



Indiana Department of Revenue

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Income Tax Information Bulletin #123

Subject: Physician Practice Ownership Tax Credit

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References: IC 6-3.1-40

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Introduction

In 2024, the Indiana General Assembly enacted IC 6-3.1-40, which created a new Physician Practice Ownership Tax Credit (the "credit"). The credit is available for a primary care physician who acquires an ownership interest in certain primary care practices that begin providing primary care services after December 31, 2023.

Definitions

"Primary care services" means any of the following:

- Family medicine
- General pediatric medicine
- General internal medicine
- The general practice of medicine

A "primary care physician" means an individual:

- Licensed to practice medicine in Indiana under IC 25-22.5
- Who is not employed by a health system (as defined in IC 16-18-2-168.5),
- Provides one or more primary care services for a majority of the individual's time practicing medicine during the taxable year.

A "qualifying practice" means an entity that meets all of the following:

- The entity is a corporation, limited liability company, partnership, or other legal entity organized to provide primary care services.

- The entity is owned by one or more primary care physicians.
- The entity is established as a legal entity in 2024 or later.
- The entity opens and begins providing primary care services to patients in a taxable year beginning in 2024 or later.
- The entity bills for primary care services for at least six months during the taxable year in which the practice is established.
- The entity bills primary care services as a majority of the time billed by the entity.

Computation of the Credit

A primary care physician who owns an interest in a qualifying practice is permitted a credit of \$20,000 per year for three years beginning with the first taxable year in or after which the entity is established and also bills for primary care services at least six months during the taxable year.

The ownership interest in the qualifying practice will be determined at the end of the first year of qualification. Subsequent acquisitions and transfers of ownership will be disregarded for credit eligibility.

In the case of a fiscal year qualifying practice, the physician's eligibility for the credit will be determined as of the last day of the qualifying practice's year. For example, if a qualifying practice has a taxable year of July 1, 2024, to June 30, 2025, the physician's first year of the credit is 2025.

In the case of a married couple filing jointly and both spouses are eligible for the credit, contact the department at the email address below if the amount to be claimed during the taxable year is greater than \$20,000. In addition, if a primary care physician passes away during the three-year credit period, the heirs of the physician are not eligible for the credit even if the heirs otherwise would meet the requirements to qualify for the credit.

Certain nominal interests owned by a primary care physician in a qualifying practice will be treated as if the physician did not own an interest in the practice. Ownership interests in which a primary care physician's interest in the qualifying practice, including property owned by the qualifying practice, would be less than \$60,000 upon liquidation and distribution of the qualifying practice, will be treated as not being an ownership interest.

Reporting the Credit

To report the credit, Code 880 must be used. The credit will be reported on Schedule IN-OCC, Part A. The PIN or Project Code will be the physician's Indiana license number without any letters. For example, a physician with licenses 98765432A and 98765432B will use "98765432."

Annual Credit Claims and Recapture

The credit allowable to a taxpayer is limited to the taxpayer's state adjusted gross income tax liability for a taxable year after application of other nonrefundable credits allowable prior to this

credit. If a credit is not allowable for a taxable year due to the limitation of the taxpayer's tax liability, the unused credit can be carried forward for up to 10 years after the first taxable year for which the credit was allowable and must be reduced as it is claimed. If any credit is carried forward, either to a future year or from a prior year, the credit must also be listed on Schedule IN-OCC, Part B.

If a taxpayer claims a credit and within five years of the taxpayer's qualification for a credit, the taxpayer:

- sells, transfers, grants, or otherwise relinquishes the taxpayer's ownership in the qualifying entity, and
- is employed either by a health system or another non-physician owned medical practice,

the department will assess the taxpayer an amount of any credits claimed by the taxpayer. If a taxpayer has a carryforward of any unused credit, the remaining unused credit will be disallowed.

The department may request documentation from the taxpayer who claims the credit verifying the taxpayer's qualifications for the credit. This documentation is not required to be provided with the filing of the taxpayer's return and should not be provided with the filing of the return. Failure to provide the requested documentation will result in an initial denial of the credit.

If you have any questions concerning this bulletin, contact the Tax Policy Division at taxpolicy@dor.in.gov.



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