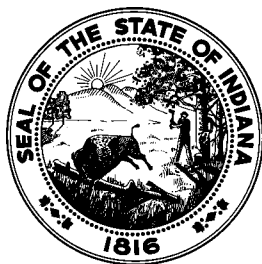


Indiana Department Of Revenue
 Indiana Government Center North
 100 North Senate Avenue
 Indianapolis, IN 46204-2253



IT-40P

Indiana Individual Income Tax Booklet for 1996 and Earlier

This booklet contains:

- Form IT-40P and Instructions
- Schedule X, Indiana Deductions
- Schedule Y, Indiana Credits
- Schedule Z for part-year and full-year nonresidents
- CT-40P, County Tax Form plus Tax Rate Charts

See the Index on page 26 for help in locating information by topic.

2001 Revision

Use Form IT-40P if you are filing (for the first time) an Indiana individual income tax return:

- for the 1996 tax year, or
- for a tax year beginning before 1996.

Beginning with the 1997 tax year the Department of Revenue is requiring taxpayers to use the actual forms that were used for those years. This procedure allows the form to be processed more quickly and efficiently than filing the IT-40P.

The chart below shows the tax year and what form you should use.

For Tax Year	What Form To Use
1996 or Earlier	IT-40P
1997 or after	IT-40, IT-40EZ or IT-40PNR for that year

If you are changing a tax return that you have already filed, file Form IT-40X, Amended Income Tax Return.

If you and your spouse filed a joint federal return, you must file a joint Indiana return. If separate federal returns were filed, separate Indiana returns must also be filed.

If you have any questions about which form to use, call (317)232-2240 and a representative will help you. To order a tax form:

- 1) Visit our web site on the Internet. Our address is: www.in.gov/dor/
- 2) Call our Indiana TaxFax system at (317)233-2FAX. This system allows you to call from a FAX machine and have forms faxed back to you during your call;
- 3) Visit a district office or public library near you; or
- 4) Call our Forms Order Line at (317)615-2581.

Need Tax Forms or Information Bulletins?

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

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

Use Your Telephone: To obtain forms by phone, call (317) 615-2581, 24 hours a day, 7 days a week. When calling the *Forms Order Request Line*, have the following information ready: name of form or form number needed, number of copies needed, contact person's name, daytime phone number, and a complete mailing address (including city, state and zip code.) For our hearing impaired taxpayers, call our Telephone Device for the Deaf (TDD) Number, (317)232-4952 to receive assistance or request information about your tax refund.

Use Your Local Library or Post Office: Tax forms may be available in your neighborhood at your local library or post office. They are also available at the district offices listed on page 25. These offices are open Monday through Friday between 8:15 a.m. and 4:30 p.m.

Need Help With Your Return?

Use Local Assistance: Visit any of the district offices listed on page 25 or take advantage of the **Volunteer Income Tax Assistance (VITA) program or the Tax Counseling for the Elderly (TCE) program**. These programs provide free tax return preparation help to low income, elderly and disabled taxpayers. Volunteers will help fill out federal and state forms for those who qualify. You can find the nearest VITA/TCE location by calling the Internal Revenue Service at 1-800-829-1040. If you need assistance with your income tax return be sure to take your W-2s, 1099s, or WH-18s and, if going to a district office, a copy of your completed federal tax return.

Use the Automated Information Line: You may call the Automated Information Line from a touch-tone telephone to access 1) status of refunds; 2) prerecorded tax topics; and 3) tax liability balances. The number is (317) 233-4018. This touch-tone phone service is available beginning at 8:00 a.m. on Mondays through 10:00 p.m. on Saturdays. If you have a rotary phone, call (317) 232-2240 from 8:15 a.m. to 4:30 p.m., Monday through Friday, and a Department representative will help you.

The prerecorded tax topics include information on Collection Procedures, Business Registration Requirements and How to Register a Business, Payment Plan Procedures, Estimated Tax/IT-2210 Penalty, Use Tax and County Tax Information.

To receive information on the daily balance due of a tax liability you will need a copy of your tax notice because you will need to enter the tax identification number or social security number and the liability number shown on the notice. Call (317) 233-4018 and follow the instructions.

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

Call Us: To receive help with basic tax questions, call us at (317)232-2240 Monday through Friday between the hours of 8:15 a.m. to 4:30 p.m.

Moving? If you move to a new address after you file your tax return and do not have a forwarding address on file with the post office, the Department needs to know where to send your refund check and a tax booklet for next year. You can call the Department at (317) 232-2240, visit a Departmental district office near you to tell us your new address, or change your address over the internet at: www.in.gov/dor/assistance/chg_address.html

Unresolved Problems?

Use the Taxpayer Advocate

As prescribed by the Taxpayer Bill of Rights, the Department of Revenue has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of difficult taxpayer complaints and problems. If you have a complex tax problem that you have not been able to resolve through normal channels, or a tax assessment places an undue hardship on you, you may receive assistance from the Office of the Taxpayer Advocate. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, IN 46206-6155.

Who Should File/Filing Status

You need to file an Indiana income tax return if:

- you lived in Indiana and received income; **or**
- you lived outside Indiana and had any income from Indiana.

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

The schedules that you complete and attach to Form IT-40P will depend on your residency status. Read the following to decide if you are a full-year resident, part-year resident, or nonresident of Indiana and which type of schedules you should complete.

Full-Year Residents: Full-year residents should complete Schedule X, Schedule Y, and Schedule CT-40P if they have Indiana deductions, certain credits and/or if they owe Indiana county tax.

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. If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you would be able to claim.

If you were a full-year resident of Indiana and your gross income (the total of all your income before deductions) was greater than your exemptions, you must file an Indiana individual income tax return.

If your gross income is less than your total exemptions, you may file a return to get a refund of any Indiana state and/or county tax withheld by your employer.

Part-Year Residents and Full-Year Nonresidents:

If you:

- were a part-year Indiana resident or a full-year nonresident*,
- received income from Indiana sources, and/or
- received income from any source while living in Indiana, then you must complete Schedule Z. Also, you should complete Schedule X, Schedule Y, and Schedule CT-40P if you have Indiana deductions, certain credits and/or if you owe Indiana county tax.

***Full-Year Residents of Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin:** If you were a resident of Illinois, Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and your income from Indiana was from wages, salaries, tips or commissions, **do not** complete the form before reading the *Group B* instructions on page 16.

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

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

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

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

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

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

Military Personnel: If you were an Indiana resident when you entered the military service, you remain an Indiana resident even if you are stationed outside of Indiana. You must report all your income to Indiana.

If you changed your legal residence (military home of record) during the year, you are a part-year resident and should complete Schedule Z. You must also attach a copy of Military Form DD2058 to the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, including any other income from Indiana sources.

If your legal residence is a state other than Indiana, you should complete Schedule Z because you would be considered a nonresident of Indiana. You may need to report your military income to your state of residence.

Refer to the instructions on page 9 for an explanation of county of residence for military personnel.

When To File

The due date for filing your tax return is April 15 of the year following the end of the tax year for which you are filing. For example, if you are filing for the 1994 tax year, the due date was April 15, 1995.

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 18.

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.

If you can't meet the filing deadline and expect to owe tax with your return, you should have applied 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 on line 27 by the original April 15 due date.

Indiana also recognizes valid federal extension dates plus 30 days. So, if you filed 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.

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

Before You Begin

Important: Complete your federal tax return first.

Married Filing Separately: If you file your federal income tax return as married filing separately, you also must file married filing separately with Indiana. If you are, fill in the two social security number boxes on the top of the form **and check the box directly to the right of those boxes**. Enter the name of the person filing the return on the top line, but **do not** enter your spouse's name on the second name line.

