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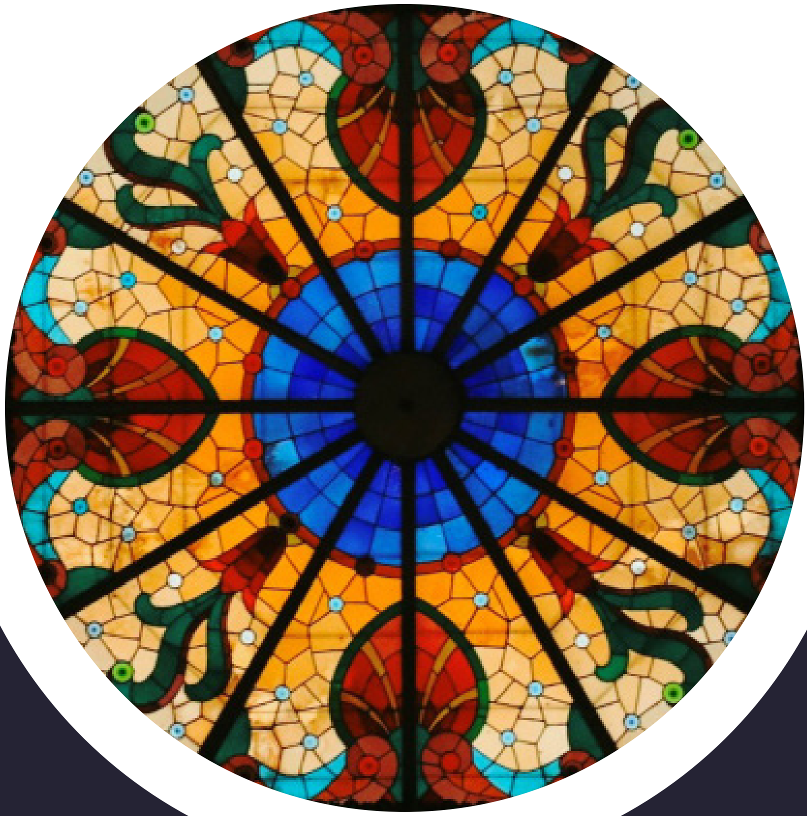

TAX EXPENDITURE REVIEW

OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
LEGISLATIVE SERVICES AGENCY

The Office of Fiscal and Management Analysis (OFMA) is a division of the Legislative Services Agency that performs fiscal, budgetary, and management analysis for the Indiana General Assembly.

JESSICA L. HARMON **DIRECTOR**
HEATH HOLLOWAY **DEPUTY DIRECTOR**

Expenditure Review Team

CHRISTOPHER **BAKER**
RANDHIR **JHA**
LAUREN **TANSELLE**
CAMILLE **TESCH**

Staff

ABDULRAHMAN **ABDULKADRI**
JASON **BARRETT**
NATE **BODNAR**
BILL **BRUMBACH**
KAREN **FIRESTONE ROSSEN**
KELAN **FONG**
CORRIN **HARVEY**
JAMES **JOHNSON**
ALLISON **LEEUW**
QIAN **LI**
JASMINE **NOEL**
HEATHER **PULETZ**
ALEXANDER **RAGGIO**
KASEY **SALT**
AUSTIN **SPEARS**
ROBERT J. **SIGALOW**
LIA **TREFFMAN**

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PREFACE

IC 2-5-3.2-2 requires the Legislative Services Agency (LSA) to prepare and publish a tax expenditure report before November 1 in even-numbered years for use in the preparation and consideration of the state biennial budget.

The report must include at least the following:

- A listing and explanation of each tax expenditure.
- The history of each tax expenditure.
- An estimate for each state fiscal year of the next biennial budget of the cost of each tax expenditure.
- A discussion of the criteria used to determine whether a tax provision is a tax expenditure.

This biennial tax expenditure report is conducted by the Office of Fiscal and Management Analysis of LSA. The report must be submitted to the Interim Study Committee on Fiscal Policy, the Legislative Council, and the chairpersons and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Appropriations.

LSA would like to thank the Department of State Revenue and the Indiana Economic Development Corporation for providing much of the data used to prepare this report.

INTRODUCTION

DEFINING TAX EXPENDITURES

IC 2-5-3.2-2 defines a tax expenditure as a tax exemption, tax deduction, tax credit, preferential tax rate, or tax provision that reduces a person's state tax liability.

A tax expenditure is broadly defined as a tax provision that reduces the amount of revenue that would otherwise be generated from the "normal" tax base. Therefore, defining the "normal" tax base is a crucial step in identifying and measuring tax expenditures. Because there is not one single definition of the norm, the determination of a tax provision as a tax expenditure may differ from state to state. This report uses a reference law baseline model for classifying tax provisions as part of the normal tax base or as tax expenditures. This approach identifies exemptions, deductions, credits, and other statutory provisions as tax expenditures, while recognizing that some revenue reducing provisions are part of the baseline structure of the tax.[1]

Generally, the following criteria are

[1]Mikesell, J. L. (2002). Tax expenditure budgets, budget policy, and tax policy: Confusion in the states. *Public Budgeting & Finance,* 22(4), 34-51.

used to determine whether a provision constitutes a tax expenditure:

1. The provision reduces the state's General Fund revenue.
2. The item would have been part of the defined tax base.
3. The item is not subject to an alternative tax.
4. The provision is subject to change by state legislative action.

Below are descriptions of the basic structure of Indiana's individual income tax, corporate income tax, and sales and use tax and the criteria LSA used in deciding whether to classify a tax provision as an expenditure.

Individual Income Tax

Individual income taxation begins with gross income, which consists primarily of wages, salaries, taxable interest, business income, realized net capital gains, rents, royalties, taxable pension and annuity income, and alimony received. Federal law provides several adjustments to an individual's or entity's gross income to arrive at federal adjusted gross income (AGI) as defined by Section 62 of the Internal Revenue Code. These adjustments are commonly referred to as being "above the line" because they are adjustments to income before the computation of federal AGI. "Above the line" also has another meaning for Indiana taxation purposes. Taxpayers are required to carry over their federal AGI from their federal return to their Indiana return. Those "above the line" adjustments are made before the first line of Indiana's income tax filings, and those adjustments do not appear on Indiana's income tax return.

Indiana statute requires certain "above the line" adjustments to be added back to the taxpayer's federal AGI. Most of the adjustments are related to federal tax provisions that Indiana does not recognize, like the bonus depreciation deduction. Pursuant to IC 2-5-3.2-2, a tax expenditure is a provision that reduces a person's state tax liability. Therefore, for the purposes of this tax expenditure report, the tax base is equal to federal AGI, plus Indiana add-backs.

After adding back certain amounts to federal AGI, deductions, such as the homeowner's property tax deduction and exemptions for each qualifying family member, are subtracted. The resulting amount equals Indiana AGI. The state AGI tax is computed by multiplying Indiana AGI by the appropriate tax rate, which is 3.05% for tax year 2024 and 3.00% for tax year 2025. The tax rate will continue to decrease annually until tax year 2027. See Table 1.

TABLE 1.
INDIANA INDIVIDUAL INCOME TAX RATE

Tax Year	Tax Rate
2023	3.15%
2024	3.05%
2025	3.00%
2026	2.95%
2027 and after	2.90%

SOURCE: IC 6-3-2-1

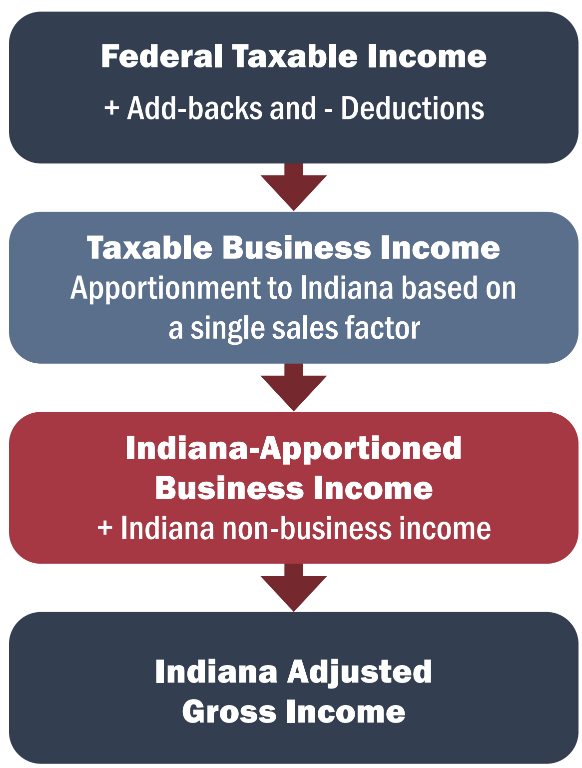
Credits, such as the earned income tax credit, venture capital investment credit, and certain credits for charitable donations, are subtracted from this tax amount. The resulting amount is the Indiana individual income tax liability. For purposes of this report, Indiana deductions and exemptions subtracted from federal AGI and credits subtracted from the state tax amount are considered tax expenditures.

Corporate Income Tax

Indiana corporate income taxation begins with federal "taxable income before federal net operating loss (NOL) and special deductions" (e.g., net qualifying dividends deduction). NOL at the federal level refers to losses from all subsidiaries of a corporation, including those outside of Indiana. NOL in this form is not considered for Indiana taxation purposes.

Any additional adjustment to income that occurs after the calculation of "taxable income before NOL and special deductions" on Federal Form 1120 is not considered a tax expenditure for the purposes of this report.

Federal taxable income is then modified by add-backs and deductions to arrive at taxable business income. Corporate taxpayers must apportion their taxable business income to Indiana using a single sales factor, by which a corporation's tax is based on the percentage of its sales in Indiana. Finally, Indiana-apportioned business income is modified by non-business income (e.g., sale of property) to arrive at Indiana AGI. Any available Indiana NOL is then deducted from Indiana AGI to arrive at taxable Indiana AGI. A taxpayer's liability is computed by multiplying taxable AGI by the appropriate tax rate, which is currently 4.9%.[2]



[2] The tax rate was 5.5% in FY 2020 and 5.25% in FY 2021.

Sales and Use Tax

Indiana imposes a gross retail tax, also known as the sales tax, on retail transactions made in Indiana. A complementary tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of the transaction or the retail merchant. The tax rate is 7% of the gross retail income received by a retail merchant. Gross retail income includes cash, credit, property, and services and excludes the value of tangible personal property received in a like-kind exchange, interest, finance charges, insurance premiums, discounts, taxes, installation charges, or postage. Sales tax is paid by the purchaser and collected by the seller at the time of the transaction. Use tax is paid and remitted by the purchaser.

Taxable retail transactions include the sale, lease, and rental of tangible personal property, which is defined as personal property that can be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. Electricity, water, gas, steam, and prewritten computer software are defined as tangible personal property. In addition, certain services specified in statute, such as water softening and conditioning and the rental of rooms and other accommodations for less than 30 days, are subject to sales tax. Because services are not generally included in the definition of taxable retail transactions, the exclusion of most services from the tax base is not considered a tax expenditure.

Transactions involving tangible personal property are exempt from sales and use tax if the person acquiring the property acquires it for resale without changing the form of the property [IC 6-2.5-5-8(b)]. This provision defines the tax base by preventing an item from being taxed multiple times before it is sold to the consumer. Therefore, the resale exemption is not considered a tax expenditure.

To summarize, the normal sales and use tax base for the purposes of this report consists of transactions involving tangible personal property and specified services. It excludes most services and tangible personal property acquired for resale. Any exemptions from this base are considered tax expenditures in this report.

Data Sources and Methods

This report provides estimates of the cost of each tax expenditure for each year of the next biennial budget (FY 2026 and FY 2027), as well as the previous and current biennia (FY 2022 through FY 2025). It is important to note that these are estimates of the financial benefit received by taxpayers, or the revenue forgone by state government. They do not represent the estimated revenue that would be gained if the provisions were repealed. In addition, the estimates do not adjust for taxpayer behavior or economic impacts that would be caused by the repeal of a tax expenditure.

Tax expenditure estimates were derived using various data sources as described below. Individual and corporate income tax expenditure estimates are based on tax return data. Tax return data are not available for most sales and use tax expenditures, so these estimates were calculated using various other data sources.

Individual and Corporate Income Tax

Tax return data for individual and corporate income taxes are obtained by LSA from the Department of State Revenue (DOR). The data are transferred to LSA approximately 20 months after the end of the taxable year. The most recent year for which we have data is tax year 2022. However, the database may not contain returns that were suspended or in audit at the time of the data transfer.

The income tax expenditure forecast estimates are largely based on historical claim information. Many expenditures have established trends and are not subject to extreme annual fluctuations. However, because the available tax data are lagged by two years, LSA consulted secondary information sources for certain expenditures. For example, LSA reviewed credit agreements posted on the Indiana Economic Development Corporation's (IEDC) transparency portal. These information sources assist in determining whether the historical trends are still valid, and they provide insight in estimating future expenditure claims. The estimates for recently enacted tax expenditures were taken directly from the appropriate fiscal note published by LSA.

Sales and Use Tax

Sales and use tax expenditures were estimated using various data sources, including federal government agencies and IMPLAN Group, LLC. Following are brief descriptions of the data sources that were primarily used to estimate sales tax expenditures when data from DOR were not available.

Bureau of Economic Analysis: Detailed Data for Fixed Assets and Consumer Durable Goods

The U.S. Bureau of Economic Analysis (BEA) publishes estimates for investments in private nonresidential fixed assets by industry and asset type. This data source provides national totals, so a portion of the BEA's estimates was allocated to Indiana based on Indiana's estimated share of each industry relative to the national total.

