

INDIANA

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IT-40PNR

Part-Year and Full-Year Nonresident

Individual Income Tax Booklet

freefile.dor.in.gov **FAST • FRIENDLY • FREE**

See revised adoption credit instructions and worksheet on pages 39 through 41.

WAIT!

YOU MAY QUALIFY FOR FREE ONLINE TAX FILING!



The majority of Indiana taxpayers file electronically every year. Consider the benefits of filing electronically:

- **Faster Refund.** Electronic filing reduces errors and expedites refund time – within 10 to 14 days (compared with 10 to 12 weeks for a paper return).
- **Fewer Errors.** Up to 20 percent of paper-filed returns have errors, which can result in delays and possible penalty and/or interest for the taxpayer. Returns filed electronically, however, are 98 percent accurate.
- **Easier Filing.** You won't have to complete the many complicated forms in this booklet. Instead, you go online, answer some easy questions, and before you know it your taxes are complete.

You may be eligible to file your taxes online for FREE with INfreefile. Go to www.in.gov/dor/i-am-a/individual/infreefile to see if you qualify or learn more about INfreefile on page 4.

Which Indiana Tax Form Should You File?

Indiana has three different individual income tax returns. Read the following to find the right one for you to file.

Form IT-40 for Full-Year Residents

Use Form IT-40 if you (and your spouse, if married filing jointly) were full-year Indiana residents.

Form IT-40PNR for Part-Year and Full-Year Nonresidents

Use Form IT-40PNR if you (and your spouse, if married filing jointly):

- Were Indiana residents for less than a full-year or not at all, or
- Are filing jointly and one was a full-year Indiana resident and the other was not a full-year Indiana resident, and
- Do not qualify to file Form IT-40RNR.

Form IT-40RNR for Full-Year Residents of Reciprocal States

Use Form IT-40RNR if you (and your spouse, if married filing jointly) were:

- Full-year residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and
- The only type of income from Indiana was from wage, tip, salary or other compensation.*

*You are required to file Form IT-40PNR if you have any other kind of Indiana-source income.

Note. If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state.

Military Personnel

See the instructions on page 7 to determine which form to file.

Military personnel stationed in a combat zone should see the instructions on page 7 for extension of time to file procedures.

2025 Changes

Conformity Updates. Line 36A of Form IT-40PNR, Schedule A, assumes conformity with the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2023. If the 2026 Indiana General Assembly does not conform to the most current changes to the Internal Revenue Code, you may have to amend your tax return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check DOR's homepage at www.in.gov/dor for updates.

Credits

- A new credit, Affordable and Workforce Housing Credit (871), is available for developers of affordable rental housing in the state of Indiana. See page 46 for additional information.
- A new credit, New Rail Infrastructure Expenditures Tax Credit (883), is available for qualified new rail infrastructure expenditures. See page 52 for additional information.
- A new credit, Railroad Expenditures Tax Credit (882), is available for qualified railroad expenditures. See page 53 for additional information.

- A new credit, Small Modular Nuclear Reactor Tax Credit (884) is available for qualified infrastructure investments for the manufacture of small modular nuclear reactors. See page 54 for additional information.
- The Film and Media Production Tax Credit (869) is now assignable. See page 48 for more information.
- The Physicians Practice Ownership Credit (880) has been expanded to include owners of entities that are engaged in any medical practice. See page 52 for more information.

Deductions

- The COVID-related Employee Retention Credit Disallowed Expenses Deduction (634) has been reinstated. See page 26 for more information.

Other Changes

- On Schedule CT-40PNR, a new box has been added to report your (and your spouse if married filing jointly) principal residence as of January 1. See page 60 for more information.

Special Note for the One Big Beautiful Bill Act (P.L. 119-21)

On July 4, 2025, the One Big Beautiful Bill Act (P.L. 119-21) was signed into law. At this time, Indiana follows the Internal Revenue Code as in effect on Jan. 1, 2023. As a result, Indiana currently does not follow the provisions of P.L. 119-21, and the instructions in this booklet reflect the Internal Revenue Code as in effect on Jan. 1, 2023. The instructions may reflect minor inclusions of P.L. 119-21 solely to explain clarifying adjustments.

The Indiana General Assembly in 2026 may enact changes that partially or wholly adopt the provisions of P.L. 119-21. If any changes are adopted, the department will provide updated guidance after the changes are enacted.

General Information

Annual Public Hearing

In accordance with the Indiana Taxpayer Bill of Rights, DOR will conduct an annual public hearing in Indianapolis in June 2026. Event details will be listed at www.in.gov/dor/about/news-publications/public-hearings. Please come and share feedback or comments about how DOR can better administer Indiana tax laws. If not able to attend, please submit feedback or comments in writing to: Indiana Department of Revenue, Commissioner's Office, MS# 101, 100 N. Senate Avenue, Indianapolis, IN 46204. Our homepage provides access to forms, information bulletins and directives, tax publications, email, and various filing options. Visit www.in.gov/dor.

Our Website

Our website offers tax filing options, downloadable blank forms and instructions, information bulletins, an online helpdesk, helpful email links and a calendar with filing due dates. Visit DOR's website at www.in.gov/dor.

Moving?

Notify DOR if you move to a new address by doing one of the following:

- Use DOR's e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), to change your address at

intime.dor.in.gov. INTIME offers customers the ability to manage their tax account(s) in one convenient location, 24/7.

You can change your address by creating an INTIME log on. Once logged in, go to the “All Actions” tab and locate the “Update Name and Addresses” panel and select the “Addresses” tab.

An INTIME User Guide for Individual Income Tax Customers is available at www.in.gov/dor/files/intime-individual-guide.pdf to help you through the process.

- Fax your request, including your Social Security number, old address, new address and signature, to 317-615-2608.
- Mail the request, including your Social Security number, old address, new address and signature, to Indiana Department of Revenue, P.O. Box 6197, Indianapolis, IN 46206-6197.
- Visit one of our District Offices (find locations here: www.in.gov/dor/about/district-offices) in person. Make sure to bring your Social Security number, old address, and new address with you.

Need Tax Forms or Information Bulletins?

Use Your Personal Computer

Visit our website and download the forms you need. Our address for tax forms is www.in.gov/dor/tax-forms. Information Bulletins are available at www.in.gov/dor/resources/tax-library.

Need Help With Your Return?

INTIME e-Services Portal Available

INTIME, DOR's e-services tax portal available at intime.dor.in.gov, provides the following functionalities for Individual customers:

- Check the status of your refund
- Make payments using a bank account or credit card
- View and respond to correspondence from DOR
- Request and print return transcripts on-demand
- Electronic delivery of correspondence
- Online customer service support through secure messaging

Increased Online Support for Tax Preparers

In addition to the functionality listed above, INTIME provides increased access and functionality for tax preparers. INTIME provides the following functionality for tax preparers:

- Gain access to view and manage multiple customers under one login
- Ability to file returns, make payments, and view file and pay history for clients
- Request electronic power of attorney (ePOA) authorization to view customer accounts
- View and respond to correspondence for clients

We strongly encourage all taxpayers to make payments and file returns electronically whenever possible. INTIME allows customers to make estimated payments electronically with just a few clicks.

Local Help

You may be eligible to take advantage of the IRS Volunteer Return Preparation Program (VRPP). This program offers free tax return help to low income, elderly and special needs individuals. Volunteers

will fill out federal and state forms for those who qualify. Call the IRS at 1-800-829-1040 to find the nearest VRPP location. Be sure to take your W-2s and 1099s with you.

Information Line

Call the information line at 317-232-2240 to get the status of your refund, billing and payment plan information, or prerecorded tax topics. If you wish to check for billing information, be sure to have a copy of your tax notice. The system will ask you to enter the tax identification number shown on the notice. To speak to a representative, please call during regular business hours, 8 a.m. to 4:30 p.m., Monday through Friday.

Internet Address

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

Ready to File Your Return?

Use an Electronic Filing Program

A majority of Hoosier taxpayers use an electronic filing program to file their state and federal individual income tax returns every year. Electronic filing provides Indiana taxpayers the opportunity to file their federal and state tax returns immediately, and receive their Indiana refunds in about half the time it takes to process a paper return. It takes even less time if you use direct deposit, which deposits your refund directly into your bank account. Even if there is an amount due on either return, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue (DOR). Use an electronic vendor or contact your tax preparer to see if they provide this service.

INfreefile

This tax season Indiana continues to offer a free tax filing service through the cooperation of the Free File Alliance. Eligible Indiana taxpayers can file both the federal and Indiana individual tax returns using highly interactive and easy-to-use web-based applications that speed both returns and refunds. You can choose from a list of multiple vendors that provide this free service. DOR estimates nearly 2 million Indiana taxpayers are eligible for this free service. See if you are eligible by visiting www.in.gov/dor/i-am-a/individual/infreefile.

Filing an Amended (Corrected) Tax Return

If you need to amend (correct) your 2025 individual income tax return after you initially filed:

- Prepare another IT-40PNR return that reflects all changes and check the “Amended” box on the front page. Failure to do so can delay processing.
- Include a copy of all required schedules reflecting all changes and documentation. Failure to do so can delay processing.
- File the amended return electronically, if possible.

Note. All amounts previously paid should be reported as an estimated payment. All refunds previously received should not be reported on an amended filing.

If you are filing an amended return for 2025 reporting additional tax and you previously received a refund, DOR will issue either a notice of

proposed assessment or demand for payment to request repayment of the refund plus interest and penalty.

The Form IT-40PNR and supporting schedules are located at www.in.gov/dor/tax-forms/individual/current. For prior years, please see the instructions for that year.

Before You Begin

Important. You must complete your federal tax return first.

Filling in the Boxes – Please Use Ink

If you are filling out the form by hand, please use black or blue ink and print your letters and numbers neatly within each box. If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

Social Security Number

Be sure to enter your full 9-digit Social Security number in the boxes at the top of the form. If filing a joint return, enter your Social Security number in the first set of boxes and your spouse's full 9-digit Social Security number in the second set of boxes. An incorrect or missing Social Security number can increase your tax due, reduce your refund, or delay timely processing of your filing.

Individual Taxpayer Identification Number (ITIN)

If you already have an ITIN, enter it wherever your Social Security number is requested on your tax return. If you are in the process of applying for an ITIN, check the box located directly beneath the Social Security number area at the top of the form. For information on how to get an ITIN, contact the IRS at 1-800-829-3676 and request federal Form W-7, or find it online at www.irs.gov.

Name and Suffix

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

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

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

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

Married Filing Requirements

• Married Filing Jointly

If you filed your federal income tax return as married filing jointly, you also must file married filing jointly with Indiana.

• Married Filing Separately

If you file your federal income tax return as married filing separately, you must also file as married filing separately with Indiana. Enter both of your Social Security numbers in the

boxes on the top of the form, and then check the box directly to the right of those boxes. Enter the name of the person filing the return on the top line, but do not enter the spouse's name on the second name line.

• Married Persons Who Live Apart Filing Status

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

Military Address

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

ZIP/Postal Code

Enter your five- or nine-digit ZIP code (do not use a dash). For example, enter 46217 or 462174540. If filing with a foreign address, enter the associated postal code.

Foreign Country Code

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

County Information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing jointly, lived and worked on Jan. 1, 2025. You can find these code numbers on the chart found on the back of Schedule CT-40PNR. See the instructions beginning on page 59 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, homemakers, unemployed individuals, out-of-state filers, etc.

Refund Check Address

Your refund check will be issued in the name(s), address and Social Security number(s) shown on your tax return. It is very important that this information is correct and legible. Any wrong information will delay your refund.

Rounding Required

Each line on which an amount can be entered has ".00" already filled in. This is to let you know that rounding is required when completing your tax return.

You must round your amounts to the nearest whole dollar.

To do this, drop amounts of less than \$0.50.

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

Increase amounts of \$0.50 or more to the next higher dollar.

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

Losses or Negative Entries

When reporting a loss or negative entry, use a negative sign.

Example. Write a \$125 loss as -125.

Commas

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

Enclosing Schedules, W-2s, IN K-1s, Etc.

Use only DOR-issued or DOR-permitted forms and schedules. Failure to use correct forms and schedules could result in disallowance of deductions or credits and will delay processing your return. You will find an enclosure sequence number in the upper right-hand corner of each schedule. Make sure to put your completed schedules in sequential order behind the IT-40PNR when assembling your tax return. Do not staple or paper clip your enclosures. If you have a schedule on which you've made no entry, do not enclose it unless you have completed information on the back of it.

Also, enclose:

- All W-2s, 1099s, Forms IN-MSID-A and IN K-1s on which Indiana state and/or county tax withholding amounts appear
- All IN K-1s on which pass through entity tax amounts appear
- All 1099Gs showing unemployment compensation
- A check/money order, if applicable

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

Who Should File?

You may need to file an Indiana income tax return if:

- You lived in Indiana and received income, or
- You lived outside Indiana and had any income from Indiana.

Filing Status Requirement. If you and your spouse file a joint federal tax return, you must file a joint tax return with Indiana. If you and your spouse file separate federal tax returns, you must file separate tax returns with Indiana.

Note. There are three types of Indiana tax returns available. The type you need to file is generally based on your residency status. Read the following to decide if you are a full-year resident, part-year resident, or nonresident of Indiana, and which type of return you should file. In addition, if you are an owner of a pass-through entity and filed Schedule IN-COMPA, you must file an Indiana tax return.

Part-Year Residents and Full-Year Nonresidents

If you were a part-year resident and received income while you lived in Indiana, you must file Indiana Form IT-40PNR, Part-Year Resident or Nonresident Individual Income Tax Return.

Note. If you are filing as a full-year or part-year nonresident, proof of non-residency may be requested. Documents requested may include driver's license, proof of home ownership, or other proof of non-residency.

If you were a legal resident of another state(s) (exception: see next paragraph) and had income from Indiana (except certain interest, dividends, or retirement income), you must file Form IT-40PNR.

Full-Year Residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin

If you were a full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and your only income from Indiana was from wages, salaries, tips or commissions, then you need to file Form IT-40RNR, Indiana Reciprocal Nonresident Individual Income Tax Return.

Full-Year Residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax.

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

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

- They maintain their legal residence in Indiana and intend to return to Indiana during part of the taxable year
- They retain their Indiana driver's license
- They retain their Indiana voting rights
- They claim a homestead deduction on their Indiana home for property tax purposes

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

* To figure your exemptions for filing requirement purposes, Indiana allows a \$1,000 exemption for you and a \$1,000 exemption for your spouse (if married filing jointly). You also get a \$1,000 exemption for each dependent you are eligible to claim. See instructions beginning on page 30 for additional information concerning how to figure your dependents. If your gross income is less than your total exemptions figured above, you are not required to file. However, you may want to file a return to get a refund of any state and/or county tax withheld by your employer, or other refundable credits, such as an earned income credit or estimated tax payment.

Deceased Taxpayers

If an individual died during 2025, or died after Dec. 31, 2025, but before filing his/her tax return, the executor, administrator or surviving spouse must file a tax return for the individual if:

- The deceased was under the age of 65 and had gross income more than \$1,000
- The deceased was age 65 or older and had gross income more than \$2,000, or
- The deceased was a nonresident and had gross income from Indiana.

Be sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on Schedule H. For example, a date of death of Jan. 9, 2025, would be entered as 01/09/2025.

Note. The date of death should not be entered here if the individual died after Dec. 31, 2025, but before filing the tax return. The date of death information will be shown on the individual's 2026 tax return.

Signing the Deceased Individual's Tax Return

If a joint return is filed by the surviving spouse, the surviving spouse should sign his or her own name and after the signature write: "Filing as Surviving Spouse."

An executor or administrator appointed to the deceased's estate must file and sign the return (even if this isn't the final return), indicating their relationship after their signature (e.g. administrator).

If there is no executor, or if an administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. "John Doe, nephew"). Only one tax return should be filed on behalf of the deceased.

Note. DOR may ask for a copy of the death certificate, so please keep a copy with your records.

Refund Check for a Deceased Individual

If you (the surviving spouse, administrator, executor or other) have received a refund check and cannot cash it, visit the State Comptroller forms page at www.in.gov/comptroller/forms to get a widow's and distributee's affidavit (POA-20) or a reissuance of refund (IN-1310). Send the completed form and a copy of the death certificate to the State Comptroller so a refund check can be issued to you.

Military Personnel – Residency

If you were an Indiana resident when you enlisted, you remain an Indiana resident no matter where you are stationed. You must report all your income to Indiana.

