

Income Tax Return. If you received any other type of income from Indiana, you must file Form IT-40PNR.

Full-Year Residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax Return, **or** Form IT-40EZ for Full-Year Indiana Resident Filers with No Dependents (see **What form do I file?** area on page 2 to see if you qualify to file Form IT-40EZ).

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

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

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

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

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

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

Deceased Taxpayers

The executor, administrator, or surviving spouse must file a tax return for someone who died during 1998 if:

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

Indiana County 2-Digit Code Number Chart

Use the chart below to find the 2-digit county code number to fill in at the top of Form IT-40PNR. You will need to find the code number for the county(s) where you lived and worked on January 1, 1998. If you worked at home or were retired on January 1, 1998, enter the county number where you lived in both boxes. **Important:** If you worked outside Indiana on January 1, 1998, enter code # **00 unless** you worked in any of the following states: Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin. See the 2-digit code numbers for those states in the box following Whitley County below.

2-Digit County Code Number

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

c) the deceased was a nonresident and had gross income from Indiana.

You must attach a copy of the death certificate to the tax return to verify the date of death. Make sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on the back of the IT-40PNR. For example, a date of death of January 9, 1998, would be entered as 01/09/1998. **Note:** The date of death should not be entered here if the individual died *after* December 31, 1998, but *before* filing the tax return. The date of death information will be shown on the individual's 1999 tax return.

Signing the decedent's tax return

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

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

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

Military Personnel

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

If you changed your legal residence (military home of record) during 1998, you are a part-year resident and should file Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return. You also must attach a copy of Military Form DD2058 to the tax return. As an Indiana part-year resident, you will be taxed on the income earned while you were a resident of Indiana, plus any other income from Indiana sources.

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

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

Refer to the instructions on page 16 for an explanation of county of residence for military personnel.

When To File

The due date for filing your tax return is April 15, 1999. However, you may file as early as January 1, 1999. Your tax return must be postmarked by April 15th to be considered timely filed.

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

Penalties For Late Payments

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

Extensions

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

If you can't meet the filing deadline and expect to owe tax with your return, you should apply for an automatic extension. The extension allows additional time to complete and file your income tax return; however, the extension does not provide additional time to pay the amount of tax owed. To make the extension valid, you must pay at least 90% of the tax due (Form IT-40PNR, line 30) by April 15, 1999.

There are two ways to get an extension for filing your Indiana tax return. One way is to file Indiana's extension Form IT-9 by April 15, 1999. This extends the filing date to June 15, 1999. Remember, you must pay at least 90% of the tax due for the extension to be valid. A copy of Form IT-9 is on page 32.

Indiana also recognizes valid federal extension dates plus 30 days. So, if you file for a federal extension, simply attach a copy of the Federal Form 4868 to your Indiana return when filing. Again, 90% of the tax due must still be paid by April 15, 1999.

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

Nonresidency and Income Taxable to Indiana

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

Indiana income includes income from the following sources:

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

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

Reciprocal States: Special Instructions

If you were a resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and you received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this was the only type of income you earned from Indiana, you should file *Form IT-40RNR*, Reciprocal Nonresident Indiana Individual Income Tax Return. See the "Need Tax Forms ...?" section on page 3 for options. (Remember, Illinois is no longer a reciprocal agreement state.)

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

Indiana Schedule A

Sections 1, 2 and 3 Instructions

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

General Information

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

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

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

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

Unless otherwise stated:

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

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

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

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

Lines 3 and 4 — Interest and Dividend Income

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

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

Line 5 — Taxable Refunds, Credits or Offsets

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

Line 6 — Alimony Received

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

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

Line 7 — Business Income or Loss

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

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

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

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

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

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

Example: Jessica had a \$4,000 long term capital loss while living in Indiana from January 1, 1998 through September 30, 1998. She moved to Utah on October 1, and lived there the rest of the year. She realized a \$5,000 long term capital gain while she was a resident of Utah. She reported \$1,000 capital gain income on her federal Form 1040, line 13. She will report a \$3,000 loss to Indiana. The remaining \$1,000 loss will be available for her 1999 Indiana nonresident income tax return.

Line 9 — Other Gains or Losses from Form 4797

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

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

Line 10 — IRA Distributions

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

Line 11 — Pensions and Annuities

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

Line 12 — Net Rent or Royalty Income or Loss

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

Enter in Column B the net royalty income/loss:

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

Enter in Column B the net rental income/loss:

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

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

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

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

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

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

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

Line 16 — Farm Income or Loss

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

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

Line 17 — Unemployment Compensation

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

Line 18 — Social Security and Railroad Retirement Benefits

Enter in Column A the portion of social security and/or railroad retirement benefits that are taxed on your federal Form 1040, lines 16b and/or 20b, or Form 1040A, lines 11b and/or 13b. Enter in Column B the portion received while you were an Indiana resident.

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

Line 19 — Indiana Apportioned Income

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

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

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

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

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

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

Line 20 — Other Income

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

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

Line 21 — Total Income

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

Proration Section

The purpose of this section is to compare the Indiana Schedule A, Section 1, line 21A income taxed on your federal return to the line 21B income taxed by Indiana. To do this, divide the line 21B Indiana income by the line 21A total income. Enter the result here and on line 8 on the front of Form IT-40PNR.

Note: If line 21B is a loss, enter zero (0) in Box 8C and on line 8 on the IT-40PNR. If line 21A is a loss, and line 21B is a positive amount, enter 1.00 (100%) in Box 8C and on line 8 on the IT-40PNR.

Line 23 — Tax Add-Back

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

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

Note: The state income tax, local real estate and/or personal property taxes deducted on your federal return may be based on taxes paid outside Indiana. Regardless of where these taxes were

paid, they must be added back to the extent the income from which they were deducted is being taxed in Column B. Also, note that income, losses and/or expenses from various other schedules and forms may flow through to federal Schedule C, E and F. For example, partnership income from federal Schedule K-1 (Form 1065) is included on federal Schedule E, while expenses from federal Form 8829 are included on federal Schedule C. Make sure to check those forms and schedules to see if they also include deductions for any state income tax, local real estate and/or personal property taxes that must be added back here.

