions or comments in writing to: Indiana Department of Revenue, Commissioner's Office, MS# 101, 100 North Senate Avenue, Indianapolis, IN, 46204.

Before you begin

Important: You must complete your federal tax return first.

Filling in the boxes – please use ink only

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

Be sure to enter your Social Security number in the boxes at the top of the form. If filing a joint return, enter your Social Security number in the first set of boxes and your spouse's Social Security number in the second set of boxes. An incorrect or missing Social Security number 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 Social Security number area at the top of the form. For information on how to get an ITIN, contact the IRS at 1-800-829-3676 and request federal Form W-7, or find it online at www.irs.gov

Name and suffix

Please use all capital letters when entering your information. For example, Jim Smith Junior should be entered as JIM SMITH JR.

Name. If your last name includes an apostrophe, do not use it. For example, enter O'Shea as OSHEA. If your name includes a hyphen, use it. For example, enter SMITH-JONES.

Suffix. Enter the suffix associated with your name in the appropriate box.

- Use JR for junior and SR for senior.
- Numeric characters must be replaced by Roman Numerals. For example, if your last name is Charles 3rd, do not use 3rd; instead, enter III in the suffix field.
- **Do not** enter any titles or designations, such as M.D., Ph. D., RET., Minor or DEC'D.

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 2010, you may have qualified for and filed as 'head of household' on your federal income tax return. If you did, do not check the married filing separately box. Also, do not enter either your spouse's name or Social Security number.

Military address

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.

Zip/Postal code

Enter your five or nine digit zip code (do not use a dash). For example, enter 46217 or 462174540.

If filing with a foreign address, enter the associated postal code.

Foreign country code

Complete this area if the address you are using is located in a foreign country. Enter the 2-character foreign country code, which may be found online at www.in.gov/dor/4432.htm

School corporation number

Enter the four-digit school corporation number (found on pages 48 and 49) for where the primary taxpayer lived on Jan. 1, 2010. 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 Jan. 1, 2010, 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.

County information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on Jan. 1, 2010. You can find these code numbers on the chart on the back of Schedule CT-40PNR. See the instructions beginning on page 44 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.

Rounding required

Each line on which an amount can be entered has a “.00” already filled-in. This is to remind you that rounding is now required when completing your tax return.

You must 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

When reporting a loss or negative entry, use a negative sign. *Example.* Write a \$125 loss as -125.

Commas

Do not use commas when entering amounts. For instance, express 1,000 as 1000.

Enclosing schedules, W-2s, etc.

You will find an enclosure sequence number in the upper right-hand corner of each schedule. Make sure to put your completed schedules in sequential order behind the IT-40 when assembling your tax return. Do not staple or paper clip your enclosures. If you have a schedule on which you’ve made no entry, do not enclose it unless you have completed information on the back of it.

Also, enclose:

- All W-2s, 1099s and WH-18s on which Indiana state and/or county tax withholding amounts appear,
- Any 1099G showing unemployment compensation, and
- A check/money order, if applicable.

A note about your W-2s. It is important that your W-2 form is readable. The income and state and county tax amounts withheld are verified on every W-2 form that comes in with your tax return. We encourage you to enclose the best copy available when you file.

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 tax 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.

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 and/or unemployment compensation, then you need to file Form IT-40RNR, Indiana Reciprocal Nonresident Individual Income Tax Return.

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 2010 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 January 1 – December 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.

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.

Deceased taxpayers

If an individual died during 2010, or died after Dec. 31, 2010, 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.

Be sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on Schedule H. For example, a date of death of Jan. 9, 2010, would be entered as 01/09/2010. Note: The date of death should not be entered here if the individual died after Dec. 31, 2010, but before filing the tax return. The date of death information will be shown on the individual's 2011 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 deceased.

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

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 (POA-30) or a distributee's affidavit (POA-20) at www.in.gov/dor/3508.htm Send the completed affidavit, the refund check and a copy of the death certificate to the State Auditor's Office 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.

If you changed your legal residence (military home of record) during 2010, 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 44 for an explanation of county of residence for military personnel.

When should you file?

Your tax return is due April 18, 2011. If you file after this date, you may have to pay interest and penalty. See page 12 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.

You must get an **extension of time to file** if you:

- Are required to file (your income is more than your exemptions and/or you received income from Indiana while being a nonresident), and
- You cannot file your tax return by the April 18, 2011, due date.

Whether you owe additional tax, are due a refund or are breaking even, you still need to get an extension if filing after April 18, 2011.

If you owe...

You must file Form IT-9 (Application for Extension of Time to File) and send in a payment of at least 90 percent of the tax you expect to owe. This must be filed and tax paid by April 18, 2011, for the extension to be valid.

If you don't owe...

You'll still need to file for an extension if:

- You are due a refund, or
- You don't expect to owe any tax when filing your tax return, and
- You are unable to file your return by April 18, 2011.

There are two ways to accomplish this:

- If you have a valid federal extension, Form 4868, you automatically have an extension with Indiana and do not have to file for a separate state extension (Form IT-9).
- If you do not have a valid federal extension, file Form IT-9 by April 18, 2011.

Extension filing deadline.

- State Form IT-9 extends your state filing time to June 20, 2011.
- Federal Form 4868 extends your state filing time to Nov. 18, 2011.
- If you have both extensions (state and federal), your state filing time to file is Nov. 18, 2011.

Will you owe penalty and/or interest?

Interest is owed on all amounts paid after April 18, 2011. See page 12 for instructions on how to figure interest.

Penalty will not be owed if you have:

- Paid 90 percent of the tax you expect to owe by April 18, 2011,
- Filed your tax return within the extension filing time, and
- Paid any remaining amount due with that filing.

Indiana's Extension of Time to File, Form IT-9

Get Indiana's extension Form IT-9, and mail it (including any payment due) by April 18, 2011. You may get Form IT-9 online at www.in.gov/dor/4439.htm You may also file for an extension (if making

a payment) online at www.in.gov/dor/4340.htm (make sure to do this by April 18, 2011).

Where to report your extension payment.

Add your state extension payment to any estimated tax paid. Report it on Schedule F, line 3.

Remember, 90 percent of the tax due to Indiana must still be paid by April 18, 2011. Interest will be due on any tax that remains unpaid during the extension period.

Military personnel on duty outside of the United States and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be enclosed with the return verifying that you were outside of the United States or Puerto Rico on April 18, 2011.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. In addition, if they are hospitalized outside the United States because 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.

Nonresidency and income taxable to Indiana

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

Indiana income includes income from the following sources:

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

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

Reciprocal states: special filing and income reporting instructions

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

- You received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this is the only type of income you received from Indiana, you should file Form IT-40RNR, reciprocal nonresident Indiana individual income tax return. See the “Need tax forms...?” section on page 4 for options; or
- You received other types of Indiana-source income besides wages tips, salaries or commissions (see items 1 through 8 above), you must file Form IT-40PNR instead of Form IT40RNR; or
- You received both Indiana-source income (see items 1 through 8 above) and wage income from Indiana, you must file form IT-40PNR. The wage income will not be subject to Indiana adjusted gross income tax. However, see the county tax instructions for **Reciprocal state residents** on page 46 if these wages were earned in an Indiana county that has a county tax.

Example. Fred and Deanna are full-year residents of Michigan, and file a 2010 joint federal income tax return. During 2010 Fred received \$10,000 winnings from an Indiana riverboat, and Deanna earned \$25,000 wage income from an Elkhart, Indiana employer.

Fred’s riverboat winnings will be taxed by Indiana. Enter Fred’s \$10,000 winnings on Indiana Schedule A, line 20, Columns A and B. Deanna’s wage income is not subject to Indiana adjusted gross income tax. Therefore, enter Deanna’s wage income in Column A only.

Note: See county tax instructions for **Reciprocal state residents** on page 46 to determine if county tax is due on her wage income.

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.

Completing Form IT-40PNR

Line 1 – Income taxed by Indiana

Complete Indiana Schedule A: Income or Loss; Proration; and Adjustments to Income. Instructions for Schedule A begin on page 13. Carry the line 37B amount to line 1 on the front of Form IT-40PNR. Make sure to enclose Schedule A when filing.

Line 2 – Add-backs

Enter on this line any add-backs from Schedule B: Add-Backs. Instructions for Schedule B begin on page 18. Make sure to enclose Schedule B when filing.

Line 4 – Deductions

Enter on this line any deductions from Schedule C: Deductions. Instructions for Schedule C begin on page 20. Make sure to enclose Schedule C when filing.

Line 6 – Exemptions

Enter any exemptions from Schedule D: Exemptions on this line. Instructions for Schedule D begin on page 27. Make sure to enclose Schedule D when filing.

Line 9 – County tax

Complete Schedule CT-40PNR to figure your county tax. Instructions for Schedule CT-40PNR begin on page 44.

Line 10 – Other taxes

Enter any other taxes from Schedule E: Other taxes on this line. Instructions for Schedule E begin on page 28. Make sure to enclose Schedule E when filing.

Line 12 – Credits

Enter your credits from Schedule F: Credits on this line. Instructions for Schedule F begin on page 29. Make sure to enclose Schedule F when filing.

Line 13 – Offset credits

Enter any offset credits from Schedule G: Offset Credits on this line. Instructions for Schedule G begin on page 31. Make sure to enclose Schedule G when filing.

Line 17 – 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 salamanders to state-endangered Trumpeter swans and spotted turtles.

Enter the amount of your refund you wish to donate to the Nongame Wildlife Fund on line 17. You can donate all or a part of your refund. Donations must be a minimum of \$1.

Read more about Indiana’s Wildlife Diversity Section and learn how donations have helped Indiana’s endangered wildlife at www.in.gov/dnr/fishwild/3316.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 some of your overpayment to your 2011 estimated tax account, the overpayment will be applied first to the wildlife fund and then to the estimated tax account. Any amount left will be refunded to you.

Line 19 – Amount to be applied as a 2011 estimated tax installment payment

You should pay estimated tax if you expect to have income during the 2011 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 \$1,000 when you file your tax return.

There are several ways you can make estimated tax payments. First, visit our website at www.in.gov/dor/4439.htm to get Form ES-40. Use the worksheet on Form ES-40 to see how much you will owe. Then, if you have an overpayment showing on line 18 of your tax return, you can have some or all of the overpayment applied to next year's estimated tax account. To do so, enter any portion of the overpayment:

- On line a, if you want to apply an amount to offset estimated county tax due (from Form ES-40 worksheet, line K). Also, enter the 2-digit county code from line K; and/or
- On line b, if your spouse lived in a different county than you did on Jan. 1, 2011, and you want to apply an amount to offset your spouse's estimated county tax due (from Form ES-40 worksheet, line L). Also, enter the 2-digit county code from line L; and/or
- On line c, if you want to apply an amount to offset your estimated state tax due (from Form ES-40 worksheet, line J).

Example. Chris and Megan have a \$420 overpayment, and want to apply some of it to their 2011 estimated tax account. Their worksheet from Form ES-40 has the following breakdown:

- Line I (each installment payment) is \$300;
- Line J (portion that represents state tax due) is \$270; and
- Line K (portion that represents county tax due) is \$30.

They will enter \$30 on line 19a (along with their 2-digit county code), \$270 on line 19c, and the \$300 total amount to be applied will be entered on line 19d. They will get a \$120 refund (\$420 overpayment minus \$300 applied to their 2011 estimated tax account).

Example. Stu wants to pay \$500 in estimated tax for each installment period. He has a \$30 overpayment on his tax return. He chooses to enter the full \$30 overpayment on line 19c (Indiana adjusted gross income tax amount), and carries it to line 19d. (He will pay the \$470 additional amount by filing the Form ES-40.)

Important. Estimated tax installment payments made for the 2011 tax year are due by April 18, 2011, June 15, 2011, Sept. 15, 2011 and Jan. 17, 2012. Any installment payment amount entered on line 19d 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 18, 2011, will be considered to be a 2011 first installment payment; June 3, 2011, will be considered to be a 2011 second installment payment; and July 22, 2011, will be considered to be a 2011 third installment payment. **Note.** If you are filing this return *after* Jan. 17, 2012, you will not be able to make an installment payment on this line.

Note. You may use Form ES-40 to make a payment by check or money order. Estimated tax payments may also be made online, via credit card

or check, at www.in.gov/dor/4439.htm See line 26 instructions on page 12 for details about payment options.

See Income Tax Information Bulletin #3 at www.in.gov/dor/3650.htm for additional information about estimated taxes.

Line 20 – Penalty for underpayment of estimated tax

You might owe a penalty for the 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 \$1,000 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, enclose Schedule IT-2210 or IT-2210A with your tax return and write the penalty amount on Form IT-40PNR, line 20.

*You must have timely paid 100 percent of lines 8 and 9 of your 2009 IT-40PNR. 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 11.

Important. The Department will automatically figure a penalty for you if it looks like you owe a penalty for the underpayment of estimated tax, and:

- You didn't report a penalty amount on line 20, and
- You didn't enclose Schedule IT-2210 or Schedule IT-2210A showing you meet an exception to owing a penalty.

Should you 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 \$4,500 in 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.

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, Complete Schedule IT-2210, using the Section D Short Method.

Schedule IT-2210A should be used by individuals who receive income (not subject to withholding tax) unevenly during 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 15, 2010, first installment due date.

Example. Rachael received a sizeable lump sum distribution in Dec. of 2010. She figured how much estimated tax was due, and paid it by the Jan. 18, 2011, 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.