Filling in the Boxes: If you are handwriting letters or numbers, please print neatly. If a line does not apply to you, leave it blank. **Do not** use dashes or other symbols to indicate that you have no entry for that line.

Losses: If you are reporting a loss for any item, place parentheses () around the number. Make sure that the parentheses are within the boxes on each side of the number.

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

Foreign or Military Addresses: The US Post Office requires that the full foreign country name appear in all addresses. Therefore, the foreign country name should be entered after the city name with an empty box between the two names. Standard two-character abbreviations for provinces and territories should be entered in the "State" area on the tax return.

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

Please round off your amounts to the nearest dollar.

To do this, drop amounts of less than 50¢.

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

Increase amounts of 50¢ or more to the next higher dollar.

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

Refund Check Address: Your refund check will be issued in the name(s), address and social security number(s) shown on the front of your tax return. It is very important that this information is correct and legible. Any wrong information will cause problems and delay your refund.

County Information: Enter the 2-digit code numbers for the county(s) where you lived and worked on January 1 of the tax year for which you are filing. You can find these code numbers on the *County Income Tax Chart* on page 13. The numbers are located in the column to the left of the county name.

See the instructions on pages 8 and 9 for more information, including the definitions of the county where you lived and worked, details for military personnel, retired individuals, out-of-state filers, etc.

Income and Indiana Additions: Line-by-Line Instructions

Full Year Resident Filers: Lines 1-6
(Part year residents and full-year nonresident filers should skip to the instructions beginning on page 19).

Line 1 - Federal Adjusted Gross Income: Enter the amount you reported as your "Federal Adjusted Gross Income" from your Federal Form 1040, 1040A, or 1040EZ. *This is your income before the standard or itemized deductions or exemptions allowed on the federal income tax return.* If the amount is a loss, place parentheses () around the (loss) figure. If you were not required to file a federal return, report the amount you would have shown on your federal return if you had been required to file.

Line 2 - Tax Add-Back: If you **did not** complete Federal Schedules C, C-EZ, F, or E (which includes sole proprietorship income, farm income, rental, partnership, S corporation, and trust and estate income or loss), **then do not complete this line.**

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

Line 3 - Net Operating Loss Add-Back: If you reported a net operating loss deduction on your federal return that was carried forward from prior years, you must complete this line. Write the amount of the net operating loss deduction as a positive figure. (You will claim an **Indiana Net Operating Loss Deduction** on Schedule X, line 13.)

Line 4 - Ordinary Income Portion of Lump Sum Distributions: If you completed Federal Form 4972, you must complete this line because the income reported on that form is also taxable for Indiana purposes. The amount you should include on this line includes the capital gains reported on Part II plus the ordinary income reported on Part III of Federal Form 4972.

Line 5 - Other Income: If you received any other type of taxable income that wasn't included in your line 1 income, enter it on this line.

Indiana Deductions: Schedule X Line-by-Line Instructions

Line 1 - Renter's Deduction: You may be able to take the renter's deduction if:

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

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

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

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

- government owned housing;
- property owned by a non-profit organization;
- student housing;
- property owned by a cooperative association; or
- property located outside of Indiana.

The renter's deduction is the actual amount of rent paid or \$1,500, whichever is *less*. You must complete all the information on the deduction schedule. If you moved during the year or had more than one landlord, you must list the same information for each place that you rented. Attach additional sheets if necessary.

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

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

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 you should deduct it on your Indiana tax return. This amount is shown on your federal income tax return, Form 1040, line 10, as "Taxable refunds, credits, or offsets of state and local income taxes." Since Indiana does not tax this income, if it was included as income on line 1 of the Form IT-40P or on Schedule Z, line 5B, enter this same amount as a deduction.

Line 3 - Interest on U.S. Government Obligations Deduction: If the income on line 1 of Form IT-40P or on Schedule Z, line 3B includes interest income, you may be able to take a deduction. If any part of your interest income is from a direct obligation of the U.S. Government, you can deduct these amounts.

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

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

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

Lines 4 and 5 - Taxable Social Security and/or Railroad Retirement Benefits Deduction: The income on line 1 of Form IT-40P or on Schedule Z, lines 11B and/or 18B might include social security and/or tier 1 and tier 2 railroad retirement benefits that are taxable for federal purposes. These amounts are usually shown on the line indicated as "social security benefits" and/or "total pensions and annuities" on your federal income tax returns, Forms 1040 and 1040A. Indiana does not tax this type of income. Therefore, enter the amount of social security and/or railroad retirement benefits that were reported as being taxable on your federal income tax return.

Line 6 - Military Service Deduction: If the income on line 1 of Form IT-40P or on Schedule Z, lines 1B and/or 2B, includes active or reserve military pay, you may be able to take this deduction.

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

- you were at least 60 years of age by December 31 of the tax year for which you are filing;
- you were receiving military retirement or survivor's benefits in the same year; and
- the total benefits received as retirement income were reported on your federal return.

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

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

Caution: If you received both military pay and retirement pay or survivor's benefits during the tax year, the total deduction cannot be greater than \$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, while you were an Indiana resident, you received income that was subject to both Indiana state income tax and a local tax in another state, you may be allowed to deduct up to \$2,000.

Example: You earned \$8,000 in Smith City, Kentucky. Your employer withheld an \$80 Smith City (local) tax from your wages. Since your wages were taxed by a non-Indiana locality, you are eligible to take a \$2,000 deduction.

You may deduct the amount of your income that is 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 the locality to which the tax was paid. The name of the locality is usually found in box 19, Locality Name, of the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

Line 8 - Insulation Deduction: If you installed new insulation, weather stripping, double pane windows, storm doors or storm windows *in your Indiana home* during the tax year for which you are filing, you may be able to take the insulation deduction. In order to take the insulation deduction the following requirements must be met:

- a) the insulating items must have been installed in your principal place of residence located in Indiana;
- b) the part of your home where the insulating items were installed must have been built three full years before the tax year for which you are filing;
- 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 claimed for the year in which the insulating items were installed.

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

When claiming the deduction attach a separate sheet stating:

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

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

Line 9 - Disability Retirement Deduction: In order to take this deduction, you must have:

- a) been permanently and totally disabled at the time of retirement;
- b) retired on disability before December 31 of the tax year for which you are filing;
- c) been under the age of 65 at the end of the year for which you are filing; and
- d) included disability retirement income on Form IT-40P, line 1 or on Schedule Z, line 11B or 20B of the tax year for which you are filing.

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

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

Line 10 - Civil Service Annuity Deduction: If the income on line 1 of Form IT-40P or on Schedule Z, 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 of the tax year for which you are filing.

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.

Example: Your civil service annuity 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, 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 or 1040A, then this amount is also included on line 1 of Form IT-40P or may be on Schedule Z, line 17B. Indiana can differ from the federal government in determining the taxable portion.

You should use the worksheet at the bottom of the 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 line 1 of Form IT-40P or on Schedule Z, 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.

Line 13 - Indiana Net Operating Loss Deduction: You may take a deduction for the Indiana portion of the total federal net operating loss deduction you added back on Form IT-40P line 3. The amount you deduct will be stated as a positive figure. Attach the following copies to your state tax return:

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

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

Note: Even though nonresident filers have not entered their federal NOL deduction on Schedule Z, they may still qualify for the Indiana deduction. See Schedule IT-40NOL for details.

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

Note: If you are a part-year or full-year nonresident, your deduction will be based on the amount of wage income from the zone reported on Schedule Z, lines 1B and 2B.