Bureau of Economic Analysis: Personal Consumption Expenditures

The BEA provides monthly, quarterly, and annual estimates of household expenditures by type of product. The national personal consumption expenditures (PCE) data provide detailed spending information, and state-specific expenditure estimates are provided at a more aggregate level. The PCE estimates are based on information from the Census Bureau, Center for Medicare and Medicaid Services, and Bureau of Labor Statistics. This data source was primarily used to estimate sales tax exemptions for purchases that are typically made by private households, such as food and prescription drugs.

Bureau of Labor Statistics: Consumer Expenditure Surveys

The U.S. Bureau of Labor Statistics conducts nationwide household surveys, known as the Consumer Expenditure Surveys. This program provides data on expenditures, income, and demographic characteristics of consumers in the United States. LSA used detailed expenditure data from the Consumer Expenditure Surveys, along with PCE data, to estimate sales tax exemptions for household purchases.

Bureau of Transportation Statistics: National Transportation Statistics

The National Transportation Statistics publication reports data on all aspects of the U.S. transportation system. LSA used data on sales and leases of new and used passenger vehicles to estimate certain tax expenditures.

Census Bureau: Economic Census

The Economic Census covers all U.S. business locations and industries and provides operational and performance data for these businesses. The Census Bureau also provides state-level business and industry data. The Census Bureau conducts the Economic Census every five years. The most recently published state data are from the 2017 Economic Census.

Census Bureau: Manufactured Housing Survey

The Manufactured Housing Survey provides data on shipments, prices, and characteristics of new manufactured housing, including shipment and price data by state.

IMPLAN Input-Output Model

Input-output data provide estimates of products and services purchased by industries. The input-output model provided by IMPLAN Group LLC aims to account for all monetary transactions between industries for a specific period. The data used for this report provide a detailed representation of the state's industrial structure in CY 2022.

National Science Foundation

The National Science Foundation conducts the Business Enterprise Research and Development Survey. This is an annual survey on research and development performed or funded by businesses within the United States. The survey provides research and development costs by industry and by state. This data source was used to estimate the sales tax exemption for research and development property.

State Lottery Commission of Indiana

State Lottery Commission Annual Reports, which include the amount of revenue from lottery ticket sales, are used to estimate the sales tax exemption for lottery tickets.

Sales tax expenditures were forecasted based on projected growth in certain economic variables. Like the estimates for income taxes, the estimates for recently enacted sales tax exemptions were taken directly from the appropriate fiscal note published by LSA.

LEGISLATIVE CHANGES

Several tax expenditures were added or amended due to legislation enacted in 2023. No legislative changes to tax expenditures passed during the 2024 legislative session.

This section provides a summary of legislation that either resulted in additional tax expenditures or caused significant changes in the estimated cost of a tax expenditure compared to the 2022 Tax Expenditure Review. However, this is not a comprehensive list of all changes that were made to tax provisions. The estimated state fiscal impact is listed for each provision for which data is available.

529/ABLE Account Contribution Dates	
Code:	IC 6-3-3-12; IC 6-3-3-12.1
Enrolled Act:	HEA 1454-2023, sec. 65-66
Effective Date:	January 1, 2024
Description:	For purposes of the 529 college contribution credit and the 529 ABLE account contribution credit, HEA 1454-2023 allows taxpayers to allocate all or part of a contribution made after the end of a taxable year, and not later than the due date of the taxpayer's income tax return for the taxable year, to the taxable year preceding the contribution.
Estimate:	The provision could reduce General Fund revenue from individual income taxes by an indeterminable amount starting in FY 2025.
Attainable Homeownership Tax Credit	
Code:	IC 6-3.1-40.9
Enrolled Act:	HEA 1001-2023, sec. 104
Effective Date:	January 1, 2024
Description:	HEA 1001-2023 establishes a nonrefundable tax credit for contributions made by a taxpayer to an affordable housing organization. The amount of the tax credit is equal to 50% of the actual amount donated up to $20,000.
Estimate:	The tax credit is effective in tax year 2024 through 2029, and the provision may decrease revenue deposited into the General Fund by up to $4 M annually beginning in FY 2025 depending on the amount donated to eligible organizations.
Broadband Expansion Grants Taxation Deduction	
Code:	IC 6-3-1-3.5(b)(20)
Enrolled Act:	SEA 419-2023, sec. 7
Effective Date:	January 1, 2023

Broadband Expansion Grants Taxation Deduction (Continued)	
Description:	SEA 419-2023 provides for a corporate income tax deduction for: (1) federal, state, or local grants received by the taxpayer; and (2) discharged federal, state, or local indebtedness incurred by the taxpayer; for purposes of providing or expanding access to broadband services in Indiana. This would reduce the corporate income tax for taxpayers that receive broadband related grants or discharged debt.
Estimate:	Since recent federal legislation, including the Infrastructure Investment and Jobs Act (IIJA 2021) and the American Rescue Plan (ARP 2021), provides for a substantial amount of federal grants towards expanding broadband, the deduction could have significant but indeterminable fiscal impact on corporate tax revenues deposited in the state General Fund. Since the provision is retroactively effective January 1, 2023, the fiscal impact could begin in FY 2023. The full year impact from the provision will begin in FY 2024.
Career Scholarship Account (CSA) Grant Deduction	
Code:	IC 6-3-1-3.5(a)(37)
Enrolled Act:	HEA 1002-2023, sec. 7
Effective Date:	July 1, 2023
Description:	SEA 1002-2023 establishes an AGI Tax deduction equal to the amount of a CSA annual grant amount distributed to a taxpayer's CSA and used toward qualified expenses.
Estimate:	The deduction may reduce state General Fund revenue and local income tax by an indeterminable amount to the extent that any portion of the grant would be included in the taxpayer's federal adjusted gross income.
Deduction for Health Care Sharing	
Code:	IC 6-3-2-28
Enrolled Act:	SEA 419-2023, sec. 17
Effective Date:	January 1, 2024
Description:	SEA 419-2023 establishes an Individual AGI Tax deduction for certain individual taxpayers who paid qualified health care sharing expenses. The deduction is effective beginning in tax year 2024.
Estimate:	The deduction could reduce state General Fund revenue by an estimated $1.5 M per year beginning in FY 2025. The fiscal impact could change as membership numbers and health care costs fluctuate.

Dependent Exemption	
Code:	IC 6-3-1-3.5(a)(5)
Enrolled Act:	HEA 1001-2023, sec. 94
Effective Date:	January 1, 2023
Description:	HEA 1001-2023 allows a taxpayer to receive a $3,000 exemption in the first year in which the taxpayer is able to claim an exemption for that child rather than a $1,500 exemption.
Estimate:	Increasing the exemption for newly claimed children would reduce state General Fund revenues by an estimated $3.8 M in FY 2024 and FY 2025.
Earned Income Tax Credit	
Code:	IC 6-3.1-21-6
Enrolled Act:	HEA 1001-2023, sec. 100
Effective Date:	January 1, 2023
Description:	HEA 1001-2023 recouples with the federal EITC as in effect on January 1, 2023, at 10% of the federal EITC amount.
Estimate:	The provision would reduce state General Fund revenue by an estimated $14.7 M to $20.2 M annually beginning in FY 2024.
Employer Child Care Expenditure Credit	
Code:	IC 6-3.1-39.5
Enrolled Act:	HEA 1001-2023, sec. 103
Effective Date:	January 1, 2024
Description:	HEA 1001-2023 creates a new nonrefundable tax credit for employers with 100 or fewer employees for capital expenses related to establishing childcare facilities for their employees. The tax credit is available for qualified expenditures between January 1, 2024, and July 1, 2025.
Estimate:	The credit will reduce General Fund revenue beginning in FY 2025 by an indeterminate amount, but likely less than the $2.5 M annual maximum credits allowable.
Employment of Individuals with Disability	
Code:	IC 6-3.1-38.3
Enrolled Act:	HB 1454-2023, sec. 68
Effective Date:	January 1, 2024
Description:	HB 1454-2023 establishes a new nonrefundable state tax credit for employers who employ individuals with a disability. The tax credit is available in tax years 2024 through 2028.
Estimate:	The credit could reduce state General Fund revenues by approximately $3.4 M in FY 2025. The revenue impact would increase in future years since employers receive a credit for all eligible employees hired after December 30, 2023, and receive a larger percentage of eligible employee's salaries if they are employed for over a year.

Foster Care Support Tax Credit	
Code:	IC 6-3.1-35.8
Enrolled Act:	SEA 151-2023, sec. 1-7
Effective Date:	July 1, 2023
Description:	SEA 151-2023 extends the nonrefundable Foster Care Support Tax Credit through December 31, 2027, rather than allowing it to sunset on June 30, 2025. It allows donations to the Insuring Foster Youth Trust Fund to be eligible for the tax credit.
Estimate:	The provision may reduce General Fund revenue in FY 2024 and FY 2025 by an indeterminable amount. The annual cap on credit claimed remains at $2 M. Extension of the credit to December 31, 2027, will reduce General Fund revenue by an indeterminable amount up to $2 M in FY 2026 through FY 2028.
Health Reimbursement Tax Credit	
Code:	IC 6-3.1-38
Enrolled Act:	HEA 1004-2023, sec. 2
Effective Date:	January 1, 2024
Description:	HEA 1004-23 established a new nonrefundable tax credit for employers who adopt health reimbursement arrangements instead of traditional employer health insurance plans.
Estimate:	The provision will reduce General Fund revenue up to $10 M per year beginning in FY 2025.
Historic Rehabilitation Tax Credit	
Code:	IC 6-3.1-17.1
Enrolled Act:	HEA 1454-2023, sec. 67
Effective Date:	January 1, 2024
Description:	HEA 1454-2023 established a new nonrefundable tax credit for the rehabilitation of qualified historic structures. The total amount of credits allowed is capped at $10 M per fiscal year.
Estimate:	The credit is available in tax years 2024 through 2029 and could reduce General Fund revenues by approximately $10 M beginning in FY 2025. The actual revenue loss will depend on the amount of tax credits awarded by the IEDC and on the number of qualifying projects and expenditures.
Income Tax Exemption for Military Pay	
Code:	IC 6-3-1-34
Enrolled Act:	HEA 1034-2023
Effective Date:	July 1, 2023

Income Tax Exemption for Military Pay (Continued)	
Description:	HEA 1034-2023 exempts military pay from the individual income tax. The provision increases the military income tax deduction for active duty servicemembers, members of the reserve components of the armed forces, and members of the National Guard from a maximum of $5,000 to a full exemption beginning in tax year 2024. Military pay earned by members of the National Guard and in reserve components was already exempt from individual income tax if the servicemember was serving on active duty. Combat pay is already excluded from both federal gross income tax and state individual income tax.
Estimate:	The state General Fund revenue loss for the increase in the military income tax deduction for active-duty military to a full exemption is estimated to be $20 M in FY 2025. The revenue loss could potentially grow by 3% to 5% annually thereafter. Fully exempting income earned by National Guard members and reserve components is estimated to cause a significant but indeterminable reduction in state individual income tax revenues which could potentially grow by 3% to 5% annually. This provision is effective July 1, 2023, and would impact income tax revenue collections beginning in FY 2024.
Income Tax Exemption for Nonresidents	
Code:	IC 6-3-2-27.5
Enrolled Act:	SEA 419-2023, sec. 16
Effective Date:	January 1, 2024
Description:	SEA 419-2023 exempts nonresidents who work in the state for less than 30 days from Indiana state income taxes.
Estimate:	The provision could reduce income tax revenue by an indeterminable amount beginning in FY 2025.
Indiana Economic Development Corporation Tax Credit Limit	
Code:	IC 5-28-6-9
Enrolled Act:	HEA 1001-2023, sec. 85
Effective Date:	July 1, 2023
Description:	HEA 1001-2023 changes certain administrative guidelines related to IEDC from mandatory to discretionary. It reduces the annual cap from $300 M to $250 M for awarding IEDC certified tax credits and allows the IEDC to certify a tax credit above the cap if the IEDC determines that a tax credit should be certified. The certification above the cap is subject to review by the Budget Committee.
Estimate:	This would have an indeterminable impact on the state General Fund in FY 2024 and after.

Mine Reclamation Tax Credit	
Code:	IC 6-3.1-37.2
Enrolled Act:	HEA 1106-2023
Effective Date:	January 1, 2023
Description:	HEA 1106-2023 established a Mine Reclamation Tax Credit for qualified investment for development of property located on reclaimed coal mining land. The credit is available in tax years 2023 through 2027. The amount of the credit is equal to 30% of the amount of the qualified investment made by the taxpayer during the taxable year up to a maximum tax credit of $5 M for a project.
Estimate:	The amount of the tax credit that will be awarded in a particular year is indeterminable and is capped at $5 M. The combined total of tax credits awarded in 2023-2027 cannot exceed $25 M. The credit may decrease Individual Income Tax, Corporate Income Tax, Insurance Premiums Tax, and Financial Institutions Tax revenue deposited in the state General Fund beginning in FY 2024.
Net Operating Loss (NOL)	
Code:	IC 6-3-2-2.6
Enrolled Act:	SEA 419-2023, sec. 13
Effective Date:	January 1, 2023
Description:	SEA 419-2023 makes changes to the calculation of the Indiana NOL deduction. Although most of these changes are clarifications of existing treatment of NOL, certain changes in the methods of calculations would change or limit a taxpayer's annual NOL that offsets the taxpayer's business income or nonbusiness income.
Estimate:	The fiscal impact from changes in the method of calculating NOL is indeterminable.
Nonprofit Organization Sales Tax Exemption Threshold	
Code:	IC 6-2.5-5-26
Enrolled Act:	SEA 417-2023, sec. 1, 4
Effective Date:	July 1, 2023
Description:	SEA 417-2023 increased the sales threshold after which nonprofit organizations are required to collect sales tax. It also eliminated the threshold for churches, monasteries, convents, public schools, parochial schools, and youth organizations focused on agriculture.
Estimate:	The provision would reduce sales tax revenue by an indeterminable amount beginning in FY 2024.
Physician Practice Ownership Tax Credit	
Code:	IC 6-3.1-40
Enrolled Act:	HEA 1004-2023, sec. 3
Effective Date:	July 1, 2023

Physician Practice Ownership Tax Credit (Continued)	
Description:	HEA 1004-23 established a new nonrefundable tax credit for physicians who have ownership in a medical practice. The first tax year the credit could be claimed is in tax year 2024. Physicians would be eligible for a credit of up to $20,000 for a tax year for up to three years.
Estimate:	The provision would reduce General Fund revenue by an indeterminate amount beginning in FY 2025.