Farmers and Fishermen.

Special options are available if more than two-thirds of your gross income for 2009 or 2010 was from farming or fishing.

Option 1. Pay your estimated tax in one payment on or before Jan. 18, 2011, and file your tax return by April 18, 2011; or

Option 2. Make no estimated tax payment and file your tax return and pay all the tax due by March 1, 2011.

Example. More than two-thirds of Henry's gross income is from farming. He should complete Schedule IT-2210. He will be able to use the Section D Short Method to figure his penalty or to show he meets an exception to owing a penalty.

Visit our website at www.in.gov/dor/4439.htm to get Schedule IT-2210 or IT-2210A.

Line 21 – Refund

You have a refund if line 18 is greater than the combined amounts entered on lines 19d and 20. No refund will be issued if the overpayment is less than one dollar.

Important. If the combination of line 19d plus line 20 is *greater* than the amount on line 18, you must make an adjustment. The estimated tax carryover amount on line 19d is limited; it cannot be greater than the remainder of line 18 minus line 20. See the second example above.

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

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.

Note. There is a **statute of limitations** on filing refund claims. When filing your 2010 tax return, a claim for refund of excess withholding credits must be made no later than April 18, 2013. A claim for refund of all other excess payments and refundable credits must be made by April 15, 2014. (The claim is considered to be made on the day your tax return is postmarked.) If you file your 2010 tax return after the statute of limitations has expired, no refund will be issued.

Line 22 – Direct deposit

You may choose to have your refund deposited in your checking, savings or Hoosier Works Master Card account. If you want your refund directed into your checking or savings account, complete lines 22a, b and c.

- a) The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number.
- b) The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank.
- c) Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.
- d) To comply with banking rules, you must place an X in the box on line d if your refund is going to an account outside the United States. If you check the box, we will mail you a paper check.

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 22b, where it says "Account Number" (do not write anything on line 22a "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 22c.

For more information on direct deposit, please see "Where's Your Refund" on page 5.

Line 23

If line 21 is less than zero, you have an amount due. Enter here as a positive number and skip to line 24.

OR

If line 15 is greater than line 14, complete the following steps:

A Subtract line 14 from line 15 and enter the total here	A _____
B Enter any amount from line 20	B _____
C Add lines A + B. Enter total here and on line 23	C _____

Line 24 – Penalty

You will probably owe a penalty if your tax return is filed after the April 18, 2011, due date and you have an amount due. Penalty is 10 percent of the amount due (line 23 minus line 20) or \$5, whichever is greater.

Exception: No penalty will be due if you have:

- An extension of time to file;
- Are filing and paying the remaining tax due by the extended filing due date, and
- Have prepaid at least 90 percent of the amount due by April 18, 2011.

Line 25 – Interest

You will owe interest (even if you have a valid extension of time to file) if your tax return is filed after the April 18, 2011, due date and you have an amount due. Interest should be figured on the sum of line 23 minus line 20. Contact the Department at (317) 232-2240 or visit our website at www.in.gov/dor/3618.htm to get Departmental Notice #3 for the current interest rate.

Line 26 – Amount due – payment options

There are several ways to pay the amount you owe.

Make your check, money order or cashier's check payable to: Indiana Department of Revenue. Just include the payment loose in the envelope. **Do not staple** it to the return. **Do not send cash.**

You may also pay using the electronic **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. To pay, go to www.in.gov/dor/4340.htm and follow the step-by-step instructions. You will receive a confirmation number and should keep this with your tax filing records. The fee for using this service is \$1.

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

You may also pay by using your American Express® Card, Discover® Card, MasterCard® or VISA® by calling 1-800- 2-PAY TAX (1-800-272-9829). Or, log on to www.in.gov/dor/4340.htm and use your Discover® Card, 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.

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

Payment plan option. If you cannot pay the full amount due at the time you file, you may be eligible to set up a payment plan online.

After you get a tax bill, log on to www.intaxpay.in.gov and follow the directions.

Important. If using the payment plan option, penalty and interest will be due on all amounts paid after the April 18, 2011, due date.

Returned checks and other types of payments

If you make a tax payment with a check, credit card, debit card or electronic funds transfer, and the Department is unable to obtain payment for its full amount when it is presented for payment, a 10 percent penalty of the unpaid tax or the face value of the check, credit card, debit card, or electronic funds transfer, whichever is smaller, is due.

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 intended payment 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.*

Signatures and signing dates

First, read the Authorization area on Schedule H. Then, sign and date the tax return. If this is a jointly filed tax return, both you and your spouse must sign and date it. Make sure to enclose the completed Schedule H when filing.

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 tax administration division (317-232-2240). 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 website at: www.in.gov/dor/3883.htm You may also contact the Office of the Taxpayer Advocate directly at 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, Indpls., Ind. 46206-6155.

Where to mail your tax return – use labels for envelope

You'll find mailing labels next to the envelope enclosed in this booklet. **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 enclosures to:

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

For all other filings, please mail your tax return with all enclosures to:
Indiana Department of Revenue
P.O. Box 40
Indianapolis, IN 46206-0040

Envelope – Don't forget the stamp!

Make sure to put a stamp(s) on the envelope. The U.S. Post Office will not deliver your tax return without the proper postage.

Schedule A

Sections 1, 2 and 3 Instructions

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

General information

Income received from Indiana sources should be reported as Indiana income by nonresidents, except certain types of Indiana income that are subject to tax only by your state of residence at the time you receive it.

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

For full-year nonresidents, the portion of the following types of income from Indiana sources should not be reported as income taxed by Indiana: interest, dividends, unemployment compensation, royalties and gains from the sale of capital assets, unless such income results from the conduct of trade or business.

Example. Dividends received from an S corporation doing business in Indiana must be reported by nonresidents as income taxable in Indiana.

Example. Interest income received from a personal Indiana savings account by an Illinois resident is not income taxable to Indiana.

Read the following line-by-line instructions for more information. Also, see Income Tax Information Bulletin #28 at www.in.gov/dor/3650.htm for more information.

How to report a loss

When reporting a loss or negative entry, use a negative sign. *Example.* Write a \$125 loss as -125.

Schedule A

Section 1: Income or loss

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

Unless otherwise stated:

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

Lines 1 and 2 — Wages, salaries, tips, etc.

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

Note for part-year or full-year nonresidents: do not enter that portion of your Indiana source wage, salary, tip or commission income in Column B earned while you were a resident of a reciprocal agreement state (see *Reciprocal states: special filing and income reporting instructions* on page 9).

Lines 3 and 4 — Interest and dividend income

Enter in Column A your taxable interest and dividend income as reported on your federal return, and report the interest and dividend income attributable to Indiana in Column B. Interest earned from U.S. government obligations is not taxed by Indiana, but still must be reported on this line. If any of the interest reported in Column B is from U.S. savings bonds, Treasury notes, T-Bills, etc., you may deduct these amounts on Form IT-40PNR, Schedule C, line 4.

Note: Municipal bond interest income is not taxed on your federal return. It will not be taxed on the Indiana return – do not enter it in Column B.

Line 5 — Taxable refunds, credits or offsets

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

Line 6 — Alimony received

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

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

Line 7 — Business income or loss

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

- Tax add-back on Schedule B, line 1, on page 18;
- Apportionment on line 19 if this income is from a business doing business both within and outside Indiana; and
- Other income on line 20.

Line 8 — Capital gain or loss from sale or exchange of property

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

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

Example. Jessica had a \$4,000 long term capital loss while living in Indiana from Jan. 1, 2010, through Sep. 30, 2010. She moved to Utah on Oct. 1, and lived there the rest of the year. She realized a \$5,000 long term capital gain while she was a resident of Utah. She reported \$1,000 capital gain income on her federal Form 1040. She will report a \$3,000 loss to Indiana. The remaining \$1,000 loss will be available to offset income on Indiana tax return(s) for other years.

Line 9 — Other gains or losses from Form 4797

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

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

Line 10 — IRA distributions

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

Line 11 — Pensions and annuities

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

Line 12 — Net rent or royalty income or loss

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

Enter in Column B the net royalty income/loss:

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

Enter in Column B the net rental income/loss:

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

Also, see the instructions for tax add-back for Section B, line 1, on page 18.

Lines 13, 14 and 15 — Partnership, trust and estates, and S corporation income or loss

Enter in Column A the income or loss from partnerships, trusts and estates, and S corporations, that is included in the total on federal Form 1040, line 17.

Enter in Column B that portion of income received from the partnerships, trusts and estates, and S corporations while you were an Indiana resident.

Fiduciary. If you are a nonresident, the Indiana fiduciary(s) should provide to you an apportioned amount to be taxed by Indiana. If the fiduciary does not apportion its income, then enter in Column B the same amount as you entered in Column A.

Partnership and S Corporation. If you are a nonresident, the Indiana partnership and S corporation should provide to you an apportioned amount to be taxed by Indiana on Form IN-K1. If those Indiana entities do not apportion their income, then enter in Column B the same amount from those entities as you entered in Column A.

Important. Indiana partnerships and S corporations are required to:

- File an annual return, Form IT-65/Form IT-20S;
- Withhold Indiana state and county income tax on behalf of their nonresident partners and shareholders*; and,
- Figure and pay (with the filing of their annual return) Indiana state and county income tax due on their nonresident partners and shareholders on a composite return.

Therefore, you are not required to file Form IT-40PNR if:

- You are a full-year nonresident of Indiana,
- Your only Indiana-source income is from partnership/S corporation (entity) income, AND
- The entity included you on the composite return.

*This withholding requirement does not apply to the residents of Arizona, Oregon and Washington D.C. who are subject to and pay income taxes at rates of 3.4 percent or higher to their resident state.

However, you are required to file Form IT-40PNR if you have any other Indiana-source income, or were a part-year resident.

Note: See the instructions for tax add-back for Schedule B, line 1, on page 18.

Line 16 — Farm income or loss

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

Also, see the instructions for:

- Apportionment on Section 1, line 19 if this income is from a farm doing business both within and outside Indiana, and
- Tax add-back for Schedule B, line 1, on page 18.

Line 17 — Unemployment compensation

Important. At the time this publication was finalized it was not known if the unemployment compensation exemption was going to be continued for federal income tax filing purposes. Regardless, enter in Column A the unemployment compensation reported on federal Form 1040, line 19; Form 1040A, line 13; or Form 1040EZ, line 3. Enter in Column B the portion of the unemployment compensation reported in Column A received while you were an Indiana resident.

Example. Chetrice received \$3,500 in unemployment compensation before moving out of Indiana.

- If the federal exemption was continued for 2010, she reported \$1,100 unemployment compensation on her federal return, Form 1040, on line 19. She will enter the \$1,100 amount in both Column A and Column B.
- If the federal exemption was not continued, she will enter the full \$3,500 in both columns.

Important. Read the following instruction only if the unemployment compensation exemption is allowed for federal filing purposes and you received a combination of more than \$2,400 in unemployment compensation from two or more states.

If you (and/or your spouse) received a combination of more than \$2,400 in unemployment compensation from two or more states, you must make an adjustment to the amount to be reported to Indiana. To do this, complete the following steps:

Step 1	Enter the total unemployment compensation from Box 1 of all Form(s) 1099G	\$ _____
Step 2	Enter the amount of unemployment compensation from Box 1 of the Form(s) 1099G which were received while you were an Indiana resident	\$ _____
Step 3	Divide the amount in Step 2 by the amount in Step 1(round to three places)	_____
Step 4	Federal exemption	\$ 2,400*
Step 5	Multiply Step 3 by Step 4	\$ _____
Step 6	Subtract Step 5 from Step 2. Enter on line 17B	\$ _____

*Can be up to \$4,800 if married filing jointly and both received unemployment compensation.

Important.

- **Add-back:** You must complete the unemployment compensation add-back on Schedule B, line 5, if you received unemployment compensation while you were an Indiana resident. See instructions on page 18 for more information.
- **Deduction:** If received unemployment compensation while you were an Indiana resident you may qualify for a deduction. For more information, see page 23 for Schedule C, line 10 instructions.

Line 18 — Social Security and railroad retirement benefits

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

Note: Indiana will not tax Social Security benefits or railroad retirement benefits which are issued by the U.S. Railroad Retirement Board. Therefore, look at Indiana Schedule C, lines 5 and 6. You'll be able to take a deduction for any of these amounts on that schedule.

Line 19 — Indiana apportioned income

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

Note: If you are apportioning business income, make sure to:

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

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

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

Line 20 — Other income

Enter any other income or loss for which there is no named line provided on the IT-40PNR return.

- Report any NOL from your federal Form 1040, line 21 as a negative amount in Column A only. You will show the Indiana portion of your Indiana net operating loss deduction on Schedule C under line 11. See instructions for *Indiana Net Operating Loss Deduction* on page 25 for more information.

- Other types of income or loss would include riverboat winnings, prizes, awards, amounts recovered from bad debts, gross lottery and other gambling winnings, director's fees, excluded income/housing from federal Form 2555 (report as a loss), etc., as reported on your federal return.

List the source(s) of the income or loss reported on this line.

Schedule A Proration

The purpose of this section is to compare the Indiana Schedule A, Section 1, line 21A income taxed on your federal return to the line 21B income taxed by Indiana. To do this, divide the amount on line 21B by the amount on line 21A. Please round your answer to a decimal followed by three numbers.

Example. $\$3,100 \div \$8,000 = .3875$, which rounds to .388. Enter the result here and on Schedule D: Exemptions, line 6.