Line 24 — Lump Sum Distribution

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

Indiana Schedule A, Section 2

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

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

Unless otherwise stated:

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

Line 26 — Individual Retirement Account Deductions

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

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

Line 27 — Student Loan Interest Deduction

Enter in Column A the student loan interest deduction reported on your Federal Form 1040, line 24 or Form 1040A, line 16. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 28 — Medical Savings Account Deduction

Enter in Column A the medical savings account deduction reported on your federal Form 1040, line 25. Figure the amount to be reported in Column B by using the same steps outlined in the line 26 instructions above applied towards your full deduction.

Line 29 — 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.

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

Line 30 — Self-Employment Tax Deduction

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

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

Line 31 — Self-Employed Health Insurance Deduction

If you are eligible to take this adjustment on your federal Form 1040, line 28, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction on this line. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self employment income, certain income from partnerships and/or S corporations. To figure your adjustment for Column B use the formula below:

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

Line 32 — Payments to Keogh Plans and Self-Employed Retirement Plans

Enter in Column A the Keogh deduction reported on your federal Form 1040, line 29. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to a qualified self-employment retirement plan to the extent allowed in arriving at your federal adjusted gross income. If you have self-employment income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A between the other states and Indiana. Therefore, the allowable Indiana adjustment to be reported in Column B is limited to the percent of your federal adjustment which your Indiana self-employment income bears to your total self-employment income. Use the formula below:

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

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

Line 33 — Penalty on Early Withdrawal of Savings

Enter in Column A the penalty on early withdrawal of savings reported on your federal Form 1040, 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 34 — 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.

Important: Also enter on this line any other deductions claimed on your federal Form 1040, line 31a, and provide supporting documentation. For example, enter any adjustment claimed for scholarship and fellowship grants excluded on federal Form 1040NR, line 30. Cross out alimony and write the type of deduction being claimed. Enter in Column B the portion excluded while being an Indiana resident, and attach a copy of your 1040 and 1040NR. Do not claim itemized deductions on this line.

Section 3: Totals

Line 36A — Column A Total

Subtract line 35A from line 25 A and enter total here.

Line 36B — Column B Total

Subtract line 35B from line 25B. Enter total here and on the front of form IT-40PNR, line 1.

Indiana Deductions Schedule D

Line 1 - Renter's Deduction

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

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

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

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

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

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

How do I report my deduction? First, complete the information with details about where you rented, who your landlord was, how many months you rented and how much rent you paid. If you moved during the year or had more than one landlord, you must list the same information for each place in Indiana that you rented. Attach additional sheets if necessary. Then enter on line 1 the

Schedule D: Indiana Deductions cont'd...

lesser of the total amount of rent paid *or* \$1,500 (e.g. Bill paid \$400 rent and then moved to another location and paid \$1,300 rent. His deduction will be limited to \$1,500 even though he paid \$1,700 altogether).

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

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

Line 2 - State Tax Refund Reported on Federal Return

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

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

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

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

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

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

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

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

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

Line 6 - Military Service Deduction

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

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

- a) you were at least 60 years of age by December 31, 1998;
- b) you were receiving military retirement or survivor's benefits in 1998; and
- c) the total benefits received as retirement income were reported on your federal return.

This deduction is equal to the actual amount of military income received (i.e. military pay, retirement pay, and/or survivor's benefits) or \$2,000, whichever is *less*. If you and your spouse received military income, you may each claim the deduction for a maximum of \$4,000. For more information about this deduction, contact the Department to get Income Tax Information Bulletins #6 and #27.

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

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

Line 7 - Non-Indiana Locality Earnings Deduction

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

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

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

You must attach proof the tax was paid to a locality outside Indiana to be allowed this deduction. A W-2 form is sufficient proof as long as the W-2 form shows an amount and the locality where the tax was paid. The name of the locality is usually found in box 19, Locality Name, of the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid. **Remember:** You may take this deduction only if your wage income is taxed by both Indiana and a locality outside Indiana.

Line 8 - Insulation Deduction

If you installed new insulation, weather stripping, double pane windows, storm doors or storm windows in your Indiana home during 1998, you may be able to take the insulation deduction. To take the insulation deduction the following requirements must be met:

- a) the insulating items must have been installed in your principal place of residence located in Indiana;
- b) the part of your home where the insulating items were installed must have been built *before* January 1, 1995;
- c) the insulating items must be an *upgrade* and not a replacement **or** like-kind item (e.g., replacing a double pane window with a new double pane window won't qualify, but replacing a double pane window with a triple pane window will qualify); and
- d) the deduction must be taken in the year the insulating items were installed.

Schedule D: Indiana Deductions cont'd...

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

When claiming the deduction attach a separate sheet stating:

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

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

Line 9 - Disability Retirement Deduction

To take this deduction you must have:

- a) been permanently and totally disabled at the time of retirement;
- b) retired on disability before December 31, 1998;
- c) been under the age of 65 at the end of 1998; and
- d) received disability retirement income during 1998.

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

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

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

Line 10 - Civil Service Annuity Deduction

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be able to take a deduction *if* you were at least 62 years of age by December 31, 1998.

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

For example, if your civil service annuity for 1998 was \$6,000, and you received social security benefits of \$1,200, your deduction would be figured in the following manner:

Lesser of the amount of the annuity (\$6,000) or \$2,000	\$2,000
Social security benefits	<u>- 1,200</u>
Allowable deduction	\$ 800

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

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

Line 11 - Nontaxable Portion of Unemployment Compensation

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

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

Line 12 - Indiana State Lottery Winnings

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

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

Unemployment Compensation Worksheet

Note: If you were married but filing separately, and you lived with your spouse at any time during 1998, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter \$12,000 on line 3.