Sales Tax Exemption for Agricultural Machinery, Tools, or Equipment	
Code:	IC 6-2.5-5-2
Enrolled Act:	SEA 419-2023, sec. 1
Effective Date:	July 1, 2023
Description:	SEA 419-2023 provided that agricultural machinery, tools, and equipment that are predominantly used for exempt purposes will receive a 100% exemption, regardless of the percentage of time that an item is used for an exempt purpose. If the item is not used predominantly for exempt purposes, the amount of sales tax paid on the purchase is prorated based on the purchaser's non-exempt use. [Before SEA 419-2023 took effect, the exemption only applied to the extent that the item was used for an exempt purpose.]
Estimate:	The provision will reduce sales tax revenue by an indeterminable amount beginning in FY 2024.

Sales Tax Exemption for Solar or Wind Energy	
Code:	IC 6-2.5-5-10.7
Enrolled Act:	SEA 419-2023, sec. 3
Effective Date:	July 1, 2023
Description:	SEA 419-2023 added a sales tax exemption for certain components of a solar or wind energy system.
Estimate:	The fiscal impact is indeterminable but will likely result in a significant reduction in sales tax revenue beginning in FY 2024.

School Scholarship Tax Credit	
Code:	IC 6-3.1-30.5-13
Enrolled Act:	HEA 1001-2023, sec. 101
Effective Date:	July 1, 2023
Description:	HEA 1001-2023 increases the total amount of School Scholarship Tax Credits that may be awarded from $16.5 M to $18.5 M for FY 2024 and after.
Estimate:	Increasing the credit cap will reduce state General Fund revenues if the amount of School Scholarship Tax Credits awarded annually increases above $16.5 M and credit claims increase. In tax year 2021, taxpayers claimed $13.0 M in credits.

Specified Research or Experimental Expenditures	
Code:	IC 6-3-1-3.5; IC 6-3-2-29; IC 6-5.5-1-2
Enrolled Act:	SEA 419-2023, sec. 7, 18, 25
Effective Date:	January 1, 2022
Description:	SEA 419-2023, retroactively beginning tax year 2022, decouples with that provision of the Tax Cuts and Jobs Act of 2017 and allows the taxpayer to deduct all "specified research or experimental expenditures" in the current year. This could expedite the deduction and lower the taxable income of businesses that incur qualified expenses during a taxable year.
Estimate:	The impact will reduce Corporate AGI Tax and Individual AGI Tax. It will have a significant but indeterminable impact on the state General Fund.

TAX EXPENDITURE ESTIMATES

INDIVIDUAL AND CORPORATE INCOME TAX, ESTIMATED REVENUE FORGONE ($ MILLIONS)

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
Deductions							
IT1	Broadband expansion grants taxation deduction (Corporate)	N/A	N/A	0.2	0.2	0.2	0.2
IT2	Career scholarship account (CSA) grant deduction (Individual)	N/A	N/A	**	*	*	*
IT3	Civil service annuity income deduction (Individual)	5.3	5.2	4.9	4.7	4.5	4.3
IT4	COVID-related employee retention credit disallowed expenses deduction (Individual)	17.6	0.8	0.0	0.0	0.0	0.0
IT4	COVID-related employee retention credit disallowed expenses deduction (Corporate)	3.5	0.1	0.0	0.0	0.0	0.0
IT5	Disability retirement income deduction (Individual)	0.2	0.1	0.1	0.1	0.1	0.1

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT6	Education scholarship account deduction (Individual)	N/A	*	*	*	*	*
IT7	Employer student loan payment interest deduction (Individual)	**	**	**	**	**	**
IT8	Enrichment scholarship account deduction (Individual)	N/A	*	*	*	*	*
IT9	Foreign source dividends deduction (Corporate)	*	*	*	*	*	*
IT10	Government or civic group capital contribution deduction (Individual)	0.0	0.0	0.2	0.1	0.1	0.1
IT10	Government or civic group capital contribution deduction (Corporate)	0.4	0.2	0.3	0.3	0.3	0.3
IT11	Health care sharing deduction (Individual)	N/A	N/A	N/A	1.5	1.5	1.6
IT12	Homeowner's property taxes deduction (Individual)	69.6	74.6	82.7	83.6	85.8	88.0
IT13	Human services recipients deduction (Individual)	0.6	0.6	0.6	0.5	0.5	0.5
IT14	Income earned by enterprise zone employees deduction (Individual)	0.5	0.5	0.5	0.4	0.4	0.4
IT15	Indiana partnership long-term care insurance premiums deduction (Individual)	1.6	1.5	1.5	1.4	1.4	1.4

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT16	Military service income, retirement income, survivor's benefits deduction (Individual)	18.8	23.4	29.1	53.3	54.3	55.4
IT17	Net operating loss deduction (Individual)	39.4	39.4	39.4	39.4	39.4	39.4
IT17	Net operating loss deduction (Corporate)	278.7	277.0	281.2	281.2	281.2	281.2
IT18	Olympic/Paralympic medal winners deduction (Individual)	**	**	**	**	**	**
IT19	Patent-derived income deduction (Individual)	**	**	**	**	**	**
IT19	Patent-derived income deduction (Corporate)	**	**	**	**	**	**
IT20	Private school/ homeschool expenses deduction (Individual)	3.5	3.5	3.6	3.5	3.5	3.5
IT21	Railroad retirement income deduction (Individual)	4.3	4.3	4.2	4.1	4.0	4.0
IT22	Railroad unemployment and sickness benefits deduction (Individual)	**	**	**	**	**	**
IT23	Regional development authority infrastructure fund contribution deduction (Individual)	**	**	**	**	**	**
IT24	Rent on principal residence deduction (Individual)	60.7	59.7	58.2	56.4	55.4	54.5
IT25	Small business insurance premium deduction (Individual)	N/A	N/A	*	*	*	*

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT26	Social Security benefits deduction (Individual)	267.8	291.1	352.1	366.3	387.1	408.9
IT27	Specified research or experimental expenses deduction (Individual)	N/A	*	*	*	*	*
IT27	Specified research or experimental expenses deduction (Corporate)	N/A	*	*	*	*	*
IT28	Unemployment compensation deduction (Individual)	27.1	0.8	0.8	0.7	0.7	0.7
Exemptions							
IT29	Adopted child exemption (Individual)	N/A	1.1	1.2	1.2	1.2	1.1
IT30	Dependent child exemption (Individual)	79.2	78.4	76.4	74.0	72.8	71.6
IT31	Dependent exemption (Individual)	58.3	58.2	56.7	54.9	54.0	53.1
IT32	Elderly or blind exemption (Individual)	30.7	31.4	33.1	32.9	33.2	33.5
IT33	Low income and elderly exemption (Individual)	7.0	7.0	6.7	6.5	6.3	6.2
IT34	Nonresident tax exemption (Individual)	N/A	N/A	N/A	*	*	*
IT35	Personal exemption (Individual)	143.3	141.6	138.1	133.7	131.5	129.4
Credits							
IT36	ABLE account contribution credit (Individual)	N/A	N/A	N/A	0.6	0.6	0.6
IT37	Adoption credit (Individual)	0.9	1.8	1.8	1.8	1.8	1.8
IT38	Affordable and workforce housing credit (Individual and Corporate)	N/A	N/A	2.1	4.2	6.3	8.4

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT39	Attainable homeownership credit (Individual and Corporate)	N/A	N/A	N/A	4.0	4.0	4.0
IT40	Coal gasification technology investment credit[1] (Corporate)	0.0	0.0	0.0	0.0	0.0	0.0
IT41	Community revitalization enhancement district credit (Individual)	9.1	1.6	0.8	0.8	0.8	0.8
IT41	Community revitalization enhancement district credit (Corporate)	0.9	1.5	1.9	1.9	1.9	1.9
IT42	Earned income tax credit (Individual)	77.5	90.9	112.5	120.0	120.0	120.0
IT43	Economic Development for a Growing Economy (EDGE) credit (Individual)	11.3	11.7	11.5	11.5	11.5	11.5
IT43	Economic Development for a Growing Economy (EDGE) credit (Corporate)	56.0	73.8	64.9	64.9	64.9	64.9
IT44	Employer child care expenditure credit (Individual and Corporate)	N/A	N/A	*	2.5	2.5	*
IT45	Employment of individuals with disability credit (Individual and Corporate)	N/A	N/A	N/A	3.4	6.1	8.8
IT46	Enterprise zone employment expense credit (Individual)	0.7	0.5	0.5	0.5	0.5	0.5
IT46	Enterprise zone employment expense credit (Corporate)	0.4	0.4	0.4	0.4	0.4	0.4

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT47	Enterprise zone investment cost credit (Individual)	0.1	0.1	0.1	0.1	0.1	0.1
IT47	Enterprise zone investment cost credit (Corporate)	0.0	0.0	0.0	0.0	0.0	0.0
IT48	Enterprise zone loan interest credit (Individual)	**	**	**	**	**	**
IT48	Enterprise zone loan interest credit (Corporate)	0.3	0.3	0.3	0.3	0.3	0.3
IT49	Film and media production credit (Individual and Corporate)	N/A	*	*	*	*	*
IT50	Foster care support credit (Individual)	N/A	0.2	0.2	0.2	0.2	0.2
IT51	Headquarters relocation credit (Individual and Corporate)	0.7	0.0	0.5	0.0	0.0	0.0
IT52	Health reimbursement credit (Individual and Corporate)	N/A	N/A	N/A	10.0	10.0	10.0
IT53	Historic rehabilitation credit (Individual and Corporate)	N/A	N/A	N/A	10.0	10.0	10.0
IT54	Hoosier Business Investment (HBI) credit (Individual)	2.3	2.2	1.4	1.4	1.4	1.4
IT54	Hoosier Business Investment (HBI) credit (Corporate)	4.6	5.2	3.5	3.5	3.5	3.5
IT55	Indiana 529 College Savings Account contribution credit (Individual)	81.8	107.3	111.1	115.0	119.0	123.1
IT56	Indiana colleges and universities contribution credit (Individual)	5.7	6.3	5.7	5.5	5.3	5.1
IT56	Indiana colleges and universities contribution credit (Corporate)	0.0	0.0	0.0	0.0	0.0	0.0

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT57	Indiana Insurance Guaranty Association assessment credit[2]	0.1	5.7	0.8	0.8	0.8	0.8
IT58	Individual development account credit (Individual)	**	**	**	**	**	**
IT59	Industrial recovery (dinosaur) credit (Individual)	3.1	2.0	**	**	**	**
IT59	Industrial recovery (dinosaur) credit (Corporate)	17.6	8.0	0.0	0.0	0.0	0.0
IT60	Lake County homeowner's property tax credit (Individual)	4.9	4.4	4.4	4.4	4.4	4.4
IT61	Mine reclamation credit (Individual and Corporate)	N/A	N/A	5.0	5.0	5.0	5.0
IT62	Neighborhood assistance credit (Individual)	2.1	1.9	2.0	2.0	2.0	2.0
IT62	Neighborhood assistance credit (Corporate)	**	**	**	**	**	**
IT63	Physician practice ownership credit (Individual and Corporate)	N/A	N/A	N/A	*	*	*
IT64	Redevelopment credit (Individual)	3.0	8.7	21.3	34.2	41.4	49.6
IT64	Redevelopment credit (Corporate)	4.7	22.4	21.8	26.5	34.8	30.7
IT65	Research expense credit (Individual)	30.4	26.2	29.5	30.6	31.8	33.1
IT65	Research expense credit (Corporate)	86.4	90.6	90.6	90.6	90.6	90.6
IT66	Residential historic rehabilitation credit (Individual)	0.1	0.1	0.2	0.2	0.2	0.2
IT67	School scholarship contribution credit (Individual)	13.0	12.1	12.1	12.1	12.1	12.1

Item #	Tax Expenditure	FY 2022 Actual	FY 2023 Actual & Estimated	FY 2024 Estimated	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
IT67	School scholarship contribution credit (Corporate)	**	**	**	**	**	**
IT68	Teacher classroom supplies credit (Individual)	4.7	5.0	5.0	5.0	5.0	5.0
IT69	Unified tax credit for elderly (Individual)	10.9	10.6	10.6	10.6	10.6	10.6
IT70	Venture capital investment credit (Individual)	6.2	5.8	5.6	5.6	5.5	5.5
IT70	Venture capital investment credit (Corporate)	0.3	22.4	3.7	3.7	3.7	3.7

NOTES:
*Indeterminable.
**Less than $100,000.

1. Coal gasification technology investment credits were usually claimed against utility receipts tax liability until the repeal of the tax in FY 2023.
2. The majority of credits for assessments paid to the Indiana Insurance Guaranty Association are claimed against insurance premium tax liability.