Note: If line 21B is a loss, enter zero (0) in Box 21D and on Schedule D: Exemptions, line 6. If line 21A (or Box 21C) is a loss, and line 21B is a positive amount, enter 1.00 (100 percent) in Box 21D and on Schedule D: Exemptions, line 6.

Special instructions for non-Indiana military personnel. If you are in the military and Indiana is not your home of record, your military income will not be used to reduce your Indiana exemptions. Complete the following worksheet.

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

Step 2 Enter any non-Indiana service member's military income included on Schedule A, lines 1A and/or 2A **2** _____

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

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

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

Schedule A Section 2: Adjustments to Income

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

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

Unless otherwise stated:

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

Line 22 — Educator expense

Enter in Column A any educator expense deduction properly claimed on your federal tax return, Form 1040, line 23 or Form 1040A, line 16. Enter in Column B the portion of the expense that was spent while you were an Indiana resident.

Line 23 — Certain business expenses of reservists, performing artists, etc.

Enter in Column A the adjustment claimed for certain business expenses of reservists, performing artists and fee-based government officials claimed on your federal Form 1040, line 24. Enter in Column B that portion of the deduction that is directly related to the reported income (in Section 1, Column B) produced in conjunction with those expenses.

Line 24 — Health savings account deduction

If you are eligible to take this adjustment on your federal Form 1040, line 25, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

Line 25 — Moving expenses

Enter in Column A the amount of moving expense deduction reported on your federal Form 1040, line 26. If you moved to or within Indiana, report this amount in Column B. If you moved from Indiana to another state, do not report this amount in Column B.

Line 26 — One-half of self-employment tax deduction

Enter in Column A the amount claimed on federal Form 1040, line 27. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

Use the formula below to figure your deduction for Column B.

Indiana self-employment income	x	Federal Adjustment (Column A)	=	Indiana Deduction (Column B)
Federal self-employment income				

Line 27 — Payments to self-employed, SEP, SIMPLE and qualified retirement plans

Enter in Column A the deduction reported on your federal Form 1040, line 28. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to qualified self-employment retirement plans to the extent allowed in arriving at your federal adjusted gross income.

If you have self-employment income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A between the other states and Indiana. Therefore, the allowable Indiana adjustment to be reported in Column B is limited to the percent of your federal adjustment which your Indiana self-employment income bears to your total self-employment income.

Use the formula below to figure your deduction for Column B.

$\frac{\text{Indiana self-employment income}}{\text{Federal self-employment income}}$	x	Federal Adjustment (Column A)	=	Indiana Deduction (Column B)
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If both you and your spouse have Indiana self-employment income and qualify for the deduction on the federal return, you both are allowed a deduction on the Indiana tax return.

Line 28 — Self-employed health insurance deduction

Enter in Column A the deduction claimed on your federal Form 1040, line 29. If some or all of the income on which this deduction is based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self-employment income and certain income from partnerships and/or S corporations.

Use the formula below to figure your deduction for Column B.

$\frac{\text{Indiana source: self-employment income/certain income from partnerships and/or S corporations}}{\text{Federal self-employment income/certain income from partnerships and/or S corporations}}$	x	Federal Adjustment (Column A)	=	Indiana Deduction (Column B)
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Line 29 — Penalty on early withdrawal of savings

Enter in Column A the penalty on early withdrawal of savings reported on your federal Form 1040, line 30. Enter in Column B that portion that was forfeited while you were an Indiana resident (provided it is included on Section 1, line 3, Column B).

Line 30 — Alimony paid

Enter in Column A the alimony claimed as a deduction on your federal Form 1040, line 31a. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 31 — IRA deduction

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal Form 1040, line 32, or Form 1040A, line 17. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA

(provided you qualify for the deduction for federal tax purposes). Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services.

To figure the IRA adjustment for Column B, you must use the percentage that your Indiana compensation bears to your federal compensation.

Use the formula below to figure your deduction for Column B.

$\frac{\text{Indiana compensation}}{\text{Federal compensation}}$	x	Federal Adjustment (Column A)	=	Indiana Deduction (Column B)
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Line 32 — Student loan interest deduction

Enter in Column A the student loan interest deduction reported on your federal Form 1040, line 33 or Form 1040A, line 18. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 33 — Tuition and fees

Enter in Column A any tuition and fees deduction properly claimed on your federal Form 1040, line 34 or Form 1040A, line 19. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 34 — Domestic production activities deduction

Enter in Column A the domestic production activities deduction reported on your federal Form 1040, line 35. **Do not** report any of the domestic production activities deduction in Column B as Indiana does not allow this deduction.

Line 35 — Other adjustments (do not include itemized deductions)

Use this line to report certain deductions claimed on your federal income tax return for which no specific line was otherwise provided when arriving at federal adjusted gross income (Form 1040, line 37, or Form 1040A, line 21). If you have written in allowable deductions on your federal Form 1040, line 36, or Form 1040A, line 20, then enter those amounts here.

Here is a list of the most common allowable deductions.

- Enter in Column A the **jury duty pay** deducted on your federal Form 1040. Enter in Column B the jury duty pay turned over to your employer that is in direct relation to the salary being taxed by Indiana (included in the line 21, Column B total).
- Enter in Column A the **Archer MSA deduction** deducted on your federal Form 1040. Enter in Column B the portion of the deduction that is directly related to the reported Income in Section 1, Column B.

- Enter in Column A any adjustment claimed for **scholarship and fellowship grants** excluded on federal Form 1040NR, line 30. Enter in Column B the portion excluded while residing in Indiana, or while being an Indiana resident, and attach a copy of your 1040NR.

Do not claim itemized deductions on this line.

Schedule B: Add-Backs

You may have to complete this schedule if:

- while you were an Indiana resident, you received income or loss, unemployment compensation and/or reported a lump sum distribution on federal Form 4972;
- you were a nonresident and had Indiana-source income or loss; or
- you reported Indiana add-backs in prior years which impact this year's filing.

Enter those amounts which have a direct relationship to Indiana taxation.

Example. Juan lives in Illinois and owns and runs an Indiana farm. He will have to add-back on line 1 any taxes based on or measured by property that were deducted on his federal Schedule F.

Example. Chetrice, an Indiana resident through June 30, received unemployment compensation the first three months of the year. She must complete the line 5 unemployment compensation add-back.

When reporting these add-backs, maintain with your records the corresponding federal tax forms and schedules as the Department can require you to provide them at a later date.

Line 1 – Tax add-back

If you **did not complete Federal Schedules C, C-EZ, E, or F**, which include 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 these schedules and forms for any deduction that needs to be added back.

Line 2 – Lump sum distribution add-back

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

Line 3 – Bonus depreciation add-back

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.

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 3.

For additional information see Commissioner's Directive #19 at www.in.gov/dor/3617.htm

Line 4 – Section 179 expense add-back

You may have figured an IRC Section 179 expense using a ceiling or more than \$25,000 for federal tax purposes. Indiana allows you to figure IRC Section 179 expense using a ceiling of no more than \$25,000. If you figured IRC Section 179 expense using a ceiling amount of more than \$25,000, you'll need to add back the difference between it and \$25,000 on this line.

Line 5 – Unemployment compensation add-back

Complete this line if you received unemployment compensation while you were an Indiana resident. If you were a full-year nonresident of Indiana, do not complete this line.

Important. At the time this publication was finalized it was not known if the unemployment compensation exemption was going to be continued for federal income tax filing purposes. Regardless, go ahead and complete this line if you received unemployment compensation during your Indiana residency.

Enter in Box A the amount of unemployment compensation from Box 1 of Form 1099G(s) received while you were an Indiana resident. **Note:** If your Form 1099G(s) shows you received an overpayment of unemployment compensation in 2010, and you repaid any of it while you were an Indiana resident in 2010, reduce the amount to be reported in Box A by the amount repaid. If, in 2010, you repaid unemployment

compensation that you included in gross income in an earlier year, do not subtract it from the amount to be entered in Box A.

Enter in Box B the unemployment compensation reported on Indiana's Schedule A, line 17B

Example. Chetrice received \$3,500 in unemployment compensation before moving out of Indiana. She reported \$1,100 unemployment compensation on her federal return, Form 1040, on line 19.

- Box 1 on her Form 1099G shows \$3,500. She will enter \$3,500 in on Indiana's Schedule B, line 5, Box A.
- When completing her Indiana Schedule A, she entered the \$1,100 amount on line 17B. She will enter \$1,100 on Indiana's Schedule B, Box B.

Exception: Benefits issued by the Railroad Retirement Board. Do not include in Box A any amount from a Form 1099G issued by the Railroad Retirement Board. Also, do not enter in Box B any portion of the unemployment compensation reported on your Form 1040, line 19; Form 1040A, line 13; or Form 1040EZ, line 3, that was issued by the Railroad Retirement Board. Instead, see the instructions for the *Railroad unemployment and sickness benefits* deduction on page 26 for more information.

Line 6 – Other Add-Backs

Each of the following add-backs has been assigned a three-digit code number. When reporting the add-back, write its name, the associated three-digit number and the amount.

Example. Enter the following information on line 8a to report a \$700 qualified disaster assistance property add-back.

8a. Qualified disaster assistance property code no. 110 \$700

Deferral of business indebtedness discharge and reacquisition add-back 107

Add an amount equal to any income not included as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition of a debt instrument (as provided in Section 108(i) of the IRC). Subtract the amount added to income in a previous year to offset the amount included in federal gross income as a result of the deferral of income arising from business indebtedness discharged in connection with the reacquisition after Dec. 31, 2008, and before Jan. 1, 2011, of an applicable debt instrument.

Enter code 107 on Schedule B under line 6 if reporting this add-back.

Discharge of debt of a principal residence add-back 117

You may have to add back some or all of the amount of debt not reported on your federal tax return due to the discharge of indebtedness of your principal residence (mortgage forgiveness).

The amount of discharge of indebtedness of your principal residence to be added back can be found on:

- Form 1099-C (or its equivalent), Box 2, and/or
- On federal Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*. If Part 1 Line 1e is checked on Form 982, then the amount on Part 1 Line 2 from the discharge of qualified principal residence indebtedness must be added back.

Note. No add back is required if the discharge of indebtedness of your principal residence:

- was included in a bankruptcy, or
- if you were not a resident of Indiana at the time the debt was discharged.

Maintain with your records both federal Form 1099C and Form 982 as the Department can require you to provide this information at a later date.

Enter code 117 on Schedule B under line 6 if reporting this add-back.

Other (current year conformity) add-back 120

Before this publication was finalized Indiana had not conformed to any changes to the Internal Revenue Code (IRC) that may have become law after January 1, 2010. Therefore, the IRC used to figure Indiana income may not be the same as the IRC used to figure federal income.

This add-back is specific to these annual current year conformity issues. If uncertainty exists as to whether or not Indiana will adopt some or all of the federal legislation passed during 2010 that acts to reduce federal AGI, you may add-back those items as an "other" add-back. In the event those items are adopted, an amended return should be filed to recoup the add-back(s).

All entries marked as "other" must be reported as a positive amount on the original tax return. Negative entries will not be allowed.

This add-back is only for current year conformity issues. Conformity issues for preceding tax years must be addressed on the add-back line specific to the item in question. For instance, an add-back for the qualified refinery property was first added-back on the 2009 Schedule 1 or B, line 12. The adjustment going forward should be reported on the 2010 Schedule B, line 8, using the 3-digit code 111.

If the state legislature does not conform to federal code changes enacted after January 1, 2010, you may have to amend your return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check the Department's homepage at www.in.gov/dor/index.htm for updates.

Enter code 120 on Schedule B under line 6 if reporting this add-back.

Qualified restaurant property add-back 108

If you placed qualified restaurant property in service during the year that was classified as 15-year property under Section 168(e)(3)(E)(v)

of the IRC, add the amount necessary to make your adjusted gross income (AGI) equal to the amount of AGI that would have been computed had the classification not applied to the property in the year that it was placed in service.

Enter code 108 on Schedule B under line 6 if reporting this add-back.

Qualified retail improvement property add-back 109

If you placed qualified retail improvement property in service during the year that was classified as 15-year property under Section 168(e)(3)(E)(ix) of the IRC, add the amount necessary to make your adjusted gross income (AGI) equal to the amount of AGI that would have been computed had the classification not applied to the property in the year that it was placed in service.

Enter code 109 on Schedule B under line 6 if reporting this add-back.

Qualified disaster assistance property add-back 110

If you claimed the special allowance for qualified disaster assistance property under Section 168(n) of the IRC, add the amount necessary to make your adjusted gross income (AGI) equal to the amount of AGI that would have been computed had the special allowance not been claimed for the property.

Enter code 110 on Schedule B under line 6 if reporting this add-back.

Qualified refinery property add-back 111

If you made an election under Section 179C of the IRC to expense costs for qualified refinery property, add the amount necessary to make your adjusted gross income (AGI) equal to the amount of AGI that would have been computed had the election not been made for that year.

Enter code 111 on Schedule B under line 6 if reporting this add-back.

Qualified film or television production add-back 112

If you made an election under Section 181 of the IRC to expense costs for a qualified film or television production tax purposes, add the amount necessary to make your adjusted gross income (AGI) equal to the amount of AGI that would have been computed had the election not been made for that year.

Enter code 112 on Schedule B under line 6 if reporting this add-back.

Qualified preferred stock add-back 113

You may have had a loss from the sale or exchange of preferred stock in:

- The Federal National Mortgage Association, established under the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 et seq.), or
- The Federal Home Loan Mortgage Corporation, established under the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 et seq.).