1. Unemployment compensation reported on Indiana Schedule A, Section 1 line 17B	1		
2. Federal adjusted gross income from Form 1040, line 33, Form 1040A, line 18, or Form 1040EZ, line 4	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return	3		
4. Subtract line 3 from line 2. If zero or less, enter -0-	4		
5. Enter one-half (1/2) of the amount on line 4	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6		
7. Subtract line 6 from line 1. Carry this amount to Schedule D, line 11.....	7		

Schedule D: Indiana Deductions cont'd...

Line 13 - Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040, line 21. (This will be a net operating loss deduction from an earlier year(s) carried forward to 1998.) State the amount you are deducting as a positive figure. Attach the following copies to your state tax return:

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

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

Line 14 - Enterprise Zone Employees

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

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

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

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

The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. **Form IT-40QEC must be attached to the Form IT-40PNR.** For additional information about this deduction, contact the Department for Income Tax Information Bulletin #66.

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

Line 15 - Recovery of Deductions

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

Indiana **does not** allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your 1998 federal Form 1040, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line.

Line 16 - Earned Income Tax Deduction

You may be eligible to claim an earned income tax deduction if your income on Indiana Schedule A, Section 1, line 35A is less than \$12,000. Complete the worksheet on page 15 to see if you meet the qualifications and to figure the deduction.

Line 17 - Other Deductions

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

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

Medical Savings Account Deduction

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

Note: You are not eligible to claim this deduction if you are claiming a medical savings account adjustment on IT-40PNR Schedule A, Section 2, line 28B.

Human Services Tax Deduction

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

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

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

Law Enforcement Reward Deduction

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

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

Airport Development Zone Deduction

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

Your *employer* will provide you with Form IT-40QEC if you're eligible to claim this deduction. The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. Form IT-40QEC must be attached to the Form IT-40PNR.

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

Indiana Exemptions: Lines 4 - 9

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

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

Line 4 - Exemptions

You are allowed a \$1,000 exemption on your Indiana tax return for each exemption claimed on your federal return. Enter the total number of federal exemptions claimed in the space provided.

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

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

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

Line 5 - Additional Exemption for Dependent Child

An additional exemption of \$500 is allowed for certain dependent children you are eligible to claim as exemptions on your federal income tax return. Carefully read the following *Dependent Child Definition* to see if you are eligible to claim this additional exemption.

Earned Income Tax Deduction Worksheet

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

Step 1 Enter the amount from Indiana Schedule A, Section 3, line 35A plus lines 23B and 24B (if less than zero, enter zero) **A** _____
 Is this less than \$12,000?
 No Stop. You don't get this deduction.
 Yes Multiply the line A amount by 80% (.80) and enter total here **B** _____
 Go on to Step 2.

Step 2 Do you have a child who:

- is your child, stepchild or foster child? Yes No
- lived with you in Indiana for more than one-half of 1998? Yes No
- is dependent on you for more than one-half of his/her support? Yes No
- was under the age of 19 as of December 31, 1998? Yes No
- was not married on December 31, 1998? Yes No

If you answered No to ANY of the questions, Stop. You don't get this deduction.
 If you answered Yes to ALL of the questions, go on to Step 3.

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

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

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

*Net earnings from self-employment is defined as 1) the income from a trade or business less deductions from that trade or business, and/or 2) the share of ordinary net income or loss from a trade or business carried on by a partnership of which you are a member.

Exemptions cont'd...

Dependent Child Definition: The dependent child must be a son, stepson, daughter, stepdaughter, and/or foster child who is your child (and/or your spouse's child if filing a joint return). They must be either under the age of 19 by December 31, 1998, or be a full-time student who is under the age of 24 by December 31, 1998.

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

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

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

Line 6 - Age 65 or Older or Blind

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

Line 8 - Proration Amount

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

Line 9 - Total Exemptions

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

County Tax: Schedule CT-40PNR Instructions

If, on January 1, 1998, you and your spouse (if filing a joint return) lived and/or worked in an Indiana county that has a tax, you must complete Schedule CT-40PNR to figure your county tax.

A county has a tax if it has tax rates next to its name on the chart on page 19. Note: If the county on the chart has the initials "NA" in the rate columns, it doesn't have a county tax. It is listed for the 2-digit county code number only.

County of Residence Defined

Your county of residence is the county where you maintained your home on January 1, 1998. If you had more than one home on this date, then your county of residence as of January 1, 1998, was:

- a) where you were registered to vote. If this did not apply, then your county of residence was;
- b) where your personal automobile was registered. If this did not apply, then your county of residence was;
- c) where you spent the majority of your time during 1998.

If you moved to another Indiana county (or out-of-state) after January 1, 1998, your county of residence for tax purposes will not change until next year.

- If, on January 1, 1998, you lived in an Indiana county having a tax, then you will owe county tax on all of your Indiana adjusted gross income.
- If, on January 1, 1998, you lived in an Indiana county having no tax, then county tax will be figured on your income from your principal employment if the county where you worked on January 1, 1998, has a tax (see definition below).

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on January 1, 1998. If you began working in another county after January 1, 1998, the county where you worked for tax purposes *will not change until next year*. If you had more than one job on January 1, 1998, your principal place of employment is the job where you worked the most hours and earned the most income.

Example 1 - Jessie worked in Marion County, Indiana on January 1, 1998. She quit that job and began a new one in another state on February 10, 1998. She will enter the Marion County 2-digit code (49) as the county where she worked even though she changed jobs (and states) during the year.

If, on January 1, 1998, your county of principal employment was *not* in Indiana, write county code "00" (out-of-state)* in the *County Where You Worked* box.

*Exception: If you lived or worked in any of the following states on January 1, 1998, enter their 2-digit code number (instead of 00):

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

Principal Employment Income

You must figure your principal employment income only if, on January 1, 1998, you *lived* in a county not having a tax (or lived out-of-state), but *worked* in an Indiana county that *did* have a tax. Your principal employment income is income you earned from your Indiana main work activity (job) for the entire year. See instructions for Section 2, line 1 on page 18 for more information.