TAX EXPENDITURE ESTIMATES
SALES TAX, ESTIMATED REVENUE FORGONE ($ MILLIONS)

Item #	Tax Expenditure	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Exemptions							
ST1	Agricultural machinery, tools, and equipment	6.1	6.4	6.4	6.8	6.8	6.9
ST2	Aircraft acquired for rental or leasing	6.0	6.2	6.4	6.5	6.5	6.6
ST3	Aircraft based outside of Indiana	*	*	*	*	*	*
ST4	Aircraft repair, maintenance, refurbishment, remodeling, and remanufacturing	1.7	1.9	2.0	2.1	2.1	2.2
ST5	Blood glucose monitoring supplies and drug samples	*	*	*	*	*	*
ST6	Change of motor vehicle title	*	*	*	*	*	*

Item #	Tax Expenditure	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
ST7	Children's diapers	N/A	7.6	10.7	11.0	11.2	11.5
ST8	Cigarette and tobacco tax meter machines	*	*	*	*	*	*
ST9	Coins, bullion, and legal tender	5.9	6.3	6.5	6.7	6.8	7.0
ST10	Commercial printing	*	*	*	*	*	*
ST11	Components of solar and wind energy systems	NA	NA	14.8	17.0	17.0	17.4
ST12	Data center equipment	*	*	*	*	*	*
ST13	Drainage water management systems	0.4	0.4	0.3	0.3	0.3	0.2
ST14	Environmental quality compliance	*	*	*	*	*	*
ST15	Exchange of owned vehicle for like-kind vehicle	56.4	47.3	47.3	45.8	45.6	46.7
ST16	Food and food ingredients for human consumption	1,090.7	1,171.6	1,217.0	1,240.5	1,264.0	1,290.3
ST17	Food sold by certain not-for-profit organizations	*	*	*	*	*	*
ST18	Free distribution newspapers	*	*	*	*	*	*
ST19	Intrastate telecommunication service, video and Internet access, and VOIP services	25.2	27.3	29.7	31.4	32.6	33.8
ST20	Lottery tickets	119.2	122.2	126.3	129.4	132.6	135.7
ST21	Manufactured homes and industrialized residential structures	3.3	3.7	3.9	4.0	4.1	4.2
ST22	Manufacturing machinery, tools, and equipment	1,688.6	1,776.8	1,785.0	1,879.2	1,925.3	1,980.8
ST23	Material or integral part of public street or public utility	111.5	118.2	126.4	133.6	139.4	145.2
ST24	Motion picture film, audio or video tape for broadcast	26.0	28.9	31.4	33.1	34.5	35.7
ST25	Motor vehicles transported outside Indiana	20.3	21.3	21.0	20.5	20.3	20.8

Item #	Tax Expenditure	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
ST26	Newspapers	20.2	19.4	18.6	17.8	17.1	16.4
ST27	Nonreusable property	22.7	24.1	25.0	25.6	26.2	26.8
ST28	Prescription drugs and medical equipment, supplies, and devices	400.3	441.6	474.1	499.0	524.3	552.2
ST29	Production of food and food ingredients	200.7	211.2	212.2	223.4	219.2	217.6
ST30	Production of machinery, tools, and equipment	254.8	268.1	269.3	283.5	289.2	296.6
ST31	Production of tangible personal property; Material part of tangible personal property	5,556.7	5,846.8	5,873.9	6,183.7	6,315.9	6,479.3
ST32	Production plant and power production expenses of electrical energy, steam, and steam heat utilities	315.3	331.7	333.2	350.8	350.8	359.7
ST33	Production plant, storage plant, production expenses, and underground storage expenses of natural and artificial gas utilities	34.6	36.4	36.6	38.5	38.5	39.5
ST34	Professional motor racing	*	*	*	*	*	*
ST35	Property acquired by certain not-for-profit organizations	184.7	197.1	206.4	212.3	217.6	222.7
ST36	Property added to certain structures	178.4	190.7	204.2	215.1	224.3	234.4
ST37	Property incorporated into a transportation facility	N/A	*	*	*	*	*
ST38	Property used by manufacturers of hot mix asphalt	*	*	*	*	*	*
ST39	Property used in providing public transportation	168.5	177.3	178.2	187.5	196.4	205.1
ST40	Public safety equipment and materials	*	*	*	*	*	*

Item #	Tax Expenditure	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
ST41	Purchases by licensed practitioners and health care facilities	35.6	37.8	40.0	42.5	45.0	47.6
ST42	Purchases by state and local government agencies	253.5	268.8	287.4	303.7	316.8	330.0
ST43	Purchases by utilities	4.2	4.1	3.9	3.9	4.0	4.0
ST44	Qualified computer equipment	*	*	*	*	*	*
ST45	Recreational vehicles and cargo trailers	30.7	29.0	28.5	27.9	27.6	28.3
ST46	Recycling materials	270.9	285.0	286.3	301.4	308.6	317.2
ST47	Remotely accessed prewritten computer software	*	*	*	*	*	*
ST48	Rental of a residence for fewer than 15 days	*	*	*	*	*	*
ST49	Rental of booth or display space	*	*	*	*	*	*
ST50	Required product labels	*	*	*	*	*	*
ST51	Research and development property	65.5	68.5	71.7	75.0	78.4	82.0
ST52	Returnable containers and wrapping materials	206.8	217.6	218.6	230.1	235.6	242.2
ST53	Rolling stock	31.0	32.2	33.0	33.5	33.9	34.4
ST54	Sales by certain not-for-profit organizations	8.5	9.1	9.4	9.6	9.9	10.1
ST55	Sales by public libraries	**	**	**	**	**	**
ST56	Sales of race horses in claiming races	0.5	0.5	0.4	0.5	0.5	0.5
ST57	Sales to city or town for municipal golf course	*	*	*	*	*	*
ST58	School building materials	*	*	*	*	*	*
ST59	School meals	86.1	105.6	107.7	108.5	110.6	112.9
ST60	Sharing of a passenger motor vehicle for fewer than 15 days	*	*	*	*	*	*

Item #	Tax Expenditure	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
ST61	Supply, pumping, and water treatment plant and expenses; Collection, disposal, and system pumping plant and expenses	1.5	1.6	1.6	1.7	1.7	1.7
ST62	Utilities purchased by business in inactive or closed military base	*	*	*	*	*	*
ST63	Utility scale battery energy storage systems	*	*	*	*	*	*

NOTES:
*Indeterminable.
**Less than $100,000.

TAX EXPENDITURE DESCRIPTIONS
INCOME TAX

Indiana Income Tax Deductions

IT1. Broadband Expansion Grants Taxation Deduction (IC 6-3-1-3.5(b)(20))

Year Enacted: 2023

Description: Corporate taxpayers may deduct: (1) federal, state, or local grants received by the taxpayer; and (2) discharged federal, state, or local indebtedness incurred by the taxpayer; for purposes of providing or expanding access to broadband services in Indiana.

IT2. Career Scholarship Account (CSA) Grant Deduction (IC 6-3-1-3.5(a)(36))

Year Enacted: 2023

Description: Individual taxpayers may deduct the amount of a CSA annual grant amount distributed to a taxpayer's career scholarship account to the extent the distribution used for the CSA qualified expense is included in the taxpayer's federal adjusted gross income.

IT3. Civil Service Annuity Income Deduction (IC 6-3-2-3.7)

Year Enacted: 1977

Description: Individual taxpayers ages 62 and older may deduct a portion of their federal civil service annuity income from adjusted gross income (AGI). The deduction equals the difference of:

(1) the lesser of the amount of taxable civil service annuity income or $16,000; and

(2) the total amount of social security and railroad retirement benefits received by the taxpayer.

An individual's surviving spouse is also eligible to claim the deduction.

IT4. COVID-related Employee Retention Credit Disallowed Expenses Deduction (IC 6-3-1-3.5(a)(31))

Year Enacted: 2021

Description: Individual taxpayers can deduct certain expenses for which a deduction is not permitted for federal income tax purposes because an employer claimed a COVID-related employee retention credit.

IT5. Disability Retirement Income Deduction (IC 6-3-2-9)

Year Enacted: 1985

Description: Individual taxpayers who are retired on disability before the end of the taxable year and are permanently and totally disabled at the time of retirement are eligible to deduct their disability retirement income from AGI. The deduction is limited to a maximum of $5,200 per qualifying individual.

IT6. Education Scholarship Account Deduction (IC 6-3-1-3.5(a)(32))

Year Enacted: 2021

Description: Individual taxpayers may deduct the amount of an annual grant distributed to the taxpayer's education scholarship account that is used to pay for qualified expenses if the grant was included in the taxpayer's federal adjusted income.

IT7. Employer Student Loan Payment Interest Deduction (IC 6-3-1-3.5(a)(27))

Year Enacted: 2021

Description: Individual taxpayers required to add back employer-paid student loan payments may deduct from their AGI the amount of student loan interest that was paid by their employer and which they would have been permitted to deduct if federal law did not disallow that deduction.

IT8. Enrichment Scholarship Account Deduction (IC 6-3-1-3.5(a)(32))

Year Enacted: 2022

Description: Individual taxpayers may deduct the amount of an annual grant distributed to the taxpayer's Indiana enrichment scholarship account that is used to pay for qualified expenses if the grant was included in the taxpayer's federal adjusted income.

IT9. Foreign Source Dividends Deduction (IC 6-3-1-3.5; IC 6-3-2-12)

Year Enacted: 1987

Description: Corporate taxpayers may deduct certain foreign source dividends (dividends from corporations organized outside the U. S.). Global intangible low-taxed income also qualifies for the deduction as of January 1, 2018. The deduction is made from total AGI before apportionment to Indiana. The deduction amount is determined by the percentage of voting stock the taxpayer owns in the foreign corporation computed as follows:

(1) 100% of the foreign source dividends included in AGI if the taxpayer owns at least 80% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived;
(2) 85% of the foreign source dividends included in AGI if the taxpayer owns at least 50% but less than 80% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived; or
(3) 50% of the foreign source dividends included in AGI if the taxpayer owns less than 50% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.

IT10. Government or Civic Group Capital Contribution Deduction (IC 6-3-1-3.5)

Year Enacted: 2018

Description: Taxpayers can deduct the amount included in federal taxable income that are capital contributions from a government or civic group and not excluded under IRC Section 118.

IT11. Health Care Sharing Deduction (IC 6-3-2-28)

Year Enacted: 2023

Description: Beginning in tax year 2024, individual taxpayers who are members of a health care sharing ministry may deduct the total amount of qualified health care sharing expenses they paid during the tax year.

IT12. Homeowner's Property Taxes Deduction (IC 6-3-1-3.5(a)(13))

Year Enacted: 1979

Description: Individual taxpayers may deduct up to $2,500 of property taxes paid on their principal place of residence in Indiana.

IT13. Human Services Recipients Deduction (IC 6-3-1-3.5(a)(10))

Year Enacted: 1989

Description: Individual taxpayers who are Medicaid recipients and live in a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home, or a certified Christian Science Facility are allowed the Human Services Deduction. The deduction equals an amount sufficient to eliminate the individual's tax liability.

IT14. Income Earned by Enterprise Zone Employees Deduction (IC 6-3-2-8)

Year Enacted: 1983

Description: Individual taxpayers who are qualified employees in an enterprise zone may deduct half of the AGI earned as a qualified employee during the year up to a maximum deduction of $7,500. A qualified employee is an individual who lives and is employed within an enterprise zone.

IT15. Indiana Partnership Long-Term Care Insurance Premiums Deduction (IC 6-3-1-3.5(a)(12))

Year Enacted: 1999

Description: Individual taxpayers may deduct from AGI the amount of premiums paid during the year on a qualifying long term care policy for the taxpayer and/or spouse. The policy must qualify under the Indiana Long-Term Care program for Medicaid Asset Protection to be eligible for the deduction.

IT16. Military Service Income, Retirement Income, Survivor's Benefits Deduction (IC 6-3-1-3.5(a)(18); IC 6-3-1-34; IC 6-3-2-4)

Year Enacted: 1977; 2007

Description: Individual taxpayers may deduct military service income from their AGI. Beginning in tax year 2024, all military service income is exempt from state income tax for active duty servicemembers, members of the Indiana National Guard, and members of a reserve unit of the armed forces. Combat pay is not eligible for a deduction because it is not taxed at the federal or state level.

Taxpayers may deduct 100% of military retirement income or survivor's benefits.

Through tax year 2023, military personnel on active duty or in the active reserves could deduct up to $5,000 of their military pay.

Through tax year 2023, individual taxpayers who are members of the Indiana National Guard or a reserve unit of the armed forces may deduct qualified military income received while on full-time involuntary orders, while mobilized and deployed for full-time service, or when an Indiana National Guard unit is federalized.

IT17. Net Operating Loss Deduction (IC 6-3-2-2.5; IC 6-3-2-2.6)

Year Enacted: 1987

Description: Individual and corporate taxpayers may deduct the Indiana portion of federal net operating loss from their AGI. Net operating loss is defined as the excess of allowable deductions over gross income (with required adjustments). Unused net operating loss deductions may be carried forward up to 20 years.

IT18. Olympic/Paralympic Medal Winners Deduction (IC 6-3-2-24)

Year Enacted: 2014

Description: Individuals who won a gold, silver, or bronze medal from participating in the Olympic/Paralympic games may deduct the income attributable to winning the medal. The deduction equals the value of the medal(s) won plus the amount of income received during the taxable year from the United States Olympic Committee as prize money.

IT19. Patent-Derived Income Deduction (IC 6-3-2-21.7)

Year Enacted: 2007

Description: Individual and corporate taxpayers may deduct from AGI certain income derived from patents. The deduction for patent derived income applies to income derived by an individual or corporate taxpayer from utility patents or plant patents issued after December 31, 2007. The income can be from the following:

(1) Licensing fees or other income received for the use of a patent.
(2) Royalties received for the infringement of a patent.
(3) Receipts from the sale of a patent.
(4) Certain income from the taxpayer's own use of the qualified patent to produce the claimed invention.