If you changed your legal residence (military home of record) during the tax year, you are a part-year resident and should file Form IT-40PNR. You must also enclose a copy of Military Form DD-2058 with the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, plus any income from Indiana sources.

If you are stationed in Indiana and you are a resident of another state, you won't need to file with Indiana unless you have non-military income from Indiana sources.

Example. Annie, who is a Kansas resident, is stationed in Indiana. She earned \$1,300 from her Indiana part-time job. She will need to report that income to Indiana on Form IT-40PNR.

If you are a full-year Indiana resident in the military, your spouse is a legal resident of another state and you filed a joint federal return, you will need to file Form IT-40PNR.

Important. Refer to the instructions on page 59 for an explanation of county of residence for military personnel.

When Should You File?

Your tax return is due April 15, 2026. If you file after this date and owe tax, you will owe interest on the unpaid amount and you may owe penalty, too. See page 12 for more information.

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

Extension of Time to File — What if You Can't File on Time?

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

- Are required to file, and
- You cannot file your tax return by the April 15, 2026, due date.

Whether you owe additional tax, are due a refund, or are breaking even, you still need to get an extension if filing after April 15, 2026.

Note. Indiana's Application for Extension of Time to File, Form IT-9, extends the filing date to Nov. 16, 2026.

If You Owe...

Option 1. File Indiana's Application for Extension of Time to File, Form IT-9. This must be filed by April 15, 2026, for the extension request to be valid.

Note. You may file Indiana's Application for Extension of Time to File online if you make a payment with it by April 15, 2026. Pay electronically using DOR's e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), by visiting intime.dor.in.gov. INTIME offers customers the ability to manage their accounts in one convenient location, 24/7.

Option 2. Filing for a federal application for extension of time to file with the IRS will automatically provide for a state extension of time to file. You must file your state tax return by Nov. 16, 2026, paying any balance due with that filing.

While interest is due on any amount paid after the original April 15 due date, penalty will be waived if both of the following conditions are met:

- The remaining balance due is paid in full by Nov. 16, 2026, and
- You paid at least 90% of the tax expected to be owed by the original April 15 due date.

If You Don't Owe...

You'll need to file for an extension if:

- You are due a refund, or
- You don't expect to owe any tax when filing your tax return, and
- You are unable to file your return by April 15, 2026.

There are two ways to accomplish this:

- If you have a federal extension (you filed Form 4868, or made an extension payment via an electronic filing method), you automatically have an extension with Indiana and do not have to file for a separate state extension (Form IT-9).
- If you do not have a federal extension, file Form IT-9 by April 15, 2026.

Extension Filing Deadline

Both state Form IT-9 and federal Form 4868 extend your state filing time to Nov. 16, 2026.

Will You Owe Penalty and/or Interest?

Penalty will not be owed if you have:

- Paid 90% of the tax you expect to owe by April 15, 2026,
- Filed your tax return by Nov. 16, 2026, and
- Paid any remaining amount due (including interest) with that filing.

Interest is owed on all amounts paid after April 15, 2026. See page 12 for instructions on how to figure interest.

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

Pay electronically using DOR's e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), by visiting intime.dor.in.gov. INTIME offers customers the ability to manage their accounts in one convenient location, 24/7. Alternatively, you may access Form IT-9 online at www.in.gov/dor/tax-forms/individual/current. You may file Indiana's Application for Extension of Time to File online if you make a payment with it by April 15, 2026.

Where to Report Your Extension Payment

Add your state extension payment to any estimated tax paid. Report the total on Schedule F, line 4.

Military personnel on duty outside of the United States and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be enclosed with the return verifying that you were outside of the United States or Puerto Rico on April 15, 2026.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. In addition, if they are hospitalized outside the United States because of such service, the 180-day extension period begins after being released from the hospital. The spouse of such service member must use the same method of filing for both federal and Indiana (e.g. single or joint). When filing the return, write "Combat Zone" across the top of the form (above your Social Security number).

Nonresidency and Income Taxable to Indiana

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

Indiana income includes income from the following sources:

1. Winnings from Indiana casinos, pari-mutuel wagering, and lotteries;
2. Labor or services performed in Indiana, including salaries, wages, tips, commissions, etc.;
3. A farm, business, trade or profession doing business in Indiana;
4. Any real or personal property located in Indiana, including any income from the sale or exchange of property located in Indiana;
5. A partnership or an S corporation doing business in Indiana;

6. Stocks, bonds, notes, bank deposits, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other property where earnings are a part of an Indiana business;
7. Income from trusts and estates derived from Indiana sources and distributed to nonresident heirs; and
8. Pensions and most interest and dividends are taxed by your state of residence when you receive them.

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

Special Information for Nonresidents Receiving Income from Pass-Through Entities

Partnerships, S corporations, and trusts and estates located in and/or doing business in Indiana are required to:

- File an annual return, Form IT-65/Form IT-20S/Form IT-41;
- Withhold Indiana state and county (when applicable) income tax on behalf of their nonresident partners/shareholders/beneficiaries*; and,
- Figure and pay (with the filing of that annual return and Schedule Composite) Indiana state and county income tax due on their individual nonresident partners/shareholders/beneficiaries.*

* This withholding requirement does not apply to the residents of Oregon and Washington D.C., who are subject to and pay income taxes at 3% (.03) or higher to their resident state. Arizona residents are subject to withholding on the difference between the Indiana income tax rate and the Arizona income tax rate.

Individuals who are included on the entities' Schedule Composite are not required to file an individual income tax return to report income from those entities with three exceptions:

Exception 1. Form IT-40PNR must be filed and all taxable income reported if the pass-through entity withholds county tax on the nonresident partner, shareholder and/or beneficiary. See Form IT-65/IT20S Schedule IN K-1, Part 1, line 12, or Form IT-41 Schedule IN K-1, Part 1, line 12.

Exception 2. Form IT-40PNR must be filed and all taxable income reported if the individual has other taxable Indiana-source income that is not included on a Schedule Composite.

Exception 3. Form IT-40PNR must be filed if the individual completed Schedule IN-COMPA.

If you have any other Indiana-source income, you are required to file Form IT-40PNR, reporting both that income and any income already reported and taxed on Form IT-65/IT-20S/IT-41 (i.e., all Indiana-source income).

Any reference to Schedule Composite also includes Schedule PTET if the pass-through entity pays or credits PTET to partners/shareholders/beneficiaries.

Reciprocal States: Special Filing and Income Reporting Instructions

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

- You received wages, salaries, tips, or commissions from Indiana, you will not owe Indiana adjusted gross income tax on that income. However, you may owe a county tax. If this is the only type of income you received from Indiana, you should file Form IT-40RNR, reciprocal nonresident Indiana individual income tax return. See the “Need Tax Forms or Information Bulletins?” section on page 4 for options; or
- You received other types of Indiana-source income besides wages tips, salaries or commissions (see items 1 through 8 above), you must file Form IT-40PNR instead of Form IT-40RNR; or
- You received both Indiana-source income (see items 1 through 8 above) and wage income from Indiana, you must file form IT-40PNR. The wage income will not be subject to Indiana adjusted gross income tax. However, see the county tax instructions for **Reciprocal state residents** on page 62 if these wages were earned in an Indiana county.

Example. Fred and Deanna are full-year residents of Michigan, and filed a 2025 joint federal income tax return. During 2025 Fred received \$10,000 winnings from an Indiana casino, and Deanna earned \$55,000 wage income from an Elkhart, Indiana employer. Fred's casino winnings will be taxed by Indiana. Enter Fred's \$10,000 winnings on Indiana Schedule A, line 20, Columns A and B. Deanna's wage income is not subject to Indiana adjusted gross income tax. Therefore, enter Deanna's wage income in Column A only.

Note. See county tax instructions for **Reciprocal state residents** on page 62 to determine if county tax is due on her wage income.

Completing Form IT-40PNR

Line 1 – Income Taxed by Indiana

Complete Indiana Schedule A: Income or Loss; Proration; and Adjustments to Income. Instructions for Schedule A begin on page 13. Carry the line 36B amount to line 1 on the front of Form IT-40PNR. Make sure to enclose Schedule A when filing.

Line 2 – Add-Backs

Enter on this line any add-backs from Schedule B: Add-Backs. Instructions for Schedule B begin on page 17. Make sure to enclose Schedule B when filing.

Line 4 – Deductions

Enter on this line any deductions from Schedule C: Deductions. Instructions for Schedule C begin on page 21. Make sure to enclose Schedule C when filing.

Line 6 – Exemptions

Enter any exemptions from Schedule D: Exemptions on this line. Instructions for Schedule D begin on page 30. Make sure to enclose Schedule D when filing.

Line 9 – County Tax

Complete Schedule CT-40PNR to figure your county tax and enter it here. Instructions for Schedule CT-40PNR begin on page 60. Make sure to enclose Schedule CT-40PNR when filing.

Line 10 – Other Taxes

Enter any other taxes from Schedule E: Other Taxes on this line. Instructions for Schedule E begin on page 35. Make sure to enclose Schedule E when filing.

Line 12 – Credits

Enter your credits from Schedule F: Credits on this line. Instructions for Schedule F begin on page 36. Make sure to enclose Schedule F when filing.

Line 13 – Offset Credits

Enter the total of any offset credits reported on Schedule G: Offset Credits on this line. Instructions for Schedule G begin on page 43. Make sure to enclose Schedule G when filing.

Line 17 – Donation Check-Offs

Enter on this line the total of any donations made on Schedule IN-DONATE. Make sure to enclose Schedule IN-DONATE, which is located at the bottom of Schedule F: Credits, when filing. See page 42 for more information.

Line 19 – Amount to be Applied as a 2026 Estimated Tax Installment Payment

You should pay estimated tax during the 2026 tax year if:

- You have income that will not be subject to Indiana tax withholding, or
- You think the amount withheld will not be enough to pay your tax liability, and
- You expect to owe more than \$1,000 when you file your tax return.

The simplest and most efficient way to pay quarterly estimated taxes is by using INTIME at intime.dor.in.gov. INTIME offers a quick, safe and secure way to submit estimated payments, while providing the option to schedule payments and view payment history. By using this method, customers receive a confirmation number immediately without having to wait for mail to arrive or checks to clear.

INTIME also provides the option to schedule all four estimated payments, up to a year in advance, to avoid penalties and never miss a deadline again. Any awaiting payment(s) in INTIME will remain “pending” until the scheduled payment date enabling customers to make changes or cancel at any time leading up to that date.

Instructions on how to make estimated payments using INTIME are available in the INTIME User Guide for Individual Income Tax Customers at www.in.gov/dor/files/intime-individual-guide.pdf.

If you file your individual return electronically, DOR will accept direct debit of up to four estimated payments.

Alternatively, you may visit www.in.gov/dor/tax-forms/individual/current to get Form ES-40. Use the worksheet on Form ES-40 to see how much you will owe. Then, if you have an overpayment showing on line 18 of

your tax return, you can have some or all of the overpayment applied to next year's estimated tax account. To do so, enter any portion of the overpayment:

- On line a, if you want to apply an amount to offset estimated county tax due (from Form ES-40 worksheet, line K). Also, enter the 2-digit county code from line K; and/or
- On line b, if your spouse lived in a different county than you did on Jan. 1, 2026, and you want to apply an amount to offset your spouse's estimated county tax due (from Form ES-40 worksheet, line L). Also, enter the 2-digit county code from line L; and/or
- On line c, if you want to apply an amount to offset your estimated state tax due (from Form ES-40 worksheet, line J).

Example. Mark and Megan have a \$420 overpayment, and want to apply \$300 of it to their 2026 estimated tax account. Their worksheet from Form ES-40 has the following breakdown:

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

They will enter \$30 on line 19a (along with their 2-digit county code), \$270 on line 19c, and the \$300 total amount to be applied will be entered on line 19d. They will get a \$120 refund (\$420 overpayment minus \$300 applied to their 2026 estimated tax account).

Example. Stu wants to pay \$500 in estimated tax for each installment period. He has a \$30 overpayment on his tax return. He chooses to enter the full \$30 overpayment on line 19c (Indiana adjusted gross income tax amount), and carries it to line 19d. (He may pay the \$470 additional amount by using INTIME to make a secure electronic payment, or by printing Form ES-40 and filing it along with a check or money order.)

Important. Estimated tax installment payments made for the 2026 tax year are due by:

- April 15, 2026 (1st installment)
- June 15, 2026 (2nd installment)
- Sept. 15, 2026 (3rd installment)
- Jan. 15, 2027 (4th installment)

Any installment payment amount entered on line 19d will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 15, 2026, will be considered to be a 2026 first installment payment; June 3, 2026, will be considered to be a 2026 second installment payment; and July 22, 2026, will be considered to be a 2026 third installment payment.

Note. You may complete and mail the ES-40, Estimated Tax Payment form, along with your payment to DOR's return address on the form. Estimated payments can also be made online with an electronic bank payment (ACH/e-check) or Visa, MasterCard and Discover debit or credit cards by using DOR's e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), at intime.dor.in.gov. See line 26 instructions on page 12 for details about payment options.

See Income Tax Information Bulletin #3 at www.in.gov/dor/files/reference/ib03.pdf for additional information about estimated taxes.

Line 20 – Penalty for Underpayment of Estimated Tax

You might owe a penalty for the underpayment of estimated tax if you did not have taxes withheld from your income and/or you did not pay enough estimated tax throughout the year.

In fact, not properly paying estimated tax is one of the most common errors made in filing Indiana tax returns. Generally, if you owe \$1,000 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

You might owe this penalty if:

- The total of your credits, including timely made estimated tax payments, is less than 90% of this year's tax due or 100% of last year's tax due, ** or
- You underpaid the minimum amount due for one or more of the installment periods.

If either of these cases apply to you, you must complete Schedule IT-2210 or IT-2210A to see if you owe a penalty or if you meet an exception.

- If you owe this penalty, complete Schedule IT-2210 or IT-2210A and write the penalty amount on Form IT-40PNR, line 20.
- If you meet an exception, complete Schedule IT-2210 or IT-2210A to show which exception was met.

Include the completed form with your submission.

*You must have timely paid 100% of lines 8 and 9 of your 2024 IT-40 or IT-40PNR. Note: If last year's **Federal adjusted gross income** was more than \$150,000 (\$75,000 for married filing separately), you must pay 110% of last year's tax (instead of 100%) to meet this exception.

**Farmers and fishermen should see the special instructions on page 11.

Important. DOR will compute and assess the underpayment penalty where appropriate based on filing history and tax due.

Should You Use Schedule IT-2210 or Schedule IT-2210A?

Schedule IT-2210 should be used by individuals who receive income (not subject to withholding tax) on a fairly even basis throughout the year. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Jim and Sarah together received \$4,500 in pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception to the penalty.

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

Schedule IT-2210A may be used by individuals who receive income (not subject to withholding tax) unevenly during the year. Also use this form if you had substantial changes in withholding during the year. See Income Tax Information Bulletin #3 available at www.in.gov/dor/files/reference/ib03.pdf for further information. This schedule will help determine whether a penalty is due, or whether an exception to the penalty has been met.

Example. Bill's income is from selling fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 15, 2025, first installment due date.

Example. Rachael received a sizable lump sum distribution in December of 2025. She figured how much estimated tax was due, and paid it in full by the Jan. 15, 2026, fourth period installment due date. By completing Schedule IT-2210A, she shows she owes no penalty for the first three installment periods, and that a proper payment was made for the fourth installment period. She will owe no penalty.

Farmers and Fishermen.

Special options are available if more than two-thirds of your gross income for 2024 and/or 2025 was from farming or fishing.

Option 1. Pay your estimated tax in one payment on or before

Jan. 15, 2026, and file your tax return by April 15, 2026; or

Option 2. Make no estimated tax payment and file your tax return and pay all the tax due by March 2, 2026.

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

Example. Henry had two-thirds of his income for 2023 from farming. In 2024 and 2025, Henry had less than two-thirds of his income from farming or fishing. Henry can use the special option for farmers or fisherman for 2024 because two-thirds of his previous-year income (2023) was from farming or fishing. Henry cannot use the special option for 2025 because less than two-thirds of his income for both 2024 and 2025 was from farming or fishing.

Visit our website at www.in.gov/dor/tax-forms/individual/current to get Schedule IT-2210 or Schedule IT-2210A.

Line 20a

Enter Code A if you are computing your penalty using Form IT-2210A. Enter Code F if you are reporting estimated tax as a farmer or a fisherman.

Line 21 – Refund

You have a refund if line 18 is greater than the combined amounts entered on lines 19d and 20.