Line 15 - Recovery of Deductions: If you did not complete the "other income" line 21 on your federal income tax return, Form 1040, then **do not** complete this line.

If you reported *recovered* itemized deductions as "other income" on your federal income tax return, use that amount as a deduction. A part-year resident who reported recovered itemized deductions on Schedule Z, line 20B, should use that amount as a deduction.

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

Unemployment Compensation Worksheet

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

1. Unemployment compensation included on IT-40P, line 1 or Schedule Z, line 17B	1		
2. Federal adjusted gross income from Forms 1040, 1040A, or Form 1040EZ	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return	3		
4. Subtract line 3 from line 2. If zero or less, enter -0-	4		
5. Enter one-half (1/2) of the amount on line 4	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller	6		
7. Subtract line 6 from line 1. Carry this amount to Form IT-40P, Schedule X, line 11	7		

Line 16 - Human Services Tax Deduction: You might be able to take the human services tax deduction if you lived in Indiana, and:

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

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

Line 17 - Other Deductions

Medical Savings Account Deduction: For tax year 1996 *only* you may be eligible for a deduction if your employer deposited funds in certain medical care savings accounts. If you received Form IN-MSA from the account provider you should deduct any medical withdrawals and exempt interest income that are reported in Box 2 and/or Box 7. Make sure you attach Form IN-MSA or your claimed deduction will be denied.

Note: If you are a part-year or full-year nonresident your deduction will be limited to the amount of wage and interest income reported on Schedule Z, lines 1B, 2B and/or 3B.

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

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

Part-year residents will be eligible for this deduction if they included this income on Schedule Z, line 20B.

Airport Development Zone Deduction: Certain areas within Indiana have been designated as airport development zones. Currently, a zone is established within the City of Gary. Areas within the City of Terre Haute and areas within Allen County are also eligible to designate zones. If you lived and worked for a qualified employer in an airport development 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-40P.

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

Note: If you are a part-year or full-year nonresident, your deduction will be based on the amount of wage income from the zone reported on Schedule Z, lines 1B and 2B.

Indiana Exemptions: Lines 9 - 14

Line 9 - Exemptions: You are allowed a \$1,000 exemption on your Indiana tax return for each exemption you claim on your federal return. Enter the total number of federal exemptions claimed in the space provided. If you do not have to file a federal return, you will need to complete a "sample" federal return to see how many federal exemptions you're allowed to claim.

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

Line 10 - Age 65 or Older or Blind: If you and/or your spouse are age 65 or older, you can take an additional \$1,000 exemption. If you and/or your spouse are legally blind, you can take a \$1,000 exemption. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line x \$1,000.

Lines 12, 13 and 14 - Total Prorated Exemptions: Form IT-40P, lines 12 and 13 for part-year and full-year nonresidents only: You are allowed to deduct only the percentage of your exemptions determined by the ratio of your Indiana income compared to your total income. After completing Section 1 of Schedule Z you will have an amount at the bottom of Schedule Z in the Proration Section. Enter the amount from Box 12C to Form IT-40P, line 12. Multiply the amount on line 11 by the line 12 amount and enter the total on lines 13 and 14.

County Tax: Schedule CT-40P Instructions

Enter the 2-digit county code numbers from the chart on page 13. Note: These counties *must* be the same as the ones you put on the front of Form IT-40P.

If, on January 1 of the year for which you are filing, you and/or your spouse lived or worked in an Indiana county that had a county tax, then you must complete this schedule. The counties that have a tax are listed on page 13 with their tax rates. *Note: If the county on the chart has N/A in the rate columns, it doesn't have a county tax.* Its name is listed there so you can find the 2-digit code number for your county. Also, code number "00" is to be used by part-year or full-year nonresidents and for Indiana residents who worked out-of-state.

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

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

County Where You Lived Defined: The county where you lived is the county where you maintained your home on January 1 of the year for which you are filing. If you had more than one home in Indiana on this date, then your county of residence as of January 1 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 in Indiana during the year for which you are filing.

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

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

County Where You Worked Defined: The county where you worked is the county where your main place of business was located or where your main work activity was performed on January 1 of the year for which you are filing. If you began working in another county after January 1, the county where you worked for tax purposes *will not change until next year*. If you had more than one job on January 1, your Principal Place of Employment is the job where you worked the most hours and earned the most income.

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

Principal Employment Income: You must figure your principal employment income if, on January 1 of the year for which you are filing, you *lived* in a county that *didn't* have a tax but *worked* in a county that *did* have a tax. Your principal employment income is income you earned from your main work activity (job) for the entire year. See instructions for Section 2, line 1 on page 10 for more information.

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

Military Personnel: If you were stationed in Indiana, your county of residence is the county where you lived on January 1 of the year you entered the military service. If, on January 1 of the year for which you are filing, you were stationed *outside* of Indiana and your family was with you, write county code "00" (out-of-state) in all the county boxes (you won't owe a county tax.) If, however, you maintained your home in an Indiana county and/or your spouse and family were still living in an Indiana county on January 1, you are considered to be a resident of that county.

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

Special Note to Married Taxpayers Filing a Joint Return:

- If you lived in different counties on January 1, both of you need to figure your county tax separately on Section 1.
- If both of you lived in a county on January 1 that had no tax but worked in a county that did have a tax, you must figure your tax separately on Section 2.
- If only one of you is subject to county tax, then you may use all of the exemptions on Form IT-40P, line 14, *except for your spouse's*, to figure your tax.

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

Complete Section 1 if, on January 1, you lived in a county that has a county tax. If you didn't, skip to Section 2 instructions.

Line 1:

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

Example 3 - On January 1, Jack and Diane lived in the same county that has a tax. They'll enter their Form IT-40P, line 15 combined state taxable income in Column A.

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

Example 4 - Simon and Tina married during the year and are filing a joint return. On January 1, Simon lived in Greene County and Tina lived in Clay County. Their Form IT-40P line 15 income of \$36,300 includes the following breakdown:

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

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

Example 5 - The circumstances are the same as *Example 3* except Tina lived in Sullivan County, which doesn't have a county tax. Simon would still enter his \$19,150 share of the Form IT-40P, line 15 amount on CT-40 Section 1, line 1 Column A. However, Column B will be left blank since Tina won't owe a county tax.

Line 2: If you claimed a non-Indiana locality earnings deduction on Schedule X, line 7, enter that amount on this line in Column A. If you're completing Column B instead, and your spouse is the one taking this deduction, then enter it in Column B.

Line 4: Enter your county resident rate from the *County Income Tax Chart* on page 13.

Line 6: Add the amounts from line 5, Columns A and B. If you were a Perry County resident and worked in the Kentucky counties of Breckinridge, Hancock or Meade, complete lines 7 and 8. Otherwise, enter the total here and on line 9.

Line 7: Enter here the amount of income taxed by any of the Kentucky counties listed on line 6.

Line 8: Multiply the amount on line 7 by .005 and enter the total here. If there is no amount on line 7, skip this line and go to line 9.

Line 9: Subtract the amount on line 8 from the amount on line 6. Enter that amount here or, if there were no entries on those lines, enter the amount from line 6. Also enter this amount on your IT-40P, line 17.

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

Complete Section 2 if, on January 1:

- you were a resident of a county not having a county tax, but
- you worked in a county that does have a county tax.

Line 1: Enter your principal employment income for the year. This includes income from wages, tips, salaries and commissions, net self-employment income from federal Schedule C/C-EZ and/or net farm income from federal Schedule F. **Do not** include passive source income like nonbusiness interest and dividends, pensions, capital gains, farm rental, etc. Also, do not include income from a part-time job.