A taxpayer may claim the exemption for 10 years with respect to a particular patent. During the first five taxable years, the exemption is equal to 50% of the income derived from a patent, with the exemption percentage declining by 10 percentage points per year during the sixth through tenth year of the exemption. The total exemption amount that a taxpayer may claim in a taxable year is $5 million.

IT20. Private School/Homeschool Expenses Deduction (IC 6-3-2-22)

Year Enacted: 2011

Description: Individual taxpayers may claim a deduction based on education expenditures paid for each dependent child who is enrolled in a private primary or secondary school or is homeschooled. The deduction equals $1,000 per dependent for whom the taxpayer made qualifying education expenditures in the taxable year.

IT21. Railroad Retirement Income Deduction (IC 6-3-1-3.5(a)(7))

Year Enacted: 1978

Description: Individual taxpayers may deduct from their AGI benefits issued by the U.S. Railroad Retirement Board not excluded from their federal income tax.

IT22. Railroad Unemployment and Sickness Benefits Deduction (IC 6-3-1-3.5(a)(1))

Year Enacted: 1971

Description: Individual taxpayers may deduct unemployment or sick pay benefits issued by the U.S. Railroad Retirement Board if they were included as taxable income for federal tax purposes and not already deducted under the railroad retirement income deduction.

IT23. Regional Development Authority Infrastructure Fund Contribution Deduction (IC 6-3-2-26)

Year Enacted: 2017

Description: A taxpayer is eligible to deduct contributions or gifts to an infrastructure fund established by a regional development authority up to the amount of the allowable federal charitable income tax deduction.

IT24. Rent on Principal Residence Deduction (IC 6-3-2-6)

Year Enacted: 1979

Description: Individual taxpayers who rent a dwelling that is their principal place of residence and the rented place is subject to Indiana property tax may deduct rent paid up to $3,000 from their AGI.

IT25. Small Business Insurance Premium Deduction (IC 6-3-1-3.5(a)(34))

Year Enacted: 2022

Description: Small businesses are eligible to deduct amounts paid for employee health insurance premiums beginning in tax year 2023.

IT26. Social Security Benefits Deduction (IC 6-3-1-3.5(a)(8))

Year Enacted: 1978

Description: Individual taxpayers may deduct from their AGI Social Security benefits not excluded from federal income tax.

IT27. Specified Research or Experimental Expenses Deduction (IC 6-3-1-3.5; IC 6-3-2-29; IC 6-5.5-1-2)

Year Enacted: 2023

Description: Taxpayers may deduct the amount of specified research or experimental expenditures paid or incurred by the taxpayer during the taxable year from their AGI if they claim a federal income tax deduction for specified research and experimental expenses which is required to be amortized under IRC section 174.

IT28. Unemployment Compensation Deduction (IC 6-3-2-10)

Year Enacted: 1987

Description: Individual taxpayers receiving unemployment compensation may deduct some portion of this compensation from their AGI. The deduction is equal to the difference between the taxpayer's unemployment compensation and one-half of the amount by which the taxpayer's federal AGI exceeds a specified base amount ($12,000 for single filers and $18,000 for joint filers).

Indiana Income Tax Exemptions

IT29. Adopted Child Exemption (IC 6-3-1-3.5(a)(5)(D))

Year Enacted: 2022

Description: Beginning in tax year 2022, individual taxpayers may claim an exemption of $3,000 for each adopted child younger than 19 years old or younger than 24 years old if a full-time student.

IT30. Dependent Child Exemption (IC 6-3-1-3.5(a)(5)(A), (B))

Year Enacted: 1997

Description: Individual taxpayers may claim an AGI exemption of $1,500 for each of the taxpayer's qualifying dependent children younger than 19 years old, or for full-time students younger than 24 years old. Beginning in tax year 2023, a taxpayer may claim a $3,000 exemption in the first year in which the taxpayer is able to claim the exemption for that child rather than a $1,500 exemption.

IT31. Dependent Exemption (IC 6-3-1-3.5(a)(4)(A))

Year Enacted: 1963

Description: A taxpayer may claim an exemption of $1,000 for each of the taxpayer's dependents for which they would be eligible to claim an exemption on their federal tax return. A dependent can be a child, grandchild, or relative of the taxpayer or other person residing with the taxpayer who meets certain dependency requirements.

IT32. Elderly or Blind Exemption (IC 6-3-1-3.5(a)(4)(B))

Year Enacted: 1963

Description: Individual taxpayers may claim an AGI exemption of $1,000 if the taxpayer is at least 65 years old, $1,000 if the taxpayer is legally blind, or $2,000 if the taxpayer is both. The exemption can also be claimed if the taxpayer's spouse is at least 65 years old, legally blind, or both.

IT33. Low Income and Elderly Exemption (IC 6-3-1-3.5(a)(5)(C))

Year Enacted: 1999

Description: Individual taxpayers may claim an AGI exemption of $500 if the taxpayer or taxpayer's spouse is at least 65 years old and their AGI is less than $40,000. If the taxpayer and taxpayer's spouse are both at least 65 years old, the exemption is $1,000.

IT34. Nonresident Tax Exemption (IC 6-3-2-27.5)

Year Enacted: 2023

Description: Compensation received by an individual—other than a professional athlete or performer—who: (1) is not a resident of Indiana; and (2) receives compensation for employment duties performed in Indiana for 30 days or less during the calendar year; is exempt from the adjusted gross income tax.

IT35. Personal Exemption (IC 6-3-1-3.5(a)(3))

Year Enacted: 1963

Description: Individual taxpayers may claim an AGI exemption of $1,000 for himself or herself, plus an additional exemption of $1,000 for his or her spouse if the taxpayer files a joint return.

Indiana Income Tax Credits

IT36. ABLE Account Contribution Credit (IC 6-3-3-12.1)

Year Enacted: 2022

Description: Beginning in tax year 2024, taxpayers can receive a tax credit equal to 20% of taxpayer contributions to Indiana ABLE accounts up to a maximum credit of $500. ABLE accounts are tax-advantaged savings accounts for individuals with disabilities.

IT37. Adoption Credit (IC 6-3-3-13)

Year Enacted: 2014

Description: The credit was created to help families offset the cost of adopting a child. Taxpayers eligible to claim the federal adoption tax credit may be eligible to claim the Indiana adoption tax credit.

Through tax year 2021, the credit was nonrefundable and equaled the lesser of 10% of the qualifying federal adoption credit the taxpayer claimed for the taxable year, or $1,000 per eligible child. Beginning in tax year 2022, the credit equals 20% of the qualifying federal adoption credit up to $2,500. The credit is refundable, is capped at $2,500 per adoption, and must be used in the same year as the qualifying federal adoption credit.

IT38. Affordable and Workforce Housing Credit (IC 6-3.1-35)

Year Enacted: 2022

Description: The Indiana Housing and Community Development Authority (IHCDA) may award total credits up to $30 million in fiscal years 2024 through 2028. The credit is nonrefundable. Taxpayers apply to the IHCDA to receive the credit. The IHCDA may award up to 100% of a taxpayer's total federal low-income housing tax credit. The credit may be allocated for five taxable years beginning with the taxable year in which a building in a qualified project is placed into service.

IT39. Attainable Homeownership Credit (IC 6-3.1-40.9)

Year Enacted: 2023

Description: The attainable homeownership tax credit provides a nonrefundable tax credit for taxpayers who donate to an affordable housing organization. The amount of the credit is equal to 50% of the amount donated. Credit awards are capped at $10,000 per taxpayer per year. Up to $4 million in tax credits may be awarded in each fiscal year. The tax credit is effective in tax years 2024 through 2029 and may be carried forward for up to five years. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate AGI tax or the financial institutions tax.

IT40. Coal Gasification Technology Investment Credit (IC 6-3.1-29)

Year Enacted: 2005

Description: The coal gasification technology investment tax credit was established to encourage the use of Indiana coal to produce synthesis gas to generate electricity and for the production of synthesis gas to be used as a substitute for natural gas. The credit is equal to 10% of the first $500 million in qualified investment in an integrated coal gasification power plant, and 5% of the qualified investment that exceeds $500 million. The credit for fluidized bed combustion technology is equal to 7% of the qualified investment for the first $500 million invested, and 3% of the amount of the qualified investment that exceeds $500 million. Credits are approved by the IEDC Board.

The credit must be taken in 10 annual installments. The annual amount of the credit is equal to the lesser of the total amount of the credit awarded divided by 10, or the greater of the taxpayer's liability for the utility receipts tax (before its repeal as of July 1, 2022), or 25% of the taxpayer's total state tax liability (AGI tax, financial institutions tax, and insurance premiums tax), multiplied by the percentage of Indiana coal used by the taxpayer in the power plant for the taxable year of the installment.

Taxpayers may assign part or all of the credit to one or more utilities by entering into a contract approved by the Indiana Utility Regulatory Commission. A taxpayer who makes a qualified investment in an integrated coal gasification power plant and enters into a contract to sell substitute natural gas to the Indiana Finance Authority may choose to claim the credit as a refundable tax credit for a period of 20 years.

IT41. Community Revitalization Enhancement District Credit (IC 6-3.1-19)

Year Enacted: 1998

Description: This tax credit is for taxpayers who make qualified investments for the redevelopment or rehabilitation of property located within a community revitalization enhancement district. The credit equals 25% of the qualified investment. The credit is nonrefundable, but unused credits may be carried forward to subsequent years. Unused credits may not be carried back. The taxpayer awarded the credit may transfer any unused credits to a lessee of the property where the qualifying investment is made. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate AGI tax, local income taxes, the financial institutions tax, nonprofit agricultural organization health coverage tax, or the insurance premiums tax. Starting in CY 2020, taxpayers may claim the credit for qualified investments made after a district has expired if the taxpayer satisfies certain conditions.

IT42. Earned Income Tax Credit (IC 6-3.1-21)

Year Enacted: 1999

Description: An individual AGI taxpayer is eligible for the Indiana earned income tax credit if they are eligible for the federal Earned Income Tax Credit under Section 32 of the Internal Revenue Code as in effect on January 1, 2023. The credit amount is equal to 10% of the federal EITC amount. The credit is refundable.

IT43. Economic Development for a Growing Economy (EDGE) Credit (IC 6-3.1-13)

Year Enacted: 1994

Description: The EDGE credit is for businesses that create new jobs in Indiana or undertake projects to retain existing jobs in Indiana. Credit amounts are determined by the IEDC, but they may not exceed the incremental income tax withholdings of new or retained employees. EDGE credits are awarded for up to 20 years, during which time the credit amounts may be used. (Credits were awarded for up to 10 years prior to July 1, 2022.) The IEDC is authorized to make EDGE credits refundable. EDGE credits may be taken against a taxpayer's individual or corporate AGI tax, insurance premiums tax, nonprofit agricultural organization health coverage tax, or financial institutions tax liabilities.

There is no cap on the total amount of EDGE credits that can be awarded; however, total tax credits awarded by the IEDC cannot exceed $250 million annually.

IT44. Employer Child Care Expenditure Credit (IC 6-3.1-39.5)

Year Enacted: 2023

Description: This tax credit may be claimed by employers with 100 or fewer employees for capital expenses related to establishing childcare facilities for their employees. The credit amount is the lesser or capital expenditures or $100,000. The tax credit is available for qualified expenditures between January 1, 2024 and July 1, 2025. The credit is nonrefundable and may be carried forward for three years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

IT45. Employment of Individuals with Disability Credit (IC 6-3.1-38.3)

Year Enacted: 2023

Description: This tax credit may be claimed by employers with 500 or fewer workers who hire an individual with a disability through a referral to the employer from the Vocational Rehabilitation Services Program. The credit is available beginning in tax year 2024 and sunsets in 2028. The credit is nonrefundable and may be carried forward for up to five years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

IT46. Enterprise Zone Employment Expense Credit (IC 6-3-3-10)

Year Enacted: 1983

Description: This tax credit is for employers that hire qualified employees that live and work half of the time in an enterprise zone. The credit is equal to the lesser of 10% multiplied by the qualified increased employment expenditures of the taxpayer for the taxable year, or $1,500 multiplied by the number of qualified employees employed by the taxpayer during the taxable year. The credit is nonrefundable, but unused credits may be carried forward for up to 10 years or carried back for up to three years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

IT47. Enterprise Zone Investment Cost Credit (IC 6-3.1-10)

Year Enacted: 1986

Description: The enterprise zone investment cost credit is based on qualified investments made within Indiana enterprise zones. It can equal up to a maximum of 30% of the investment depending on the number of employees, the type of business, and the amount of investment in an enterprise zone. The credit is not available to corporate taxpayers or pass-through entities. However, a pass-through entity that invests in the Vigo County enterprise zone may be eligible to claim the credit. The credit is nonrefundable, but unused credits may be carried forward. Unused credits may not be carried back. This credit may be applied against individual or corporate AGI tax liability. Taxpayers are entitled to receive a credit for a qualified investment made before January 1, 2018. However, a taxpayer may receive a credit for qualified investments made in 2018 through 2027 if the IEDC approves the investment before January 1, 2018.

IT48. Enterprise Zone Loan Interest Credit (IC 6-3.1-7)

Year Enacted: 1984

Description: The enterprise zone loan interest credit can be up to 5% of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone. The credit is nonrefundable, but unused credits may be carried forward for up to ten years after the date on which the qualified loan was made.

Unused credits may not be carried back. This credit may be applied against the individual or corporate AGI tax, the financial institutions tax, the nonprofit agricultural organization health coverage tax, and the insurance premiums tax. Taxpayers may not receive a credit for interest received on a loan made after December 31, 2017.

IT49. Film and Media Production Credit (IC 6-3.1-36)

Year Enacted: 2022

Description: The tax credit is available to taxpayers who make qualified media production expenditures in Indiana between July 1, 2022, and July 1, 2027. The IEDC will determine the amount of credit to award to an applicant, but the credit may not exceed 30% of the taxpayer's qualified production expenses. The credit is nonrefundable, and unused credits may be carried forward for up to nine years. The tax credit may be applied to individual or corporate AGI tax or the financial institutions tax.