Important. If the combination of line 19d plus line 20 is greater than the amount on line 18, you must make an adjustment. The estimated tax carryover amount on line 19d is limited; it cannot be greater than the remainder of line 18 minus line 20. See the second example about Stu under the Line 19 instructions on page 10.

A Note About Refund Offsets

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

to debts owed to other state or federal agencies, any notification you receive will be from the other agency.

When to Expect Your Refund

Generally, 10 to 14 business days is the average wait for a refund if the tax return is electronically filed; it can take up to 12 weeks for the refund to be issued if you mail a paper tax return.

A refund may take longer under certain circumstances. The most common incidents are when businesses supply withholding statements (such as W-2, 1099-R, Schedule IN K-1, etc.) late and when the return reports a Schedule C loss.

Where's Your Refund?

There are several ways to check the status of your refund. You will need to know the exact amount of your refund, and a Social Security number entered on your tax return. Then, do one of the following:

- Go to www.in.gov/dor/i-am-a/individual/check-refund and click Check the Status of Your Refund.
- Call 317-232-2240 for automated refund information; to speak to a representative, please call during regular business hours, 8 a.m. to 4:30 p.m., Monday through Friday.
- Go to INTIME at intime.dor.in.gov and click "Where's my refund?"

A refund directly deposited to your bank account may be listed on your bank statement as a credit, deposit, etc. If you have received information from DOR that your refund has been issued, and you are not sure if it has been deposited in your bank account, call the ACH Section of your bank or financial institution for clarification.

Important. If we are unable to deposit your refund to the listed account (incorrect/incomplete account numbers; account closed; refund to go to an account outside the United States; etc.), DOR will mail a paper check to the address on the front of the tax form.

Note. A refund deposited directly to your Hoosier Works MasterCard account will appear on your monthly statement.

Statute of Limitations for Refund Claims

There is a **statute of limitations** when filing for a refund of overpaid taxes for tax year 2025. In general, a claim for refund must be made by April 17, 2029 (Nov. 15, 2029 if filing under extension). The claim for refund is considered to be made on the day your tax return is postmarked. If you file your 2025 tax return after the statute of limitations has expired, no refund will be issued.

Line 22 – Direct Deposit

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

Caution. If you choose this option, make sure to verify the account information after you have entered it. This will help ensure your refund is deposited into your desired account.

The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number.

The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank.

Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.

To comply with banking rules, you must place an "X" in the box on line d if your refund is going to an account outside the United States. If you check the box, we will mail you a paper check.

If you currently have a **Hoosier Works MasterCard** and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 22b, where it says "Account Number" (do not write anything on line 22a "Routing Number"). You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.

Note. DO NOT use your MasterCard 16-digit number. Make sure to check the "Hoosier Works MC" box on line 22c.

For more information on direct deposit, please see "Where's Your Refund?" on page 11.

Line 23

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

OR

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

Subtract line 14 from line 15 and enter the total here .. A _____

Enter any amount from line 20.....B _____

Add lines A + B. Enter total here and on line 23.....C _____

Line 24 – Penalty

You may owe a penalty if your tax return is filed after the April 15, 2026, due date and you have an amount due. Penalty is 10% of the amount due (line 23 minus line 20) or \$5, whichever is greater.

Exception. No penalty will be due if you have:

- An extension of time to file,
- Are filing and paying the remaining tax due by the extended filing due date, and
- Have prepaid at least 90% of the amount due by April 15, 2026.

Line 25 – Interest

You will owe interest (even if you have an extension of time to file) if your tax return is filed after the April 15, 2026, due date and you have an amount due. Interest should be figured on the sum of line 23 minus line 20. Contact DOR at 317-232-2240 or visit our website at www.in.gov/dor/files/reference/dn03.pdf to get Departmental Notice #3 for the current interest rate.

Line 26 – Amount Due – Payment Options

There are several ways to pay the amount you owe.

Electronic payments can be made via DOR's e-service portal, the Indiana Taxpayer Information Management Engine (INTIME), at intime.dor.in.gov. INTIME offers customers the ability to manage their accounts in one convenient location, 24/7. Accepted forms of payment

via INTIME include electronic bank payment (ACH/e-check), Visa, MasterCard and Discover debit or credit cards. No fees are assessed for electronic bank payments. Fees apply to payments made with credit or debit cards. You do not need to logon to INTIME to make payments. Simply select the "Make a Payment" option on the page. An INTIME User Guide for Individual Income Tax Customers is available at www.in.gov/dor/files/intime-individual-guide.pdf to help you through the process.

Another option is to mail your payment to:
Indiana Department of Revenue
P.O. Box 7224
Indianapolis, IN 46207-7224

You may pay in person at one of DOR's district offices with cash, but with the exact amount only. Other in-person options include paying with a money order, cashier's check or personal check made payable to DOR. All payments to DOR must be made with U.S. Funds.

Note. Most district offices are appointment-only. Visit www.in.gov/dor/about/district-offices to schedule an appointment.

Payment plan option. If you cannot pay the full amount due at the time you file, you may be eligible to set up a payment plan online using DOR's e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), at intime.dor.in.gov. INTIME offers customers the ability to manage their tax account(s) in one convenient location, 24/7. Create an INTIME logon to manage your account, make payments, establish payment plans, and more. After your return finishes processing, a payment plan can be established.

Important. If using the payment plan option, penalty and interest will be due on all amounts paid after the April 15, 2026, due date.

If you have questions, contact DOR in one of three ways:

- Use the secure messaging feature in the Indiana Taxpayer Information Management Engine (INTIME). If you are not registered, create an online account at intime.dor.in.gov. Select "New to INTIME? Sign up" and follow instructions to complete the process. You will need your taxpayer ID (FEIN, SSN, etc.). Once logged in, select "Send a message" under the "All Actions" menu.
- Call DOR Customer Service at 317-232-2240, Monday through Friday, 8 a.m. to 4:30 p.m. EST.
- Correspond with DOR via mail using this address:
Indiana Department of Revenue
100 N. Senate Ave.
Indianapolis, IN 46204-2253

Returned Checks and Other Types of Payments

If you make a tax payment with a check, credit card, debit card, electronic funds transfer, or any other instrument in payment by any commercially allowable means, and DOR is unable to obtain payment for its full amount when it is presented for payment through normal banking channels, a \$35 penalty will be assessed.

The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. *Note. Any permits and/or licenses issued by DOR may be revoked if the assessed amount is not paid immediately.*

Signatures and Signing Dates

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

Taxpayer Advocate

As prescribed by the Taxpayer Bill of Rights, DOR has an appointed Taxpayer Advocate whose purpose is to facilitate the resolution of taxpayer complaints and complex tax issues. If you have a complex tax issue, you must first pursue resolution through normal channels, such as contacting the customer service division at 317-232-2240. If you are still unable to resolve your tax issue, or a tax assessment places an undue hardship on you, you may receive assistance from the Office of the Taxpayer Advocate.

For more information, and to get required schedules if filing for an offer in compromise or a hardship case, visit our website at: www.in.gov/dor/about/contact-us/taxpayer-help. You may also contact the Office of the Taxpayer Advocate directly at taxadvocate@dor.in.gov, or by telephone at 317-232-4692. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indianapolis, IN 46206-6155.

Where to Mail Your Tax Return

If you are enclosing a payment, please mail your tax return with all enclosures to:

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

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

Schedule A

Sections 1, 2 and 3 Instructions

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

General Information

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

For part-year residents, the portion of the following types of income from Indiana sources that were received while a nonresident should not be reported as income taxed by Indiana: interest from bonds, dividends, unemployment compensation, and gains from the sale of stock, bonds, or other securities. However, gains from real or tangible personal property located in Indiana should be reported as income taxed by Indiana. In addition, if you receive income from a pass

through entity (e.g., an S corporation or partnership) that conducts business in Indiana, your share of the entity's income derived from Indiana sources should be reported as income taxed by Indiana.

For full-year nonresidents, the portion of the following types of income from Indiana sources should not be reported as income taxed by Indiana: interest from bonds, dividends, unemployment compensation, and gains from the sale of stocks, bonds, or other securities.

Example. The distributive share of income received from an S corporation doing business in Indiana must be reported by nonresidents as income taxable in Indiana to the extent the S corporation is doing business in Indiana.

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

Read the following line-by-line instructions for more information. Also, see Income Tax Information Bulletin #28 at www.in.gov/dor/files/reference/ib28.pdf for more information.

Important Information about Possible Year-End Federal Legislation

This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of the income/loss and adjustments reported may need to be adjusted. You may wish to periodically check DOR's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

How to Report a Loss

When reporting a loss or negative entry, use a negative sign.

Example. Write a \$125 loss as -125.

Schedule A

Section 1: Income or Loss

You must complete your federal income tax return first.

Unless otherwise stated:

- Enter in Column A your income and adjustments as they appear on your federal return, Form 1040/1040-SR; and
- Enter in Column B the portion of your income and adjustments that is subject to Indiana income tax.

Lines 1 and 2 – Wages, Salaries, Tips, Etc.

Enter wages, salaries, tips, other compensation, and any other amounts entered on Lines 1a through 1h. You should report your income on line 1 and your spouse's income on line 2. Enter in Column B income received while you were an Indiana resident, and/or income from Indiana sources received while you were not an Indiana resident. Except as provided immediately below, include amounts from Indiana sources even if you and/or your spouse worked in Indiana 30 days or less in Indiana during the year.

Note for part-year or full-year nonresidents. Do not enter that portion of your Indiana source wage, salary, tip or commission income in Column B earned while you were a resident of a reciprocal agreement state (see Reciprocal States: Special Filing and Income Reporting Instructions on page 9).

Lines 3 and 4 – Interest and Dividend Income

Enter in Column A your taxable interest and dividend income as reported on your federal return, lines 2b and/or 3b, and report the interest and dividend income attributable to Indiana in Column B. If any of the interest reported in Column B is from U.S. government obligations, including U.S. savings bonds, Treasury notes, T-Bills, etc., you may deduct these amounts on Form IT-40PNR, Schedule C, line 4.

Interest from municipal obligations. Do not report any interest from municipal obligations on line 3. However, if you were an Indiana resident when receiving interest from a non-Indiana municipal obligation, see OOS municipal obligation interest add-back on page 18 to see if you are required to add it to your Indiana income to be taxed. See Income Tax Information Bulletin #19 at www.in.gov/dor/files/reference/ib19.pdf for more information.

Line 5 – Taxable Refunds, Credits or Offsets

Enter in Column A the amount of taxable refunds, credits or offsets of state and local income taxes that was reported on your federal Schedule 1, line 1. Enter in Column B that portion received while you were an Indiana resident.

Line 6 – Alimony Received

Enter in Column A the amount of alimony reported on your federal Schedule 1, line 2a. Enter in Column B that portion you received while you were an Indiana resident.

Lines 7, 12 through 16

Important. The amounts on line 7 and lines 12 through 16 should reflect the amounts reported on your federal Schedule 1 (after any application of passive activity loss limitations from federal Form 8582).

Line 7 – Business Income or Loss

Enter in Column A the business income from Schedule C that is reported on federal Schedule 1, line 3. Enter in Column B that portion of business income subject to tax in Indiana. Also, see the instructions for:

- Tax Add-Back on Schedule B, line 1, on page 17,
- Apportionment on line 19 if this income is from a business doing business both within and outside Indiana, and
- Other Income on line 20.

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

Enter in Column A the capital gain or loss from federal Schedule D that is reported on federal Form 1040/1040-SR, line 7. Enter in Column B that portion received while you were an Indiana resident and/or from the sale or exchange of property located in Indiana.

Note. Any capital loss claimed is subject to the same capital loss limitations that apply for federal tax purposes. The Indiana capital loss may be greater than the \$3,000 federal limitation in certain situations if you have non-Indiana source capital gains. If you are claiming an Indiana capital loss of more than \$3,000, please file your return on paper. For more information about federal capital loss limitations, get federal Schedule D, Capital Gains and Losses.

Line 9 – Other Gains or Losses from Form 4797

Enter the gain or loss from the sale or exchange of property as reported for federal tax purposes on federal Schedule 1, line 4. Enter in Column B that portion received:

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

Line 10 – IRA Distributions

Enter in Column A the taxable portion of the IRA distribution reported on your federal Form 1040/1040-SR, line 4b. Enter in Column B that portion received while you were an Indiana resident.

Line 11 – Pensions and Annuities

Enter in Column A the taxable portion of all pensions, annuities and other retirement income as reported on your federal Form 1040/1040-SR, line 5b. Enter in Column B that portion received while you were an Indiana resident.

Note. You will be eligible for a deduction if you included any railroad retirement benefits issued by the U.S. Railroad Retirement Board on this line in Column B. See Schedule C, line 6 instructions for more information.

Line 12 – Net Rent or Royalty Income or Loss

Enter in Column A the net rent and royalty income or loss included in the total on federal Schedule 1, line 5.

Enter in Column B the net royalty income/loss:

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

Enter in Column B the net rental income/loss:

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

Also, see the instructions for tax add-back for Section B, line 1, on page 17.

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

Enter in Column A the income or loss from partnerships, trusts and estates, and S corporations, that is included in the total on federal Schedule 1, line 5.

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

Fiduciary*. If you are a nonresident, the Indiana fiduciary(s) should provide to you an apportioned amount to be taxed by Indiana on Schedule IN K-1. If the fiduciary does not apportion its income, then enter in Column B the same amount as you entered in Column A.

Partnership and S Corporation*. If you are a nonresident, the Indiana partnership/S corporation should provide to you an apportioned amount to be taxed by Indiana on Schedule IN K-1. If that Indiana entity does not apportion the income, then enter in Column B the same amount from that entity(s) as you entered in Column A.

Schedule A: Proration

You will need to include Schedule IN K-1 with the filing for the Indiana income tax return, and report any withholding amounts from that schedule on Indiana's Schedule F, lines 1 and 2.

Note. See the instructions for tax add-back for Schedule B, line 1, on page 17.

Line 16 – Farm Income or Loss

Enter in Column A the farm income/loss from federal Schedule 1, line 6. Enter in Column B that portion of farm income/loss subject to tax in Indiana.

Also, see the instructions for:

- Apportionment on IT-40PNRA, part 3 if this income is from a farm doing business both within and outside Indiana, and
- Tax add-back for Schedule B, line 1, on page 17.

Line 17 – Unemployment Compensation

Enter in Column A the unemployment income from federal Schedule 1, line 7. Enter in Column B that portion of unemployment income received while you were an Indiana resident.

Important. You may qualify for a deduction if you received unemployment compensation while you were an Indiana resident. For more information, see page 24 for Schedule C, line 10 instructions.

Line 18 – Social Security and Railroad Retirement Benefits

Enter in Column A the portion of Social Security and/or railroad retirement benefits that are taxed on your federal Form 1040/1040-SR, line 5b and/or line 6b. Enter in Column B* the portion received while you were an Indiana resident.

***Note.** Indiana will not tax Social Security benefits or railroad retirement benefits which are issued by the U.S. Railroad Retirement Board. Therefore, if you listed any of these benefits in Column B, then look at Indiana Schedule C: Deductions. Enter those same amounts on line 5 and/or line 6 on Schedule C.

Line 19 – Indiana Apportioned Income

Apportioned business income from Schedule IT-40PNRA is reported on this line. The apportionment schedule is used only by nonresidents with income or losses from a business that does business both within and outside Indiana. Report the amount from Schedule(s) IT-40PNRA, Part 3, line 3. You may access Schedule IT-40PNRA at www.in.gov/dor/tax-forms/individual/current.

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

- Report the full amount from your federal return onto Indiana Schedule A, Section 1, Column A, and
- Not report any of that income in the corresponding Column B. Instead, you will report the amount to be taxed by Indiana in Column B on this line.

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

7, Column B blank. He entered the amount apportioned to Indiana on Section 1, line 19, Column B.

Line 20 – Other Income

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

- Report any NOL from your federal Schedule 1, line 8a, as a negative amount in Column A only. You will show the Indiana portion of your Indiana net operating loss deduction on Schedule C under line 11. See instructions for Indiana Net Operating Loss Deduction on page 24 for more information.
- Other types of income or loss would include riverboat winnings, prizes, awards, amounts recovered from bad debts, gross lottery and other gambling winnings, etc., as reported on your federal return.

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

Schedule A Proration

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

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

Note. If line 21B is a loss, enter zero (0) in Box 21D and on Schedule D: Exemptions, line 6. If line 21A (or Box 21C) is a loss, and line 21B is a positive amount, enter 1.00 (100%) in Box 21D and on Schedule D: Exemptions, line 8.