If you treated this as an ordinary loss under Section 301 of the Emergency Economic Stabilization Act of 2008 in the current taxable year or in an earlier taxable year, add an amount equal to the amount

of adjusted gross income that would have been computed had the loss not been treated as an ordinary loss.

Enter code 113 on Schedule B under line 6 if reporting this add-back.

Schedule C: Deductions

Line 1 – Renter’s deduction

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

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

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

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

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

You 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, and
- 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, and
- 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 \$3,000 or the amount of rent paid, whichever is less.

Example. Emily paid \$4,800 in rent on her principal place of residence, which was located in Indiana. She will claim a \$3,000 renter’s deduction.

Example. Bill paid \$400 rent for his first apartment, which was located in Indiana. He moved to another Indiana location during the year and paid \$2,800 rent for the rest of the year. His deduction will be limited to \$3,000, even though he paid \$3,200 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, see Income Tax Information Bulletin #38 at www.in.gov/dor/3650.htm

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.

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

Important: You cannot claim this deduction for property tax paid in 2010 if you are claiming the Lake County residential income tax credit on Schedule F, line 6.

How do I claim my deduction?

First, complete the information area on Schedule C, line 2. 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 2010. They sold both of their Indiana 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 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.

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 2010 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. The catch-up deduction provision allowed in previous years expired at the end of 2009 and is no longer available.

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, and you reported it on Indiana Schedule A, Section 1, lines 5A and 5B, then deduct here the amount from line 5B.

Line 4 – Interest on U.S. government obligations deduction

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

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).

For more information about this deduction see Income Tax Information Bulletin #19 at www.in.gov/dor/3650.htm

Lines 5 and 6 – Taxable Social Security and/or railroad retirement benefits deduction

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

If you have included railroad retirement benefits that are issued by the U.S. Railroad Retirement Board on Indiana Schedule A, Section 1, line 11B, deduct them on this line. Indiana does not tax this type of income.

Note: See the Railroad unemployment and sickness benefits deduction instructions on page 26 if you have received unemployment and/or sickness benefits from the Railroad Retirement Board..

Line 7 – Military service deduction

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

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

- You were at least 60 years of age by Dec. 31, 2010,
- You were receiving military retirement or survivor's benefits in 2010, 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 \$5,000, whichever is less. If both you and your spouse received military income, you may each claim the deduction for a maximum of \$10,000.

Important. If you served in the Indiana National Guard or the reserve component of the armed forces during 2010, see the National guard and reserve component members deduction on page 25.

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).

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 \$5,000 per qualifying person. For example, if you earned \$3,000 in military pay and \$1,500 in retirement pay, you can deduct only \$5,000 of your military income.

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

For more information about this deduction see Income Tax Information Bulletins #6 and #27 at www.in.gov/dor/3650.htm

Line 8 – Non-Indiana locality earnings deduction

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

Unemployment Compensation Worksheet

Note: If you were married but filing separately, and you lived with your spouse at any time during 2010, enter -0- on line 4 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 4.

Important: Do not include any unemployment compensation issued by the U.S. Railroad Retirement Board on line 2. Instead, see the instructions for the *Railroad unemployment and sickness benefits* deduction on page 26 for more information.

1. Enter the amount from Form IT-40PNR, Schedule A, line 37A	1		
2. Unemployment compensation excluded on federal return			
A. Enter unemployment compensation from Box 1 of all 1099Gs			
B. Enter unemployment compensation reported on federal Form 1040, line 19; Form 1040A, line 13; or Form 1040EZ, line 3			
C. Subtract B from A, enter result here (cannot be less than zero)	2		
3. Add lines 1 and 2	3		
4. Enter \$12,000 if single, or \$18,000 if married filing a joint return	4		
5. Subtract line 4 from line 3. If zero or less, enter -0-	5		
6. Enter the amount from Schedule B, line 5, Box A	6		
7. Enter one-half of line 5 (divide line 5 by 2)	7		
8. Subtract line 7 from line 6 (if zero or less, you are not eligible for a deduction). Carry this amount to Schedule C, line 10	8		

Example. While an Indiana resident you earned \$8,000 in Louisville, KY. Your employer withheld a Louisville city (locality) tax from your wages. 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 that the tax was paid to a locality outside Indiana 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.

Remember: You may take this deduction only if your wage income is taxed by both Indiana and a locality outside Indiana. For more information see Income Tax Information Bulletin #28 at www.in.gov/dor/3650.htm

Line 9 – Insulation deduction

You may be able to take this deduction if you installed new insulation in your Indiana home during 2010. 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* Jan. 1, 2007,
- 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, including labor, up to a maximum of \$1,000.

Important: When claiming this deduction, maintain with your records the following information (as the Department can require you to provide this information at a later date): item(s) purchased; purchase price; place of purchase; date(s) of purchase and installation; and amount paid for labor (you cannot include the cost of labor that you did yourself).

For more information about this deduction see Income Tax Information Bulletin #43 at www.in.gov/dor/3650.htm

Line 10 – Nontaxable portion of unemployment compensation

You may be eligible for a deduction if you received unemployment compensation while being an Indiana resident. Complete the worksheet on page 22 to see if you are eligible.

***Important.** Do not include any unemployment compensation issued by the U.S. Railroad Retirement Board on line 2 of the worksheet. Instead, see the instructions for the *Railroad unemployment and sickness benefits* deduction on page 26 for more information.

Line 11 – Other deductions

Each of the following deductions has been assigned a three-digit code number. When claiming the deduction on Schedule C 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-40PNR to support any claimed deduction.

Enter code 600 under line 11 if claiming this deduction.

Civil service annuity deduction 601

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be eligible to take a deduction if you were at least 62 years of age by Dec. 31, 2010.

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 U.S. 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.

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 state withholding in Box 14. Add the amounts from Box 1 of each of those W-2G's; enter total here B \$ _____

C. Exemption C \$ 1,200

D. How many 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 C under line 11 G \$ _____

The civil service annuity deduction is available only to the annuitant and is not available to the annuitant's beneficiary. For more information about this deduction see Income Tax Information Bulletin #6 at www.in.gov/dor/3650.htm

Enter code 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 Dec. 31, 2010, and
- Received disability retirement income during 2010.

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.

For more information about this deduction see Income Tax Information Bulletin #70 at www.in.gov/dor/3650.htm and Schedule IT-2440 at www.in.gov/dor/4439.htm

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 code 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. See About Enterprise Zone Credits on page 37 for a list of those cities/locations.

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 Form IT-40QEC or \$7,500, whichever is less. If you and your

spouse both have received Form IT-40QEC, you may each take this deduction for a combined maximum of \$15,000 (no more than \$7,500 per qualifying person). You must enclose Form IT-40QEC with the Form IT-40 to support any claimed deduction.

Enter code 602 under line 11 if claiming this deduction.

Human services deduction 605

The human services deduction is intended to alleviate any individual income tax burden that 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 deduction is to reduce the affected individual's adjusted gross income tax liability to zero.

*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 are 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 code 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 regardless of your residency. 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 at the top of page 24 to see if you are eligible for a deduction.

Note: While you are an Indiana resident, 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.

Indiana nonresidents must report winnings from Indiana pari-mutuel horse races and Indiana riverboats; these winnings should not be deducted from your taxable income.

Enter code 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 reported on federal Form 1040. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2010.) Write the amount you deduct as a positive figure.

Enclose Schedule A from federal Form 1045 and a completed Indiana Schedule IT-40NOL when claiming this deduction.

Also, maintain with your records a copy of the federal Form 1040 from the loss year as the Department can require you to provide this information at a later date.

Enter code 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 and on Indiana Schedule A under Section 2. The Indiana

deduction will be the actual amount of these premiums paid, minus any amount of these already reported on federal Form 1040.

Example. Sam paid \$645 in Indiana partnership long-term care premiums. He deducted \$400 of those premiums on Indiana Schedule A under Section 2. He'll be able to deduct the \$245 difference (\$645 - \$400) on Indiana Schedule C under line 11.

More information about this program is available at the following website: www.in.gov/iltcp

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

Enter code 608 under line 11 if claiming this deduction.

Law enforcement reward deduction 611

If you reported an amount you received as a reward as "other income" on Indiana Schedule A, Section 1, line 20B, you may be eligible for this deduction. If you received 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 code 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 Indiana Schedule A under Section 2.

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

Enter code 612 under line 11 if claiming this deduction.

National Guard and reserve component members deduction 621 (also see the *Military service deduction* on page 22)

There is a deduction available for certain Indiana residents who are members of the reserve components of the armed forces and the Indiana National Guard.

Who is eligible?

You must be an Indiana resident who is member of the reserve components of:

- the Army;
- the Navy;
- the Air Force;
- the Coast Guard;
- the Marine Corps;
- the Merchant Marine.

Or, a member of:

- the Indiana Army National Guard; or
- the Indiana Air National Guard.

What is eligible to be deducted?

If you are eligible (based on the above requirements), your deduction is the qualified military income* received as a result of service on involuntary orders:

- During the period you were deployed or mobilized for full-time service, or
- During the period your Indiana National Guard unit was federalized.

* Military income received due to service 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 this deduction.

What is qualified military income?

Qualified military income is military wages paid:

- to a member of a reserve component of the armed forces or the Indiana National Guard,
- for the period during the member's full-time service on involuntary orders in a reserve component of the armed forces or the period when Indiana National Guard unit was federalized.

Note: You cannot claim both this deduction and the *military service deduction* based on the same income. See the following example.

Example. Brandon is a member of the Indiana National Guard.

- From January through Oct. 15, 2010, Brandon earned \$6,000 from the guard.
- His unit was federalized on Oct. 16, 2010. He earned \$7,000 from that point through Dec. 1, 2010.
- His unit was assigned to a combat zone on Dec. 2, 2010, and he earned \$3,000 from then until the end of the year.
- Brandon's military W-2 shows \$13,000 in *Box 1, Wages, tips, other compensation* (the combat zone income is not included in Box 1 because it is not taxable).

Brandon is eligible for both Indiana military deductions. First, he will claim the \$5,000 maximum Military Service Deduction on line 7 based on the \$6,000 income earned through October 15. Then, he will claim the National Guard and Reserve Components Deduction of \$7,000 (full amount of income earned after his unit was federalized) under line 11. Note: He will not deduct the \$3,000 income earned while stationed in a combat zone because it was not taxed to begin with.

Military withholding statements must be attached to the tax return when claiming this deduction.

Enter code 621 under line 11 if claiming this deduction.

Nonresident military spouse earned income deduction 625

A spouse of a nonresident military servicemember may not owe tax to Indiana on earned income from Indiana sources. The spouse may be eligible to claim a deduction if:

- Indiana is not the military servicemember's state of domicile as reported on the servicemember's Form DD-2058;
- The military servicemember and spouse are domiciliaries of the same state;
- The military servicemember is in Indiana on military orders;
- The military servicemember's spouse is in Indiana in order to live with the servicemember, and resides at the same address; or
- The military servicemember and spouse live together in a state other than Indiana, but the servicemember's spouse works in Indiana; and
- The Indiana-source income is included on Indiana Schedule A on line 1B, 2B and/or 7B.

To claim this deduction you must enclose a completed Schedule IN-2058SP, which is available at www.in.gov/dor/4439.htm

Enter code 625 under line 11 if claiming this deduction.

Qualified patents income exemption deduction 622

Some of the income from qualified patents included in federal taxable income may be exempt from Indiana adjusted gross income tax. A qualified patent is a utility patent or a plant patent issued after Dec. 31, 2007, for an invention resulting from a development process conducted in Indiana. The term does not include a design patent. Get Income Tax Information Bulletin #104 at www.in.gov/dor/3650.htm for more information.

Enter code 622 on Schedule C under line 11 if claiming this deduction.

Railroad unemployment and sickness benefits 624

Benefits issued by the U.S. Railroad Retirement Board are not taxable to Indiana.

Deduct unemployment and/or sick pay benefits issued by the U.S. Railroad Retirement Board on this line if:

- You included these benefits as taxable income on Indiana Schedule A: Section 1, Column B, and
- You did not already deduct these benefits on Schedule C, lines 5 and/or 6.

Do not include any supplemental sick pay benefits on this line.

Make sure to keep the statements (such as Form 1099G) issued by the U.S. Railroad Retirement Board as the Department may request them at a later date.

Enter code 624 on Schedule C under line 11 if claiming this deduction.

Recovery of deductions 616

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

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, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line.

Enter code 616 under line 11 if claiming this deduction.

Solar powered roof vent or fan deduction 623

An Indiana resident may be eligible for a deduction up to \$1,000 if a solar powered roof vent or fan was installed on a building owned or leased by the individual. A *solar powered roof vent or fan* is a roof vent or fan that is powered by solar energy and used to release heat from a building.

The deduction must be claimed in the installation year, and is limited to the **smaller** of:

- One-half of the amount paid for labor and materials for the installation of a solar powered roof vent or fan, or
- \$1,000.

Important: When claiming this deduction, maintain with your records the following information (as the Department can require you to provide this information at a later date):

- The installation date(s),
- Proof of your costs for the installation of a solar powered roof vent or fan, and
- A list of the persons or corporation that supplied labor or materials for the installation of the solar powered roof vent or fan.

Enter code 623 on Schedule C under line 11 if claiming this deduction.