Military Personnel

If Indiana is your home of record and you were stationed in Indiana, your county of residence is the county where you lived on January

1998 Indiana County Income Tax Rates and County Codes

County Code	County Name	Resident Rate	Nonresident Rate
01	Adams	.008	.0035
02	Allen	.009	.0045
03	Bartholomew	.01	.0025
04	Benton	.0125	.005
05	Blackford	.0125	.005
06	Boone	.01	.0025
07	Brown	.0125	.005
08	Carroll	.011	.0035
09	Cass	.0125	.005
10	Clark	NA	NA
11	Clay	.01	.0025
12	Clinton	.0125	.005
13	Crawford	.01	.005
14	Daviess	.01	.0025
15	Dearborn	.006	.0015
16	Decatur	.0125	.005
17	DeKalb	.0125	.005
18	Delaware	.008	.0035
19	Dubois	.01	.0055
20	Elkhart	.0125	.005
21	Fayette	.01	.0025
22	Floyd	.003	.003
23	Fountain	.01	.0025
24	Franklin	.0125	.005
25	Fulton	.01175	.00425
26	Gibson	.005	.005
27	Grant	.01	.0025
28	Greene	.01	.0025
29	Hamilton	.01	.0025
30	Hancock	.01	.0025
31	Harrison	.01	.005
32	Hendricks	.0125	.005
33	Henry	.01	.0025
34	Howard	.009	.00375
35	Huntington	.01	.0025
36	Jackson	.01175	.00375
37	Jasper	.01	.0025
38	Jay	.0125	.005
39	Jefferson	NA	NA
40	Jennings	.0125	.005
41	Johnson	.01	.0025
42	Knox	.0075	.00375
43	Kosciusko	.006	.0015
44	LaGrange	.0125	.005
45	Lake	NA	NA
46	LaPorte	.0095	.007
47	Lawrence	.01	.0025
48	Madison	.0075	.001875
49	Marion	.007	.00175
50	Marshall	.01	.0025
51	Martin	.01	.004

County Code	County Name	Resident Rate	Nonresident Rate
52	Miami	.0085	.004
53	Monroe	.01	.0025
54	Montgomery	.01	.0025
55	Morgan	.01	.0025
56	Newton	.01	.0025
57	Noble	.01	.0025
58	Ohio	.01	.0025
59	Orange	.0125	.005
60	Owen	.01125	.00375
61	Parke	.0125	.005
62	Perry	.01	.00625
63	Pike	.004	.004
64	Porter	NA	NA
65	Posey	NA	NA
66	Pulaski	.014	.005
67	Putnam	.0125	.005
68	Randolph	.0125	.005
69	Ripley	.0125	.005
70	Rush	.0125	.005
71	St. Joseph	.0045	.002625
72	Scott	.01	.0025
73	Shelby	.0125	.005
74	Spencer	.005	.005
75	Starke	.00675	.00425
76	Steuben	.01	.0025
77	Sullivan	NA	NA
78	Switzerland	.0075	.001875
79	Tippecanoe	.01125	.00675
80	Tipton	.0125	.005
81	Union	.0125	.005
82	Vanderburgh	.01	.0025
83	Vermillion	.001	.001
84	Vigo	NA	NA
85	Wabash	.0125	.005
86	Warren	.0125	.005
87	Warrick	.0035	.0035
88	Washington	.0125	.005
89	Wayne	.0125	.005
90	Wells	.0125	.005
91	White	.0125	.005
92	Whitley	.012	.0045

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

County Tax instructions cont'd...

Line 8

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

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

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

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

If, while a resident of Indiana, you made purchases outside Indiana by mail order, through radio or television advertising, or directly from an out-of-state company, those purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called "use" tax, is figured by multiplying 5% (.05) times the total purchases.

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

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

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

Line 14 - Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 1998 to an individual who is *not*: a) your spouse; b) your child under age 21; c) your parent; or d) an employee under age 18; *and* e) they

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

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

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

Indiana Credits

Lines 16 and 17 - Indiana State and County Tax Withheld

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

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

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

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

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

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

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

Line 18 - 1998 Estimated Tax Paid

If you made estimated tax payments for state and/or county tax, enter the total paid for 1998 on this line. Also include any

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

Indiana Credits cont'd...

payments made with Form IT-9 "Extension of Time to File" for tax year 1998.

Note: Do not include on this line any estimated tax paid for 1999.

Line 19 - Unified Tax Credit for the Elderly

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

- You must have been age 65 or older by December 31, 1998;
- The amount on Indiana Schedule A, Section 3, line 36A (plus any net operating loss from federal Form 1040, line 21) must be *less than \$10,000*;
- You must have been a resident of Indiana for 6 months or more during 1998; and
- You must not have been in prison for 180 days or more in 1998.

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

Important:

- If a spouse dies after January 1, 1998, the surviving spouse can claim this credit by filing a joint return. A copy of the death certificate must be attached to the tax return to verify the date of death.
- If a taxpayer dies and does not have a surviving spouse, then an estate executor or an administrator of the estate *cannot* claim the credit on behalf of the deceased taxpayer.

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

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

The deadline for claiming this credit is June 30, 1999. The only exception to this rule is if you have a valid extension to file your tax return. In this case, your due date is either your extension date or June 30, whichever is later.

To figure your Unified Tax Credit for the Elderly:

Use Table A if:

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

- you are filing a joint return, lived with your spouse during all of 1998 and both of you were age 65 or older by December 31, 1998; **or**
- both you and your spouse met all the requirements, and your spouse died after January 1, 1998.

Table A

Joint Filers Both Age 65 or Older If the income on Line 36A of Indiana Schedule A, Section 3* is:	Your Allowable Credit is:
less than \$1,000.....	\$140
between \$1,000 and \$2,999.....	\$90
between \$3,000 and \$9,999.....	\$80

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

Use Table B if:

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

- you are age 65 or older and are single or widowed;
- you are filing a joint return and only one of you is age 65 or older; **or**
- you are married but did not live with your spouse during 1998, are age 65 or older and are married filing separately.