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

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

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

Step 3 Subtract Step 2 from Step 1.

Enter result here and in Box 21C on Schedule A, Proration Section 3 _____

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

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

Schedule A

Section 2: Adjustments to Income

Adjustments to income from federal Form 1040/1040-SR and federal Schedule 1.

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

Unless otherwise stated:

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

*Important information about possible year-end federal legislation. This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of these adjustments may need to be eliminated and/or refigured. You may wish to periodically check DOR's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

Line 22 – Educator Expense

Enter in Column A any educator expense deduction claimed on your federal Schedule 1, line 11. Enter in Column B the portion of the expense that was spent while you were an Indiana resident.

Line 23 – Certain Business Expenses of Reservists, Performing Artists, Etc.

Enter in Column A the adjustment claimed for certain business expenses of reservists, performing artists and fee-based government officials claimed on your federal Schedule 1, line 12. Enter in Column B that portion of the deduction that is directly related to the reported income (in Section 1, Column B) produced in conjunction with those expenses.

Line 24 – Health Savings Account Deduction

If you are eligible to take this adjustment on your federal Schedule 1, line 13, you are also allowed the adjustment on your Indiana tax return. Enter the amount of the federal deduction in Column A. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

Line 25 – Moving Expenses

You may have deducted moving expenses on your federal Schedule 1, line 14, if you are a member of the Armed Forces on active duty and, due to a military order, you moved because of a permanent change of station. Enter in Column A the amount of moving expense deduction reported on your federal Schedule 1, line 26. If Indiana is your home of record, report this amount in Column B. If it is not, leave Column B blank.

Line 26 – Deductible Part of Self-Employment Tax

Enter in Column A the amount claimed on federal Schedule 1, line 15. If some or all of the income on which this deduction was based is taxed by Indiana, then you will be able to take a deduction in Column B.

If some or all of your self-employment tax is figured on income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A to arrive at the amount to be reported in Column B. Use the formula below to figure your deduction for Column B.

$$\begin{array}{rcl} \text{IN self-employment} & & \text{Federal} \\ \text{income} & \hline & \text{Adjustment} \\ \text{Federal self-employment} & \times & = \\ \text{income} & & \text{(Column A)} & \text{Deduction} \\ & & & \text{(Column B)} \end{array}$$

Line 27 – Payments to Self-Employed, SEP, SIMPLE and Qualified Retirement Plans

Enter in Column A the deduction reported on your federal Schedule 1, line 16. You are allowed a deduction in Column B (based on Indiana self-employment income reported in Column B of Section 1) for contributions to qualified self-employment retirement plans to the extent allowed in arriving at your federal adjusted gross income.

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

$$\begin{array}{rcl} \text{IN self-employment} & & \text{Federal} \\ \text{income} & \hline & \text{Adjustment} \\ \text{Federal self-employment} & \times & = \\ \text{income} & & \text{(Column A)} & \text{Deduction} \\ & & & \text{(Column B)} \end{array}$$

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

Line 28 – Self-Employed Health Insurance Deduction

Enter in Column A the deduction claimed on your federal Schedule 1, line 17. If some or all of the income on which this deduction is based is taxed by Indiana, then you will be able to take a deduction in Column B. The income on which this deduction is based is from self-employment income and certain income from partnerships and/or S corporations. If some or all of your self-employed health insurance deduction is figured on income derived from other states as well as Indiana, you must prorate your total federal adjustment reported in Column A to arrive at the amount to be reported in Column B. Use the formula below to figure your deduction for Column B.

$$\begin{array}{rcl} \text{IN source: self-employment} & & \text{Federal} \\ \text{income/certain income} & \hline & \text{Adjustment} \\ \text{from partnerships and/or} & & = \\ \text{S corporations} & \times & \text{Deduction} \\ \text{Federal self-employment} & & \text{(Column A)} & \text{(Column B)} \\ \text{income/certain income} & & & \\ \text{from partnerships and/or} & & & \\ \text{S corporations} & & & \end{array}$$

Line 29 – Penalty on Early Withdrawal of Savings

Enter in Column A the penalty on early withdrawal of savings reported on your federal Schedule 1, line 18. Enter in Column B that portion that was forfeited while you were an Indiana resident (provided it is included on Section 1, line 3, Column B).

Line 30 – Alimony Paid

Enter in Column A the alimony claimed as a deduction on your federal Schedule 1, line 19a. Enter in Column B the portion that was paid while you were an Indiana resident.

Line 31 – IRA Deduction

Enter in Column A the Individual Retirement Account (IRA) deduction reported on your federal Schedule 1, line 20. Enter in Column B an adjustment (based on your Indiana compensation) for the amount you paid into the IRA (provided you qualify for the deduction for federal tax purposes). Compensation includes wages, salaries, commissions, tips, professional fees, bonuses and other amounts you received for providing personal services.

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

$$\begin{array}{r} \text{IN} \\ \text{compensation} \\ \hline \text{Federal} \\ \text{compensation} \end{array} \quad \times \quad \begin{array}{r} \text{Adjustment} \\ (\text{Column A}) \end{array} \quad = \quad \begin{array}{r} \text{Indiana} \\ \text{Deduction} \\ (\text{Column B}) \end{array}$$

Line 32 – Student Loan Interest Deduction

Enter in Column A the student loan interest deduction reported on your federal Schedule 1, line 21. Enter in Column B the portion of the deductible interest paid while you were an Indiana resident.

Line 33 – Reserved for Future Use

Line 34 – Other

Use this line to report certain deductions claimed on your federal income tax return for which no specific line was otherwise provided above when arriving at federal adjusted gross income. If you have written in allowable deductions on your federal Schedule 1, line 23 or 24, enter those amounts here.

Following are two of the more commonly reported deductions:

- Enter in Column A the Jury Duty Pay deducted on your federal Schedule 1, line 24a. Enter in Column B the jury duty pay turned over to your employer that is in direct relation to the salary being taxed by Indiana (included in the Section 1 line 21, Column B total).
- Enter in Column A the Archer MSA Deduction deducted on your federal Schedule 1, line 23. Enter in Column B the portion of the deduction that is directly related to the reported income in Section 1, Column B.

Schedule B: Add-Backs

Some amounts reported on your federal tax return may require different treatment for Indiana income tax purposes. Listed in this area are those items that may need to be added back on your Indiana tax return. Please review the list carefully. When reporting these add-backs, maintain with your records the corresponding federal tax forms and schedules as DOR can require you to provide them at a later date.

You may have to complete this schedule if:

- You were a nonresident and had Indiana-source income or loss; and/or
- You reported Indiana add-backs in prior years which impact this year's filing.

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

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

Important Information About Possible Year-End Federal Legislation

This publication was finalized before all year-end federal legislative changes were complete. Therefore, some of these add-backs may need to be adjusted. You may wish to periodically check DOR's homepage at www.in.gov/dor for updates about any impact of late federal legislation.

Treatment of Previously Discontinued Add-Back

Several discontinued add-backs were created as a result of timing differences between federal and Indiana allowable expenses. See *Certain Discontinued Add-Backs: How and When to Report a Final Catch-Up Modification* on page 20 for information about these add-backs.

Line 1 – Tax Add-Back

If you did not complete Federal Schedules C, E or F, which include sole proprietorship income, farm income, rental, partnership, S corporation, and trust and estate income (or loss), then do not complete this line.

On those schedules you are allowed to claim a deduction for taxes paid which are:

- Based on, or
- Measured by income, and
- Levied at a state level by any state in the United States.

If you claimed this kind of deduction on any of these schedules, then you must add it back to your Indiana income. Do not add back property taxes on this line.

State-level pass through entity taxes that are deducted in determining your federal adjusted gross income should be added back on this line. If you subsequently receive a refund of those taxes, report the refund on this line as a deduction.

Wagering Taxes. The portion of wagering taxes required to be added back as a tax based on or measured by income is being reduced (phased out). The percentage of taxes required to be added back is determined by the first date of the taxpayer's taxable year, and is determined as follows: 2020 – 75%; 2021 – 62.5%; 2022 – 50%; 2023 – 37.5% 2024 – 25.0%; 2025 – 12.5%; 2026 and later – no add back required.

For example, Casino X deducts \$10,000,000 in wagering taxes in 2025. Individual owns 10% of Casino X. Individual's share of Casino X's income taxes is \$1,000,000. Instead of individual adding back the full \$1,000,000, Individual will add back \$125,000.

Note. Income, losses and/or expenses from other schedules and forms may flow through to federal Schedules C, E and F. For example, partnership income from federal Schedule K-1 (Form 1065) may be included on federal Schedule E, while expenses from federal Form 8829 may be included on federal Schedule C. Make sure to check these schedules and forms for any deduction that needs to be added back.

Line 2 – OOS Municipal Obligation Interest Add-Back

Interest earned from a direct obligation of a state or political subdivision other than Indiana (out of state, or OOS) is taxable by Indiana if:

- The obligation is acquired after Dec. 31, 2011; and
- You received this income while being an Indiana resident.

Interest earned from obligations held or acquired before Jan. 1, 2012, is not subject to Indiana income tax and should not be reported as an add-back.

Note. Interest earned from obligations of Puerto Rico, Guam, Virgin Islands, American Samoa, or Northern Mariana is not included in federal gross income and is exempt under federal law. There is no add-back for interest earned on these obligations.

For more information about this add-back, see Income Tax Information Bulletin #19 at www.in.gov/dor/files/reference/ib19.pdf.

Enter code 137 on Schedule B under line 5 if reporting this add-back.

Line 3 – Bonus Depreciation Add-Back

You must make an modification for any bonus depreciation deduction used for property placed in service after Sept. 11, 2001. Bonus depreciation is the additional first-year special depreciation deduction allowed under Section 168(k) of the Internal Revenue Code (IRC).

Figure the net income (or loss) that would have been included in federal adjusted gross income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount, on line 3.

Example. Mack used the bonus depreciation method for federal income tax purposes to deduct \$2,000. Absent bonus depreciation, he would have been entitled to a \$500 depreciation deduction. After refiguring the depreciation without using the bonus method, he has to add back \$1,500 on his Indiana tax return.

Note. After making an initial adjustment for bonus depreciation you will need to refigure the amount of depreciation available for state tax purposes for subsequent years.

Example. Ann made an initial adjustment for bonus depreciation on last year's Indiana tax return. This year she figures she is entitled to a \$150 additional depreciation amount for state tax purposes. She should enter that amount as a negative entry, or -150, on line 3.

Special rules may apply if the bonus depreciation is taken against property acquired in a like-kind exchange or acquired in a taxable year in which you have an excess business loss. See Income Tax Information Bulletin #118 at www.in.gov/dor/files/reference/ib118.pdf for additional information.

Line 4 – Section 179 Expense Add-Back

You may have figured an IRC Section 179 expense using a ceiling of more than \$25,000 for federal tax purposes. Indiana allows you to figure IRC Section 179 expense using a ceiling of no more than \$25,000. If you figured IRC Section 179 expense using a ceiling amount of more than \$25,000, you will need to add back the difference between it and \$25,000 on line 4.

Special rules may apply if the bonus depreciation is taken against property acquired in a like-kind exchange or acquired in a taxable year in which you have an excess business loss. See Income Tax Information Bulletin #118 at www.in.gov/dor/files/reference/ib118.pdf for additional information.

Line 5 – Other Add-Backs

Each of the following add-backs has been assigned a 3-digit code number. When reporting the add-back, write its name, the associated 3-digit number and the amount.

Conformity Add-Back

Before this publication was finalized Indiana had not conformed to any changes to the Internal Revenue Code (IRC) that may have become law after Jan. 1, 2023. Therefore, the IRC used to figure Indiana income may not wind up being the same as the IRC used to figure federal income.

This add-back is specific to these annual current year conformity issues. If uncertainty exists as to whether or not Indiana will adopt some or all of the federal legislation passed after Jan. 1, 2023, that acts to modify federal AGI, you may add-back those items as an "other" add-back. In the event those items are adopted, an amended return should be filed to recoup the add-back(s).

Conformity Add-Back – Positive Entry 120

This add-back is only for:

- Current year federal conformity issues, and
- Add-backs required by Indiana legislation passed retroactively to years before 2025.

Conformity issues for preceding tax years must be addressed on the add-back line specific to the item in question.

If the state legislature does not conform to federal code changes enacted after Jan. 1, 2023, you may have to amend your return at a later date to

Schedule B: Add-Backs Continued

reflect any differences between Indiana and federal law. You may wish to periodically check DOR's homepage at www.in.gov/dor for updates.

Enter code 120 on Schedule B under line 5 if reporting this add-back.

Conformity Add-Back – Negative Entry 147

This add-back generally is based on conformity issues arising from a previous year or on deductions enacted by Indiana legislation passed retroactively to years before 2025. However, in rare cases this can arise from conformity issues arising in the current year where the IRC treats an item as taxable or nondeductible that was previously exempt or deductible.

Enter code 147 on Schedule B under line 5 if reporting this add-back.

Discharge of Debt Reduction of Net Operating Losses 155

If you have a net operating loss carryforward that is required to be reduced as a result of discharges of debt excluded from federal gross income and reported on Schedule NOL-MOD, list an amount necessary to use up any NOL carryforwards.

To determine this amount, first complete the return as normal. Then, determine how much net operating loss carryforwards are required to be used as a result of debt discharge. The amount to be reported is the amount necessary to make Schedule C, line 9 equal to the sum of any Indiana net operating losses allowed for the current year plus any Indiana net operating losses required to be reduced due to debt discharges. Please complete Schedule NOL-MOD before entering an amount for Code 155.

Employer Student Loan Payment Add-Back 148

If your employer paid any amount for your student loans and you excluded the payment from your federal gross income, add back the amount you excluded from your gross income. This amount must be added back regardless of whether your employer paid you the amount for your student loans or whether your employer paid the student loan on your behalf. Also see the instructions for the deduction for the Employer Student Loan Payment Interest Deduction on page 26. Add back only the portion excluded from federal gross income while you were an Indiana resident.

Excess Federal Interest Deduction Modification 142

IRC Section 163(j) limits the federal interest deduction for most business interest to 30% (50% for 2019 and 2020 in certain cases) of adjusted taxable income plus business interest. However, Indiana has decoupled from this provision. Subtract an amount equal to the amount as a deduction for excess business interest under IRC Section 163(j) in the year in which the interest was first paid or accrued. If you are deducting any business interest carried over from a previous year, add the amount of this interest deducted. Enter code 142 on Schedule B under line 5 if reporting this add-back.

Federal Repatriated Dividend Deduction Add-Back 139

Untaxed foreign earnings and profits are repatriated dividends that need to be reported when filing state taxes. Individuals should add back the deduction taken on federal Form 965, Line 17, and received

while an Indiana resident. Enter code 139 on Schedule B under line 5 if reporting this add-back. For additional information see Income Tax Information Bulletin #116 at www.in.gov/dor/files/reference/ib116.pdf.

Modifications for Excess Business Losses 151

If you:

- Have a current-year excess business loss under IRC section 461(l) that is not deducted in determining your federal adjusted gross income and is derived at least in part from Indiana sources,
- Have current-year federal deductions that:
 - are disallowed in determining your current-year federal adjusted gross income, and
 - for which an add-back is required for Indiana adjusted gross income tax purposes,

use Code 151 to deduct the add-backs required for Indiana purposes. The most common examples will be bonus depreciation, IRC section 179 expensing, and the add-back for state and local taxes deducted in determining federal adjusted gross income. Do not report modifications arising from prior year Indiana modifications such as bonus depreciation catch-up modifications.

First, if you have such add-backs, report the add-backs in the normal manner as if no excess business loss limitation was in effect under IRC section 461(l). Second, report the lesser of these add-backs required for Indiana purposes or the portion of excess business losses (Form 1040, Schedule 1, Line 8p) derived from Indiana sources as a Code 151 deduction. Also report this amount on Schedule NOL-MOD, Part 2.

The Code 151 deduction will *reduce* the net operating loss carryforward allowable for Indiana purposes.

Example. Bob has \$100,000 of federal adjusted gross income, consisting of \$370,000 salary and a \$270,000 allowable loss from Partnership A. Bob has a \$300,000 excess business loss disallowed from Partnership A. Bob's share of Partnership A's income included \$470,000 in losses other than bonus depreciation and \$100,000 of bonus depreciation, of which only \$270,000 of cumulative losses are allowed in the current year. Bob otherwise has an \$80,000 bonus depreciation add-back for Indiana purposes. Bob will report the \$80,000 add-back for bonus depreciation and also report an \$80,000 deduction using Code 151. This will also result reduce the net operating loss for the current year to \$220,000 (\$300,000 excess business loss minus \$80,000).