Example 6 - During the year Jake received income from the following sources:

- \$15,000 from his full-time job;
- \$1,850 from his part-time job;
- \$50 nonbusiness interest income; and
- \$800 pension income.

The principal employment income he will enter on line 1 is \$15,000.

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

Example 7 - During the year Sarah earned \$7,000 from her job, which she worked from January 1 through April 30. She began her new job on May 14 and worked through year's end, earning \$11,000. She should enter the \$18,000 combined amount here.

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

Example 8 - Daniel had two jobs at the same time. On Job #1 he worked 30 hours a week and earned \$270 a week. On Job #2 he worked 10 hours a week and earned \$80 a week. Daniel should enter the amount he earned from Job #1 as his principal employment income.

Line 2: You may use certain deductions to lower the amount of income to be taxed. **These deductions must have been claimed on your federal tax return and/or on Indiana Schedule 1, and must have a direct relationship to the income being taxed on line 1.**

Example 9 - Ann's only income was \$21,000 in wage income, which she reported on line 1. She claimed a \$2,000 IRA deduction on her federal Form 1040. She should claim the \$2,000 IRA deduction on this line.

Example 10 - Morgan lived and worked in an enterprise zone and is entering her \$17,000 wage income from that zone on line 1. She claimed a \$7,500 enterprise zone deduction on Indiana Schedule X, line 14. She should claim that \$7,500 deduction on line 2.

These deductions are limited to the following: payments made to IRA accounts or self-employed retirement plans; medical savings account deduction; moving expense deduction*; self employment tax deduction; Keogh, self-employed SEP and SIMPLE plans; active military pay deduction and enterprise zone deduction.

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

Example 11 - Tim and Jane file a joint tax return and live in a county that doesn't have a tax. Jane does not owe county tax, but Tim does because his business is in a county having a tax. She has a \$21,000 wage income and a \$1,400 moving expense. Tim has \$23,000 net income from his photography shop and claimed a \$700 self employed SEP deduction. He'll enter his \$23,000 income on line 1 of Section 2 and the \$700 SEP deduction on line 2 of Section 2. He's not eligible to take the moving expense deduction because the wage income that it is in relation to is not being taxed for county tax purposes.

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

Example 12 - On January 1, Jack and Sue lived in a county not having a tax. Jack worked in a county that did have a tax. They claimed \$3,500 in total exemptions (\$1,000 each plus \$1,000 plus \$500 for their dependent child) on their tax return. Jack is allowed to use \$2,500, or all of the total exemptions except for Sue's personal exemption.

Line 6: Enter your county nonresident rate from the *County Income Tax Chart* on page 14.

Line 8: Add the amounts from line 7, columns A and B. Enter the total here and on line 17 of the IT-40P.

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-40P, line 17.

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

Line 18 - Use Tax Due on Out-of-State Purchases: If, while a resident of Indiana, you made purchases outside Indiana by mail order, through radio or television advertising, or directly from an out-of-state company, those purchases may be subject to Indiana sales and use tax if sales tax was not paid at the time of purchase. This tax, called "use" tax, is figured at 5% (.05).

When you make purchases from a company in Indiana, that company is responsible for collecting the Indiana sales tax from you. When you make purchases from an out-of-state company, YOU are responsible for making sure the use tax is paid. Either the

out-of-state company collects the tax from you or you must pay the tax directly to the State of Indiana.

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

To figure your tax you should complete the worksheet 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%.

Line 19 - Household Employment Taxes: If, in 1996, you paid cash wages to an individual who is *not*:

- a) your spouse;
- b) your child under age 21;
- c) your parent; or
- d) an employee under age 18; *and* they worked in and around your home as a babysitter, nanny, health aide, private nurse, maid, caretaker, yard worker or someone who does similar domestic duties; then they *may* be your employee. For more information on *Who Is A Household Employee?*, it is recommended that you get Federal Publication 926, *Household Employer's Tax Guide*, by calling the IRS at 1-800-829-1040.

If you paid cash wages over \$1,000 to a household worker who is your employee you may have needed to have withheld state and county income taxes. If you would like to pay these taxes on your Indiana income tax return for tax year 1996 *only*, contact the Department for Schedule IN-H.

Indiana Credits

Lines 21 and 22 - Indiana State and County Tax Withheld
The amount of state tax withheld is usually shown on box 18 and the amount of county tax withheld is usually shown on box 21 of the W-2s.

Sales/Use Tax Worksheet			
List all purchases made during the tax year from out-of-state companies.			
Description of personal property purchased from out-of state	Date of Purchase(s)	Purchase Price of Property(s)	
Magazine subscriptions:			
Mail order purchases:			
Internet purchases: Other purchases:			
1. Total purchase price of property subject to the sales/use tax		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-40P, line 18. If the amount is negative, enter zero and put no entry on line 18 of the IT-40P		4	

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

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

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

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

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

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

Line 23 - Estimated Tax Paid: If you made estimated tax payments for state and/or county tax, enter the total paid for the year in which you are filing on this line. Also include any payments made with Form IT-9 "Extension of Time to File" for this tax year. *Do not include any estimated tax paid for any other years.*

Other Credits: Schedule Y

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-40P, line 17, and you had to pay a local income tax outside Indiana on income earned while you were an Indiana resident, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local government, and they did not refund the tax or give you a credit for Indiana county tax.

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

The *County Income Tax Chart* found on page 13 lists the counties with their combined tax rates, if applicable. For instance, the 1995 Tippecanoe County resident tax rate of .0125 is made up of COIT (.011) plus CEDIT (.0015) for a .0125 combined county tax rate. If the county that you paid tax to assesses CEDIT, the chart in the next column will help you to determine the correct rate to use to figure this credit.

CEDIT COUNTY RATES: Use to figure Credit for Local Taxes Paid Outside Indiana.						
#	County	1992	1993	1994	1995	1996
01	Adams	0	.001	.002	.002	.002
02	Allen	0	.001	.002	.002	.002
05	Blackford	.0025	.0025	.0025	.0025	.0025
07	Brown	.0025	.0025	.0025	.0025	.0025
08	Carroll	.001	.001	.001	.001	.001
09	Cass	.001	.001	.00175	.0025	.0025
12	Clinton	.00125	.0025	.0025	.0025	.0025
13	Crawford	0	.0125	.0025	.0025	.0025
16	Decatur	0	0	0	.00125	.0025
17	DeKalb	0	0	.00125	.0025	.0025
18	Delaware	.002	.002	.002	.002	.002
19	Dubois	.004	.004	.004	.004	.004
20	Elkhart	.0025	.0025	.0025	.0025	.0025
22	Floyd	.0015	.003	.003	.003	.003
24	Franklin	.0025	.0025	.0025	.0025	.0025
25	Fulton	.0005	.001	.001	.001	.001
26	Gibson	0	0	0	0	0
31	Harrison	0	0	.00125	.0025	.0025
32	Hendricks	.0025	.0025	.0025	.0025	.0025
36	Jackson	0	0	.001	.002	.002
38	Jay	.0025	.0025	.0025	.0025	.0025
40	Jennings	0	0	0	.00125	.0025
44	LaGrange	0	0	0	.00125	.0025
51	Martin	.002	.002	.002	.002	.002
52	Miami	.0025	.0025	.0025	.0025	.0025
55	Morgan	.0025	.0025	.00125	0	0
59	Orange	0	0	0	.00125	.0025
61	Parke	0	0	0	.00125	.0025
62	Perry	.002	.0035	.005	.005	.005
63	Pike	.002	.004	.004	.004	.004
66	Pulaski	.00125	.0025	.0025	.0025	.0025
67	Putnam	0	.00125	.0025	.0025	.0025
68	Randolph	.00125	.0025	.0025	.0025	.0025
69	Ripley	.0025	.0025	.0025	.0025	.0025
70	Rush	0	0	.0005	.00175	.0025
71	St. Joseph	0	0	0	.0005	.001
73	Shelby	.0025	.0025	.0025	.0025	.0025
74	Spencer	.005	.005	.005	.005	.005
75	Starke	.005	.005	.005	.005	.005
79	Tippecanoe	.004	.004	.0015	.0015	.0065
80	Tipton	.001	.001	.001	.001	.001
81	Union	.0025	.0025	.0025	.0025	.0025
82	Vanderburgh	0	.0025	0	0	0
83	Vermillion	0	0	0	.0005	.001
85	Wabash	0	0	.00125	.0025	.0025
86	Warren	.00125	.0025	.0025	.0025	.0025
87	Warrick	.0035	.0035	.0035	.0035	.0035
88	Washington	.0025	.0025	.0025	.0025	.0025
89	Wayne	0	.00125	.0025	.0025	.0025
91	White	0	.00125	.0025	.0025	.0025
92	Whitley	0	0	.001	.002	.002