IT50. Foster Care Support Credit (IC 6-3.1-35.8)

Year Enacted: 2021

Description: The nonrefundable tax credit is for taxpayers who make an eligible contribution to a qualifying foster care organization during the taxable year. The credit is effective beginning on July 1, 2022, and sunsets on December 31, 2027. The credit is equal to 50% of the amount of the contribution made to the foster care organization, up to $10,000. The annual state revenue loss cannot exceed $2 million per fiscal year.

IT51. Headquarters Relocation Credit (IC 6-3.1-30)

Year Enacted: 2005

Description: The headquarters relocation credit was created as an incentive for businesses to relocate their corporate headquarters, a division or subdivision principal office, or research center to Indiana. An eligible business meets either of the following requirements:

(1) It had at least $50 million in worldwide revenues in the year prior to applying for the credit, has a qualifying facility located outside Indiana, and has not previously maintained a qualifying facility in Indiana.

(2) It received at least $4 million in venture capital in the six months immediately preceding the business's application for a tax credit or closes on at least $4 million in venture capital not later than six months

after submitting the business's application. It must also commit contractually to relocating its corporate headquarters to Indiana or to move a number of jobs that is equal to 80% of the total payroll to Indiana.

An eligible business that completes a qualifying project and incurs relocation costs is entitled to a credit against the taxpayer's state tax liability for the year in which the relocation costs are incurred. The amount of the credit equals up to 50% of the amount of the relocation costs incurred in the taxable year. However, the amount claimed may not result in an Indiana tax liability that is lower than the Indiana tax liability in the taxable year immediately preceding the taxable year in which the taxpayer first incurred the relocation costs. The credit is nonrefundable, but unused credits may be carried forward for up to nine succeeding taxable years. Unused credits may not be carried back. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

IT52. Health Reimbursement Credit (IC 6-3.1-38)

Year Enacted: 2023

Description: The nonrefundable tax credit is for employers who adopt health reimbursement arrangements instead of traditional employer health insurance plans. Employers with fewer than 50 employees are eligible for the credit for two years. The credit amount is equal to $400 per covered employee in a health reimbursement arrangement in the first year and $200 per covered employee in the second year. The amount of tax credits granted may not exceed $10 million in a taxable year. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, insurance premiums tax, or nonprofit agricultural organization health coverage tax liabilities.

IT53. Historic Rehabilitation Credit (IC 6-3.1-17.1)

Year Enacted: 2023

Description: The nonrefundable tax credit is for taxpayers who rehabilitate qualified historic structures. The credit amount is 25% of rehabilitation expenses of $5,000 or more. It increases to 30% of qualified expenses for nonprofit historic structures. The tax credit may be applied to individual or corporate AGI tax liabilities. The amount of tax credits granted may not exceed $10 million in a fiscal year. The credit is also subject to the annual $250 million aggregate limitation on applicable tax credits managed by the IEDC under IC 5-28-6-9. The credit may be transferred to another taxpayer or carried forward for up to 10 years.

IT54. Hoosier Business Investment (HBI) Credit (IC 6-3.1-26)

Year Enacted: 2003

Description: The HBI credit is for qualified investments that the IEDC determines will foster job creation and higher wages in Indiana. The credit is calculated differently depending on the type of investment (i.e. logistics, non-logistics, and digital manufacturing equipment). The credit equals up to 10% of qualifying non-logistics investments. For logistics investments, the credit equals up to 25% of the difference of the logistics investments made in the taxable year and 105% of the average logistics investments made in the prior two years. For tax years 2019 through 2029, the credit equals 15% of the amount of investments in digital manufacturing equipment. The credit is nonrefundable, but unused credits may be carried forward for a number of years determined by the IEDC up to a maximum of nine years. Unused credits may not be carried back. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, and insurance premiums tax liabilities.

There is no cap on the amount of HBI credits that can be awarded annually; however, total credits awarded by the IEDC cannot exceed $250 million annually.[1]

IT55. Indiana 529 College Savings Account Contribution Credit (IC 6-3-3-12)

Year Enacted: 2006

Description: This tax credit may be claimed by individual taxpayers who made contributions to an Indiana CollegeChoice 529 Education Savings Plan. The credit is equal to 20% of the taxpayer's annual contributions to an Indiana CollegeChoice 529 Education Savings Plan for qualified higher education or K-12 expenses, up to a maximum credit of $1,500. The credit is nonrefundable and unused credits may not be carried forward or carried back.

[1] The $250 million limit on the total amount of credits that the IEDC may award applies to the HBI tax credit, EDGE tax credit, headquarters relocation tax credit, CRED tax credit, redevelopment tax credit, historic rehabilitation tax credit, mine reclamation tax credit, and film and media production tax credit.

IT56. Indiana Colleges and Universities Contribution Credit (IC 6-3-3-5)

Year Enacted: 1967

Description: The tax credit is for contributions by individual and corporate AGI taxpayers to Indiana colleges and universities. The amount of an individual taxpayer's credit is 50% of the total amount contributed by the taxpayer during a taxable year up to a maximum credit of $100 for a single return or $200 for a joint return. The amount of a corporate taxpayer's credit is equal to 50% of the total amount contributed during a taxable year. However, the credit may not exceed the lesser of 10% of the corporation's AGI tax liability or $1,000. The credit is nonrefundable and unused credits may not be carried forward or carried back.

IT57. Indiana Insurance Guaranty Association Assessment Credit (IC 27-6-8-15)

Year Enacted: 1971

Description: This tax credit is for insurers that pay assessments to the Indiana Insurance Guaranty Association. The credit may be applied to the AGI tax or insurance premiums tax liabilities. This credit is limited to 20% of the assessments paid by an insurance company. The credit is nonrefundable, and unused credits may not be carried forward or carried back.

IT58. Individual Development Account Credit (IC 6-3.1-18)

Year Enacted: 1997

Description: The individual development account credit is for contributions made to community development corporations that participate in Individual Development Account programs. Individual Development Account programs assist qualifying low-income residents in accumulating savings and building personal finance skills. The credit is equal to 50% of the amount contributed, which must not be less than $100 and not more than $50,000. The tax credit is nonrefundable and may only be used for the taxable year when the contribution is made. No more than $200,000 in tax credits may be claimed in any state fiscal year. This tax credit may be applied to individual or corporate AGI tax or financial institutions tax liabilities.

IT59. Industrial Recovery (Dinosaur) Credit (IC 6-3.1-11)

Year Enacted: 1987

Description: The industrial recovery credit is based on a taxpayer's qualified investment in a qualified industrial recovery site. An industrial recovery site is land where a vacant facility having at least 100,000 square feet of floor space exists or land where a plant existed within five years before application is filed. The IEDC must approve applications and plans for rehabilitation in order to receive this tax credit. The amount of the credit is equal to the qualified investment made during the taxable year, multiplied by one of the applicable percentages below:

(1) 15% for a facility located on an industrial recovery site that was placed in service 15 to 30 years ago;
(2) 20% for a facility located on an industrial recovery site that was placed in service 30 to 40 years ago; or
(3) 25% for a facility located on an industrial recovery site that was placed in service at least 40 years ago.

The tax credit is nonrefundable, but unused credits may be carried forward. Unused credits may not be carried back. Effective July 1, 2020, unused credits may be assigned to any taxpayer. The tax credit may be applied against individual or corporate AGI tax, financial institutions tax, and insurance premiums tax liabilities. A taxpayer may not receive an industrial recovery tax credit for a qualified investment made after December 31, 2019.

IT60. Lake County Homeowner's Property Tax Credit (IC 6-3.1-20)

Year Enacted: 2001

Description: The Lake County homeowner's property tax credit is for property taxes paid by an individual taxpayer on a home the taxpayer owns and resides within Lake County. The credit is refundable. To qualify for the property tax credit the taxpayer's Indiana AGI must be less than $18,600, and the taxpayer may not claim the income tax deduction for property taxes paid on the home. If the taxpayer's Indiana AGI is $18,000 or less, the credit is equal to the lesser of $300 or the amount of property taxes paid on the taxpayer's home. The tax credit phases out for taxpayers with Indiana AGI exceeding $18,000. Under the phase-out, for every dollar of Indiana AGI exceeding $18,000, the tax credit is reduced by $0.50 until the credit is $0 for taxpayers with an Indiana AGI of at least $18,600. The entire cost of this credit is reimbursed to the state General Fund from riverboat admission tax revenue distributed to Lake County (50%), East Chicago (16.67%), Gary (16.67%), and Hammond (16.67%).

IT61. Mine Reclamation Credit (IC 6-3.1-37.2)

Year Enacted: 2023

Description: The mine reclamation credit is available to taxpayers who make a qualified investment for the development of property located on reclaimed coal mining land. The credit is available in tax years 2023 through 2027. The amount of the credit is equal to 30% of the investment amount up to a maximum tax credit of $5 million for a project.

The credit is nonrefundable. The credit can be applied against individual or corporate AGI tax, insurance premiums tax, or financial institutions tax liabilities. Unused credits may be carried forward for ten years and may be assigned to other taxpayers. The credit is subject to the $250 million aggregate limit on tax credits managed by the IEDC.

IT62. Neighborhood Assistance Credit (IC 6-3.1-9)

Year Enacted: 1984

Description: The neighborhood assistance credit is available to taxpayers that contribute to qualifying nonprofit organizations for approved projects that assist people living in economically disadvantaged areas. This credit is equal to 50% of the amount contributed up to a maximum credit of $25,000 in any taxable year. The credit is nonrefundable, and unused credits may not be carried forward or carried back. The credit can be applied against individual or corporate AGI tax or financial institutions tax liabilities. The total amount of neighborhood assistance credit allowed to all taxpayers in any state fiscal year is limited to $2.5 million.

IT63. Physician Practice Ownership Credit (IC 6-3.1-40)

Year Enacted: 2023

Description: The credit may be claimed by physicians who have ownership in a medical practice beginning in tax year 2024. Taxpayers may claim a credit up to $20,000 in the year the medical practice opens and the two immediately following tax years. The credit is nonrefundable and may be carried forward for up to ten years.

IT64. Redevelopment Credit (IC 6-3.1-34)

Year Enacted: 2019

Description: The redevelopment credit is available beginning January 1, 2020, to taxpayers for investment in qualifying redevelopment sites. The credit is awarded to taxpayers who redevelop or rehabilitate real property located within qualified redevelopment areas that are approved by the IEDC. The credit percentage is determined by the IEDC but may not exceed 30% of a qualified investment. The maximum credit percentage is 35% if the qualified redevelopment site is in a federally designated qualified opportunity zone or the project qualifies for the federal New Markets Tax Credit.

Unused credits may be carried forward for up to nine years. Credits are nonrefundable and may not be carried back. The credit is assignable. The credit can be applied against individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities. The total amount of redevelopment credit is not capped, though total credits certified by the IEDC cannot exceed $250 million annually.

IT65. Research Expense Credit (IC 6-3.1-4)

Year Enacted: 1984

Description: The research expense credit is available for taxpayers who have increased research activities conducted in Indiana. The credit is calculated based on the difference between the qualified research expenses for the taxable year and the base amount. If the difference is less than $1 million, multiply the difference by 15%. If the difference is greater than $1 million, multiply the amount exceeding $1 million by 10% and add $150,000. The credit is nonrefundable, but unused credits may be carried forward for up to 10 years. Unused credits may not be carried back.

A taxpayer may elect an alternative method to calculate the research expense tax credit for Indiana qualified research expenses incurred after December 31, 2009. The alternative calculation of the credit is equal to 10% of the difference between: (1) the taxpayer's current year Indiana qualified research expenses; and (2) 50% of the taxpayer's average Indiana qualified research expenses for the three preceding taxable years. If the taxpayer did not have Indiana qualified research expenses in any one of the three preceding taxable years, then the amount of the credit is equal to 5% of the taxpayer's Indiana qualified research expenses for the taxable year. The alternative calculation method is similar to an alternative calculation method allowed for the federal income tax credit for increasing research activities.

IT66. Residential Historic Rehabilitation Credit (IC 6-3.1-22)

Year Enacted: 2001

Description: The residential historic rehabilitation credit for individual taxpayers equals 20% of qualified expenditures as approved by the Office of Community and Rural Affairs for the preservation or rehabilitation of a historic building that is the taxpayer's principal residence. Qualified expenditures for the historic property must exceed $10,000. The credit is nonrefundable, but unused credits may be carried forward for up to 15 years. Unused credits may not be carried back. The maximum statewide credit may not exceed $250,000 in a state fiscal year. The tax credit may be claimed against individual AGI tax liabilities.

IT67. School Scholarship Contribution Credit (IC 6-3.1-30.5)

Year Enacted: 2009

Description: The school scholarship contribution credit is equal to 50% of the contributions made by an individual or corporate taxpayer to a nonprofit K-12 school scholarship-generating organization. The tax credit is nonrefundable and unused credits may be carried forward for up to nine years. Unused credits may not be carried back. Total credits allowed may not exceed $18.5 million in FY 2023 and in following years. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

IT68. Teacher Classroom Supplies Credit (IC 6-3-3-14.5)

Year Enacted: 2015

Description: A teacher in Indiana can claim a nonrefundable individual AGI tax credit for purchasing classroom supplies. For purposes of the tax credit, the definition of classroom supplies is based on the federal educator expense deduction. The amount of the tax credit is the lesser of $100 or the total cost of the classroom supplies purchased by the teacher. The tax credit cannot be carried forward or carried back.