Example. Bob has \$100,000 of federal adjusted gross income, consisting of \$370,000 salary and a \$270,000 allowable loss from Partnership A. Bob has a \$300,000 excess business loss disallowed from Partnership A. Bob's share of Partnership A's income included \$170,000 in losses other than bonus depreciation and \$400,000 of bonus depreciation, of which only \$270,000 of cumulative losses are allowed in the current year. Bob otherwise has a \$320,000 bonus depreciation add-back for Indiana purposes. Bob will report the \$320,000 add-back for bonus depreciation. However, because the excess business loss is less than the Indiana add-back, the Code 151 deduction is limited to the \$300,000 excess business loss. The net operating loss for the current year will be zero.

Modifications from Excess Inclusion Income 153

If you:

- Have a net operating loss for federal purposes incurred in the current taxable year that does not appear in your federal taxable income as a result of reporting excess inclusion income under IRC section 860E;
- At least some portion of the unreported net operating loss is derived from Indiana sources; and
- Have modifications to your Indiana adjusted gross income that are allowable in determining your Indiana net operating loss; use Code 153 to report the amount of modifications that are allowable in determining the portion of your net operating loss not already part of your adjusted gross income. In most cases this will equal the lesser of your net Indiana positive modifications otherwise required for your federal adjusted gross income or your excess inclusion income attributable to Indiana sources. Report the net modifications using the inverse of the signage for the underlying modifications. Also complete Schedule NOL-MOD, Part 2, to report this amount.

Example. Individual A has a \$100 of excess inclusion income. Individual A also has a \$20,000 Indiana bonus depreciation add-back and a \$50,000 net operating loss for federal purposes. The portion of net operating loss not directly reported for federal purposes is \$100 (the excess inclusion income). Individual A will report the \$20,000 add-back as bonus depreciation and a negative \$100 using Code 153. The Code 153 in conjunction with other modifications will result in a \$30,000 Indiana net operating loss.

Do not report a Code 153 modification if:

- The amount determined is positive (i.e., net deductions exceed net add-backs), or
- You do not have a federal net operating loss.

Qualified Preferred Stock 113

If an individual:

- Had losses from the sale or exchange of preferred stock in either Federal National Mortgage Association or Federal Home Loan Mortgage Corporation;
- Treated the loss from the sale or exchange as ordinary income for federal income tax purposes in the year the loss had been incurred; and
- Had any amount previously added back that not been allowed as a deduction,

the individual is permitted to continue deducting the loss not previously allowed as a capital loss. However, the amount allowable as a capital loss must be computed in accordance with federal limitations on allowable capital losses. See IRC sections 1211 and 1212 for further details on federal limitations. Enter code 113 on Schedule B under line 5 if reporting this add-back.

Specified Research and Experimental Expenses Add-Back 154

If you claimed a federal income tax deduction for specified research and experimental expenses that are required to be amortized for federal purposes pursuant to IRC section 174, add back the amount of expenses you actually deducted for federal income tax purposes and attributed to Indiana sources. In the case of a deduction from a

partnership or S corporation, this will be the amount apportioned to Indiana. See the instructions for Code 641 for further information on the amount of expenses allowable as a deduction.

Note. If you are claiming a full federal deduction for domestic research expenses for 2025, do not enter an add-back using Code 154 for those expenses. If you are electing to claim a full federal deduction for domestic research expenses for 2022 through 2024 and amend your 2022-2024 federal income tax return, amend your Indiana income tax return to reverse any reported Code 154 add-backs based on those expenses and do not claim any further modifications after 2024. For other situations related to research and experimental expenses for 2022 through 2025, this will not be determined until the 2026 Indiana General Assembly session. If any changes are enacted, the department will provide guidance after any changes are enacted.

Example. Individual A incurred \$100,000 of specified research expenses in 2025. Individual A reported \$10,000 of amortized expenses in 2025. Individual A will use Code 154 to add back the \$10,000 claimed for federal purposes and use Code 641 to report \$100,000 allowable for Indiana purposes. For 2026 through 2030, Individual A will continue to use Code 154 to report timing differences.

Student Loan Discharge Add-Back 150

If you had a student loan discharged during the taxable year while you were an Indiana resident and you excluded the amount of the discharge from your federal gross income, add back the amount of discharged loans excluded from your federal gross income. Do not add back amounts discharged or repaid via:

- The Public Service Loan Forgiveness program.
- The Teacher Loan Forgiveness Program.
- The National Health Service Corps Loan Repayment Program.
- Other programs that qualify under IRC section 108(f)(4).
- A discharge granted to a borrower under the Closed School or Defense to Repayment discharge processes to the extent not included in federal gross income.
- The death or total and permanent disability of the student.
- The discharge of the student loan in bankruptcy.
- If the student loan was discharged while the borrower was insolvent. However, the discharge is limited to the amount the borrower was insolvent. Further, if a loan is discharged under the other bullets, those discharges must be applied before the insolvency exception.

Note. The amounts added back may include portions of student loans forgiven during 2025. This add-back applies to student loans forgiven under income-based repayment plan corrections. These loans are subject to the insolvency exception above. The exceptions listed above also apply to 2025 loan forgiveness even if the loan may not have been forgiven otherwise.

Certain Discontinued Add-Backs: How and When to Report a Final Catch-Up Modification

Required add-backs for the following modifications have been eliminated, effective Jan. 1, 2013:

- Motorsports Entertainment Complex, Code 130
- Qualified Advance Mining Safety Equipment, Code 126
- Qualified Electric Utility Amortization, Code 135

Schedule C: Deductions

- Qualified Environmental Remediation Costs, Code 121
- Qualified Leasehold Improvement Property, Code 129
- Qualified Restaurant Improvement Property, Code 108
- Qualified Retail Improvement Property, Code 109
- Start-Up Expenditures, Code 131

Required add-backs for the following modifications have been eliminated, effective Jan. 1, 2016:

- Qualified Disaster Assistance Property, Code 110
- Qualified Refinery Property, Code 111
- Qualified Film or Television Production, Code 112

If you previously reported any of these add-backs, see the following example for guidance as to how to figure and report a final catch-up modification.

Example. Grant has qualified restaurant equipment. For federal tax purposes he used the accelerated 15-year recovery period for an asset placed in service since 2009. Since 2009 Grant had been adding back the depreciation expense taken for federal purposes that exceeded the amount allowable for Indiana purposes. The accumulated depreciation on such an asset through 2012 was, therefore, different for federal and state purposes. This difference will remain until the asset is fully depreciated or until the time of its disposition.

A simple illustration:

An asset of qualified restaurant property was acquired in January of 2009 for a purchase price of \$120,000. This normally would have had a 39-year recovery period; IRC Section 168 allows for a 15-year recovery period.

Asset acquired Jan. 2009 \$120,000 purchase price	Federal Depreciation	Add- Back	Indiana Depreciation
Year 1 (2009)	8,000	4,924	3,076
Year 2 (2010)	8,000	4,924	3,076
Year 3 (2011)	8,000	4,924	3,076
Year 4 (2012)	8,000	4,924	3,076
Year 5 (2013)	8,000	0	8,000
Accumulated Depreciation	40,000		20,304
Year 6 – 15	80,000	0	80,000
Accumulated Depreciation	120,000		100,304
Year 16 – 38	0	0	0
Accumulated Depreciation			
Year 39 (or year of disposition) Add-back	0	-19,696	19,696

Tax year 2012 is the last year Grant reported an add-back until the end of the recovery period. Had this asset been sold before being fully depreciated, the catch-up modification would be reflected in the year of the sale. If this property is held through 2048 (the 39th year of depreciation), Grant will report a negative \$19,696 catch-up add-back on his 2048 state tax return.

Enter the associated 3-digit code on Schedule B under line 5 if reporting a final catch-up modification.

Reporting Certain Prior-Year Modifications

In certain cases, a modification in a prior year may have been limited due to various federal limitations, including basis limitations, passive loss limitations, and at-risk loss limitations.

Even though certain modifications may not apply to activities during the current taxable year, you may be required to report a modification when you have income against which to realize the modification. Use the modification code for the year in which the modification was actually accrued.

Schedule C: Deductions

Line 1 – Renter's Deduction

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

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

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

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

Important. You cannot claim the renter's deduction if the rental property was not subject to Indiana property tax.

How do I report my deduction? First, complete the information area by entering:

- The address where rented if it's different from the address on the front of the return (leave blank if it is not different),
- The landlord's name and address,
- The total amount of rent paid, and
- The number of months you lived there.

If you moved during the year or had more than one landlord, you must list the same information for each place that you rented. Enclose additional pages if necessary.

How much rent can I deduct? You can deduct up to \$3,000 (\$1,500 if married filing separately) or the amount of rent paid, whichever is less.

Example. Bill paid \$400 rent for his first apartment, which was located in Indiana. He moved to another Indiana location during the year and paid \$2,800 rent for the rest of the year. His deduction will be limited to \$3,000, even though he paid \$3,200 altogether.

Important. Keep copies of your rental receipts, landlord identifying information and lease agreements as DOR can require you to provide this information.

For more information about this deduction, see Income Tax Information Bulletin #38 at www.in.gov/dor/files/reference/ib38.pdf.

Line 2 – Homeowner’s Residential Property Tax Deduction

You may be able to take a deduction of up to \$2,500 (\$1,250 if married filing separately) of the Indiana property taxes (residential real estate taxes) paid on your principal place of residence. Your “principal place of residence” is the place where you have your true, fixed home and where you intend to return after being absent.

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

Important. You cannot claim this deduction for property tax paid in 2025 if you are claiming the Lake County residential income tax credit on Schedule F, line 7.

How do I claim my deduction? Complete the information area on Schedule C, line 2. Enter the address of your principal residence where the Indiana property tax was paid if it is different from the address on the front of the return. If you had more than one principal residence during the year, and you paid Indiana property tax on both residences, list the additional residence on a separate piece of paper.

Example. Jamie and Ella each owned their own home; they married in 2025. They sold both of their Indiana homes during the year and began renting. They are eligible to claim a property tax deduction on the combined property taxes paid on both homes if they are filing a joint return (limited to \$2,500 altogether).

- Enter the number of months you lived there. If you claim more than one residence, enter the number of months lived at the other residence(s) on a separate sheet of paper.
- Enter the amount of Indiana property tax paid. If you lived in more than one residence during the year, enter the combined amount of Indiana property tax paid on all principal residences.
- Enter the smaller of \$2,500 (\$1,250 if married filing separately) or the amount of Indiana property tax paid.

No double benefit allowed. If any portion of property taxes paid on your principal residence was deducted as an expense on federal Schedule C, E or F, then do not deduct that amount on this line.

Example. Jean paid \$1,200 in Indiana property tax on her home. She used one room of her home for her business, and deducted \$200 Indiana property tax as an expense on her federal Schedule C. Jean is allowed a deduction of \$1,000 (\$1,200 minus the \$200 deduction already taken on federal Schedule C).

How do I find out how much I paid in Indiana property tax on my principal residence? Indiana counties send statements to homeowners showing how much property tax is due on their property. Add together the 2025 spring and fall installments, if you paid both of them.

Sometimes mortgage companies pay the Indiana property tax from an escrow account. If your mortgage company pays it, they should send you a Form 1098 (or its equivalent) showing the amount of property tax paid.

Important. You must maintain copies of proof that you paid your Indiana property tax as DOR can require you to provide this

information. This could include the Form 1098, the property tax statement from your local assessor’s office, cancelled checks, etc.

Line 3 – State Tax Refund Reported on Federal Return

If you entered a state tax refund amount on federal Schedule 1, line 1, and you reported it on Indiana Schedule A, Section 1, line 5B, then deduct that amount here.

Line 4 – Interest on U.S. Government Obligations Deduction

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

Examples of U.S. government obligations include U.S. savings bonds, U.S. Treasury bills and U.S. government certificates.

Interest income reported from a trust, estate, partnership or S corporation that is from U.S. government obligations should also be deducted on this line.

Note. When certain U.S. savings bonds are redeemed to pay expenses for higher education, the interest may be excluded from federal adjusted gross income. Therefore, do not enter any interest from U.S. savings bonds that is shown on your federal Schedule B, line 3 (because it has already been excluded from income).

For more information about this deduction see Income Tax Information Bulletin #19 at www.in.gov/dor/files/reference/ib19.pdf.

Lines 5 and 6 – Taxable Social Security and/or Railroad Retirement Benefits Deduction

Indiana does not tax Social Security income or tier 1 or tier 2 railroad retirement benefits issued by the U.S. Railroad Retirement Board. If you have included any of these benefits on Indiana Schedule A, Section 1, line 11B or line 18B, deduct those benefits on this line.

Note. See the *Railroad Unemployment and Sickness Benefits* deduction instructions on page 28 if you have received unemployment and/or sickness benefits from the Railroad Retirement Board.

A Word About the Four Military Income Deductions

Military income recipients may be eligible to claim one or more of the four deductions based on the type of income/benefits they get. These deductions are only allowable to the extent the income would have been includible in federal income from Indiana sources.

- Military Service Deduction (including the National Guard and reserve component of the armed forces)**
Individuals with military pay from active duty in the armed forces may be eligible to deduct that income. See the *Military Service Deduction* below to find out if you qualify for this deduction.
- Military Retirement Income and/or Survivor’s Benefits Deduction**
Individuals with military retirement income and/or survivor’s benefits may be eligible to deduct those benefits. See the *Military Retirement Income and/or Survivor’s Benefits Deduction* information on page 27 to see if you qualify.

3. National Guard and Reserve Component Members Deduction

This deduction is available for qualified military income received as a member of the Indiana National Guard or an armed forces reserve component. See the *National Guard and Reserve Component Members Deduction* on page 27 to see if you qualify for this deduction.

4. Nonresident Military Spouse Earned Income Deduction

A spouse of a nonresident military servicemember may not owe tax to Indiana on earned income from Indiana sources. See the *Nonresident Military Spouse Earned Income Deduction* on page 28 for more information.

Line 7 – Military Service Deduction (active duty armed forces members only)

Note. National Guard and armed forces reserves members will not report the deduction for their income on this line. Please see the instructions for Line 11, *National Guard and Reserve Component Members Deduction* on page 27.

Important. The military service deduction and the military retirement income and/or survivor's benefits deduction are reported in two different places.

- You (and/or your spouse, if married filing jointly and both qualify) will report your active, military service income deduction here.
- You (and/or your spouse, if married filing jointly and both qualify) will report your military retirement income and/or survivor's benefits deduction on Schedule C under line 11, Other Deductions. See the instructions for *Military Retirement Income and Survivor's Benefits Deduction* on page 27.

The income on line 21B of Schedule A may include military pay from active duty in the armed forces (reserve). If it does, you may be eligible to take this deduction.

The deduction will be the actual amount of your active duty military income. If both you and your spouse received active duty military income, you may each claim the deduction.

Beginning in 2025, members of the United States Space Force, the United States Public Health Service Commissioned Corps, and the National Oceanic and Atmospheric Administration Commissioned Officer Corps are eligible for the Military Service Deduction.

Example 1. Louis earned \$25,000 from active service in the Army. Brooklynn, his wife, earned \$2,640 from the Indiana National Guard. Louis is eligible for a \$25,000 deduction; Brooklynn is not eligible to claim the deduction on this line. However, Brooklynn can claim a \$2,640 deduction using Code 621 on Line 11.

Military income earned while in a combat zone is not taxable on your federal or state income tax returns. Since Indiana is not taxing this income, your combat zone income is not eligible for a deduction.

Example 2. Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form shows the first month's regular military wage income of \$1,250 in Box

1. Only \$1,250 of his income is taxed on his federal (and Indiana) tax returns. Jim should claim a \$1,250 military deduction.

Important. You **must** enclose your military W-2 form(s) if you are claiming this deduction.

For more information about this deduction see Income Tax Information Bulletin #27 at www.in.gov/dor/files/reference/ib27.pdf.

Line 8 – Private School/Homeschool Deduction

You may be eligible for a deduction based on education expenditures paid for each dependent child who is enrolled in a private school or is homeschooled.

Dependent Child Qualifications

- Your dependent child must be eligible to receive a free elementary or high school education (K through 12 range) in an Indiana school corporation;
- You must be eligible to claim the child as a dependent on your federal tax return; and
- The child must be your natural or adopted child or, if not, you must have been awarded custody of the child in a court proceeding making you the court appointed guardian or custodian of the child.