...IT-40P line-by-line instructions continue on page 15

◀ Resident ▶ County Tax Rates

Find your Indiana county name on the chart below. Enter the resident rate for the year for which you are filing on Schedule CT-40P, Section 1, Line 4. If your county has a rate of "N/A", no county tax will be due at the resident rate. See Section 2 of Schedule CT-40P to see if a county tax will be due at the nonresident rate, which is on page 14.

#	County	1992	1993	1994	1995	1996	#	County	1992	1993	1994	1995	1996
01	Adams	N/A	.002	.045	.055	.0065	51	Martin	.01	.01	.01	.01	.01
02	Allen	.0035	.0055	.0075	.008	.008	52	Miami	.0085	.0085	.0085	.0085	.0085
03	Bartholomew	.01	.01	.01	.01	.01	53	Monroe	.0095	.01	.01	.01	.01
04	Benton	.01	.01	.01	.01	.01125	54	Montgomery	.0075	.0085	.0095	.01	.01
05	Blackford	.0125	.0125	.0125	.0125	.0125	55	Morgan	.0125	.0125	.01125	.01	.01
06	Boone	.0075	.0085	.0095	.01	.01	56	Newton	.01	.01	.01	.01	.01
07	Brown	.0125	.00125	.0125	.0125	.0125	57	Noble	.01	.01	.01	.01	.01
08	Carroll	.011	.011	.011	.011	.011	58	Ohio	.01	.01	.01	.01	.01
09	Cass	.011	.011	.01175	.0125	.0125	59	Orange	.01	.01	.01	.01125	.0125
10	Clark	N/A	N/A	N/A	N/A	N/A	60	Owen	.01	.01	.01	.01	.01
11	Clay	.01	.01	.01	.01	.01	61	Parke	.01	.01	.01	.01125	.0125
12	Clinton	.01125	.0125	.0125	.0125	.0125	62	Perry	.004	.006	.0085	.0095	.01
13	Crawford	N/A	.005	.01	.01	.01	63	Pike	.002	.004	.004	.004	.004
14	Daviess	.01	.01	.01	.01	.01	64	Porter	N/A	N/A	N/A	N/A	N/A
15	Dearborn	.006	.006	.006	.006	.006	65	Posey	N/A	N/A	N/A	N/A	N/A
16	Decatur	.01	.01	.01	.01125	.0125	66	Pulaski	.01125	.0125	.0125	.0125	.0125
17	DeKalb	.01	.01	.01125	.0125	.0125	67	Putnam	.01	.01125	.0125	.0125	.0125
18	Delaware	.0075	.008	.008	.008	.008	68	Randolph	.01125	.0125	.0125	.0125	.0125
19	Dubois	.01	.01	.01	.01	.01	69	Ripley	.0125	.0125	.0125	.0125	.0125
20	Elkhart	.0125	.0125	.0125	.0125	.0125	70	Rush	.01	.01	.0105	.01175	.0125
21	Fayette	.0075	.0085	.0095	.01	.01	71	St. Joseph	N/A	N/A	N/A	.0005	.001
22	Floyd	.0015	.003	.003	.003	.003	72	Scott	.006	.0065	.0075	.0085	.0095
23	Fountain	.005	.0075	.01	.01	.01	73	Shelby	.0125	.0125	.0125	.0125	.0125
24	Franklin	.0125	.0125	.0125	.0125	.0125	74	Spencer	.005	.005	.005	.005	.005
25	Fulton	.0105	.011	.011	.011	.011	75	Starke	.01	.01	.01	.01	.00875
26	Gibson	N/A	N/A	N/A	N/A	.0025	76	Steuben	.01	.01	.01	.01	.01
27	Grant	.0085	.0095	.001	.01	.01	77	Sullivan	N/A	N/A	N/A	N/A	N/A
28	Greene	.0075	.0085	.0095	.01	.01	78	Switzerland	.0035	.0045	.0055	.006	.006
29	Hamilton	.0055	.0065	.0075	.0085	.0095	79	Tippecanoe	.01	.01	.01125	.0125	.0125
30	Hancock	.01	.01	.01	.01	.01	80	Tipton	.011	.011	.011	.011	.011
31	Harrison	.01	.01	.01	.01	.01	81	Union	.0125	.0125	.0125	.0125	.0125
32	Hendricks	.0125	.0125	.0125	.0125	.0125	82	Vanderburgh	.0095	.0125	.01	.01	.01
33	Henry	.0055	.0065	.0075	.0085	.0095	83	Vermillion	N/A	N/A	N/A	.0005	.001
34	Howard	.007	.007	.007	.007	.008	84	Vigo	N/A	N/A	N/A	N/A	N/A
35	Huntington	.01	.01	.01	.01	.01	85	Wabash	.01	.01	.01125	.0125	.0125
36	Jackson	.01	.01	.011	.012	.012	86	Warren	.01125	.0125	.0125	.0125	.0125
37	Jasper	.01	.01	.01	.01	.01	87	Warrick	.0035	.0035	.0035	.0035	.0035
38	Jay	.0125	.0125	.0125	.0125	.0125	88	Washington	.0125	.0125	.0125	.0125	.0125
39	Jefferson	.01	N/A	N/A	N/A	N/A	89	Wayne	.01	.01125	.0125	.0125	.0125
40	Jennings	.01	.01	.01	.01125	.0125	90	Wells	.01	.01	.01	.01	.01
41	Johnson	.01	.01	.01	.01	.01	91	White	.01	.01125	.0125	.0125	.0125
42	Knox	N/A	N/A	N/A	N/A	N/A	92	Whitley	.01	.01	.011	.012	.012
43	Kosciusko	.006	.006	.006	.006	.006							
44	LaGrange	.01	.01	.01	.01125	.0125							
45	Lake	N/A	N/A	N/A	N/A	N/A							
46	LaPorte	N/A	N/A	.005	.01	.01							
47	Lawrence	.01	.01	.01	.01	.01							
48	Madison	.006	.006	.006	.006	.006							
49	Marion	.007	.007	.007	.007	.007							
50	Marshall	.01	.01	.01	.01	.01							

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

◀ Nonresident ▶ County Tax Rates

Find your Indiana county name on the chart below. Enter the nonresident rate for the year for which you are filing on Schedule CT-40P, Section 2, Line 6. If your county has a rate of "N/A", no county tax will be due.