Table B

Only One Person Age 65 or Older If the income on Line 36A of Indiana Schedule A, Section 3* is:	Your Allowable Credit is:
less than \$1,000.....	\$100
between \$1,000 and \$2,999.....	\$50
between \$3,000 and \$9,999.....	\$40

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

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

Indiana Credits: Form IT-40PNR, Schedule E

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

Line 1 - Credit for Local Taxes Paid Outside of Indiana

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

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

The *County Income Tax Chart* found on page 19 of this booklet lists the counties with their combined tax rates, if applicable. For instance, the Martin County resident tax rate of .01 is made up of

COIT (.008) plus CEDIT (.002) for a .01 combined county tax rate. If the county you paid tax to assesses CEDIT, the *Rate Conversion Chart* below will help you to determine the correct rate to use to figure this credit.

Step 1: Figuring your rate: If your January 1, 1998 county of residence is on the chart below, use the rate in Column A to figure your credit. If that county isn't on the chart, use the resident rate you entered on Schedule CT-40PNR, Section 1, line 4.

If your January 1, 1998, county of residence doesn't have a county tax but the January 1, 1998 county where you worked is on the chart below, use the rate in Column B to figure your credit. If that county isn't on the chart, use the nonresident rate that you entered on Schedule CT-40PNR, Section 2, line 6.

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

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

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

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

County	A	B
	Resident	Nonresident
Adams	.008	.0035
Allen	.006	.0015
Benton	.01	.0025
Blackford	.01	.0025
Brown	.01	.0025
Carroll	.01	.0025
Cass	.01	.0025
Clinton	.01	.0025
Crawford	.0075	.0025
Decatur	.01	.0025
DeKalb	.01	.0025
Delaware	.006	.0015
Dubois	.006	.0015
Elkhart	.01	.0025
Floyd	(Cannot take credit)*	
Franklin	.01	.0025
Fulton	.01	.0025
Gibson	(Cannot take credit)*	
Harrison	.0075	.0025
Hendricks	.01	.0025
Howard	.007	.00175

Jackson	.0105	.0025
Jay	.01	.0025
Jennings	.01	.0025
Knox	.005	.00125
LaGrange	.01	.0025
LaPorte	.005	.0025
Martin	.008	.002
Miami	.006	.0015
Orange	.01	.0025
Parke	.01	.0025
Perry	.005	.00125
Pike	(Cannot take credit)*	
Pulaski	.0115	.0025
Putnam	.01	.0025
Randolph	.01	.0025
Ripley	.01	.0025
Rush	.01	.0025
St. Joseph	.0025	.000625
Shelby	.01	.0025
Spencer	(Cannot take credit)*	
Starke	.005	.0025
Tippecanoe	.006	.0015
Tipton	.01	.0025
Union	.01	.0025
Vermillion	(Cannot take credit)*	
Wabash	.01	.0025
Warren	.01	.0025
Warrick	(Cannot take credit)*	
Washington	.01	.0025
Wayne	.01	.0025
Wells	.01	.0025
White	.01	.0025
Whitley	.01	.0025

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

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

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

Use the following steps to figure your credit.

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

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

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

County Credit for the Elderly Chart			
If your County Tax Rate is:	Then your Factor is:	If your County Tax Rate is:	Then your Factor is:
0.001	0.00667	0.00625	0.04167
0.0015	0.01	0.00675	0.045
0.00175	0.01167	0.007	0.04667
0.001875	0.0125	0.0075	0.05
0.0025	0.01667	0.008	0.05333
0.002625	0.0175	0.0085	0.05667
0.003	0.02	0.009	0.06
0.0035	0.02333	0.0095	0.06333
0.00375	0.025	0.01	0.06667
0.004	0.02667	0.011	0.07333
0.00425	0.02833	0.01125	0.075
0.0045	0.03	0.01175	0.07833
0.005	0.03333	0.012	0.08
0.0055	0.03667	0.0125	0.08333
0.006	0.04	0.014	0.09333

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

Example:

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

Line 3 - College Credit

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

You must maintain documentation of your contributions as the Department can require you to provide this information. **Note:** Tuition paid to a college or university is not a contribution, and does not qualify for this credit.

Line 4 - Credit for Taxes Paid to Other States

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

If you were an Indiana resident during part or all of 1998 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 11 C _____

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

Group B		
Reciprocal Agreement (Wages, Salaries, Tips, and Commissions Only)		
Kentucky	Michigan	Ohio
Pennsylvania	Wisconsin	

If you were an Indiana resident and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips, and commissions. **Note:** As of January 1, 1998 Illinois cancelled its reciprocal agreement with Indiana.

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.

Schedule E Credits cont'd...

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

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

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

Group C

Reverse Credit (Credit taken on nonresident return)

Arizona	Oregon
California	Washington D.C.

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

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

Note: For taxpayers residing in Washington, D.C., please contact the Department for Income Tax Information Bulletin 28. There is a special exception for this credit for Washington, D.C. residents that you must be aware of when calculating this credit.

Group D

No State Income Tax (No credit allowed)

Alaska	Florida	Nevada	South Dakota
Texas	Washington	Wyoming	

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

Line 5 - Research Expense Credit

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

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

Form IT-20 REC must be completed and a copy attached to claim this credit.

Line 6 - Neighborhood Assistance Credit

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

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

Line 7 - Personal Computer Tax Credit

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

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

Line 8 - Enterprise Zone Credits/Airport Development Zone Credits

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

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

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

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

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

Schedule E Credits cont'd...

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

Line 9 - Teacher Summer Employment Credit

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

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

Line 10 - Twenty-First Century Scholars Program Credit

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

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

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

Line 11 - Other Credits

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

Maternity Home Credit

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

Historic Rehabilitation Tax Credit

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

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

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

Riverboat Building Credit

A tax credit has been established for any individual or company that builds or refurbishes a riverboat, which is licensed to conduct legal gambling in Indiana. This credit is equal to 15% of the qualified investment and can be carried forward to subsequent tax years. The Department of Commerce must approve the costs of the qualified investment **before** the costs are incurred. Contact the Department of Commerce at (317) 232-8782 for more information about this credit.