Education expenditure. This refers to any expenditures made in connection with enrollment, attendance, or participation of your dependent child in a private elementary or high school education program. The term includes tuition, fees, computer software, textbooks, workbooks, curricula, school supplies (other than personal computers), and other written materials used primarily for academic instruction or for academic tutoring, or both. The term does not include the delivery of instructional service in a home setting to your dependent child who is enrolled in a school corporation or a charter school. This term also does not include educational expenditures that are reimbursed, such as by a scholarship or grant.

A “**private elementary or high school education program**” means attendance at a nonpublic school (including a private school, a parochial school and a homeschool) in Indiana that satisfies a child’s obligation for compulsory attendance at a school.

The obligation for “**compulsory attendance**” means a child must be in attendance in a school (public and/or private) for a minimum of 180 days in a calendar year.

Note. No deduction will be available based on a child who is enrolled in school for a period of less than 180 days in a calendar year.

Figure your deduction. If you made an unreimbursed education expenditure during the year your deduction is:

- \$1,000; multiplied by
- The number of qualified dependent children for whom you made education expenditures.

Example. Greg and Constance have three children ages 7, 9 and 11. The two oldest children attend a private school. The youngest child attends the neighborhood public school. The parents purchased schoolbooks for all three children. They will be eligible for a \$2,000 deduction (the youngest does not qualify as he attends a public school).

Schedule C: Deductions Continued

Note. A qualifying child may be claimed for this deduction only once per year. For example, if a husband and wife are married and filing separately, whichever parent is eligible to claim the child as a dependent for exemption purposes is eligible to claim this deduction.

Line 9 – Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction reported on federal Form 1040/1040-SR. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2025.)

Complete Schedule IT-40NOL to determine the amount available to be deducted this year. Make sure to enter the amount you are eligible to deduct as a positive figure.

Note. It is possible to have an Indiana NOL without also having a federal NOL. See the instructions for IT-40NOL beginning on page 56. For years prior to 2025, the modifications required to compute an Indiana NOL may have changed after publication of the IT-40NOL for the prior year. See the instructions for a list of modifications required for each year and, if necessary, revise the IT-40NOL for changes in modifications.

In most cases, you will need to complete federal Form 172 (2024 and later) or Form 1045 (2023 and earlier) in order to determine your federal net operating loss. You may be asked to provide a copy of the applicable federal form or such other calculations necessary to determine your federal and Indiana net operating loss. If you have federal standard deductions or itemized deductions that increase your net operating loss, complete a pro forma copy of the form that excluded those deductions.

Enclose a completed Indiana Schedule IT-40NOL when claiming this deduction. Failure to include Schedule IT-40NOLs from the years from which you are carrying forward a net operating loss will result in an initial disallowance of all or part of your net operating loss deduction.

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

Line 10 – Nontaxable Portion of Unemployment Compensation

You may be eligible for a deduction if you reported unemployment compensation while being an Indiana resident. Complete the worksheet below to figure your deduction.

Important. Do not include any unemployment compensation issued by the U.S. Railroad Retirement Board on line 1 of the worksheet. Instead, see the instructions for the *Railroad Unemployment and Sickness Benefits Deduction* on page 28 for more information.

Line 11 – Other Deductions

Each of the following deductions has been assigned a 3-digit code number. When claiming the deduction on Schedule C under line 11, write the name of the deduction, the three-digit code number and the amount claimed.

30 Days or Less Nonresident Employee Wage Deduction 644

If you were a full-year nonresident who worked in Indiana for 30 days or less during the tax year and you are not a:

- Professional athlete, a professional team member, or a race team member;
- Professional entertainer; or
- Public figure;

you are eligible to deduct your wages from Indiana sources from your Indiana adjusted gross income.

Deduct only the portion of employee compensation included on Schedule A, Column B, line 1 or line 2. If you claimed deductions attributable to the compensation on Schedule A, Column B, lines 22 through 34, reduce the deduction by these amounts.

Do not deduct amounts:

- Earned as a resident of a reciprocal state;
- Earned in a capacity other than an employee, including:
 - amounts earned as an independent contractor or from self-employment;
 - amounts reported on Schedule IN K-1 or IT-41 Schedule IN K-1;

Unemployment Compensation Worksheet

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

1. Unemployment compensation included on Schedule A, line 17B (do not include any unemployment compensation issued by the Railroad Retirement Board - see instructions).....
2. Federal adjusted gross income from federal Form 1040, line 11
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return.....
4. Subtract line 3 from line 2. If zero or less, enter zero.....
5. Enter one-half of the amount on line 4 (divide line 4 by the number 2).....
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller
7. Subtract line 6 from line 1. Carry this amount to Schedule C, line 10

1		
2		
3		
4		
5		
6		
7		

Schedule C: Deductions Continued

If you work as an independent contractor and work as an employee for the same employer in substantially the same capacity, your days in Indiana working as an independent contractor count towards the 30-day limit.

Career Scholarship Account Deduction 642

If you received a distribution from a career scholarship account and that distribution is included in your federal adjusted gross income, you are entitled to a deduction for the portion of the distribution included in your federal adjusted gross income.

Note. Do not claim this deduction if the distribution was not included in your federal adjusted gross income.

Civil Service Annuity Deduction 601

If the income on Indiana Schedule A, Section 1, line 11B includes federal civil service annuity payments, you may be eligible to take a deduction if you were at least 62 years of age by the end of the tax year and/or a surviving spouse of a civil service annuitant.

For each civil service annuitant, the deduction is limited to:

- The lesser of the amount of taxable civil service annuity income included in federal adjusted gross income or \$16,000,
- Less all amounts of Social Security income and tier 1 and tier 2 Railroad Retirement income (issued by the Railroad Retirement Board) received by the civil service annuitant (as reported on federal Form 1040/1040-SR, lines 5a and 6a),
- Multiplied by the ratio of civil service annuity income taxable to Indiana as compared to all taxable civil service annuity income.

Example. You were a full-year Indiana resident (your spouse was a part-year resident). The taxable amount of your civil service annuity reported on Schedule A, Lines 11A and 11B is \$6,000. You received \$1,200 in Social Security income. You are age 67.

Figure your deduction by using the following three-step method:

Step 1

Enter your amount of civil service annuity from Schedule A, line 11B	1A	\$6,000
Enter your amount of civil service annuity from Schedule A, line 11A	1B	\$6,000
Divide line 1A by line 1B (if the result is zero or less, STOP; there is no deduction)	1C	1.00

Step 2

Enter the lesser of the taxable amount of your annuity or \$16,000.....	2A	\$6,000
Enter the total of your Social Security and tiers 1 and 2 Railroad Retirement income.....	2B	-\$1,200
Tentative allowable deduction	2C	\$4,800

Step 3

Multiply the amount on Line 1C (1.00) by the amount on Line 2C (\$4,800) = \$4,800. This is your deduction.

Both spouses receive a civil service annuity. If you receive a civil service annuity both for yourself and as a surviving spouse, the combined deduction cannot exceed \$16,000.

Example. Matthew and Claire, both age 68, file a joint federal and state income tax return. They each receive a civil service annuity and Social Security income. They moved from Indiana to Arizona on July 1 of the tax year.

Matthew's taxable civil service annuity is \$13,700, which he reported on Schedule A, Line 11A. He reported the \$6,850 portion received while he was an Indiana resident on Line 11B. He also received \$9,500 in Social Security income while residing in Indiana. Since his Social Security income (received while an Indiana resident) is greater than the annuity received while an Indiana resident, he is not eligible for a deduction.

Claire's taxable civil service annuity is \$21,900, which she reported on Schedule A, Line 11A. She reported the \$10,950 portion received while she was an Indiana resident on Line 11B. She also received \$6,300 in Social Security income while living in Indiana.

Here is how to figure Claire's deduction.

Step 1

Enter Claire's civil service annuity from Schedule A, line 11B	1A	\$10,950
Enter Claire's civil service annuity from Schedule A, line 11A	1B	\$21,900
Divide line 1A by line 1B.....	1C	.50

Step 2

Enter the lesser of the taxable amount of Claire's annuity or \$16,000.....	2A	\$16,000
Enter the total of Claire's Social Security and tiers 1 and 2 Railroad Retirement income	2B	-\$6,300
Tentative allowable deduction	2C	\$9,700

Step 3

Multiply the amount on Line 1C (.50) by the amount on Line 2C (\$9,700) = \$4,850. This is Claire's deduction.

Surviving Spouse

A surviving spouse may be eligible to claim this deduction. There is no age requirement for the surviving spouse. However, if you are a surviving spouse receiving a civil service annuity based on your service and also receive a civil service annuity based on your deceased spouse's service, the combined deduction cannot exceed \$16,000.

You must maintain Form CSA 1099-R with your records as DOR can require you to provide it at a later date.

For more information about this deduction see Income Tax Information Bulletin #6 at www.in.gov/dor/files/reference/ib06.pdf.

Enter code 601 on Schedule 2 under line 11 if claiming this deduction.

COVID-related Employee Retention Credit Disallowed Expenses Deduction 634

If you had a deduction that was disallowed for federal purposes because an employer claimed a federal COVID-related employee retention credit, deduct the amount that was:

- Disallowed for federal purposes, and
- That otherwise would have been allowable in determining Indiana adjusted gross income.

Do not deduct any amounts for amounts disallowed for non-COVID related employee retention credits such as disaster-related employee retention credits. Report this deduction only if your federal deduction was disallowed and/or required to be added to your federal adjusted gross income in 2025. If you have amounts that can be deducted from your Indiana adjusted gross income for 2020, 2023 or 2024, or have amounts that are reflected on a Schedule IN K-1 reporting Code 147, use Code 147 instead of Code 634.

Disability Retirement Deduction 602

To take this deduction you must have been:

- Permanently and totally disabled at the time of retirement,
- Retired on disability before the end of the tax year, and
- Received disability retirement income during the tax year.

If you meet these qualifications, you must complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. You must maintain the completed Schedule IT-2440 with your records as DOR can require you to provide it at a later date.

For more information about this deduction see Income Tax Information Bulletin #70 at www.in.gov/dor/files/reference/ib70.pdf and Schedule IT-2440 at www.in.gov/dor/tax-forms/individual/current.

This deduction is limited to a maximum of \$5,200 per qualifying individual.

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

Enter code 602 on Schedule C under line 11 if claiming this deduction.

Employer Student Loan Payment Interest Deduction 637

If you are required to add back employer-paid student loan payment using Code 148, you are permitted to deduct the amount of student loan interest that:

- Was paid by your employer, and
- You would have been permitted to deduct if federal law did not disallow that deduction.

Complete Worksheet 4-1 provided in IRS Publication 970 to determine the amount (if any) of additional interest allowable for Indiana purposes, but not in excess of \$2,500 total. When completing Worksheet 4-1, do not add back amounts required to be added to Indiana adjusted gross income using Code 148. This deduction cannot exceed the amount you are required to add back using Code 148.

Enterprise Zone Employee Deduction 603

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

Your *employer* will provide Form IT-40QEC to you if you are eligible to claim this deduction. The amount of the deduction is one-half of the earned income shown on Form IT-40QEC or \$7,500, whichever is less. If you and your spouse both have received Form IT-40QEC, you may each take this deduction for a combined maximum of \$15,000 (no more than \$7,500 per qualifying person). You must maintain Form IT-40QEC with your records.

Enter code 603 on Schedule C under line 11 if claiming this deduction.

Government or Civic Group Capital Contribution Deduction 633

A deduction is available for certain capital contributions made by a government or civic group. Deduct any eligible contributions as listed on a Schedule K-1 you received from an S corporation, or from an estate or trust that owns a portion of an S corporation AND through which you are receiving a distribution. You must maintain a copy of the Schedule K-1(s) with your records as DOR can require you to provide it at a later date.

Enter code 633 on Schedule C under line 11 if claiming this deduction.

Health Care Sharing Ministry Deduction 643

If you paid an amount for membership in a health sharing ministry, as defined by IC 27-1-2.1-1, you may claim a deduction for the amount paid for membership in a health sharing ministry. Deduct only the amounts paid for membership while you were an Indiana resident. Amounts paid for membership while you were an Indiana nonresident are not eligible for deduction. Do not use this code to deduct amounts for unreimbursed health care expenses.

Human Services Deduction 605

The human services deduction is intended to eliminate any individual income tax imposed on Medicaid recipients who are living in a:

- Hospital,
- Skilled nursing facility,
- Intermediate care facility,
- Licensed county home,
- Licensed boarding or residential home, or
- Certified Christian Science facility.*

The goal of the human services tax deduction is to reduce the affected individual's adjusted gross income tax liability to zero (-0-).

*An eligible Christian Science facility must be listed with and certified by the Commission for Accreditation of Christian Science Nursing Organizations/Facilities, Inc.

Generally, the deduction should not be used in conjunction with most tax credits in order to create a refund. If you are a Medicaid recipient and live in one of the facilities listed above, to determine whether you are eligible for the deduction you must first prepare your tax return without claiming a human services deduction. Generally, if a refund is due, you are not eligible for a deduction. File your return without claiming the deduction and a refund will be issued. However, if an amount is due, you are eligible to use a deduction.

Schedule C: Deductions Continued

Enter code 605 on Schedule C under line 11 if claiming this deduction.

Indiana Education Scholarship Account Deduction 635

A deduction is available if you received an annual grant amount distributed to your Indiana education scholarship account that is used to pay for qualified expenses. See IC 20-51.4-2-9 for a list of qualified expenses. Do not deduct any grants that are not included in your federal gross income. Also, if the grant is used to pay for items other than qualified expenses, do not deduct the amount of those payments.

Indiana Enrichment Scholarship Account Deduction 638

A deduction is available if you received an annual grant amount distributed to your Indiana enrichment scholarship account that is used to pay for qualified expenses. Qualified expenses are enrichment materials, activities, or programs approved by the Indiana Department of Education to improve student proficiency in math or reading. Do not deduct any grants that are not included in your federal gross income. Also, if the grant is used to pay for items other than qualified expenses, do not deduct the amount of those payments.

Indiana Lottery Winnings Annuity Deduction 629

You may be eligible to deduct annuity payments received from a winning Hoosier Lottery ticket for a lottery held prior to July 1, 2002. This deduction applies only to prizes won from the Hoosier Lottery Commission; proceeds from other state lotteries or from other gambling sources, such as casinos, are not deductible. In addition, proceeds from winning Hoosier Lottery tickets for lotteries held after June 30, 2002, are not deductible.

Example. Jennifer won \$2,000,000 playing the Hoosier Lottery with a ticket purchased in June of 2002. She elected to receive annual installment payments of \$100,000. She received the payment before moving out-of-state, and reported the income on Indiana's Schedule A, line 20B. She is eligible to claim the full \$100,000 deduction.

Enter code 629 on Schedule C under line 11 if claiming this deduction.

Indiana-only Tax-exempt Bonds Deduction 636

If you had interest from a bond issued by or in the name of certain Indiana government subdivisions or entities or amounts received upon maturity of the bond, deduct any interest or other income included in federal gross income. Deduct only that portion of interest or other income that would be included in Indiana adjusted gross income if this deduction was not available. Do not deduct any bond interest that is excluded from federal gross income. In addition, if you sell the bond, do not deduct any amounts for which the bond is sold in excess of your purchase price. See IC 6-8-5-1 for further information regarding the deduction.

Indiana Partnership Long-Term Care Policy Premiums Deduction 608

You may take a deduction for the amount of premiums paid for Indiana partnership long-term care insurance. If you are a married individual filing separately, you may not claim a deduction for amounts paid by or on behalf of your spouse.

Important. The Indiana partnership policy will have the following box of information on the outline of coverage, the application or on the front page of the policy.

This policy qualifies under the Indiana Long-Term Care program for Medicaid Asset Protection. This policy may provide benefits in excess of the asset protection provided in the Indiana Long-Term Care program.

If the information shown in the box above is not located in a box on your policy, you do not have a qualifying policy, and are not eligible to take this deduction. The deduction is the amount of premiums paid during the year on the policy for the taxpayer and/or spouse.

No double benefit allowed. Certain self-employed individuals will claim these premiums as a deduction on federal Schedule 1, under Part II. The Indiana deduction will be the actual amount of these premiums paid, minus any amount of these already reported on federal Form 1040/1040-SR.

More information about this program is available at www.in.gov/iltcp.

Important. Keep a copy of the premium statements as DOR can require you to provide this information. Enter code 608 on Schedule C under line 11 if claiming this deduction.