#	County	1992	1993	1994	1995	1996	#	County	1992	1993	1994	1995	1996
01	Adams	N/A	.00125	.002625	.002875	.003125	51	Martin	.004	.004	.004	.004	.004
02	Allen	.000875	.002125	.003375	.0035	.0035	52	Miami	.004	.004	.004	.004	.004
03	Bartholomew	.0025	.0025	.0025	.0025	.0025	53	Monroe	.002375	.0025	.0025	.0025	.0025
04	Benton	.0025	.0025	.0025	.0025	.00375	54	Montgomery	.001875	.002125	.002375	.0025	.0025
05	Blackford	.0055	.005	.005	.005	.005	55	Morgan	.005	.005	.00375	.0025	.0025
06	Boone	.001875	.002125	.002375	.0025	.0025	56	Newton	.0025	.0025	.0025	.0025	.0025
07	Brown	.005	.005	.005	.005	.005	57	Noble	.0025	.0025	.0025	.0025	.0025
08	Carroll	.0035	.0035	.0035	.0035	.0035	58	Ohio	.0025	.0025	.0025	.0025	.0025
09	Cass	.0035	.0035	.00425	.005	.005	59	Orange	.0025	.0025	.0025	.00375	.005
10	Clark	N/A	N/A	N/A	N/A	N/A	60	Owen	.0025	.0025	.0025	.0025	.0025
11	Clay	.0025	.0025	.0025	.0025	.0025	61	Parke	.0025	.0025	.0025	.00375	.005
12	Clinton	.00375	.005	.005	.005	.005	62	Perry	.0025	.004125	.005875	.006125	.00625
13	Crawford	N/A	.0025	.005	.005	.005	63	Pike	.002	.004	.004	.004	.004
14	Daviess	.0025	.0025	.0025	.0025	.0025	64	Porter	N/A	N/A	N/A	N/A	N/A
15	Dearborn	.0015	.0015	.0015	.0015	.0015	65	Posey	N/A	N/A	N/A	N/A	N/A
16	Decatur	N/A	.0025	.0025	.00375	.005	66	Pulaski	.00375	.005	.005	.005	.005
17	DeKalb	.0025	.0025	.00375	.005	.005	67	Putnam	.0025	.00375	.005	.005	.005
18	Delaware	.003375	.0035	.0035	.0035	.0035	68	Randolph	.00375	.005	.005	.005	.005
19	Dubois	.0055	.0055	.0055	.0055	.0055	69	Ripley	.005	.005	.005	.005	.005
20	Elkhart	.005	.005	.005	.005	.005	70	Rush	.0025	.0025	.003	.00425	.005
21	Fayette	.001875	.002125	.002375	.0025	.0025	71	St. Joseph	N/A	N/A	N/A	.002125	.001
22	Floyd	.0015	.003	.003	.003	.003	72	Scott	.0015	.001625	.001875	.002125	.002375
23	Fountain	.0025	.0025	.0025	.0025	.0025	73	Shelby	.005	.005	.005	.005	.005
24	Franklin	.005	.005	.005	.005	.005	74	Spencer	.005	.005	.005	.005	.005
25	Fulton	.003	.0035	.0035	.0035	.0035	75	Starke	.0075	.0075	.0075	.0075	.00625
26	Gibson	N/A	N/A	N/A	N/A	.0025	76	Steuben	.0025	.0025	.0025	.0025	.0025
27	Grant	.002125	.002375	.0025	.0025	.0025	77	Sullivan	N/A	N/A	N/A	N/A	N/A
28	Greene	.001875	.002125	.002375	.0085	.0025	78	Switzerland	.00875	.001125	.001375	.0015	.0015
29	Hamilton	.001375	.001625	.001875	.002125	.002375	79	Tippecanoe	.005	.0055	.00675	.008	.008
30	Hancock	.0025	.00255	.0025	.0025	.0025	80	Tipton	.0035	.0035	.0035	.0035	.0035
31	Harrison	.0025	.0025	.00375	.005	.005	81	Union	.005	.005	.005	.005	.00582
32	Hendricks	.005	.005	.005	.005	.005		Vanderburgh	.002375	.0025	.0025	.0025	.0025
33	Henry	.001375	.001625	.001875	.002125	.002375	83	Vermillion	N/A	N/A	N/A	.0005	.001
34	Howard	.00175	.00175	.00175	.00175	.00275	84	Vigo	N/A	N/A	N/A	N/A	N/A
35	Huntington	.0025	.0025	.0025	.0025	.0025	85	Wabash	.0025	.0025	.00375	.005	.005
36	Jackson	.0025	.0025	.0035	.0045	.0045	86	Warren	.00375	.005	.005	.005	.005
37	Jasper	.0025	.0025	.0025	.0025	.0025	87	Warrick	.0035	.0035	.0035	.0035	.0035
38	Jay	.005	.005	.005	.005	.005	88	Washington	.005	.005	.005	.005	.005
39	Jefferson	N/A	N/A	N/A	N/A	N/A	89	Wayne	.0025	.00375	.005	.005	.005
40	Jennings	.0025	.0025	.0025	.00375	.005	90	Wells	.0025	.0025	.0025	.0025	.0025
41	Johnson	.0025	.0025	.0025	.0025	.0025	91	White	.0025	.00375	.00375	.005	.005
42	Knox	N/A	N/A	N/A	N/A	N/A	92	Whitley	.0025	.0025	.0035	.0045	.0045
43	Kosciusko	.0015	.0015	.0015	.0015	.0015							
44	LaGrange	.0025	.0025	.0025	.00375	.005							
45	Lake	N/A	N/A	N/A	N/A	N/A							
46	LaPorte	N/A	N/A	.00125	.0025	.0025							
47	Lawrence	.0025	.0025	.0225	.0025	.0025							
48	Madison	.0015	.0015	.0015	.0015	.0015							
49	Marion	.00175	.00175	.00175	.00175	.00175							
50	Marshall	.0025	.0025	.0025	.0025	.0025							

00 All Other States except the following:

94 Illinois

95 Kentucky

96 Michigan

97 Ohio

98 Pennsylvania

99 Wisconsin

Step 1 - Figuring your rate: Enter your 2-digit county code number from Schedule CT-40P, Section 1 or Section 2

Step 2 - Enter the county tax rate from Schedule CT-40P Section 1, line 4 or from Section 2, line 6

Step 3 - Is the 2-digit code number from Step 1 on the CEDIT COUNTY RATES chart on page 12 for the year in which you are filing? If not, enter zero. If yes, enter the CEDIT rate from the chart for the year in which you are filing

Step 4 - Subtract the Step 3 amount from the Step 2 amount and enter the difference here

Step 5 - Figuring your credit: The amount of the Credit for Local Taxes Paid Outside of Indiana is the *lesser* of:

- a) your rate from Step 4 multiplied by income taxed by the other locality;
- b) the amount of tax paid to the other locality;
- c) the amount of tax withheld from your earnings and paid to the locality as shown on your W-2 form(s); or
- d) the amount of Indiana county tax on Form IT-40P, line 17.

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 and the chart below to figure your credit.

Step 1: Find your county tax rate from CT-40P, Section 1, line 4A/B or Section 2, lines 6A/B.

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

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

Step 4: Compare the amount calculated in *Step 3* with the county tax shown on Form IT-40P, line 17.

Whichever amount from *Steps 3 or 4* is smaller is your allowable credit. Make sure to attach the completed federal Schedule R to your tax return.