Industrial Recovery Tax Credit

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

Military Base Recovery Tax Credit

A taxpayer that is an owner or developer of a military base recovery site may be eligible for a credit if investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the Enterprise Zone Board. For more information about this contact the Department of Commerce at: Indiana Department of Commerce, One North Capitol, Suite 700, Indianapolis, IN 46204-2248, phone number (317) 232-8911.

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

Example:

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

Line 12 - Total Credits

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

IT-40PNR Back Page Instructions

Line 24

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

Line 25 - Contribution To Indiana Nongame And Endangered Wildlife Fund

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

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

The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame and Endangered Wildlife Fund or applied a payment to your 1999 estimated tax account, the overpayment will be applied first to the estimated tax payment and then to the wildlife fund. Any amount left will be refunded to you.

A note about refund offsets

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

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

Line 27 - Amount to be Applied as a 1999 Estimated Tax Installment Payment

If you expect to have income during 1999 that won't have Indiana income taxes withheld, and if the Indiana state and county tax due will be \$400 or more, then you should pay the Department estimated tax every installment period.

There are several ways you can make estimated tax payments. First, use the worksheet on page 33 to see how much you will owe.

Then, if you want to make an estimated tax installment payment on this tax return, carry the amount from line "I" of the worksheet to line 27 of Form IT-40PNR.

You may use some or all of your line 26 overpayment as an installment payment. You may also send a payment with your tax return to make or to increase an installment payment. For instance, if you want to make a \$100 installment payment with your tax return, and the line 26 overpayment is \$80, make a \$20 payment on line 33.

Important: Any installment payment amount entered on line 27 will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 15, 1999 will be considered to be a 1999 first installment payment; June 1, 1999 will be considered to be a 1999 second installment payment; and July 20, 1999 will be considered to be a 1999 third installment payment. **Note:** If you are filing this return *after* January 17, 2000, you will not be able to make an installment payment on this line.

If you do not want to make an estimated payment on this tax return, you may use Form ES-40 on page 33 of this booklet to make the payment. Also, you may already have received a coupon booklet if you made estimated tax payments to the Department last year.

Regardless of which payment option you choose, please use only one method to make an installment payment (i.e. don't put an entry on line 27 and, at the same time, enclose an ES-40.)

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

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

Line 28 - Penalty for Underpayment of Estimated Tax

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

You might owe this penalty if:

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

If either of these cases applies to you, you must complete Schedule IT-2210 (or IT-2210A if your income was seasonal) to see if you owe a penalty or meet an exception. If you owe this penalty, attach Schedules IT-2210 or IT-2210A to your tax return and write the penalty amount on Form IT-40PNR, line 28.

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

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

Line 29 - You have a refund if line 26 is greater than the combined amounts entered on lines 27 and 28. However, if the combination of line 27 plus line 28 is *greater* than the line 26 overpayment, no refund is due. Instead, you will have an amount due. Enter the amount on line 30 and leave this line blank.

Note: There is a statute of limitations on filing refund claims. When filing your 1998 tax return, a claim for refund of excess withholding credits must be made no later than April 16, 2001. A claim for refund of all other excess payments and refundable credits must be made by April 15, 2002. (The postmark date of the filing of your return is when the claim for refund is considered to be made.)

Line 30 -

- If line 29 is less than zero, you have an amount due. Enter here as a positive number and skip to line 31.

OR

- If line 22 is greater than line 23, complete the following steps:

- A. Subtract line 23 from line 22 and enter the total here A _____
- B. Enter any amount from line 27 B _____
- C. Enter any amount from line 28 C _____
- D. Add lines A + B + C. Enter total here and on line 30 D _____

Line 31 - Penalty

If your tax return is filed after the April 15, 1999 due date and you have an amount due, you will probably owe a penalty. Penalty is 10% of the amount due (line 30 minus lines 27 and 28) or \$5.00, whichever is greater. Exception: If you have an extension of time to file, are filing by the extended filing due date, and have prepaid at least 90% of the amount due, then no penalty is due.

Line 32 - Interest

If your tax return is filed after the April 15, 1999 due date and you have an amount due, you will owe interest (even if you have an extension of time to file.) Interest should be figured on the sum of line 30 minus lines 27 and 28. Contact the Department for the current interest rate by calling (317) 232-2240.

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


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

Discover® Card Payment

The *Amount You Owe* on Form IT-40PNR, line 33, may be paid by using the Discover® Card. If you choose to use this form of payment, fill out the Discover® Card Coupon at the bottom of this page. Cut out the completed coupon and staple it to the top left-hand side of Form IT-40PNR, directly over the name and address area. Make sure to keep a copy of the completed coupon for your records.

Note that a handling fee based on the following chart will be charged by the Discover® Card Company on your monthly bill from

Cut Along The Dotted Line



Discover® Card Payment Coupon

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

Discover® Card Payment Authorization

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

Instructions: 1. Complete all the information for the Discover® Card Authorization.
 2. Enter the amount you owe from line 33 in "Tax Payment". Do not include the handling fee.

Discover® Card Number	-	-	-	-	Expiration Date				
6 0 1 1					<table style="display: inline-table; border: 1px solid black;"> <tr><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="font-size: 8px;">Month</td></tr> </table> <table style="display: inline-table; border: 1px solid black;"> <tr><td style="width: 20px; height: 20px;"></td></tr> <tr><td style="font-size: 8px;">Year</td></tr> </table>		Month		Year
Month									
Year									

Tax Payment \$

 ,

 .

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

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

Signature of authorized Discover® Card Member

them. **Do not** add this to the *Amount You Owe* when completing the credit card information.

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

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

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

Authorization Section

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

Signature Section

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

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

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

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

Returned Checks

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

Additional Information

Sole Proprietor

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

Deceased Individual Information

If the taxpayer and/or spouse died during 1998, and this return is being filed with their name on it, make sure to enter the month and day of death in the appropriate box located on the back of the IT-40PNR. For example, a date of death of January 9, 1998, would be entered as 01/09. See instructions on page 6 for more information.