Infrastructure Fund Gift Deduction 631

A deduction is available for certain contributions made to a regional development infrastructure fund. You should keep detailed records of the contribution as DOR can require you to provide this information at a later date.

Enter code 631 on Schedule C under line 11 if claiming this deduction.

Military Retirement Income and/or Survivor's Benefits Deduction 632

The income on line Indiana Schedule A, line 21B may include military retirement income and/or survivor's benefits. If it does, you (and/or your spouse, if married filing jointly and both qualify) may be eligible to take this deduction. For 2022 and later, the deduction is equal to the entire amount of military retirement income and/or survivor's benefits.

Important. You must enclose your military retirement income statement(s) and/or survivor's benefit statement(s) with the tax return if you are claiming this deduction.

For more information about this deduction see Income Tax Information Bulletin #6 at www.in.gov/dor/files/reference/ib06.pdf.

National Guard and Reserve Component Members Deduction 621

(Also see the Military Service Deduction on page 22.)

Beginning in 2023, regular military income for National Guard members and armed force reserve members is eligible for a full deduction for their military income under this code. Do not deduct this income using any other line or three-digit code. Unlike the Military Service Deduction on line 7, this deduction does not have a dollar limit.

Who is Eligible?

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

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

Or, a member of the:

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

What is Eligible to be Deducted?

If you are eligible, your deduction is your military income received for service in the reserve component of the armed forces or in the Indiana National Guard. For 2023 and later, deployment, mobilization, or federalization is no longer required to be eligible for this deduction.

Do not deduct income received:

- As a civilian member of the armed forces or National Guard.
- As a member of an active duty component of the armed forces.
- From employment or any other source outside the National Guard or reserve components of the armed forces.

Note. Military income received due to service in a combat zone is not taxable on your federal or state income tax returns. Since Indiana is not taxing this income, your combat zone income is not eligible for this deduction.

Note. You cannot claim both this deduction and the *Military Service Deduction* (see page 22) based on the same income.

Enter code 621 on Schedule C under line 11 if claiming this deduction.

Nonresident Military Spouse Earned Income Deduction 625

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

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

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

Enter code 625 on Schedule C under line 11 if claiming this deduction.

Olympic/Paralympic Medal Winners Deduction 627

You are eligible for a deduction if, while an Indiana resident, you won a gold, silver and/or bronze medal from participating in the Olympic/Paralympic games. 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 for winning the Olympic medal(s). If these amounts were previously deducted or excluded in determining your federal adjusted gross income, you are not permitted this deduction for the amounts that were excluded or deducted in determining your federal adjusted gross income. This deduction may be claimed only in the tax year in which the medal was won.

Enter code 627 on Schedule C under line 11 if claiming this deduction.

Qualified Patents Income Exemption Deduction 622

Some of the income from qualified patents included in federal taxable income may be exempt from Indiana adjusted gross income tax. A qualified patent is a utility patent or a plant patent issued after Dec. 31, 2007, for an invention resulting from a development process conducted in Indiana. The term does not include a design patent.

The exemption includes licensing fees or other income received for the use of the patent, royalties received for the infringement, receipts from the sale of a qualified patent, and income from the taxpayer's own use of the patent to produce the claimed invention.

You must maintain the completed Schedule IN-PAT with your records as DOR can require you to provide it at a later date. You may get Schedule IN-PAT at www.in.gov/dor/tax-forms/individual/current.

For more information about this deduction see Income Tax Information Bulletin #104 at www.in.gov/dor/files/reference/ib104.pdf.

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

Railroad Unemployment and Sickness Benefits Deduction 624

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

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

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

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

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

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

Recovery of Deductions 616

You are not eligible for this deduction if you did not complete the "other income" line 20B on Indiana Schedule A: Section 1.

Schedule C: Deductions Continued

Generally, Indiana **does not** allow you to claim itemized deductions from IRS Form 172, Part 1, or the equivalent worksheet from IRS Publication 536. However, if you reported recovered itemized deductions as “other income” on line 8 of your federal Schedule 1, use the portion of that amount also reported on Indiana Schedule A, Section 1, line 20B as a deduction on this line.

Enter code 616 on Schedule C under line 11 if claiming this deduction.

Repayment of Previously Taxed Income Deduction 630

You may be eligible to claim a deduction for the repayment of previously taxed income, also known as “claim of right,” if:

- You reported the income to Indiana in a previous year,
- You repaid some or all of it this year, and
- For federal tax purposes, you are eligible to:
 - claim the repayment as an itemized deduction, or
 - claim a credit based on the repayment amount.

Important. If you filed an Indiana state tax return and reported income that was paid back in a later tax year, you may be eligible for a deduction even if you weren’t otherwise required to file an Indiana state tax return in the year you paid it back.

Example 1. Ryan was a full-year Indiana resident in 2024, and received \$1,700 unemployment compensation that year. He reported the full amount on his 2024 federal and Indiana income tax returns. Ryan moved to and became a resident of Arkansas in October of 2025.

Ryan found out he had to repay \$345 of that compensation, which he repaid in July of 2025. For 2025 federal tax purposes he is eligible to claim an itemized deduction* based on the \$345 amount repaid. Ryan is eligible to claim the \$345 amount as a repayment of previously taxed income as a deduction on his 2025 Indiana state tax return, Form IT-40PNR, even if he is not otherwise required to file with Indiana.

*In this example, Ryan is not required to claim itemized deductions when figuring his federal taxable income for 2025; he cannot claim miscellaneous itemized deductions for federal purposes. Regardless, he is still eligible to claim the deduction on his state tax return.

Note. An adjustment will need to be made if an unemployment compensation deduction was claimed on the return in the year the income was reported. To do this, reduce the amount previously reported by the amount repaid; refigure the deduction based on the reduced amount. Subtract the difference from the repayment amount to be deducted.

Example 1, continued. Ryan claimed a \$73 unemployment compensation deduction on his 2024 state tax return. He refigured the deduction based on the reduced \$1,355 compensation (\$1,700 minus \$345), which reduced the deduction by \$15. Ryan will report the \$330 net difference (\$345 repayment minus the \$15 reduced deduction amount) as the repayment of previously taxed income deduction.

Important. While no corresponding state credit for the repayment of previously taxed income is available, a deduction based on the amount repaid is.

Example 2. In 2025 Cynthia repaid \$3,400 of income originally reported on her 2024 federal and Indiana state tax returns. She claimed a credit on her 2025 federal tax return based on the \$3,400 amount repaid. Cynthia is eligible to claim the \$3,400 amount as a deduction on her Indiana state tax return.

Example 3. Ashley moved to Indiana in 2024, and filed her first state tax return with Indiana that year. In 2025 she repaid \$2,700 income originally reported on her 2023 federal income tax return. Since this income was not reported to Indiana in 2023, she is not eligible to claim a deduction for the amount of the repayment.

Important. Indiana does not tax Social Security income. Therefore, any amount of Social Security income repaid in a subsequent year is not eligible for a deduction (since Indiana has not previously taxed this income).

Note. Keep a copy of your records detailing the required repayment as DOR can require you to provide this information at a later date.

Enter code 630 on Schedule under line 11 if claiming this deduction.

Small Employer Health Insurance Premium Deduction 639

If you:

- Claimed a federal tax credit for small employer health insurance premiums under IRC section 45R; and
- Would have been permitted a deduction for those premiums except for the disallowance under IRC section 280C(h),

you are permitted a deduction for the portion of the premiums disallowed for federal purposes. Use Code 639 to enter the amount of premiums for which a deduction was disallowed for federal purposes because you claimed a federal tax credit for small employer health insurance premiums.

Specified Research and Experimental Expenses Deduction 641

If you claimed a federal income tax deduction for specified research and experimental expenses that are required to be amortized for federal purposes pursuant to IRC section 174, deduct the amount of expenses paid or incurred in the current taxable year for federal income tax purposes. See the instructions for Code 154 for further information on the amount of expenses required to be added back. Do not claim this deduction for any research expenses for which a deduction is disallowed under IRC section 280C(c).

Note. If you are claiming a full federal deduction for domestic research expenses for 2025, do not enter a Code 641 deduction for those expenses. If you are electing to claim a full federal deduction for domestic research expenses for 2022 through 2024 and amend your 2022-2024 federal income tax return, amend your Indiana income tax return to reverse any Code 641 deduction based on those expenses and do not claim any further modifications after 2024. For other situations related to research and experimental expenses for 2022 through 2025, this will not be determined until the 2026 Indiana General Assembly session. If any changes are enacted, the department will provide guidance after any changes are enacted.

Schedule D: Exemptions

Example. Individual A incurred \$100,000 of specified research expenses in 2025. Individual A reported \$10,000 of amortized expenses in 2025. Individual A will use Code 641 to report \$100,000 allowable for Indiana purposes and use Code 154 to add back the \$10,000 claimed for federal purposes. For 2026 through 2030, Individual A will continue to use Code 154 to report timing differences.

Exemptions

Exemptions may be claimed on the Indiana return. Categories include exemptions for:

1. You, and your spouse, if married filing jointly
2. Certain dependents
3. Certain dependent children (additional)
4. Certain adopted children
5. Age 65 or older and/or blind
6. Additional age 65 or older (based on income)

While you will need to complete Schedule D to list all of your exemptions, you will also need to complete Schedule IN-DEP if claiming any dependents. If you are claiming any adopted dependents, you will also need to complete Schedule IN-DEP-A.

Schedule D: Exemptions

Line-by-line instructions.

Line 1 – Exemptions for taxpayer, spouse (if married filing jointly)

If you are married filing jointly, enter \$2,000 on this line. All other filers* should enter \$1,000 on this line.

***Important.** Enter \$1,000 on this line even if you are claimed on someone else's tax return, such as a parent or guardian.

Lines 2 and 3 – Exemptions for dependents; Additional exemptions for certain dependent children

Read the following information to see if you are eligible to claim any dependents. If you are, complete Schedule IN-DEP after reviewing these steps.

- Step 1 Do You Have a Qualifying Child?
- Step 2 Is Your Qualifying Child Your Dependent?
- Step 3 Is Your Qualifying Relative Your Dependent?

Step 1 Do You Have a Qualifying Child?

A qualifying child is a child who is your...

Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them (for example, your grandchild, niece, or nephew)

AND, was...

- Under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), or
- Under age 24 at the end of the year, a student (defined later), and younger than you (or your spouse, if filing jointly), or

- Any age and permanently and totally disabled (defined later)

AND, who...

- Didn't provide over half of his or her own support for the year (see Income Tax Information Bulletin #117),
- Is not filing a joint return for the year, or is filing a joint return for the year only as a claim for refund of withheld income tax or estimated tax paid (see Income Tax Information Bulletin #117 for details and examples),
- Lived with you for more than half the year. If the child didn't live with you for the required time, see *Exception to time lived with you*, later.

Caution. If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for the year, or the child was married, see *Qualifying child of more than one person*, later.

Do you have a child who meets the conditions to be your qualifying child?

Yes. Go to Step 2.

No. Go to Step 3.

Step 2 Is Your Qualifying Child Your Dependent?

- 1. Was the child a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? (See Income Tax Information Bulletin #117 for the definition of a U.S. national or U.S. resident alien. If the child was adopted, see *Exception to citizen test*, later.)

Yes. Continue.

No. STOP. You cannot claim this child as a dependent.

- 2. Was the child married?

Yes. See *Married Person*, later.

No. Continue.

- 3. Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's tax return? See Steps 1 and 2.

Yes. STOP. You cannot claim any dependents.

No. You can claim this child as a dependent. See Schedule IN-DEP instructions below.

Step 3 Is Your Qualifying Relative Your Dependent?

A qualifying relative is a person who is your...

- Son, daughter, stepchild, foster child, or a descendant of any of them (for example, your grandchild), or
- Brother, sister, half brother, half sister, or a son or daughter of any of them (for example, your niece, or nephew), or
- Father, mother, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt or uncle), or
- Any other person (other than your spouse) who lived with you all of the year as a member of your household if your relationship does not violate local law. If the person did not live with you for the required time, see *Exception to time lived with you*, later.

Schedule IN-DEP Instructions

AND, who...

- Was not a qualifying child (see Step 1) of any taxpayer during the year. For this purpose, a person isn't a taxpayer if he or she isn't required to file a U.S. income tax return **and** either doesn't file such a return or files only to get a refund of withheld income tax or estimated tax paid. See Income Tax Information Bulletin #117 for details and examples.
- Had gross income of less than \$4,400 during the year. If the person was permanently and totally disabled, see *Exception to gross income test*, later.

AND, for whom ...

You provided over half of his or her support during the year. But see *Children of divorced or separated parents, Multiple support agreements, and Kidnapped child*, later.

- Does any person meet the conditions to be your qualifying relative?

Yes. Continue.

No. STOP. You cannot claim this person as a dependent.

- Was your qualifying relative a U.S. citizen, a U.S. national, U.S. resident alien, or a resident of Canada or Mexico? (See federal Publication 519 for the definition of a U.S. national or U.S. resident alien.) If your qualifying relative was adopted, see *Exception to citizen test*, later.

Yes. Continue.

No. STOP. You cannot claim this person as a dependent.

- Was your qualifying relative married?

Yes. See *Married person*, later.

No. Continue.

- Could you or your spouse if filing jointly, be claimed as a dependent on someone else's tax return this year?
See Steps 1 and 2.

Yes. STOP. You cannot claim any dependents.

No. You can claim this person as a dependent. See Schedule IN-DEP instructions below.

If you are eligible to claim one or more dependent from Step 2 and/or Step 3, complete Schedule IN-DEP. If one or more claimed dependent is adopted, see instructions for IN-DEP-A.

Line 4 – Age 65 or Older or Blind

If you and/or your spouse (if filing a joint return) are age 65 or older, you and/or your spouse can take an additional \$1,000 exemption. If you and/or your spouse (if filing a joint return) are legally blind, you and/or your spouse can take an additional \$1,000 exemption. Place an "X" in the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$1,000.

Line 5 – Additional Exemption for Age 65 or Older

An additional \$500 exemption is available for you and/or your spouse (if filing a joint return) if you are age 65 or older and the amount on Indiana Schedule A, line 36A, is less than \$40,000 (or if you are married filing separately and the amount on Indiana Schedule A, line 36A, is less than \$20,000). Place an "X" in the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$500.

Line 6 – Additional Exemptions for Adopted Child

If you are claiming additional exemptions for one or more qualifying adopted children, enter the number of qualifying children listed on Schedule IN-DEP-A. Do **not** enter the number of boxes marked for parents.

Line 8 – Proration Amount

At the top of the back of Indiana Schedule A is the Proration Section. The number in Box 21D represents the percentage of your total income being taxed by Indiana. For example, .450 means that Indiana is taxing 45% (.45) of your total income. Enter the amount from Box 21D on Schedule D, line 8.

Multiply the line 7 total by the amount on line 8; enter the result on line 9.

Example. If line 7 is \$1,000 and line 8 is .450, your line 9 total exemptions will be \$450. Since Indiana is taxing 45% (.45) of your total income, you're allowed to deduct 45% of your total exemptions.

See instructions for the *Proration* section on page 15 for more information.

Schedule IN-DEP Instructions

You must complete and enclose Schedule IN-DEP if you are claiming any dependents on lines 2 and/or 3 of Schedule D.

Question 1. Did you answer "No" to STEP 2, question 3 above? If so, you are eligible to claim the qualifying child (children) as a dependent. Read the *Lines 1 through 4* instructions below. If not, skip to *Question 2* below.

Lines 1 through 4

For each qualified dependent child, enter his or her:

- First and last name in Box A and Box B.
- Nine-digit Social Security number (SSN) in Box C.
- Date of birth in Box D.

See *Additional Dependent Exemptions* below to determine whether or not to complete line E and line F.

Example 1. Cooper and Grace Doe are eligible to claim their daughter Tatum as a dependent on Schedule IN-DEP. Here is how they will complete line 1:

	Dependent's First Name	Dependent's Last Name
1A	Tatum	Doe
1C	Dependent's SSN 123 45 6789	Dependent's DOB 06 01 2012

Schedule IN-DEP-A Instructions

Question 2. Did you answer “No” to STEP 3, question 4 above? If so, you are eligible to claim the qualifying relative as a dependent.

For each qualified relative, enter his or her:

- First and last name in Box A and Box B.
- Nine-digit Social Security number (SSN) in Box C.
- Date of birth in Box D.