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

Limitation: There is one final limitation if you have entries on both lines 1 and 2 of Schedule Y. These two credits, *when combined*, cannot be greater than the county tax shown on Form IT-40P line 17; 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-40P line 17 county tax due is \$115.
 - Since your combined credits are \$5 more than your county tax due, reduce your last entry (the \$20 county credit for the elderly) by \$5 to \$15.
 - Enter \$15 on line 2, and attach an explanation showing your calculations.

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

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

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

Line 4 - Credit for Taxes Paid to Other States: If you received income from another state while you were an Indiana resident, you have to report that income on your Indiana income tax return. You may be able to take a credit for taxes paid to another state. If you had income from another state and had to pay taxes to that state, read the following instructions carefully.

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

Group A		
No Agreement (Credit taken on resident return)		
Alabama	Maine	New York
Arkansas	Maryland	North Carolina
Colorado	Massachusetts	North Dakota
Connecticut	Minnesota	Oklahoma
Delaware	Mississippi	Rhode Island
Georgia	Missouri	South Carolina
Hawaii	Montana	Tennessee*
Idaho	Nebraska	Utah
Iowa	New Hampshire*	Vermont
Kansas	New Jersey	Virginia
Louisiana	New Mexico	West Virginia
Any foreign countries or U.S. possessions		
*(Capital gain, interest, and dividends only)		

Group A Worksheet

- A. Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return)..... A. _____
- B. Multiply the amount of income from the other state (that is subject to Indiana tax) by 3.4% (.034) B. _____
- C. Enter the amount of Indiana state income tax shown on IT-40P, line 16..... C. _____

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

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

If you were an Indiana resident during the year for which you are filing and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips, and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit. Normally, employers in these states will withhold Indiana state tax from your wages because of the reciprocal agreement. However, if the state tax they withheld is not for Indiana, you must file a claim for refund with that state. What this means is you still have to include this income on your Indiana return and pay the Indiana tax. You get the other state's taxes back by filing a refund claim with them.

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

If you were a resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you'll need to file Schedule Z. See the instructions beginning on page 19.

Group C	
Reverse Credit (Credit taken on nonresident return)	
Arizona	Oregon
California	Washington D.C.

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

If you were a resident of one of the Group C states during the year for which you are filing and had income from Indiana, you must complete Schedule Z. You will then calculate the credit for taxes paid to other states. Again, get Income Tax Information Bulletin #28 from the Department.

Group D			
No State Income Tax (No credit allowed)			
Alaska	Florida	Nevada	South Dakota
Texas	Washington	Wyoming	

If you were an Indiana resident during the year 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. For more information about this credit, contact the Department.

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 us at (317)232-2240 and request Form NC-20 and Income Tax Information Bulletin #22.

Line 7 - Personal Computer Tax Credit: This credit is available to any taxpayer donating a new or used personal computer to the Buddy-Up With Education Program administered by the Central Indiana Educational Service Centers. The credit is equal to \$125 for each personal computer approved for use by the Central Indiana Educational Service Center.

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

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 zones.

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

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

Income Tax Information Bulletin #66, Form EZ Schedules, and Schedule LIC will provide additional information about these credits. You can get the information bulletin and forms by contacting the Department of Revenue. The Department of Commerce can provide additional information about the Enterprise Zone Investment Cost Credit. You may contact the Department of Commerce at: Indiana Department of Commerce, One North Capitol, Suite 600, Indianapolis, IN 46204, phone number (317) 232-8911.

Line 9 - Teacher Summer Employment Credit: If you hire math or science teachers during the summer vacation, you may be able to take a credit. The qualified positions must be certified by the Department of Education, and the certificate must be attached to your tax return before the credit can be approved.

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

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 office of the Twenty-First Century Scholars Program at (317) 233-2100.

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

Line 11 - Other Credits

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

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

Historic Rehabilitation Tax Credit: A Historic Rehabilitation Tax Credit is available for the rehabilitation or preservation of a historic building that is listed on the Indiana Register of Historic Sites and Structures and is at least 50 years old. The structure must be at least 2,000 square feet on the ground floor and must be income producing. The cost of rehabilitation or preservation must also exceed \$5,000. 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.

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 that is licensed to conduct legal gambling in Indiana. This credit is equal to 15% of the qualified investment and can be carried forward to subsequent tax years. The Department of Commerce must approve the costs of the qualified investment BEFORE the costs are incurred. Contact the Department of Commerce at (317) 233-4271 for more information about this credit.

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

Limitation: There is one final limitation if you have more than one entry on Schedule Y, lines 3 through 11. These credits, *when combined*, cannot be greater than the state adjusted gross income tax shown on Form IT-40P, line 16; 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 of \$500 total credit.
- Your IT-40P line 16 states 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 26 - Overpayment Subtotal: If the amount is a negative figure, then you will not get a refund. You owe additional taxes and should enter the amount on line 27.

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 \$100 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.)

You might owe this penalty if:

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

If either of these cases applies to you, you must complete Schedule IT-2210 to see if you owe a penalty or if you meet an exception. If you owe this penalty, attach Schedule IT-2210 to your tax return and write the penalty amount on line 28.

Contact the Department to get Schedule IT-2210.

Line 31 - Penalty: If you have an amount due you will owe a penalty. Penalty is 10% of the amount due on line 27 or \$5.00, whichever is greater.

Line 32 - Interest: If you have an amount due you will owe interest. Contact the Department for the current interest rate by calling (317) 232-2240.

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

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

Please wait twelve to sixteen weeks before you contact the Department about your refund.

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

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

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

Residency Status: Part-year and full-year nonresidents need to enter the date and 2-letter abbreviation of the other state where they lived during the year in which they are filing. If you lived in more than one other state during the year, attach this information to your return. **Note:** If you lived out of the country, enter "OC", which stands for out-of-country, in this area.

Authorization Section: If someone other than you completed this tax return, you can give the Department permission to discuss your tax return with that person. Mark the appropriate box on the back of the tax return. Also, you must enter that person's identification number in the boxes provided at the end of this section. Enter the person's social security number or federal identification number if completed by a professional preparer. If someone other than you completed this return, and you do not want the Department to discuss your return with that person, mark the appropriate box on the back of the tax return.

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

Signature Section: Carefully read the statement directly above the signature section. If this is a joint return, both you and your spouse must sign and date the tax return. Also, give us your daytime telephone number so we can call you if we have any questions about your tax return.

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

Instructions for Nonresidents and Part-Year Residents

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

Indiana income includes income from the following sources:

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

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

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

Reciprocal state residents must complete Schedule Z if they received other types of Indiana source income in addition to wages, tips, salaries and commissions. (Since Indiana won't tax the wages, salaries, tips or commissions, make sure to **not** put them in Column B.)

Indiana Schedule Z

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 which are subject to tax only by your state of residence at the time you receive it. Put parentheses () around any loss or negative entry.

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 Schedule X, line 3.

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

Line 5 - Taxable Refunds, Credits or Offsets: Enter in Column A the amount of taxable refunds, credits or offsets of state and local income taxes that was reported on your federal Form 1040, line 10. Enter in Column B that portion received while you were an Indiana resident.

Line 6 - Alimony Received: Enter in Column A the amount of alimony reported on your federal Form 1040, line 11. Enter in Column B that portion you received while you were an Indiana resident.

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

Line 7 - Business Income or Loss: Enter in Column A the business income from Schedules C or C-EZ that is reported on federal Form 1040, line 12. Enter in Column B that portion of business income subject to tax in Indiana. Also, see the instructions for:

- tax add-back on Section 1, line 23; and
- apportionment on line 19B 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, through September 30. 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 next year's 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 19B 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.

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-40P 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 X, 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 Z, 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 12 on the front of Form IT-40P.