Note: If the taxpayer and/or spouse died before 1998, do not enter their date of death in this box.

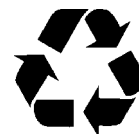
Farmers and Fishermen

If two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided your tax return is filed and *all* taxes are paid by March 1, 1999.

Motor Vehicle Information

Indiana law requires you to give certain information about all motor vehicles you owned or leased on December 31, 1998, when you file your income tax return.

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



Indiana School Districts

The list below gives the school districts within each county in Indiana. If you are unable to determine your correct school district, you should contact your county auditor for assistance. Please enter your 4-digit number in the appropriate space on the front of your Indiana return.

County	Dearborn	Grant	Jasper
District Number and Name	1560 Sunman-Dearborn Comm.	2815 Eastbrook Community	3785 Kankakee Valley
	1600 South Dearborn Comm.	2825 Madison-Grant United	3815 Rensselaer Central
Adams	1620 Lawrenceburg Comm.	2855 Mississinewa Community	6630 West Central
0015 Adams Central Comm.		2865 Marion Community	8535 TriCounty
0025 North Adams Community	Decatur	5625 Oak Hill United	
0035 South Adams	1655 Decatur Co. Community		Jay
	1730 Greensburg Community		3945 Jay
Allen		Greene	
0125 M.S.D. Southwest Allen Co.	DeKalb	2920 Bloomfield School District	Jefferson
0225 Northwest Allen County	1805 DeKalb County Eastern	2940 Eastern School District	3995 Madison Consolidated
0235 Fort Wayne Community	Community	2950 Linton-Stockton	4000 Southwestern Jefferson
0255 East Allen County	1820 Garrett-Keyser-Butler	2960 M.S.D. Shakamak	Consolidated
	Community	2980 White River Valley School	
	1835 DeKalb County Central	District	
Bartholomew	United		Jennings
0365 Bartholomew Consolidated	7610 Hamilton Community	Hamilton	4015 Jennings County
0370 Flatrock-Hawcreek		3005 Hamilton Southeastern	
4215 Edinburg Community	Delaware	3025 Hamilton Heights	Johnson
	1875 Delaware Community	3030 Westfield-Washington	4145 Clark-Pleasant Comm.
Benton	1885 Harrison-Washington	3055 Marion-Adams	4205 Center Grove Community
0395 Benton Community	Community	3060 Carmel-Clay	4215 Edinburg Community
5995 South Newton	1895 Liberty-Perry Community	3070 Noblesville	4225 Franklin Community
8535 TriCounty	1900 Cowan Community		4245 Greenwood Community
	1910 Mt. Pleasant Township	Hancock	4255 Nineveh-Hensley-Jackson
Blackford	Community	3115 Southern Hancock Co.	United
0515 Blackford Community	1940 Daleville Community	Community	Knox
	1970 Muncie Community	3125 Greenfield Central Comm.	4315 North Knox
Boone		3135 Mt. Vernon Community	4325 South Knox
0615 Western Boone County	Dubois	3145 Eastern Hancock County	4335 Vincennes Community
0630 Eagle-Union Community	2040 Northeast Dubois County	Community	
0665 Lebanon Community	2100 Southeast Dubois County	Harrison	Kosciusko
3055 Marion-Adams	2110 Southwest Dubois County	3160 Lanesville Community	4345 Wawasee Community
	2120 Greater Jasper Consolidated	3180 North Harrison Comm.	4415 Warsaw Community
Brown		3190 South Harrison Comm.	4445 Tippecanoe Valley
0670 Brown County	Elkhart	1300 Crawford Co. Community	4455 Whitco Community
	2155 Fairfield Community		2285 Wa-Nee Community
Carroll	2260 Baugo Community	Hendricks	5495 Triton
0750 Carroll Consolidated	2270 Concord Community	3295 Northwest Hendricks	
0755 Delphi Community	2275 Middlebury Community	3305 Brownsburg Community	LaGrange
1180 Rossville Consolidated	2285 Wa-Nee Community	3315 Avon Community	4515 Prairie Heights Comm.
8565 TwinLakes	2305 Elkhart Community	3325 Danville Community	4525 Westview
	2315 Goshen Community	3330 Plainfield Community	4535 Lakeland
		3335 Mill Creek Community	
Cass	Fayette		Lake
0775 Pioneer Regional	2395 Fayette County	Henry	4580 Hanover Community
0815 Southeastern		3405 Blue River Valley	4590 River Forest Community
0875 Logansport Community	Floyd	3415 South Henry	4600 Merrillville
0775 Pioneer Regional Sch.	2400 New Albany-Floyd	3435 Shenandoah School Corp.	4615 Lake Central
2650 Caston	County Consolidated	3445 New Castle Community	4645 Tri Creek
		3455 Charles A. Beard Memorial	4650 Lake Ridge
Clark	Fountain	6795 Union	4660 Crown Point Community
0940 West Clark Community	2435 Attica Consolidated	8305 Nettle Creek	4670 School City of East Chicago
1000 Clarksville Community	2440 Covington Community		4680 Lake Station Community
1010 Greater Clark County	2455 Southeast Fountain	Howard	4690 Gary Community
		3460 Taylor Community	4700 Griffith Public
Clay	Franklin	3470 Northwestern	4710 Hammond City
1125 Clay Community Schools	2475 Franklin Co. Community	3480 Eastern Howard Comm.	4720 School Town of Highland
2960 M.S.D. Shakamak	6895 Batesville Community	3490 Western	4730 School City of Hobart
	7950 Union County	3500 Kokomo-Center Township	4740 School Town of Munster
Clinton		Consolidated	4760 Whiting City
1150 Clinton Central	Fulton		
1160 Clinton Prairie	2640 Union Township	Huntington	LaPorte
1170 Frankfort Community	2645 Rochester Community	3625 Huntington Co. Comm.	4770 Cass Township
1180 Rossville Consolidated	2650 Caston		4790 Dewey Township
	4445 Tippecanoe Valley	Jackson	4805 New Prairie United
Crawford	5455 Culver Community	3640 Medora Community	4860 M.S.D. New Durham
1300 Crawford Co. Community		3675 Seymour Community	4880 Prairie Township
	Gibson	3695 Brownstown Central Comm.	4925 Michigan City Area
Daviess	2725 East Gibson	3710 Crothersville Community	4940 South Central Community
1315 Barr-Reeve Community	2735 North Gibson		4945 LaPorte Community
1375 North Daviess County	2765 South Gibson		7150 John Glenn
1405 Washington Community			

Indiana School Districts Contd...