IT69. Unified Tax Credit for Elderly (IC 6-3-3-9)

Year Enacted: 1982

Description: An individual AGI taxpayer is eligible for the unified tax credit for the elderly if they meet all the following requirements:
(1) the taxpayer and/or spouse must be at least 65 years old by the end of the taxable year; (2) their federal AGI must be less than $10,000; and (3) the qualifying taxpayer and/or spouse must have been a resident of Indiana at least six

months during the taxable year. The credit is refundable.

The amount of the credit is based upon income and marital status. If the taxpayer is filing a single return and is age 65 or older, or if the taxpayer is filing a joint return and only the taxpayer or spouse is over 65, then the credit will be calculated as follows:

Income Amount	Credit Amount
Less than $1,000	$100
Between $1,000 and $2,999	$50
Between $3,000 and $9,999	$40

If the taxpayer and spouse are filing a joint return and both are 65 or older, then the credit will be calculated as follows:

Income Amount	Credit Amount
Less than $1,000	$140
Between $1,000 and $2,999	$90
Between $3,000 and $9,999	$80

IT70. Venture Capital Investment Credit (IC 6-3.1-24)

Year Enacted: 2002

Description: The venture capital investment credit is equal to 25% of annual qualified venture capital investment up to $1 million. For a minority business enterprise or a women's business enterprise, the credit is 30% of qualified investment up to $1.5 million. For qualified investment capital to certain qualified Indiana investment funds, the credit is equal to the lesser of 20% of investment in a qualified fund or $5 million.

The IEDC certifies businesses to receive creditable venture capital investment. Total new credits awarded may not exceed $20 million, provided that not more than $7.5 million is awarded for proposed investments in a qualified fund. The credit is nonrefundable, but unused credits may be carried forward for up to five years. Unused credits may not be carried back. Taxpayers may assign all or part of a venture capital investment credit for investments made after June 30, 2020. The credit may be applied to individual or corporate AGI tax, financial institutions tax, insurance premiums tax, nonprofit agricultural organization health coverage tax, or sales tax liabilities.

Sales Tax

ST1. Agricultural Machinery, Tools, and Equipment (IC 6-2.5-5-2)

Year Enacted: 1963

Description: Agricultural machinery, tools, and equipment used directly in the direct production, extraction, harvesting, or processing of agricultural commodities are exempt from sales and use tax. Agricultural machinery and equipment are exempt only if they are acquired for use in conjunction with the production of food and food ingredients or commodities for sale; the purchaser is occupationally engaged in the production of food or commodities; and the machinery or equipment is designed for use in gathering, moving, or spreading animal waste. This exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location.

Machinery and equipment acquired for direct use in the direct application of fertilizers, pesticides, fungicides, seeds, and other tangible personal property or the direct extraction, harvesting, or processing of agricultural commodities are also exempt. The purchaser must be occupationally engaged in providing these services on property that is (1) owned or rented by another person occupationally engaged in agricultural production and (2) used for agricultural production.

If the machinery, tool, or equipment is used predominantly for exempt purposes and is included on a business tangible personal property tax return, the entire amount of the transaction is exempt. Otherwise, the exemption is prorated based on the purchaser's nonexempt use.

ST2. Aircraft Acquired for Rental or Leasing (IC 6-2.5-5-8.2)

Year Enacted: 2007

Description: An aircraft acquired for renting or leasing in the ordinary course of the person's business is exempt if the person establishes under guidelines adopted by the DOR that the annual gross lease revenue derived from renting or leasing of the aircraft is equal to or greater than 7.5% of the book value of the aircraft (as published in the VREF Aircraft Value Reference guide) or the net acquisition price of the aircraft. An aircraft acquired for renting or leasing to another person for predominant use in public transportation is also exempt, regardless of whether the revenue threshold listed above is met.

ST3. Aircraft Based Outside of Indiana (IC 6-2.5-5-42)

Year Enacted: 2005

Description: Transactions involving aircraft, including completion work, are exempt if the aircraft is transported outside Indiana within 30 days and is titled, registered, or based in another state or country.

ST4. Aircraft Repair, Maintenance, Refurbishment, Remodeling, and Remanufacturing (IC 6-2.5-5-46)

Year Enacted: 2012

Description: Tangible personal property used, consumed, or installed in the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or avionics system of an aircraft is exempt from sales and use tax. The exemption applies to a transaction only if (1) the retail merchant possesses a valid repair station certificate issued by the Federal Aviation Administration (FAA) or (2) the retail merchant has leased a facility at a public use airport and meets the airport's minimum standards for an aircraft maintenance facility, and the work is performed by a mechanic who is certified by the FAA.

ST5. Blood Glucose Monitoring Supplies and Drug Samples (IC 6-2.5-5-19.5)

Year Enacted: 1997

Description: Drug samples, the packaging and literature for a drug sample, blood glucose monitoring supplies, and the packaging and literature for a blood glucose monitoring supply, as well as the tangible personal property that will be processed, manufactured, or incorporated into any of these items are exempt from sales and use tax. Blood glucose meters and the packaging and literature for a blood glucose meter furnished without charge by a diabetic supply distributor are also exempt from sales tax.

ST6. Change of Motor Vehicle Title (IC 6-2.5-5-15.5)

Year Enacted: 1993

Description: Transactions consisting of changing a motor vehicle title to add or delete an individual are sales tax-exempt if the individual being added or deleted is the spouse, child, grandparent, parent, or sibling of the owner.

ST7. Children's Diapers (IC 6-2.5-5-57)

Year Enacted: 2022

Description: Sales of children's diapers are exempt from sales and use tax beginning in August 2022.

ST8. Cigarette and Tobacco Tax Meter Machines (IC 6-2.5-5-45)

Year Enacted: 2012

Description: Tangible personal property acquired to comply with cigarette and other tobacco taxes, including cigarette and tobacco tax meter machines and related accessories, are exempt from sales and use tax.

ST9. Coins, Bullion, and Legal Tender (IC 6-2.5-5-47)

Year Enacted: 2016

Description: Transactions involving coins, bullion, or legal tender are exempt from sales and use tax. To qualify for the exemption, coins and bullion must be permitted investments by an individual retirement account or by an individually directed retirement account.

ST10. Commercial Printing (IC 6-2.5-5-36)

Year Enacted: 1993

Description: Tangible personal property acquired by a person who has contracted with a commercial printer is exempt if the property is acquired for use at the commercial printer's premises and the commercial printer could have acquired the property exempt from sales and use tax.

ST11. Components of Solar and Wind Energy Systems (IC 6-2.5-5-10.7)

Year Enacted: 2023

Description: Components of a solar or wind energy system are exempt if the purchaser is a public utility; power subsidiary; or business that furnishes or sells electrical energy to a public utility, a power subsidiary, or a renewable energy grade solar electricity or wind facility.

ST12. Data Center Equipment (IC 6-2.5-15)

Yeat Enacted: 2019

Description: The sale of qualified data center equipment for use in a qualified data center is exempt from sales tax. Data center equipment is defined as computer equipment or software purchased or leased for the processing, storage, retrieval, or communication of data that is preapproved by the IEDC. The IEDC must approve a data center for the exemption and issue a specific transaction award certificate. A qualified data center must create a minimum qualified investment in the first five years after the issuance of a specific transaction award certificate of at least the following:

(1) $150 million if it is located in a county with a population greater than 100,000;
(2) $100 million if it is located in a county with a population between 50,000 and 100,000; or
(3) $25 million if it is located in a county with a population of not more than 50,000.

ST13. Drainage Water Management Systems (IC 6-2.5-5-48)

Year Enacted: 2018

Description: Components of a drainage water management system are exempt from sales and use tax if the person acquiring the component is engaged in the business of agriculture. For the purposes of this exemption, a drainage water management system is a subsurface system of drainage tubing, drainage tiles, water flow gates, control valves, and related control systems designed to facilitate controlled water drainage from agricultural land used for crop production.

ST14. Environmental Quality Compliance (IC 6-2.5-5-30)

Year Enacted: 1980

Description: Tangible personal property purchased for the purpose of complying with state, local, or federal environmental quality statutes, regulations, or standards is exempt from sales and use tax. The property must be purchased by a person engaged in the business of manufacturing, processing, refining, mining, agriculture, or recycling.

ST15. Exchange of Owned Vehicle for Like-Kind Vehicle (IC 6-2.5-5-38.2)

Year Enacted: 1997

Description: The value of an owned vehicle is exempt in a vehicle lease transaction if the owned vehicle is exchanged for a like-kind vehicle.

ST16. Food and Food Ingredients for Human Consumption (IC 6-2.5-5-20)

Year Enacted: 1973

Description: Food and food ingredients for human consumption are exempt from sales tax. For purposes of this exemption, food and food ingredients for human consumption includes the following items if sold without eating utensils provided by the seller: food sold by a seller whose primary NAICS classification is food manufacturing in sector 311, food sold in an unheated state by weight or volume as a single item, and bakery items. Several items, such as candy and soft drinks, are not exempt from sales tax. A provision that excluded food sold through a vending machine from this exemption was removed effective July 1, 2019.

ST17. Food Sold by Certain Not-for-Profit Organizations (IC 6-2.5-5-21)

Year Enacted: 1974

Description: Sales of food and food ingredients by certain not-for-profit organizations are exempt if the food is delivered to a person confined to his or her home or to a hospitalized person and if the delivery is prescribed as medically necessary by a physician.

ST18. Free Distribution Newspapers (IC 6-2.5-5-31)

Year Enacted: 1981

Description: Manufacturing machinery, tools, equipment, and other tangible personal property acquired for direct use in the direct production or publication of a free distribution newspaper or for incorporation as a material part of a free distribution newspaper are exempt from sales and use tax. Sales of a free distribution newspaper or printing services performed in publishing a free distribution newspaper are also exempt.

ST19. Intrastate Telecommunication Service, Video and Internet Access, and VOIP Services (IC 6-2.5-5-13)

Year Enacted: 1963

Description: Tangible personal property that is used to furnish or sell intrastate telecommunication service or to furnish video, Internet access, or VOIP services is exempt from sales and use tax. The following classifications of property are exempt: (1) central office equipment, station equipment or apparatus, station connection wiring, or large private branch exchanges; (2) mobile telecommunications switching office equipment, radio or microwave transmitting or receiving equipment; or (3) property that is part of a national, regional, or local headend or similar facility operated by a person furnishing video services, cable radio services, satellite television or radio services, or internet access services.

ST20. Lottery Tickets (IC 6-2.5-5-34)

Year Enacted: 1989

Description: Sales of Indiana state lottery tickets are exempt from sales tax.

ST21. Manufactured Homes and Industrialized Residential Structures (IC 6-2.5-5-29)

Year Enacted: 1979

Description: Manufactured homes and industrialized residential structures are exempt to the extent that the gross retail income from the sale is not attributable to the cost of materials used in manufacturing the home or structure. The cost of materials is presumed to be 35% of the gross retail income. Sales of pre-owned manufactured homes are also exempt.

ST22. Manufacturing Machinery, Tools, and Equipment (IC 6-2.5-5-3)

Year Enacted: 1963

Description: Manufacturing machinery, tools, and equipment acquired for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property are exempt from sales and use tax. For purposes of the exemption, tire retreading, tree felling, and commercial printing are treated as the production and manufacture of tangible personal property. The exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location. Industrial processors may claim the exemption, but public electric utilities may not claim the exemption for distribution equipment or transmission equipment.

ST23. Material or Integral Part of Public Street or Public Utility (IC 6-2.5-5-7)

Year Enacted: 1978

Description: Tangible personal property is exempt if the person acquiring the property is in the construction business and acquires the property for incorporation as a material or integral part of a public street or a public water, sewage, or other utility service.

ST24. Motion Picture Film, Audio or Video Tape for Broadcast (IC 6-2.5-4-10(c))

Year Enacted: 1967

Description: A person who rents or leases motion picture film, audio tape, or video tape to another person is not required to collect sales tax if the person who pays to rent or lease the film (1) charges admission to those who view it or (2) broadcasts the film or tape for home viewing or listening.

ST25. Motor Vehicles Transported Outside Indiana (IC 6-2.5-2-3)

Year Enacted: 2014

Description: Motor vehicles transported outside Indiana within 30 days after delivery and titled or registered in another state or country are taxed at the rate of the destination state or country.

ST26. Newspapers (IC 6-2.5-5-17)

Year Enacted: 1963

Description: Sales of newspapers are exempt from sales tax.

ST27. Nonreusable Property (IC 6-2.5-5-35)

Year Enacted: 1992

Description: Tangible personal property that is used, consumed, or removed in the service or consumption of taxable food and is made unusable after its first use is exempt from sales and use tax. In addition, tangible personal property that is consumed by a guest in a hotel or motel or rendered nonreusable by the property's first use by a guest is exempt. The exemption does not apply to electricity, water, gas, or steam.

ST28. Prescription Drugs and Medical Equipment, Supplies, and Devices (IC 6-2.5-5-18)

Year Enacted: 1967

Description: The following items are exempt if acquired upon a prescription or drug order: durable medical equipment, mobility enhancing equipment, prosthetic devices, other medical supplies or devices that are used exclusively for medical treatment of a medically diagnosed condition, hearing aids, legend drugs, nonlegend drugs (if the user is confined to a hospital or health care facility), and food and dietary supplements sold by a licensed practitioner or pharmacist.

The following items are exempt from sales and use tax regardless of whether the person has a prescription or drug order: hearing aids that are fitted or dispensed by a person licensed or registered for that purpose; prosthetic devices that are fitted or dispensed by a person licensed or registered for that purpose; colostomy bags and ileostomy bags; devices and equipment used to administer insulin; and insulin, oxygen, blood, and blood plasma purchased for medical purposes.