Schedule D: Exemptions

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

Line 1 – Exemptions

You are allowed \$1,000 for each exemption claimed on your federal return. Enter in the box on line 1 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 1 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 2 – 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, 2010, or be a full-time student who is under the age of 24 by Dec. 31, 2010.

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 5.

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 5 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 2. 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 1. 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 2.

Line 3 – 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. Place an “X” in 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 4 – 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 Form IT-40PNR, Schedule A, Section 3: Totals, line 37A, is less than \$40,000. Place an “X” in the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$500.

Sales/Use Tax Worksheet

List all purchases made during 2010 from out-of-state retailers.

Column A Description of personal property purchased from out-of-state retailer	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 Columns C	1	
2. Sales/use tax: Multiply line 1 by .07 (7%)	2	
3. Sales tax previously paid on the above items (up to 7% per item)	3	
4. Total amount due: Subtract line 3 from line 2. Carry to Form IT-40PNR, Schedule E, line 1. If the amount is negative, enter zero and put no entry on Schedule E, line 1	4	

Line 6 – Proration amount

At the top of the back of Indiana Schedule A is the Proration Section. The number in Box 21D represents the percentage of your total income being taxed by Indiana. For example, .450 means that Indiana is taxing 45 percent (.45) of your total income. Enter the amount from Box 21D on Schedule D, line 6.

Multiply the line 5 total by the amount on line 6; enter the result on line 7.

Example. If line 5 is \$1,000 and line 6 is .450, your line 7 total exemptions will be \$450. Since Indiana is taxing 45 percent (.45) of your total income, you're allowed to deduct 45 percent of your total exemptions.

See instructions for the *Proration section* on page 16 for more information.

Complete the worksheet above 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 paid up to 7 percent.

Line 2 – Household employment taxes

If, while you lived in Indiana, you paid cash wages during 2010 to an individual who is **not**

- Your spouse,
- Your child under age 21,
- Your parent, and/or
- 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.

For more information on defining an employee, see federal Publication 926, Household Employer's Tax Guide, visit www.irs.gov/formspubs or call the IRS at 1-800-829-1040.

Schedule E: Other Taxes

Line 1 – Use tax on out-of-state purchases

If, while a resident of Indiana, you made purchases 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 7 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.

If you paid cash wages over \$1,700 to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2009 or 2010 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 www.in.gov/dor/4439.htm

Line 3 – 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).

Line 4 – Recapture of Indiana’s CollegeChoice 529 education savings plan credit

You may be eligible for a credit if you made a contribution(s) to Indiana’s CollegeChoice 529 education savings plan (see instructions on page 36 for credit details). However, if you made a non-qualified withdrawal(s) from this plan, you will probably have to repay some or all of any credits previously claimed.

Withdrawals made for higher education expenses tend to be qualified withdrawals. Other withdrawals may fall under the category of “non-qualified.” For more information about withdrawals, contact the Department for Income Tax Information Bulletin #98 at www.in.gov/dor/3650.htm See Schedule IN-529R at www.in.gov/dor/4439.htm to figure any amount to be recaptured.

Schedule F: Credits

Lines 1 and 2 – Indiana state and county tax withheld

The amount of Indiana state tax withheld is usually shown on box 17 and the amount of Indiana county tax withheld is usually shown on box 19 of the W-2s.

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

You **must** attach your (and your spouse’s, if married filing jointly) W-2s, WH-18s and/or Form 1099s to your tax return to verify the amount withheld. If you had more than one job, a W-2 form for each job must be attached to the tax return so you can get credit for all Indiana state and county tax withheld.

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

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

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

Special instructions for composite filers. Additional state withholding tax may have been paid on your behalf on an Indiana business return (Form IT-20S and/or Form IT-65). If it was, then add that amount to the total amount reported on line 1, and enclose a statement to that effect from the S corporation/partnership.

A note about your W-2s. It is important that your W-2 form is readable. The income and state and county tax amounts withheld are verified on every W-2 form that comes in with your tax return. If you are not filing electronically, we encourage you to enclose the best copy available when you file.

Line 3 – Estimated tax paid for 2010

If you made estimated tax payments, enter the total paid for 2010 on this line. Also include any **extension payment** made with Form IT-9 “Extension of Time to File” for tax year 2010.

Note: Do not include on this line any estimated tax paid for tax year 2011.

Line 4 – 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, 2010,
- If married and living together at any time during the year, you must file a joint return,
- You must have been a resident of Indiana for six months or more during 2010,
- The amount on Indiana Schedule A, Section 3, line 37A must be less than \$10,000, and
- You must not have been in prison for 180 days or more in 2010.

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

Important:

- If your spouse died after Jan. 1, 2010, 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.

The deadline for claiming this credit is June 30, 2011.

The only exception to this rule is if you have a valid federal extension of time to file, Form 4868. Having a valid federal extension will allow you to claim this credit through Nov. 18, 2011. See *When should you file?* on page 8 for information about getting an extension of time to file.

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 2010, both were Indiana residents for at least six months and both of you were age 65 or older by Dec. 31, 2010, or
- Both you and your spouse met all the requirements, and your spouse died after Jan. 1, 2010.

Table A

Joint Filers Both Age 65 or Older

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

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,
- You are filing a joint return and only one was an Indiana resident for at least six months, or you are married but did not live with your spouse during 2010, are age 65 or older and are married filing separately.

Table B

Only One Person Age 65 or Older

If the income on Line 37A of Indiana Schedule A, Section 3 is:	Your Allowable Credit* is:
less than \$1,000	\$100
between \$1,000 and \$2,999.....	\$50
between \$3,000 and \$9,999.....	\$40

*Once you have located your credit on Table A or Table B, enter that amount on line 4.

Line 5 – Indiana’s earned income credit:

Schedule IN-EIC

Indiana’s earned income credit is based on your federal earned income credit. To claim the credit you must meet the following requirements:

- You must have claimed an earned income credit on your federal income tax return;
- You must have income reported on line 1 of the front page of the IT-40PNR; and
- You must complete and attach Indiana’s Schedule IN-EIC.

To figure you allowed Indiana earned income credit:

- Enter in Box A your Indiana Earned Income Credit from Schedule IN-EIC, line A-2.
- Enter in Box B the number from Schedule A, Proration Section, line 21D.
- Multiply the amount in Box A by the number in Box B. Enter the total on line 5.

Note: If the amount is less than \$1, leave line 5 blank. You are not eligible for the credit.

See Income Tax Information Bulletin #92 at www.in.gov/dor/3650.htm for additional information.

Line 6 – 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 2010 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., are not classified as earned income.

Example. Sue has \$17,000 wage income, \$300 interest income and \$7,000 pension income. Even though her total income is \$24,300, Sue will qualify for the credit because her earned income is less than \$18,600 (it 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 on Indiana Schedule C, line 2.

How do I figure my credit?

Step 1 Did you pay property tax to Lake County (Indiana) on your residence for 2010? Yes No
If yes, continue to Step 2.

If no, **STOP.** You do not qualify for 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 qualify for 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 on your Lake County residence..... **A1** \$ _____

A2 Maximum credit **A2** \$ 300

A3 Enter the **smaller** of A1 or A2. This is your credit. Enter here and on Schedule F, line 6 **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
B2 Enter your earned income from Step 2 on page 29 **B2** \$ _____
B3 Subtract B2 from B1. If answer is zero or a negative amount, **STOP**. You do not qualify for this credit) **B3** \$ _____
B4 Multiply the amount on B3 by .5 **B4** \$ _____
B5 Enter the amount of Indiana property tax you paid on your Lake County residence **B5** \$ _____
B6 Enter the **smaller** of B4 or B5. This is your credit. Enter here and on Schedule F, line 6 **B6** \$ _____

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

Line 7 – 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 that are designed to foster job creation or job retention in Indiana, and 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, visit <http://iedc.in.gov/> for additional information.

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

Line 8 – Media production expenditure credit

This credit is for qualified media production expenditures, and is available to pass-through entities, such as members of partnerships and S corporations.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information about this credit. The approved credit agreement letter from the IEDC and a computation of the credit must be enclosed with the return. Otherwise, this credit will not be allowed.

Get Commissioner's Directive #36 at www.in.gov/dor/3617.htm for additional information.

Schedule G: Offset Credits

Note: The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax liabilities. See the *Combined Limitation* areas after the instructions for line 3 (on page 33) and line 6 instructions (on page 42).

Line 1 – Credit for local taxes paid outside of Indiana

If you figured county tax on Form IT-40PNR, line 9, 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, 2010, county of residence has a rate on the Rate Conversion Chart on page 32, use the rate in Column A to figure your credit.

If your Jan. 1, 2010, county of residence does not have a rate on the Rate Conversion Chart on page 32, but the Jan. 1, 2010, county where you worked has a rate on the Rate Conversion Chart, use the rate in Column B to figure your credit.

**Important.* This year Indiana counties were allowed to adopt or increase their local income tax rates through Oct. 31, 2010. This publication was finalized before that date. This means your county tax rate on back of Schedule CT-40PNR may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list, you may:

- Log on to the Department's website at www.in.gov/dor/4388.htm
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 53 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

If Lake County adopted a tax (find out at www.in.gov/dor/4388.htm), then use the Lake County resident rate.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

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-40PNR, line 9 **C** _____

Note: See the **Combined Limitation** on page 33.

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

Rate Conversion Chart

Use this chart if you are eligible to claim a credit for local taxes paid outside of Indiana.

County	A Resident	B Nonresident
Adams	.006	.0015
Allen	.006	.0015
Bartholomew	.01	.0025
Benton	.02	.0025
Blackford	.01	.0025
Boone	.01	.0025
Brown	.0195	.0025
Carroll	.014	.0025
Cass	.013125*	.0025
Clark	.015*	.0025
Clay	.0225*	.0025
Clinton	.015	.0025
Crawford	.0075	.0025
Daviess	.0125	.0025
Dearborn	.006	.0015
Decatur	.01	.0025
DeKalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.0125	.0025
Fayette	.02	.005
Floyd	.0075	.0025
Fountain	.01	.0025
Franklin	.01	.0025
Fulton	.015	.0025
Gibson	(Cannot take credit)**	
Grant	.02*	.005*
Greene	.01	.0025
Hamilton	.01	.0025
Hancock	.0106667*	.0025
Harrison	.0075	.0025
Hendricks	.01	.0025
Henry	.01	.0025
Howard	.014	.0035
Huntington	.013625*	.0025
Jackson	.011	.0025
Jasper	.028	.0025
Jay	.019875*	.0025
Jefferson	(Cannot take credit)**	
Jennings	.01	.0025
Johnson	.01	.0025
Knox	.006	.0015
Kosciusko	.007	.00175
LaGrange	.01	.0025
Lake	NA	NA
LaPorte	.005	.0025
Lawrence	.0175*	.0025
Madison	.015*	.00375*

County	A Resident	B Nonresident
Marion	.0162	.00405
Marshall	.0125	.0025
Martin	.008	.002
Miami	.021	.00525
Monroe	.0105*	.002625*
Montgomery	.02	.005
Morgan	.0245	.0025
Newton	.01	.0025
Noble	.01	.0025
Ohio	.01	.0025
Orange	.01	.0025
Owen	.01	.0025
Parke	.018*	.0025
Perry	.005	.00125
Pike	(Cannot take credit)**	
Porter	(Cannot take credit)**	
Posey	.005*	.00125*
Pulaski	.027	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	.0135*	.003375*
Scott	.0125	.003125
Shelby	.01	.0025
Spencer	.003	.00075
Starke	.005	.0025
Steuben	.015	.0025
Sullivan	(Cannot take credit)**	
Switzerland	.01	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.0125	.0025
Vanderburgh	.01	.0025
Vermillion	(Cannot take credit)**	
Vigo	.0075	.0025
Wabash	.024	.0025
Warren	.018	.0025
Warrick	(Cannot take credit)**	
Washington	.01	.0025
Wayne	.0125	.0025
Wells	.0165	.0025
White	.01	.0025
Whitley	.01	.0025

* These rates have changed since last year.

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

NA Lake County has no county tax.

Important: You **must** enclose either 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-40PNR, line 9, and
- A local income tax that you had to pay outside Indiana.

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 following steps to figure your credit.

- A Enter your county tax rate (from Schedule CT-40PNR, Section 1 line 4, or Section 2 line 6) A _____
- B Divide line A by .15, round to 3 places, and enter result here B _____
- C Enter credit from federal Schedule R C _____
- D Multiply B times C and enter result here ... D _____
- E Enter the amount of Indiana county tax shown on Form IT-40PNR, line 9 E _____

The amount of the county credit for the elderly is the lesser of the amount on D or E. Keep a copy of your federal Schedule R as the Department may request it at a later time.

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 the amount on Line B of the worksheet is .10. Her county tax due is \$60. Melinda’s county credit for the elderly is \$55 (the lesser of [$\$550 \times .10 = \55] or \$60).

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

Line 3 – Other local credits

Both of the following credits have been assigned a three-digit code number. When claiming the credit on Schedule G 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. enhan. dist. cr.	8 0 8	3a	200
3b.	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. This credit is available to pass-through entities, such as members of partnerships and S corporations, and 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 9 of Form IT-40PNR. Also, claim any unused amount (within certain limitations) on Schedule G under line 6 (see instructions for this credit on page 36). Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information.

Note: See the **Restriction for certain tax credits - Limited to one per project** and the **Combined Limitation** below for additional limitations.

Enter code 808 under line 3 if claiming this credit.