County	Noble	Ripley	Vermillion
District Number and Name	6055 Central Noble Community	6865 South Ripley Community	8010 North Vermillion Comm.
	6060 East Noble	6895 Batesville Community	8020 South Vermillion Comm.
	6065 West Noble	6900 Jac-Cen-Del Community	
Lawrence	4535 Lakeland	6910 Milan Community	Vigo
5075 North Lawrence Comm.	8625 Smith-Green	1560 Sunman-Dearborn Comm.	8030 Vigo County
5085 Mitchell Community			
	Ohio	Rush	Wabash
Madison	6080 Rising Sun-Ohio County Community	6995 Rush County	8045 Manchester Community
5245 Frankton-Lapel Comm.		3455 Charles A. Beard Memorial	8050 M.S.D. Wabash County
5255 South Madison Comm.			8060 Wabash City
5265 Alexandria Community	Orange	St. Joseph	Warren
5275 Anderson Community	6145 Orleans Community	7150 John Glenn	8115 M.S.D. of Warren County
5280 Elwood Community	6155 Paoli Community	7175 Penn-Harris-Madison	0395 Benton Community
2825 Madison-Grant United	6160 Springs Valley Comm.	7200 Mishawaka City	2440 Covington Community
		7205 South Bend Community	
		7215 Union-North United	
Marion	Owen	4805 New Prairie United	Warrick
5300 M.S.D. Decatur Township	6195 Spencer-Owen Comm.		8130 Warrick County
5310 Franklin Township Comm.	6750 Cloverdale Community	Scott	Washington
5330 M.S.D. Lawrence Township		7230 Scott Co. District No. 1	8205 Salem Community
5340 M.S.D. Perry Township	Parke	7255 Scott Co. District No. 2	8215 East Washington
5350 M.S.D. Pike Township	6260 Southwest Parke Comm.		8220 West Washington
5360 M.S.D. Warren Township	6300 Rockville Community	Shelby	
5370 M.S.D. Washington Township	6310 Turkey Run Community	7285 Shelby Eastern	Wayne
5375 M.S.D. Wayne Township	1125 Clay Community Schools	7350 Northwestern Consolidated	8305 Nettle Creek
5380 Beech Grove	Perry	7360 Southwestern Consolidated	8355 Western Wayne
5385 Indianapolis Public	6325 Perry Central Community	7365 Shelbyville Central	8360 Centerville-Abington Community
5400 Speedway City	6340 Cannelton City	1655 Decatur Co. Community	8375 Northeastern Wayne
	6350 Tell City-Troy Township	Spencer	8385 Richmond Community
Marshall		7385 North Spencer County	
5455 Culver Community	Pike	7445 South Spencer County	Wells
5470 Argos Community	6445 Pike County		8425 Southern Wells Comm.
5480 Bremen Public		Starke	8435 Northern Wells Comm.
5485 Plymouth Community	Porter	7495 Oregon-Davis	8445 M.S.D. Bluffton-Harrison
5495 Triton	6460 M.S.D. Boone Township	7515 North Judson-San Pierre	
7150 John Glenn	6470 Duneland	7525 Knox Community	White
7215 Union-North United	6510 East Porter County	5455 Culver Community	8515 North White
	6520 Porter Township		8525 Frontier
Martin	6530 Union Township	Steuben	8535 Tri County
5520 Shoals Community	6550 Portage Township	7605 Fremont Community	8565 Twin Lakes
5525 Loogootee Community	6560 Valparaiso Community	7610 Hamilton Community	0775 Pioneer Regional Sch.
	4925 Michigan City Area	7615 M.S.D. Steuben County	
Miami	Posey	1835 DeKalb County Central United	Whitley
5615 Maconaquah	6590 M.S.D. Mount Vernon	4515 Prairie Heights Comm.	8625 Smith-Green
5620 North Miami Consolidated	6600 M.S.D. North Posey Co.		8665 Whitley Co. Consolidated
5625 Oak Hill United	6610 New Harmony Town and Township	Sullivan	4455 Whitko Community
5635 Peru Community		7645 Northeast	
	Pulaski	7715 Southwest	
Monroe	6620 Eastern Pulaski Comm.	Switzerland	
5705 Richland-Bean Blossom Community	6630 West Central	7775 Switzerland County	
5740 Monroe Co. Community	5455 Culver Community		
	7515 North Judson-San Pierre	Tippecanoe	
Montgomery		7855 Lafayette	
5835 North Montgomery Comm.	Putnam	7865 Tippecanoe	
5845 South Montgomery Comm.	6705 South Putnam Community	7875 West Lafayette Comm.	
5855 Crawfordsville Comm.	6715 North Putnam Community	0395 Benton Community	
	6750 Cloverdale Community	Tipton	
Morgan	6755 Greencastle Community	7935 Northern Community Schools	
5900 Monroe-Gregg		7945 Tipton Community	
5910 Eminence Consolidated	Randolph		
5925 M.S.D. Martinsville	6795 Union	Union	
5930 Mooresville Consolidated	6805 Randolph Southern	7950 Union County	
4255 Nineveh-Hensley-Jackson United	6820 Monroe Central		
	6825 Randolph Central	Vanderburgh	
Newton	6835 Randolph Eastern	7995 Evansville-Vanderburgh	
5945 North Newton			
5995 South Newton			