ST29. Production of Food and Food Ingredients (IC 6-2.5-5-1(a))

Year Enacted: 1963

Description: Animals, feed, seed, plants, fertilizer, pesticides, fungicides, and other tangible personal property used directly in the direct production of food and food ingredients or commodities are exempt from sales and use tax. The purchaser must be occupationally engaged in the production of food and food ingredients or commodities which the person sells for human or animal consumption or uses for further food and food ingredient or commodity production.

ST30. Production of Machinery, Tools, and Equipment (IC 6-2.5-5-4)

Year Enacted: 1963

Description: Property acquired for direct use in the direct production of agricultural or manufacturing machinery, tools, or equipment is exempt from sales and use tax. The exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location.

ST31. Production of Tangible Personal Property (IC 6-2.5-5-5.1); Material Part of Tangible Personal Property (IC 6-2.5-5-6)

Year Enacted: 1981; 1965

Description: Tangible personal property (including electricity, gas, water, and steam) acquired for direct consumption as a material to be consumed in the direct production of other tangible personal property is exempt from sales and use tax. This exemption includes purchases made by industrial processors and agricultural service providers.

Tangible personal property acquired for incorporation as a material part of other tangible personal property is exempt from sales and use tax. The purchaser must be in the business of manufacturing, assembling, refining, or processing. The exemption includes tangible personal property used in commercial printing.

ST32. Production Plant and Power Production Expenses of Electrical Energy, Steam, and Steam Heat Utilities (IC 6-2.5-5-10)

Year Enacted: 1963

Description: Property that is classified as production plant or power production expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility or power subsidiary that furnishes or sells electrical energy, steam, or steam heat.

ST33. Production Plant, Storage Plant, Production Expenses, and Underground Storage Expenses of Natural and Artificial Gas Utilities (IC 6-2.5-5-11)

Year Enacted: 1963

Description: Property that is classified as production plant or power production expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility or power subsidiary that furnishes or sells electrical energy, steam, or steam heat.

ST34. Professional Motor Racing (IC 6-2.5-5-37)

Year Enacted: 1994

Description: Tangible personal property that comprises any part of a professional motor racing vehicle, excluding tires and accessories, that is leased, owned, or operated by a professional racing team is exempt from sales and use tax. In addition, tangible personal property that comprises any part of a two-seater Indianapolis 500 style race car, excluding tires and accessories, is exempt if it is leased, owned, or operated by a company that is engaged in offering a competitive racing experience during a competitive racing event.

ST35. Property Acquired by Certain Not-for-Profit Organizations (IC 6-2.5-5-25)

Year Enacted: 1963

Description: Tangible personal property, accommodations, and services acquired by certain not-for-profit organizations are exempt if the property, accommodations, or service is used to carry on or to raise money to carry on the organization's not-for-profit purpose.

ST36. Property Added to Certain Structures (IC 6-2.5-4-9(c))

Year Enacted: 1965

Description: In general, tangible personal property that will be added to a structure or facility and will become part of the real estate on which the structure or facility is located is subject to sales and use tax. However, this tangible personal property is not subject to the tax if the ultimate purchaser or recipient would be able to purchase the property from the supplier exempt from tax.

ST37. Property Incorporated into a Transportation Facility (IC 6-2.5-5-56)

Year Enacted: 2022

Description: Tangible personal property is exempt if it is acquired for incorporation into a transportation facility under a public-private agreement or development agreement executed in accordance with IC 5-23-8-1. For purposes of this exemption, transportation facility means any new or existing road, highway, toll highway, bridge, tunnel, railroad, or intermodal facility, located in the jurisdiction of a governmental body. The exemption applies to agreements entered into beginning January 1, 2023.

ST38. Property Used by Manufacturers of Hot Mix Asphalt (IC 6-2.5-5-52)

Year Enacted: 2018

Description: Certain purchases by operators of hot mix asphalt plants are exempt from sales and use tax. Items that are exempt under this provision include the following: (1) trucks that are used to transport hot mix asphalt from the plant to a job site, (2) pavers that are used to spread hot mix asphalt, (3) plant equipment directly used to directly produce hot mix asphalt, (4) fuel used to operate exempt trucks, pavers, or equipment, and (5) repair parts installed on exempt trucks, pavers, or equipment.

ST39. Property Used in Providing Public Transportation (IC 6-2.5-5-27)

Year Enacted: 1963

Description: Property and services directly used in providing public transportation of persons or property are exempt from sales and use tax. Natural gas purchased after December 31, 2013, and before January 1, 2017, for public transportation of property was not exempt.

ST40. Public Safety Equipment and Materials (IC 6-2.5-5-55)

Year Enacted: 2021

Description: Public safety equipment and materials are exempt from sales tax if they are predominantly used by the purchaser to protect the general public and workers during the performance of public works construction or maintenance. Examples of exempt items include concrete or metal barriers, temporary pavement markings, cones, and static and electronic signage and signals. However, hard hats, safety glasses, safety vests, pest control, and other personal protective equipment are not exempt.

ST41. Purchases by Licensed Practitioners and Health Care Facilities (IC 6-2.5-5-19)

Year Enacted: 1969

Description: Drugs, insulin, oxygen, blood, and blood plasma are exempt from sales and use tax if purchased by a licensed practitioner or a health care facility for direct consumption in treating patients or for resale to a patient.

ST42. Purchases by State and Local Government Agencies (IC 6-2.5-5-16)

Year Enacted: 1963

Description: Tangible personal property, accommodations, public utility commodities, and public utility services acquired by the state of Indiana, an agency or instrumentality of the state, a political subdivision of the state, or an agency or instrumentality of a political subdivision are exempt if the property, accommodations, commodities, or services are predominantly used to perform governmental functions.

ST43. Purchases by Utilities (IC 6-2.5-5-14)

Year Enacted: 1978

Description: Purchases made by a municipally owned utility, a utility owned or operated by a special district, or a public utility owned or operated by a not-for-profit corporation are exempt from sales and use tax.

ST44. Qualified Computer Equipment (IC 6-2.5-5-38.1)

Year Enacted: 1997

Description: Qualified computer equipment sold by an educational service center or school to the parent or guardian of a student is exempt from sales tax. Qualified computer equipment includes hardware and software.

ST45. Recreational Vehicles and Cargo Trailers (IC 6-2.5-5-39; IC 6-2.5-2-5)

Year Enacted: 2005

Description: Cargo trailers and recreational vehicles that are transported out of Indiana within 30 days and registered for use outside Indiana are exempt from sales tax if the trailer or vehicle will be registered in a state that provides a reciprocal exemption for Indiana residents. In 2017, a provision was added to allow a person purchasing a cargo trailer or recreational vehicle that is not exempt to pay the sales tax rate of the state in which it will be registered. This provision expired on June 30, 2019, but was reinstated effective July 1, 2020.

ST46. Recycling Materials (IC 6-2.5-5-45.8)

Year Enacted: 2012

Description: Recycling materials, recycling carts, and other tangible personal property acquired for direct use in the processing of recycling materials are exempt from sales and use tax if the purchaser is occupationally engaged in the business of recycling.

ST47. Remotely Accessed Prewritten Computer Software (IC 6-2.5-4-16.7)

Year Enacted: 2018

Description: A transaction in which an end user purchases, rents, leases, or licenses the right to remotely access prewritten computer software over the internet, over private or public networks, or through wireless media is not subject to sales and use tax.

ST48. Rental of a Residence for Fewer than 15 Days (IC 6-2.5-5-53)

Year Enacted: 2019

Description: The rental or furnishing of rooms, lodging, or other accommodations in a house, condominium, or apartment is exempt from sales tax if (1) the owner maintains the house, condominium, or apartment as their primary personal residence; (2) the residence is rented for fewer than 15 days in a calendar year; (3) no payments were made through a marketplace facilitator; and (4) the rental qualifies for the special rule for certain use under Section 280A(g) of the Internal Revenue Code.

ST49. Rental of Booth or Display Space (IC 6-2.5-4-4(e))

Year Enacted: 1987

Description: A promoter that rents a booth or display space to an exhibitor is not required to collect sales tax if (1) the booth or display space is located in a hotel, motel, inn, tourist camp, tourist cabin, gymnasium, hall, coliseum, or other place where rooms, lodgings, or accommodations are regularly furnished for consideration and (2) the facility is operated by a political subdivision or the State Fair Commission. However, this provision does not exempt the renting of accommodations by a political subdivision or the State Fair Commission to a promoter or an exhibitor.

ST50. Required Product Labels (IC 6-2.5-5-50)

Year Enacted: 2015

Description: Labels are exempt from sales and use tax if (1) they are affixed to other tangible personal property being sold by a retail merchant and (2) they are required to be affixed to the tangible personal property in order to comply with any state or federal statute or regulation.

ST51. Research and Development Property (IC 6-2.5-5-40)

Year Enacted: 2005

Description: Research and development property is exempt from sales and use tax. For purposes of this exemption, research and development property is defined as tangible personal property that has not been previously used in Indiana for any purpose and is devoted to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products.

ST52. Returnable Containers and Wrapping Materials (IC 6-2.5-5-9)

Year Enacted: 1963

Description: The following items are exempt: (1) returnable containers, the contents of which were sold in a retail transaction; (2) returnable containers that are transferred empty for the purpose of refilling; and (3) wrapping materials and empty containers acquired for use as nonreturnable packages for selling the contents or shipping or delivering tangible personal property that is owned by another person in certain circumstances.

ST53. Rolling Stock (IC 6-2.5-5-27.5)

Year Enacted: 1997

Description: Rolling stock, as well as all spare, replacement, and rebuilding parts, accessories, components, materials, and supplies for rolling stock are exempt from sales and use tax. For purposes of this exemption, rolling stock means rail transportation equipment, locomotives, box cars, flatbed cars, hopper cars, tank cars, and freight cars.

ST54. Sales by Certain Not-for-Profit Organizations (IC 6-2.5-5-26)

Year Enacted: 1963

Description: Sales by certain not-for-profit organizations are exempt if the organization does not make more than $100,000 in sales in a calendar year. Once sales exceed $100,000, the organization is required to collect sales tax for the remainder of the calendar year. Churches, monasteries, convents, schools that are part of the Indiana public school system, and parochial schools regularly maintained by a recognized religious denomination are not required to collect sales tax regardless of the dollar amount of sales in a year. Sales by certain not-for-profit organizations are also exempt if the property sold is designated for the organization's educational, cultural, or religious purpose or for improvement of the work skills or professional qualifications of the organization's members. [The sales threshold was increased from $20,000 to $100,000, and the organizations excepted from this threshold were added beginning in FY 2024.]

ST55. Sales by Public Libraries (IC 6-2.5-5-26(c))

Year Enacted: 2018

Description: Sales of items in a public library's circulated and publicly available collections are exempt from sales tax. Also exempt are items that would typically be included in the library's collections that are donated by individuals or organizations. Exempt sales may be made by a public library or a charitable organization formed to support a public library.

ST56. Sales of Race Horses in Claiming Races (IC 6-2.5-5-1(b))

Year Enacted: 2017

Description: A transaction involving the sale of a race horse in a claiming race is exempt.

ST57. Sales to City or Town for Municipal Golf Course (IC 6-2.5-5-44)

Year Enacted: 2010

Description: Sales of tangible personal property to a city or town for use in the operation of a municipal golf course are exempt from sales and use tax.

ST58. School Building Materials (IC 6-2.5-5-23)

Year Enacted: 1965

Description: Tangible personal property acquired for incorporation into a school building that is being constructed by a lessor corporation (private or public holding company) is exempt from sales and use tax.

ST59. School Meals (IC 6-2.5-5-22)

Year Enacted: 1963

Description: Meals sold by schools, not-for-profit colleges and universities, fraternities, sororities, and student cooperative housing organizations are sales tax exempt.

ST60. Sharing of a Passenger Motor Vehicle for Fewer than 15 Days (IC 6-2.5-5-54)

Year Enacted: 2019

Description: Transactions involving the sharing of a passenger motor vehicle are exempt from sales tax if (1) the owner shares the vehicle for fewer than 15 days in a calendar year and (2) no payments were made through a marketplace facilitator, including a peer-to-peer vehicle sharing program.

ST61. Supply, Pumping, and Water Treatment Plant and Expenses (IC 6-2.5-5-12); Collection, Disposal, and System Pumping Plant and Expenses (IC 6-2.5-5-12.5)

Year Enacted: 1963; 2007

Description: Property that is classified as source of supply plant and expenses, the pumping plant and expenses, or water treatment plant and expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility that furnishes or sells water.

In addition, property that is classified as collection plant and expenses, treatment and disposal plant and expenses, or system pumping plant and expenses is exempt from sales and use tax if the person acquiring the property is a public utility that collects, treats, or processes wastewater.

ST62. Utilities Purchased by Business in Inactive or Closed Military Base (IC 6-2.5-5-8.5)

Year Enacted: 2004

Description: Utility services or commodities are exempt when purchased by a business that relocates or expands all or part of its operations in a facility located in a military base that is inactive, closed, or scheduled for closing; a military base reuse area; or a qualified military base enhancement area. The exemption applies only during the first five years after the new operations commence.

ST63. Utility Scale Battery Energy Storage Systems (IC 6-2.5-5-10.5)

Year Enacted: 2021

Description: Property classified as a utility scale battery energy storage system is exempt from sales tax if the person acquiring the property (1) is a public utility that furnishes or sells electrical energy or a power subsidiary that furnishes or sells electrical energy to a public utility and (2) uses the property to store electrical energy in front of the customer's meter. Utility scale battery energy storage system is defined as a system capable of storing and releasing greater than 1 MW of electrical energy for a minimum of 1 hour utilizing an AC inverter and DC storage or equipment which receives, stores, and delivers energy using batteries, compressed air, pumped hydropower, hydrogen storage (including hydrolysis), thermal energy storage, regenerative fuel cells, flywheels, capacitors, and superconducting magnets.