Voluntary remediation credit 836

A voluntary remediation credit is available for qualified investments involving redevelopment of a brownfield and environmental remediation. 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 41.

Note: See the **Combined Limitation** below.

Enter code 836 under line 3 if claiming this credit.

Restriction for certain tax credits - Limited to one per project

A taxpayer may not be granted more than one credit for the same project. The credits that are included are the alternative fuel vehicle manufacturer credit, capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base investment cost credit, military base recovery credit and the venture capital investment credit.

For more information see Commissioner’s Directive #29 at www.in.gov/dor/3617.htm

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

Combined Limitation: There is one final limitation if you claim more than one credit on lines 1 through 3 of Schedule G. These credits, *when combined*, cannot be greater than the county tax shown on Form IT-40PNR line 9; if they are, adjust the amounts before you enter them. See the following *Order of Application* and examples for guidance .

Order of Application

First, use the credits which cannot be carried over and applied against your county tax in another year. These credits include the county credit for the elderly and the credit for local taxes paid outside Indiana.

Second, use any community revitalization enhancement district credit; then, use any voluntary remediation credit.

How to adjust the amount of credit to be entered (example)

Example. Megan is eligible to claim a \$100 credit for local taxes paid outside Indiana plus a \$200 voluntary remediation credit, for a \$300 total amount in offset credits. Her county tax due (IT-40PNR, line 9) is \$160. Since her combined credits are \$140 more than her county tax due, she should reduce the last entry (the \$200 voluntary remediation credit) by the \$140 difference to \$60. She will enter the full \$200 credit for local taxes paid outside Indiana on Schedule G, line 1, and the \$60 limited voluntary remediation credit on line 3a. Note: Megan may use the \$140 remaining voluntary remediation credit to offset any state tax due on this year's tax return (IT-40PNR, line 8). See additional instructions for the voluntary remediation credit on page 42.

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 the Schedule CC-40 at www.in.gov/dor/4439.htm and Income Tax Information Bulletin #14 at www.in.gov/dor/3650.htm

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

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

Note: See the **Combined Limitation** on page 42.

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 2010 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-40PNR line 8 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.

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

Group B

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

Kentucky	Michigan	Ohio
Pennsylvania	Wisconsin	

If you were an Indiana resident during 2010 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 will get some or all of the other state's taxes back by filing a refund claim with them.

If you were a full-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. **Note:** Winnings from Indiana riverboats and lotteries 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 does not withhold enough, see page 29 for Schedule F, line 3 instructions 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 only 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 California Oregon Washington D.C.

If you were an Indiana resident during 2010 and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid.

If you were a resident of a Group C state and had income from Indiana, you must file an Indiana nonresident return, figure your tax, and then claim a credit for taxes paid to other states on the Indiana nonresident return. Make sure to attach a copy of the other state's return to substantiate the 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 2010 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 **Combined Limitation** on page 42.

Line 6 – Other credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule G 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
6b. Capital investment credit	8 0 4	6b 275

About airport development zone credits

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

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 website at <http://iedc.in.gov/> 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.

For more information, and how to calculate this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/3515.htm

Note: See the **Combined Limitation** on page 42.

Note: A substitute Schedule EZ for the ADZ must be enclosed if claiming this credit.

Enter code 800 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.

For more information about this credit see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>

Note: See the **Combined Limitation** on page 42.

Enter code 801 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.

For more information on how to calculate this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule LIC at www.in.gov/dor/3515.htm Enclose a substitute Schedule LIC (as modified to reflect ADZ entries) if claiming this credit.

Note: See the **Combined Limitation** on page 42.

Enter code 802 under line 6 if claiming this credit.

Alternative fuel vehicle manufacturer credit 845

A credit is available for qualified investments made within Indiana that foster job creation, reduce dependency on foreign oil and reduce pollution.

A person that proposes a project to manufacture or assemble alternative fuel vehicles may apply to the Indiana Economic Development Corporation before the qualified investment is made. A certificate of verification from the IEDC must be enclosed when claiming the credit.

For additional information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/> Also, get Income Tax Information Bulletin #103 at www.in.gov/dor/3650.htm

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 845 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 sell blended biodiesel at retail. Pass-through entities are eligible for this credit. An approved Form BD-100 must be enclosed to verify the claimed credit.

For more information, contact the Indiana Economic Development Corporation, Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website

at <http://iedc.in.gov/> Also, see Income Tax Information Bulletin #91 at www.in.gov/dor/3650.htm for additional information.

Note: See the **Combined Limitation** on page 42.

Enter code 803 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 website at <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 804 under line 6 if claiming this credit and enclose proof of your investment.

Indiana's CollegeChoice 529 education savings plan credit 837

You may be eligible for a credit for contributions made to Indiana's CollegeChoice 529 education savings plan. While there are many 529 college savings plans available both in Indiana and nation-wide, only contributions made to this specific *CollegeChoice 529 education savings plan* are eligible for this credit.

For more information about this credit, see Income Tax Information Bulletin #98 at www.in.gov/dor/3650.htm This plan is administered through the Indiana Education Savings Authority. More information can be obtained online at www.in.gov/tos/iesa and at www.collegechoiceplan.com See Schedule IN-529 at www.in.gov/dor/4439.htm to figure your credit. This schedule must be enclosed when claiming the credit.

Note: See the **Combined Limitation** on page 42.

Enter code 837 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 enclosed 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.

Note: See the **Combined Limitation** on page 42.

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.

Enter code 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.

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

You must file an application for certification with the Indiana Economic Development Corporation (IEDC). For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at <http://iedc.in.gov/>

Also, see Income Tax Information Bulletin #99 at www.in.gov/dor/3650.htm for more information.

Note: See the **Combined Limitation** on page 42.

Enter code 806 under line 6 if claiming this credit. Enclose the certificate of compliance issued by IEDC to support this credit.

Community revitalization enhancement district credit 808

See the Schedule G 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 G, 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 website at <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 808 under line 6 if claiming this credit.

Employer health benefit plan credit 842

A credit is available to certain employers who begin offering health insurance to their employees.

An employer who did not provide health insurance to his employees prior to Jan. 1, 2008, and makes health insurance available to his

employees may be eligible for a credit. The credit can be as much as \$2,500.

Note: See the **Combined Limitation** on page 42.

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

For more information see Income Tax Information Bulletin #101 at www.in.gov/dor/3650.htm

Enter code 842 under line 6 if claiming this credit.

Energy Star heating and cooling equipment tax credit 844

For tax years beginning in 2009 through Dec. 31, 2010, there is a nonrefundable energy savings tax credit available for buying certain Energy Star heating and cooling equipment. This equipment must be rated for energy efficiency under the federal Energy Star program, and includes a furnace, a water heater, central air conditioning, a room air conditioner and a programmable thermostat.

Who may claim the credit? A single individual or a married couple who file a joint income tax return (individuals married and filing separately are not eligible to claim the credit).

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

The credit is equal to the lesser of 20 percent of the amount spent on Energy Star equipment in a taxable year, or \$100. To claim this credit you must enclose a completed Schedule IN-ESC, which is available at www.in.gov/dor/4439.htm For more information, and to read about additional limitations, see Income Tax Information Bulletin #100 at www.in.gov/dor/3650.htm

Note: The total amount of Energy Star tax credits allowed for all taxpayers in a year is limited to \$1,000,000.

Note: See the **Combined Limitation** on page 42.

Enter code 844 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
E. Chicago	Jeffersonville	River Ridge Dev. Auth.
Elkhart	Kokomo	Salem
Evansville	Lafayette	S. Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

Visit this website to look up contact information for a particular enterprise zone: www.in.gov/dor/3621.htm

In addition, see enterprise zone maps at www.in.gov/dor/3622.htm

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.
- Partnerships.
- S corporations.
- Fiduciaries.
- Pass-through entities.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at <http://iedc.in.gov/> 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.

For more information see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule EZ, Parts 1, 2 and 3 at www.in.gov/dor/3515.htm Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>

Note. Schedule EZ must be enclosed if claiming this credit.

Note. See the **Combined Limitation** on page 42.

Enter code 812 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.

For more information about this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their website at: <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 813 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.

For more information, and how to calculate this credit, get Income Tax Information Bulletin #66 at www.in.gov/dor/3650.htm and Indiana Schedule LIC at www.in.gov/dor/3515.htm **Note:** Schedule LIC must be enclosed if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/> for additional information.

Note: See the **Combined Limitation** on page 42.

Enter code 814 under line 6 if claiming this credit.

Ethanol production credit 815

An Indiana facility with a capacity to produce 40 million gallons of grain 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 enclosed to verify this credit.

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

File an 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) 232-8827, or visit their website at <http://iedc.in.gov/> for additional information. Also, see Income Tax Information Bulletin #93 at www.in.gov/dor/3650.htm for more information.

Note: See the **Combined Limitation** on page 42.

Enter code 815 under line 6 if claiming this credit.

Headquarters relocation credit 818

A business with annual worldwide revenue of \$100 million, and at least 75 employees, 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, see Income Tax Information Bulletin #97 at www.in.gov/dor/3650.htm

Note: See the **Combined Limitation** on page 42.

Enter code 818 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 and/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 their website at www.in.gov/dnr/historic and see Income Tax Information Bulletin #87 at www.in.gov/dor/3650.htm

Note: See the **Combined Limitation** on page 42.

Enter code 819 under line 6 if claiming this credit and enclose the certification from the Division of Historic Preservation and Archaeology to your return.

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 (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit the IEDC website at <http://iedc.in.gov/> or call (317) 234-4046 for additional information.

Also, see Income Tax Information Bulletin #95 at www.in.gov/dor/3650.htm for more information.

Note: See the **Restriction for Certain Tax Credits - Limited to One Per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 820 under line 6 if claiming this credit. Submit to the Department a copy of the certificate from the IEDC verifying your share of the tax credit.

Indiana's research expense credit 822

Indiana has a research expense credit that is 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 pass through the credit to their shareholders and partners. Enclose your schedule IN K-1 to support your claim.

A completed Form IT-20REC must be kept with your records as the Department can require you to provide this information. Get Form IT-20REC at www.in.gov/dor/4441.htm

Note: See the **Combined Limitation** on page 42.

Enter code 822 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 Indiana Housing and Community Development 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 enclosed with your return if claiming this credit. To request additional information about the definitions, procedures and qualifications for obtaining this credit, contact: Indiana Housing and Community Development Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777.

Note: See the **Combined Limitation** on page 42.

Keep the approval certification from IEDC or letter of assignment with your records as the Department can require you to provide this information.

Enter code 823 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 Indiana Economic Development Corporation approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment."

For additional information regarding procedures for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 824 under line 6 if claiming this credit.

Maternity home credit 825

A credit is allowed for maternity homeowners 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 maternity home application must be enclosed with your tax return before the credit can be taken.

Contact the Maternal and Child Health Division at 2 N. Meridian St. 3rd Floor, Indianapolis, IN 46204, or call (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** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 825 under line 6 if claiming this credit.

Military base investment cost credit 826

This credit is available for certain taxpayers who provide for a qualified investment in a business located in a military base, a military base reuse area, an economic development area, a military base recovery site or a military base enhancement area. 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.

For more information about this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>

You must keep documentation of the qualified investment and certification of the percentage credit allowed by the Indiana Economic Development Corporation as the Department can require you to provide this information.

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 826 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 Indiana Economic Development Corporation (IEDC).

For more information about this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 42 for additional limitations.

Enter code 827 under line 6 if claiming this credit. You must enclose approval certification from IEDC or a letter of assignment with your return.

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 enclosed to claim this credit. Pass-through entities are eligible for the credit.

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, see Form NC-10 at www.in.gov/dor/3508.htm and Income Tax Information Bulletin #22 at www.in.gov/dor/3650.htm

Note: See the **Combined Limitation** on page 42.

Enter code 828 under line 6 if claiming this credit.

New employer credit 850

A credit may be available if a business employs at least 10 new qualified employees and, after Dec. 31, 2009, the business:

- Relocates or locates its operations in Indiana;
- Incorporates in Indiana; or
- Expands its operations in Indiana.

This credit is equal to 10 percent of the wages paid to qualified employees.

For more information about this credit, contact the IEDC at One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their website at <http://iedc.in.gov> Also, see Income Tax Information Bulletin #106 at www.in.gov/dor/reference/files/ib106.pdf

Note. See the **Combined Limitation** on page 42.

Enter code 850 under line 6 if claiming this credit. Enclose certification from IEDC, credit assignment and proof of investment with your return.

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 (DOC), plus 25 percent of the wages paid to inmates.

Pass-through entities are eligible for the credit. For additional information, contact the Indiana Department of Correction, Office of the Commissioner, Indiana Government Center South, Room E334, Indianapolis, IN 46204.

Note: See the **Combined Limitation** on page 42.

Enter code 829 under line 6 if claiming this credit and enclose verification provided from the DOC.

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, see Income Tax Information Bulletin #87A at www.in.gov/dor/3650.htm. Also, contact the Department of Natural Resources, Historic Preservation and Archaeology Division, Indiana Government Center South, Room W-274, Indianapolis, IN 46204, call (317) 232-1646, or visit www.in.gov/dnr/historic

Note: See the **Combined Limitation** on page 42.

Enter code 831 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 (IEDC) 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 (317) 234-0616, or visit <http://iedc.in.gov/> for additional information.

Note: See the **Combined Limitation** on page 42.

Enter code 832 under line 6 if claiming this credit. Enclose certification from IEDC, credit assignment and proof of investment with your return.