Note: If line 21B is a loss, enter zero (0) in Box 12C and on line 12 on the IT-40P. If line 21A is a loss, and line 21B is a positive amount, enter 1.00 (100%) in Box 12C and on line 12 on the IT-40P.

Line 23 - Tax Add-Back: If you have entries on Section 1, lines 7, 12, 13, 14, 15 &/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 Z, 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 which 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 Z, 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 - 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 28 - Moving Expenses: Enter in Column A the amount of moving expense deduction reported on your federal Form 1040, line 26. If you moved to or within Indiana, report this amount in Column B. If you moved from Indiana to another state, do not report this amount in Column B.

Line 29 - 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 30 - 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 31 - 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 32 - 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 33 - 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.

Indiana Schedule Z, Section 3: Totals

Line 35A - Column A Total: Subtract line 34A from line 25 A and enter total here.

Line 35B - Column B Total: Subtract line 34B from line 25B. Enter total here and on the front of form IT-40P, line 6.


Contributions to the Indiana Nongame and Endangered Wildlife Fund

Donations to the Nongame and Endangered Wildlife Fund assist the Department of Natural Resources in managing and protecting over 550 species of Indiana wildlife. Your contributions to the Fund have brought back bald eagles and peregrine falcons to our skies and river otters to our waters.

These reintroduction programs and the many other projects implemented by the Nongame and Endangered Wildlife Program are funded almost exclusively by donations to the Indiana State income tax check-off.

If you would like to make a donation to the Fund, you can complete the form in the next column and mail it and your check or money order made payable to the Fund to:

Department of Natural Resources, Division of Fish and Wildlife, W-273 Indiana Government Center South, 402 West Washington, Indianapolis, IN 46204.




I (We) wish to donate _____ to the Indiana Nongame and Endangered Wildlife Fund.

Name(s)	
Address	
City	
State	Zip Code

Automated Taxpayer Information System (317) 233-4018



This automated telephone system was established to answer commonly asked questions. The system is available Monday through Saturday; it updates information on Sunday. By calling from a touch-tone telephone, you may access the status of your current year individual income tax refund check, information about outstanding liabilities for individuals or businesses, and pre-recorded tax topics.



Mail your form to:

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

Full-year residents should complete the following forms:

- ▶ **Form IT-40P**
- ▶ **Schedule X** if claiming any Indiana deductions
- ▶ **Schedule Y** if claiming additional Indiana credits
- ▶ **Schedule CT-40P** if you and/or your spouse lived/worked in an Indiana county that has a county tax

Part-year and full-year nonresidents should complete the following forms:

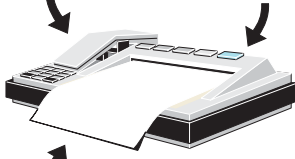
- ▶ **Form IT-40P**
- ▶ **Schedule Z**
- ▶ **Schedule X** if claiming any Indiana deductions
- ▶ **Schedule Y** if claiming additional Indiana credits
- ▶ **Schedule CT-40P** if you and/or your spouse lived/worked in an Indiana county that has a county tax

If you need additional forms or information, try:

Indiana TaxFax
(317)233-2FAX


It's as easy as 1-2-3 to get tax forms ...24 hours a day!

1. Call from the telephone portion of your fax machine.
2. Listen to the voice prompts and complete the ordering process.
3. Your forms will begin printing within moments.



Indiana Department of Revenue on the Internet

www.in.gov/dor/



The Department has been on the Internet since July 1996. Our site contains forms, publications, general information, and e-mail capabilities. Regular web browsers will be happy to know we have limited the number of graphics for increased speed. Forms are available in .pdf format and a reader is available for you to download from the site. Forms printed from a laser quality printer may be submitted to the Department for processing unless otherwise noted.

Access Indiana Information Network

Comprehensive information about your Indiana State Government, including advice on what to do in emergencies, can be found on the state's official website, the Access Indiana Information Network, at:

www.in.gov

Indiana Department of Revenue District Offices

★ Indianapolis (Main Office)

Indiana Government Center North, Rm N105
100 N. Senate Avenue
Indianapolis, IN 46204
(317) 232-2240

1 Bloomington District Office

410 Landmark Ave.
Bloomington, IN 47403
(812) 339-1119

2 Clarksville District Office

1446 Horn Street
Clarksville, IN 47129
(812) 282-7729
Mailing address: P.O. Box 3249
Clarksville, IN 47131-3249

3 Columbus District Office

3138 N. National Rd.
Columbus, IN 47201
(812) 376-3049

4 Evansville District Office

500 S. Green River Road
Suite 202, Goodwill Building
Evansville, IN 47715
(812) 479-9261

5 Fort Wayne District Office

-Call for current address-
(260) 456-3476

6 Kokomo District Office

117 East Superior Street
Kokomo, IN 46901
(765) 457-0525

7 Lafayette District Office

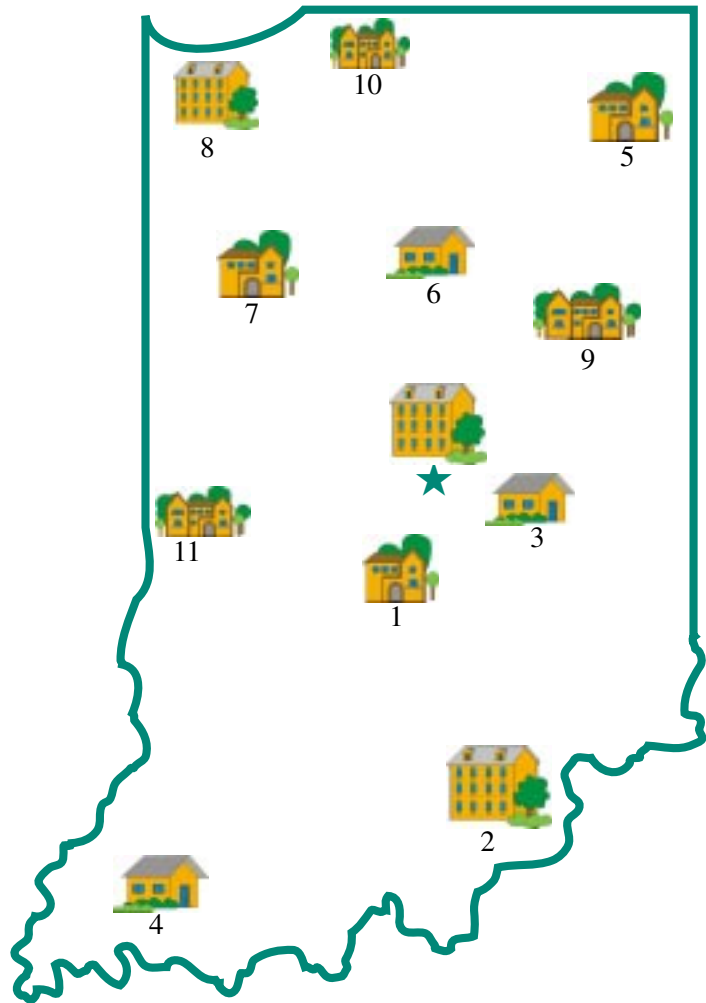
100 Executive Drive, Suite B
Lafayette, IN 47905
(765) 448-6626

8 Merrillville District Office

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

9 Muncie District Office

3640 N. Briarwood Lane, Suite 5
Muncie, IN 47304
(765) 289-6196



10 South Bend District Office

1025 Widener Lane, Suite B
South Bend, IN 46614
(574) 291-8270

11 Terre Haute District Office

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

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

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-Notes-

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