School scholarship credit 849

A credit is available for donations to certain scholarship-granting organizations (SGOs). The amount of credit is equal to 50% of the amount of the contribution. While there are no limits to how much a donor can contribute to a qualified SGO, the entire tax credit program cannot award more than \$2.5 million in credits per state fiscal year (July 1 – June 30).

To qualify for the credit, you must make a contribution to a scholarship granting organization that is certified by the Department of Education. Visit the Indiana Department of Education's website at www.doe.in.gov/schoolscholarships for additional information.

When claiming this credit, maintain with your records a completed Schedule IN-SSC as the Department can require you to provide this information at a later date. You may get Schedule IN-SSC at www.in.gov/dor/4439.htm

Note: See the **Combined Limitation** on page 42.

Enter code 849 under line 6 if claiming this credit.

Small employer qualified wellness program credit 843

A credit is available to small employers offering a qualified wellness program to its employees. A small employer must be actively engaged in business and have at least two but not more than 100 employees. A majority of the employees must be working in Indiana.

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

A copy of the certificate issued by the State Department of Health (www.in.gov/isdh/) must be kept with your records as the Department can require you to provide this information. For more information, see Income Tax Information Bulletin #102 at www.in.gov/dor/3650.htm

Note: See the **Combined Limitation** on page 42.

Enter code 843 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 qualified position certificate must be enclosed with 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 website at www.doe.in.gov/legal

Note: See the **Combined Limitation** on page 42.

Enter code 833 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 enclose Schedule TCSP-40. Get a Schedule TCSP-40 at www.in.gov/dor/4439.htm

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 **Combined Limitation** below.

Enter code 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) 232-8827, or visit <http://iedc.in.gov/>

Note: See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** below for additional limitations.

Enter code 835 under line 6 if claiming this credit.

Voluntary remediation credit 836

See the Schedule G, line 3, instructions on page 32 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 G, 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 **Combined Limitation** below.

Enter code 836 under line 6 if claiming this credit.

Restriction for Certain Tax Credits - Limited to One per Project

A taxpayer may not be granted more than one credit for the same project. The credits that are included are the alternative fuel vehicle manufacturer credit, capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base investment cost credit, military base recovery credit and the venture capital investment credit.

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

Combined Limitation: There is one final limitation if you have more than one credit to be entered on lines 4 through 6 of Schedule G. These credits, *when combined*, cannot be greater than the state adjusted gross income tax (AGIT) shown on Form IT-40PNR line 8; if they are, adjust the amounts before you enter them. See the following *Order of Application* and examples for guidance.

Order of Application – rules to use if you have more than one offset credit

First, apply the credits which cannot be carried over and applied against your state adjusted gross income tax (AGIT) in another year. These credits include: coal combustion product credit; college credit; credit for taxes paid to other states; energy star heating and cooling equipment credit; Indiana College Choice 529 savings plan credit; neighborhood assistance credit; prison investment credit; school scholarship credit; teacher summer employment credit, and the twenty-first century scholars credit.

Next, apply the credits which may be carried over/carried back for a limited number of years and applied against your state AGIT. These credits should be claimed in the following order: claim any voluntary remediation credit first; then, claim any airport development zone employment expense credit and/or any enterprise zone employment expense credit.

Next, apply the credits which may be carried over for a limited number of years and applied against your state AGIT. These credits should be claimed in the following order: claim any venture capital investment credit first; then, claim any blended biodiesel credit; then, claim the alternative fuel vehicle manufacturer credit, headquarters relocation credit, Hoosier business investment credit and/or the new employer credit; then, claim the airport development zone loan interest credit, capital investment credit, enterprise zone loan interest credit and/or Indiana's research expense credit; then, claim the historic building rehabilitation credit and/or the residential historic rehabilitation credit.

Finally, apply the credits which may be carried forward for an indefinite period of time and applied against your state AGIT in another year. These credits include the: airport development zone investment cost credit, coal gasification technology investment credit, community revitalization enhancement district credit, employer health benefit plan credit, enterprise zone investment cost credit, ethanol production credit, individual development account credit, industrial recovery credit, maternity home credit, military base investment cost credit, military base recovery cost credit, riverboat building credit, and the small employer qualified wellness program credit.

How to adjust the amount of credit to enter (examples)

Example. Tanya is eligible to claim both a \$200 college credit and a \$300 credit for taxes paid to other states, for a \$500 total amount of offset credits. Her state adjusted gross income tax due (IT-40PNR, line 8) is \$360. Since her combined credits are \$140 more than her state tax due, she should reduce the last entry (the \$300 credit for taxes paid to other states) by the \$140 difference to \$160. She will enter the full \$200 college credit on Schedule G, line 4, and the \$160 limited credit for taxes paid to other states on line 5.

Example. Matthew has a \$500 Indiana College Choice 529 savings plan credit and a \$600 employer health benefit plan credit. His state adjusted gross income tax due (IT-40PNR, line 8) is \$700. He will report the full \$500 Indiana College Choice 529 savings plan credit on Schedule G, line 6a, and enter \$200 of the employer health benefit plan credit on line 6b. He will carry the \$400 remaining unused employer health benefit plan credit over to next year's tax return.

Schedule H

Section 1: Residency Information

Your (and spouse's) information

Tell us where you were a resident during 2010 by completing this area. Enter the 2-letter name for the other state(s) where you lived. For a list, visit the U.S. Postal Service's website at www.usps.com/ncsc/lookups/abbr_state.txt

Complete the area asking for the time period you lived in Indiana and/or other state(s). If you lived in more than one state other than Indiana, let us know where and when.

Note: If you were a resident of a foreign country during all or a part of 2010, enter the 2-letter code "OC" for other country.

In addition, indicate whether or not you filed a tax return with the state/country you were a resident of in 2010.

Schedule H

Section 2: Additional Required Information

Line 1 – Federal filing information

You must place an "X" in the "yes" or "no" box to answer the question: "Are you filing a federal income tax return for 2010?"

Line 2 – Extension of time to file information

Place an "X" in the box on line 2a if you have a valid federal extension of time to file (federal Form 4868 or Form 2350). Place an "X" in the box on line 2b if you have a valid Indiana extension of time to file, Form IT-9.

Line 3 – 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 Jan. 18, 2011, and filing your Form IT-40PNR by April 18, 2011, **or**
- Filing your Form IT-40 by March 1, 2011, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option.

Important: If you have checked the box, you **must** enclose the completed Schedule IT-2210 to support your claim.

Line 4 – Date of death

If the taxpayer and/or spouse died during 2010, 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. For example, a date of death of Jan. 9, 2010, would be entered as 01/09/2010. See instructions on page 7 for more information.

Note: If the taxpayer and/or spouse died before 2010, or after Dec. 31, 2010, but before filing his or her tax return, do not enter his/her date of death in this box.

Line 5 – Telephone and e-mail address information

If this is a joint return, both you and your spouse must sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your e-mail address if you would like us to be able to contact you by e-mail.

Personal representative information

Typically, the Department will contact you (and your spouse, if filing jointly) if there are any questions or concerns about your tax return. If you wish to allow the Department to discuss your tax return with someone else (e.g. the person who prepared it, a relative or friend, etc.), you will need to complete this area.

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

Next, enter:

- The name of the individual you are designating as your personal representative,
- That person's telephone number, and
- That person's complete address.

If you complete this area, you are authorizing the Department to be in contact with someone other than you concerning information about this tax return.

Note: If you are due a refund, it will be paid to you (and your spouse, if filing jointly) even if you designate a personal representative.

You may decide at any time to **revoke** the authorization for the Department to speak with your personal representative. You will need to provide a signed statement indicating you revoke this authorization. Include your name, Social Security number and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indpls., IN. 46206-0040.

Paid Preparer Information

Have your paid preparer complete this area (even if the paid preparer is the same individual designated as your personal representative).

The paid preparer must provide:

- The name of the firm that he/she represents,
- His/her identification number, and
- The firm's address or his/her address if self-employed.

Opt-Out Designation

There are many benefits to electronic filing, which include:

- Elimination of math errors.
- Faster refunds.
- Fast and free filing (with the state's I-File program).

Paid preparers are required to electronically file all Indiana individual income-tax returns if they prepare more than 100 tax returns annually. If you use a paid preparer and do not want your tax return to be filed electronically, you must complete a state Form IN-OPT. This form requires your signature (and your spouse's, if filing jointly), and must be maintained by your paid preparer with his or her records. Get Form IN-OPT at www.in.gov/dor/4439.htm for more information.

Make sure you keep a copy of your completed tax return, including all required enclosures, such as W-2s and schedules.

County Tax: Schedule CT-40PNR

Complete Schedule CT-40PNR if, on Jan. 1, 2010, 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, 2010, Lake County* is the only county in Indiana that does not have a county tax.

*While Lake County had not adopted a county tax by the time this booklet was printed, the county may have by year's end. See *Special Instructions for Lake County Residents* on page 46 if you lived in Lake County on Jan. 1, 2010.

County where you lived defined

The county where you lived is the county where you maintained your home on Jan. 1, 2010. If you had more than one home on this date, then your county of residence as of Jan. 1, 2010, 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 2010.

Did you move during the year?

- If you moved to another Indiana county (or out of state) after Jan. 1, 2010, the county where you lived for tax purposes will not change *until the next year*.
- If, on Jan. 1, 2010, you lived in an Indiana county that has a tax, then you will owe county tax on all of your Indiana adjusted gross income.
- If, on Jan. 1, 2010, you lived in a county (or out of state) that doesn't have a tax, then county tax will be figured on your income from your principal employment if the Indiana county where you worked on Jan. 1, 2010, has a tax (see definition in next column).

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, 2010. If you began working in another county (or out of state) after Jan. 1, 2010, the county where you worked for tax purposes *will not change until next year*.

Example. Jessie worked in Marion County, Indiana, on Jan. 1, 2010. She quit that job and began a new one in Johnson County, Indiana, on Feb. 10, 2010. She will enter the Marion County two-digit code "49" in the *County Where You Worked* box on the front of Form IT-40PNR even though she changed jobs during the year.

If you had more than one job on Jan. 1, 2010, your principal place of employment is the job where you worked the most hours and earned the most income.

If, on Jan. 1, 2010, your county of principal employment was *not* in Indiana, write county code "00" (out-of-state) in the *County Where You Worked* box on the front of Form IT-40PNR.

Exception: If you worked in any of the following states on Jan. 1, 2010, 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, 2010, you lived in an Indiana county (or out of state) that did not have a tax, but worked in an Indiana 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 46 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, 2010, you were stationed outside Indiana and your family was with you, write county code "00" (out-of-state) in all the county boxes on the front of Form IT-40PNR (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, 2010, 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, 2010, put your county of residence two-digit code number in both the Indiana County where you lived and Indiana *County Where You Worked* boxes on Form IT-40PNR. **Do not write the word "Retired," "Homemaker" or "Unemployed" over the boxes.**

Special note to married taxpayers filing a joint return

- If you lived in different counties (or out-of-state) on Jan. 1, 2010, both of you need to figure your county tax separately on Section 1.
- If both of you lived in a county (or out-of-state) on Jan. 1, 2010, that had no tax, but worked in an Indiana 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 Schedule D, line 7, except for your spouse's personal exemption, to figure your tax.*

* *Example.* On Schedule D Jack and Sue show three exemptions (\$3,000) on line 1 and one exemption (\$1,500) on line 2. The line 5 amount is \$4,500. The line 6 amount is .40. Jack can use the \$3,500 exemptions x .40 = \$1,400 to figure his county tax.

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

Where did you live?

Did you live in an Indiana county on Jan. 1, 2010, 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 an Indiana county on Jan. 1, 2010, 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 7 of Form IT-40PNR.

If you are filing a joint return and you both lived in the same county on Jan. 1, 2010, enter in Column A the state taxable income from line 7 of Form IT-40PNR. Leave Column B blank.

Example. On Jan. 1, 2010, Jack and Diane lived in the same Indiana county, and that county has a tax. They'll enter their Form IT-40PNR, line 7 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, 2010, or if Lake County adopted a tax and you lived in different Lake County cities or towns on Jan. 1, 2010*, enter each person's share of state taxable income from Form IT-40PNR, line 7, in the appropriate columns.

* Lake County residents should see the *Special instructions for Lake County residents* on page 47 for more information.

Example. Simon and Tina married in 2010 and are filing a joint return. On Jan. 1, 2010, Simon lived in Greene County (Indiana) and Tina lived in Clay County (Indiana). Their federal adjusted gross income is \$55,400. Their Form IT-40PNR line 7 income of \$29,301 includes the following breakdown:

Simon: \$20,000 wages
+ 200 (1/2 joint interest income)
- 736 exemption*
\$19,464 income for CT-40PNR Section 1, line 1 Column A

Tina: \$10,000 wages
+ 200 (1/2 joint interest income)
- 362 exemption*
\$ 9,838 income for CT-40PNR Section 1, line 1 Column B

* *Exemptions.* Schedule D line 7 is \$2,000 x .549 = \$1,098. A total of two-thirds or (.67) of the \$30,400 Indiana income is Simon's, and one-third or (.33) is Tina's. Therefore, .67 x \$1,098 = \$736 exemption for Simon, and .33 x \$1,098 = \$362 exemption for Tina.

Example. The circumstances are the same as the example above except Tina lived in Lake County (Indiana), which does not have a county tax. Simon would still enter his \$19,464 share of the Form IT-40PNR line 7 amount on CT-40PNR, 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 C, 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.

Line 4 – Find your county on the County Income Tax Chart located on the back of Schedule CT-40PNR*. Find the rate from the Resident Rate column and enter it here.

* **Important.** This year Indiana counties were allowed to adopt or increase their local income tax rates through Oct. 31, 2010. This publication was finalized before that date. This means your county tax rate located on the back of Schedule CT-40PNR may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list you may:

- Log on to the Department's website at www.in.gov/dor/4388.htm
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 53 for these locations.
- Call our main tax line at (317) 232-2240, Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

Line 6 – Add the amounts from line 5, Columns A and B. If you were a Perry County (Indiana) 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-40PNR, line 9.

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

Complete Section 2 if, on Jan. 1, 2010, you were a non-Indiana resident and you worked in an Indiana county that has a county tax, or a resident of Lake County (Indiana), and Lake County did not adopt a tax.¹

¹If you worked in Lake County, Indiana, see *Special instructions for Lake County residents* on page 47 for more information.

Line 1 – Enter your principal employment income that is included on Indiana Schedule A, Section 1, Column B* (if you are a resident of a reciprocal state, see **Reciprocal state residents** in the next column). 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 nonbusiness interest and dividends, pension, capital gains, farm rental, unemployment compensation, 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 2010, Jake received income from the following sources (included on Indiana Schedule A, Section 1, Column B):

\$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.

***Exception.** A spouse of a nonresident military servicemember who claims the *nonresident military spouse earned income deduction* on Schedule C, line 11, will not owe county tax on that income.

Example. Jo Anne and her husband are Illinois residents, and live there. Her husband is in the military, and is stationed in Indiana. She has an Indiana job. Jo Anne reported her \$25,000 Indiana-source wage income on Schedule A, lines 2A and 2B. She reported the \$25,000 as a *military spouse earned income deduction* on Schedule C, line 11. That \$25,000 income is not subject to Indiana county tax. She will not enter it on Schedule CT-40PNR, Section 2, line 1B.

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

Example. Sarah had two full-time jobs in Indiana 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 per week) as his principal employment income.

Reciprocal state residents (see instructions on page 8) with Indiana-source income from wages, tips or other compensation may owe county tax on that income even though it's not taxed on Schedule A, Section 1, Column B.

Example. Fred and Deanna are full-year Michigan residents. Deanna earned \$25,000 wage income from an Elkhart, Indiana employer, which is the county where she worked on Jan. 1, 2010. Fred received \$10,000 winnings from an Indiana riverboat. Fred's gambling income is subject to Indiana state tax (he will report it on Schedule A, line 20, Column B); however, his winnings are not subject to Indiana county tax (he lived and worked in Michigan on Jan. 1, 2010).

Conversely, while Deanna's wage income is not subject to Indiana adjusted gross income tax, it is subject to county tax. Enter her wage income on CT-40PNR, line 1B. **Note:** See the exception under line 4 on page 47.

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

Allowable deductions from your Indiana Schedule C can include:

- airport development zone employee deduction
- enterprise zone employee deduction
- active military pay deduction
- National Guard and reserve component member's deduction
- (Indiana) medical savings account deduction

Allowable deductions claimed on Indiana Schedule A, Section 2, Column B can include:

- educator expense
- 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
- Archer MSA deduction.

Note: Do not include any 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 Indiana Schedule A, Column B.

Example. Ann's Indiana income was \$21,000 in wage income, which she reported on line 1. She claimed a \$2,000 IRA deduction on Indiana Schedule A, Section 2, line 31B. She should claim the \$2,000 IRA deduction on line 2.

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 an Indiana 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 is 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 Schedule D, line 7. If you are filing a joint tax return, enter your exemption(s) (personal, over 65 and/or blind) included on Schedule D, line 7.

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 the total reported on Schedule D, line 7.

Example. On Schedule D Jack and Sue show three exemptions (\$3,000) on line 1 and one exemption (\$1,500) on line 2. The line 5 amount is \$4,500. The line 6 amount is .40. Jack may use \$3,500 exemptions x .40 = \$1,400 to figure his county tax.

Exception. Reciprocal state residents (see instructions on pages 8 and 45) with Indiana-source income from wages, tips or other compensation may use some or all of the exemptions from Schedule D, line 7. A single (or married filing separately) filer should use the full amount from line 7 minus the spouses' \$1,000 personal exemption.

Line 6 – Find your county on the County Income Tax Chart the back of Schedule CT-40PNR. Find the rate from the Nonresident Rate column (the second column of rates over) and enter it here.

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

Special instructions for Lake County residents

If you and /or your spouse lived in Lake County on Jan. 1, 2010, then read the following instructions.

For the 2010 tax year, Indiana counties were allowed to adopt or increase their county tax rates through Oct. 31, 2010. This publication was printed before that date. This means that even though no tax rates are listed with Lake County on the back of Schedule CT-40PNR, the county may have adopted a local income tax before the end of the year.

To determine if Lake County did adopt a local income tax, you must contact us to get an updated list of the rates before filing. To get the updated list you may:

- Log on to the Department's website at www.in.gov/dor/4388.htm
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 53 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

If you find that Lake County did not adopt a tax (no resident or nonresident rates will be on the updated chart), skip the following information. Return to **Section 2: Line-by-line instructions** on page 46 to see if you owe tax to another county.

If you find that Lake County has adopted a county tax (resident and nonresident rates will be on the updated chart), you'll have to:

- complete Section 1 of Schedule CT-40PNR, and
- enter information about where you lived.

If you lived in one of the following Lake County cities or towns on Jan. 1, 2010, enter the 4-digit code number associated with that location on Schedule CT-40PNR. If you did not live within the city or town limits, or lived in another Lake County community not on the list, enter the 4-digit code number 4599.

Lake County Cities and Towns Chart

4504	Cedar Lake	4529	Lowell
4506	Crown Point	4530	Merrillville
4511	Dyer	4531	Munster
4512	East Chicago	4532	New Chicago
4513	Gary	4540	Schererville
4515	Griffith	4541	Schneider
4516	Hammond	4546	St. John
4518	Highland	4549	Whiting
4519	Hobart	4550	Winfield
4524	Lake Station	4599	Other Lake County Community

See county tax instructions beginning on page 44 for help in figuring your county tax.

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 Corporation Number and Name	Dearborn	Gibson	Huntington
Adams	1560 Sunman-Dearborn Comm	2725 East Gibson Sch Corp	3625 Huntington Co Comm
0015 Adams Central Comm	1600 South Dearborn Comm	2735 North Gibson Sch Corp	Jackson
0025 North Adams Community	1620 Lawrenceburg Comm	2765 South Gibson Sch Corp	3640 Medora Community
0035 South Adams Schools	Decatur		3675 Seymour Community
Allen	1655 Decatur Co Community	Grant	3695 Brownstown Central Comm
0125 M.S.D. Southwest Allen Co	1730 Greensburg Community	2815 Eastbrook Community	3710 Crothersville Community
0225 Northwest Allen County	DeKalb	2825 Madison-Grant United	Jasper
0235 Fort Wayne Community	1805 DeKalb County Eastern	2855 Mississinewa Community	3785 Kankakee Valley
0255 East Allen County	Community Sch Dist	2865 Marion Community	3815 Rensselaer Central
Bartholomew	1820 Garrett-Keyser-Butler	5625 Oak Hill United	6630 West Central Sch Corp
0365 Bartholomew Consolidated	Community	Greene	8535 Tri-County Sch Corp
0370 Flatrock-Hawcreek	1835 DeKalb County Central	2920 Bloomfield School District	Jay
4215 Edinburgh Community	United Sch Dist	2940 Eastern School District	3945 Jay Sch Corp
Benton	7610 Hamilton Community	2950 Linton-Stockton Sch Corp	Jefferson
0395 Benton Community	Delaware	2960 MSD Shakamak Schools	3995 Madison Consolidated
5995 South Newton	1875 Delaware Community	2980 White River Valley School	4000 Southwestern Jefferson
8535 TriCounty	Harrison-Washington	District	Consolidated
Blackford	1885 Community Sch Corp	Hamilton	Jennings
0515 Blackford Community	1895 Liberty-Perry Community	3005 Hamilton Southeastern	4015 Jennings County Schools
Boone	1900 Cowan Comm Sch Corp	3025 Hamilton Heights Sch Corp	Johnson
0615 Western Boone County	1910 York Town Community	3030 Westfield-Washington Schools	4145 Clark-Pleasant Comm
0630 Zionsville Community Schools	School District	3055 Marion-Adams Schools	4205 Center Grove Community
0665 Lebanon Community Sch Corp	1940 Daleville Community Schools	3060 Carmel Clay Schools	4215 Edinburgh Community
3055 Marion-Adams	1970 Muncie Community Schools	3070 Noblesville Schools	4225 Franklin Community
Brown	Dubois	Hancock	4245 Greenwood Community
0670 Brown County Sch Corp	2040 Northeast Dubois County	3115 Southern Hancock Co	4255 Nineveh-Hensley-Jackson
Boone	2100 Southeast Dubois County	Community Sch Corp	United
0615 Western Boone County	2110 Southwest Dubois County	3125 Greenfield Central Comm	Knox
0630 Zionsville Community Schools	2120 Greater Jasper Consolidated	3135 Mt Vernon Community	4315 North Knox Sch Corp
0665 Lebanon Community Sch Corp	Elkhart	3145 Eastern Hancock County	4325 South Knox Sch Corp
3055 Marion-Adams	2155 Fairfield Comm Schools	Community Sch Corp	4335 Vincennes Community
Brown	2260 Baugo Community Schools	Harrison	Kosciusko
0670 Brown County Sch Corp	2270 Concord Community Schools	3160 Lanesville Community	4345 Wawasee Community
Carroll	2275 Middlebury Community Schools	3180 North Harrison Comm	4415 Warsaw Community
0750 Carroll Consolidated Sch Corp	2285 Wa-Nee Community Schools	3190 South Harrison Comm	4445 Tippecanoe Valley
0755 Delphi Community Sch Corp	2305 Elkhart Community Schools	1300 Crawford Co Community	4455 Whitko Community
1180 Rossville Consolidated	2315 Goshen Community Schools	Hendricks	2285 Wa-Nee Community
8565 Twin Lakes Sch Corp	Fayette	3295 North West Hendricks	5495 Triton Sch Corp
Cass	2395 Fayette County Sch Corp	3305 Brownsburg Community	LaGrange
0815 Southeastern Sch Corp	Floyd	3315 Avon Community Sch Corp	4515 Prairie Heights Comm
0875 Logansport Community	2400 New Albany-Floyd	3325 Danville Community	4525 Westview Sch Corp
0775 Pioneer Regional Sch Corp	County Consolidated Sch Corp	3330 Plainfield Community	4535 Lakeland Sch Corp
2650 Caston Sch Corp	Fountain	3335 Mill Creek Community	Lake
Clark	2435 Attica Consolidated Sch Corp	Henry	4580 Hanover Community
0940 West Clark Community	2440 Covington Community	3405 Blue River Valley Schools	4590 River Forest Community
1000 Clarksville Community	2455 Southeast Fountain	3415 South Henry Sch Corp	4600 Merrillville Comm Schls
1010 Greater Clark County	Franklin	3435 Shenandoah School Corp	4615 Lake Central Sch Corp
Clay	2475 Franklin Co Community	3445 New Castle Community	4645 Tri Creek Sch Corp
1125 Clay Community Schools	6895 Batesville Community	3455 C A Beard Memorial Sch Corp	4650 Lake Ridge Schools
2960 MSD Shakamak Schools	7950 Union County	6795 Union Sch Corp	4660 Crown Point Community
Clinton	Fulton	8305 Nettle Creek Sch Corp	4670 School City of East Chicago
1150 Clinton Central Sch Corp	2645 Rochester Community	Howard	4680 Lake Station Community
1160 Clinton Prairie Sch Corp	2650 Caston Sch Corp	3460 Taylor Community	4690 Gary Community Sch Corp
1170 Frankfort Community	4445 Tippecanoe Valley	3470 Northwestern Sch Corp	4700 Griffith Public Schools
1180 Rossville Consolidated	5455 Culver Community	3480 Eastern Howard Comm	4710 School City of Hammond
Crawford	6620 Eastern Pulaski	3490 Western Sch Corp	4720 School Town of Highland
1300 Crawford Co. Community	Daviess	3500 Kokomo-Center Township	4730 School City of Hobart
Daviess	1315 Barr-Reeve Community	Consolidated	4740 School Town of Munster
1375 North Daviess Comm Sch	1405 Washington Community		4760 Whiting School City

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

Tippecanoe

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

Tipton

7935 Tri-Central Sch Corp
 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

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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

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, Ste. B
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.**



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

Notes

Notes

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



This 2010 IT-40PNR booklet contains:

- **Form IT-40PNR and Instructions**
- Schedule A Sections 1, 2 and 3
- Schedule B Add-Backs
- Schedule C Deductions
- Schedule D Exemptions
- Schedule E Other Taxes
- Schedule F Credits
- Schedule G Offset Credits
- Schedule H Sections 1 & 2
- Schedule CT-40PNR, County Tax with tax rates
- Schedule IN-EIC, Earned Income Credit
- Form ES-40 Estimated Tax
- Mailing Envelope

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 750 nongame and endangered wildlife species in Indiana. 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 you. 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 17 of the IT-40. To make a direct donation, you can also complete the form to the right 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/



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**

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