Example 2. Cooper and Grace Doe (see *Example 1* above) are also eligible to claim Grace’s grandmother, Irene Smith, who lives with them, as a dependent. Here is how they will complete line 2:

	Dependent's First Name	Dependent's Last Name
2A	Irene	2B Smith
	Dependent's SSN	Dependent's DOB
2C	987 65 4321	2D 10 15 1940

Line 5

Add the qualified dependents listed on lines 1 through 4, and enter the total in Box 5. Then, enter this amount in the box on Schedule D, line 2.

Additional Dependent Exemptions

Read below to see if you are eligible to claim an additional dependent exemption for a dependent child (children) listed on lines 1 through 4.

An additional \$1,500 exemption is allowed for certain dependent children. Carefully read the following *Dependent child definition* below to see if you are eligible for this additional exemption(s).

If a taxpayer is claiming a child as a dependent for the first taxable year in which the additional dependent exemption is allowable for that child, the taxpayer is permitted to claim an amount of \$3,000 instead of \$1,500 for one tax year. This exemption is not permitted if the child could have been claimed for the \$1,500 exemption in any previous year, regardless of whether the child had been claimed.

Dependent child definition. According to state statute, to be eligible for this exemption a dependent child must be a son, stepson, daughter, stepdaughter, foster child, child for whom you are a legal guardian, and/or your spouse’s child, if filing a joint return. He/she must be either under the age of 19 by the end of the tax year, or be a full-time student who is under the age of 24 by the end of the tax year.

If any dependent included in Box 5 on this schedule also meets the *Dependent child definition* above, place an “X” in Box E on the line where the dependent is listed (see following example).

In addition, if the dependent is eligible to be claimed for the additional child exemption for the first time, place an “X” in Box F where the dependent is listed. Add the number of Box E’s and Box F’s containing an “X”. Enter that number in Box 6, which is located at the bottom of the schedule.

Example 3. Cooper and Grace Doe (see *Example 1* above) are eligible to claim the additional dependent exemption for their daughter Tatum. They should enter an “X” on Line 1E.

	Dependent's First Name	Dependent's Last Name
1A	Tatum	1B Doe
	Dependent's SSN	Dependent's DOB
1C	123 45 6789	1D 06 01 2012
1E	Additional dependent child exemption	X

Note. Not all dependent children are eligible for this additional exemption. For instance, you may have included a grandson as a dependent in Box 5. However, if he doesn’t meet the qualification of being a foster child or a child for whom you are a legal guardian, you will not be able to claim the additional exemption for him on Box 6.

Line 6

Add the number of any additional dependent child exemptions located in Boxes 1E and 1F through 4E and 4F. Enter the total in Box 6. Then, enter this amount in the box on Schedule D, line 3.

Claiming more than four dependents

If you are claiming more than four dependents, include an additional Schedule IN-DEP. Make sure to add the additional information to the totals on the first schedule, Boxes 5 and 6, where applicable.

Example 4. June has five dependents. She entered information for her fifth dependent on line 1 on a second Schedule IN-DEP. She added the dependent claimed on the second schedule to the four claimed on the first schedule, and entered “5” on the first Schedule IN-DEP, Box 5. She made sure to include the second schedule with her filing. Likewise, she would include the fifth dependent in the total listed in Box 6 if the child listed on the second Schedule IN-DEP qualified for the additional dependent child exemption.

Schedule IN-DEP-A Instructions

You must complete and enclose Schedule IN-DEP-A if you are claiming any additional exemption for adopted children. These children are also required to be listed on Schedule IN-DEP.

To claim this exemption for an adopted child, the adoption of the child must be finalized before the end of the taxable year.

Lines 1 through 5

For each adopted dependent, enter his or her:

- First and last name in Box A and Box B
- Nine-digit Social Security number (SSN) in Box C
- Date of birth in Box D
- If the first listed taxpayer on the return is an adoptive parent of the child, check Box E
- If the second listed taxpayer on the return is an adoptive parent of the child, check Box F

Note. An adopted child can only qualify for the additional adopted child exemption if the child also meets the requirements for an additional child exemption on Schedule IN-DEP. If Box E on Schedule IN-DEP for the adopted child is not checked, the additional adopted child dependent exemption also will be disallowed.

Definitions and Special Rules for Dependents

If both parents are adoptive parents of the child, only one additional adopted child dependent deduction is permitted for that child.

This exemption may not be claimed by a non-adoptive parent (e.g., a biological parent of child adopted by a stepparent) unless the adoptive parent files a joint return with the non-adoptive parent.

If you are claiming more than five additional adopted child exemptions, include an additional Schedule IN-DEP-A. Include the additional information to the total on the first schedule, Box 6, where applicable.

Definitions and Special Rules for Dependents

Important.

- Various Internal Revenue Service (IRS) forms and publications you may need can be found online at <https://www.irs.gov/forms-instructions-and-publications>.
- Indiana's Income Tax Information Bulletin #117 can be found online at www.in.gov/dor/files/reference/ib117.pdf.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Adoption taxpayer identification numbers (ATINs). If you have a dependent who was placed with you for legal adoption and you don't know his or her SSN, you must get an ATIN for the dependent from the IRS. Get federal Form W-7A for details. If the dependent isn't a U.S. citizen or resident alien, apply for an ITIN instead, using federal Form W-7.

Children of divorced or separated parents. A child will be treated as the qualifying child or qualifying relative of his or her noncustodial parent (defined later) if all of the following conditions apply.

1. The parents are divorced, legally separated, separated under a written separation agreement, or lived apart at all times during the last 6 months of the year (whether or not they are or were married).
2. The child received over half of his or her support for the year from the parents (and the rules on *Multiple support agreements*, later, do not apply). Support of a child received from a parent's spouse is treated as provided by the parent.
3. The child is in custody of one or both of the parents for more than half of the year.
4. Either of the following applies.
 - a. The custodial parent signs federal Form 8332 or a substantially similar statement that he or she won't claim the child as a dependent for the year, and the noncustodial parent maintains a copy of the signed federal Form 8332 with his or her records (as DOR can require this to be provided at a later date). If the divorce decree or separation agreement went into effect after 1984 and before 2009, the noncustodial parent may be able to include certain pages from the decree or agreement instead of federal Form 8332. See *Post-1984 and pre-2009 decree or agreement* and *Post-2008 decree or agreement*.

- b. A pre-1985 decree of divorce or separate maintenance or written separation agreement between the parents provides that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during the year.

If conditions (1) through (4) apply, only the noncustodial parent can claim the child for purposes of the dependency.

Custodial and noncustodial parents. The custodial parent is the parent with whom the child lived for the greater number of nights in the year. The noncustodial parent is the other parent. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher federal AGI. See Income Tax Information Bulletin #117 for an exception for a parent who works at night, rules for a child who is emancipated under state law, and other details.

Post-1984 and pre-2009 decree or agreement. The decree or agreement must state all three of the following.

1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.
2. The other parent will not claim the child as a dependent.
3. The years for which the claim is released.

The noncustodial parent must maintain with his or her records a copy of all of the following pages from the decree or agreement as DOR can require these to be provided at a later date.

- Cover page (include the other parent's SSN on that page).
- The pages that include all the information identified in (1) through (3) above.
- Signature page with the other parent's signature and date of agreement.

Post-2008 decree or agreement. If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent cannot include pages from the decree or agreement instead of federal Form 8332. The custodial parent must sign either federal Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to an exemption for a child, and the noncustodial parent must include a copy with his or her return. The form or statement must release the custodial parent's claim to the child without any conditions. For example, the release must not depend on the noncustodial parent paying support.

Release of exemption revoked. A custodial parent who has revoked his or her previous release of a claim to exemption for a child must maintain with his or her records a copy of the revocation as DOR can require this to be provided at a later date. For details, see federal Form 8332.

Exception to citizen test. If you are a U.S. citizen or U.S. national and your adopted child lived with you all year as a member of your household, that child meets the requirement to be a U.S. citizen in Step 2, question 1.

Exception to gross income test. If your relative (including a person who lived with you all year as a member of your household) is permanently and totally disabled (defined later), certain income for services performed at a sheltered workshop may be excluded for this test. For details, see Income Tax Information Bulletin #117.

Definitions and Special Rules for Dependents Continued

Exception to time lived with you. Temporary absences by you or the other person for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the person lived with you. Also see *Children of divorced or separated parents, earlier, or Kidnapped child*, later.

If the person meets all other requirements to be your qualifying child but was born or died during the year, the person is considered to have lived with you for more than half of the year if your home was this person's home for more than half the time he or she was alive during the year. Any other person is considered to have lived with you for all of the year if the person was born or died during the year and your home was this person's home for the entire time he or she was alive during the year.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Kidnapped child. If your child is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member, you may be able to take the child into account in determining the dependency exemption. For details, see Income Tax Information Bulletin #117.

Married person. If the person is married and files a joint return, you cannot claim that person as your dependent. However, if the person is married but does not file a joint return or files a joint return only to claim a refund of withheld income tax or estimated tax paid, you may be able to claim him or her as a dependent. (See Income Tax Information Bulletin #117 for details and examples.) In that case, go to Step 2, question 3 (for a qualifying child) or Step 3, question 4 (for a qualifying relative).

Multiple support agreements. If no one person contributed over half of the support of your relative (or a person who lived with you all year as a member of your household) but you and another person(s) provided more than half of your relative's support, special rules may apply that would treat you as having provided over half of the support. For details, see Income Tax Information Bulletin #117.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time during the year, the person cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition has lasted or can be expected to last continuously for at least a year or can be expected to lead to death.

Public assistance payments. If you received payments under the Temporary Assistance for Needy Families (TANF) program or other public assistance program and you used the money to support another person, see Income Tax Information Bulletin #117.

Qualifying child of more than one person. Even if a child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a dependent. If you and any other person can claim the child as a dependent, the following rules apply:

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent;
- If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents;
- If the parents do not file a joint return together but both parents claim the child as a qualifying child, DOR will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, DOR will treat the child as the qualifying child of the parent who had the higher federal AGI for the year;
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest federal AGI for the year;
- If a parent can claim the child as a qualifying child but chooses not to, the child is treated as the qualifying child of the person who had the highest federal AGI for the year, but only if that person's federal AGI is higher than the highest federal AGI of any parent of the child who can claim the child.

Example. You, your daughter and your mother live together. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your daughter doesn't meet the conditions to be a qualifying child of any other person, including her other parent. Under the rules just described, you can claim your daughter as a dependent. Your mother cannot claim your daughter. However, if your mother's federal AGI is higher than yours and you do not claim your daughter as a dependent, your daughter is the qualifying child of your mother.

For more details and examples, see Income Tax Information Bulletin #117.

Social Security Number. You must enter each dependent's 9-digit Social Security number (SSN) on Schedule IN-DEP, Box C. Be sure the name and SSN entered agree with the dependent's Social Security card. Otherwise, we may disallow the exemption claimed for the dependent. If the name or SSN on the dependent's Social Security card is not correct or you need to get an SSN for your dependent, contact the Social Security Administration.

If your dependent child was born and died during the year and you do not have an SSN for the child, enter "Died" in Box C and keep a copy of the child's birth certificate, death certificate, or hospital records as DOR can require you to provide these at a later date. The document must show the child was born alive.

Example. Died

If you apply for an ATIN or an ITIN on or before the due date of your 2025 return (including extensions) and the IRS issues you an ATIN or an ITIN as a result of the application, the IRS will consider your ATIN or ITIN as issued on or before the due date of your return.

Student. A student is a child who during any part of 5 calendar months of the tax year was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

Schedule E: Other Taxes

Line 1 – Use Tax on Internet, Mail Order and/or Out-Of-State Purchases

If, while a resident of Indiana, you made purchases while you were outside Indiana, through the mail (for instance, by catalog or offer through the mail), through radio or television advertising and/or over the Internet, these purchases may be subject to Indiana sales and use tax, if sales tax was not paid at the time of purchase. This tax, called “use” tax, is figured at 7% (.07). Effective July 1, 2025, use tax also applies to the purchase price of services and items other than tangible personal property that are subject to Indiana sales tax but on which sales tax was not paid in whole or in part.

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

To calculate the amount of purchases subject to the use tax, multiply the total purchase price of all taxable purchases by 7% and enter the amount. If you paid sales tax to the state where the item was originally purchased, you are allowed a credit against your Indiana use tax for an amount paid up to 7%. To report any other unpaid taxes such as county innkeeper's tax or food and beverage tax, please use form ST-115.

Line 2 – Household Employment Taxes

If, while you lived in Indiana, you paid cash wages during 2025 to an individual who is not:

- Your spouse,
- Your child under age 21,
- Your parent,
- An employee under age 18; and

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

See Federal Publication 926, *Household Employer's Tax Guide*, for more information on how to define an employee. Visit www.irs.gov or call the IRS at 1-800-829-1040.

If you paid cash wages of \$2,200 or more to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2024 or 2025 to all household employees, you may have withheld state and county income taxes. To pay these taxes on your Indiana income tax return, contact DOR for Schedule IN-H, or download one from www.in.gov/dor/tax-forms/individual/current.

Line 3 – Recapture of certain Indiana offset credits

Indiana requires the recapture of certain offset credits if certain conditions are met. Currently, these credits include the ABLE 529A Account Credit, Employer Child Care Expenditure Credit, Indiana529 Education Savings Plan Credit, Physician Practice Ownership Tax Credit, and the Residential Historic Rehabilitation Credit.

- If contributions were made to an Indiana ABLE 529A account in which you are the account owner and a non-qualified withdrawal(s) from this plan was made during the tax year, you will probably have to repay some or all of any credits previously claimed.
- You may need to recapture some or all of the credits previously claimed for the Employer Child Care Expenditure Credit if you did not meet certain requirements.
- If contributions were made to an Indiana529 Education Savings Plan in which you are the account owner and a non-qualified withdrawal(s) from this plan was made during the tax year, you will probably have to repay some or all of any credits previously claimed.
- You may need to recapture some or all of the credits previously claimed for the Physician Practice Ownership Tax Credit if you did not meet certain continuation of ownership and practice requirements.
- You may need to recapture some or all of the credits previously claimed for the Residential Historic Rehabilitation Credit if you did not meet certain requirements.

Complete and enclose Schedule IN-CR if you have an amount to be recaptured. Enter the total amount to be recaptured on line 3. Download Schedule IN-CR by visiting www.in.gov/dor/tax-forms/individual/current.

Line 4 – Nonresident professional team member's county tax from Schedule IN-PRO

Enter the total county tax reported on line 11 of Schedule IN-PRO.

Schedule IN-PRO

This schedule serves to collect Indiana county income tax from certain nonresident professional team members.

You must complete Schedule IN-PRO if you and/or your spouse, if married filing jointly:

- Were a professional team member*,
- Were not an Indiana resident on Jan. 1 of the year,
- Were not working in Indiana on Jan. 1 of the year, and
- Received from a professional team salaries, wages, bonuses, and any other type of compensation, apportioned to Indiana.**

*A **professional team member** includes:

- Professional baseball, basketball, football, hockey, or soccer team employees who are active players, players on the disabled list, and any other individuals required to travel and who do travel with and perform services on behalf of a team on a regular basis, including coaches, managers, and trainers, and
- Race team members, including employees or independent contractors who render services on behalf of the race team, including, but not limited to, drivers, pit crew members, mechanics, technicians, spotters, and crew chiefs.

**Income apportioned to Indiana.

- Nonresident professional team members will apportion their income to Indiana based on duty days performed in Indiana (by county) compared to total duty days in a taxable year. See Income Tax Information Bulletin #88, including section 6. Local Income Tax, at www.in.gov/dor/files/reference/ib88.pdf for assistance in determining the amount of income that is subject to county tax.

Schedule F: Credits

- Nonresident race team members also will apportion their income to Indiana based on duty days performed in Indiana (by county) compared to total duty days in a taxable year. See Income Tax Information Bulletin #88B at www.in.gov/dor/files/reference/ib88b.pdf for assistance in determining the amount of income that is subject to county tax.

Once you have determined the amount of income to be taxed and by which county, follow the line-by-line instructions below to complete Schedule IN-PRO.

Line-By-Line Instructions

Before you begin, visit www.in.gov/dor/tax-forms/individual/current to get Schedule CT-40PNR. The county code numbers and tax rates are located on the second page of the schedule.

Line 1.

- Column A – Enter the two-digit county code number for the income reported in Column B.
- Column B – Enter the modified wage income (income apportioned to Indiana) associated with the county listed in Column A.
- Column C – Enter the county tax rate associated with the county listed in Column A.
- Column D – Multiply Column B by Column C. Round your entry to the nearest whole dollar.

Lines 2 through 10. Complete these lines if you are reporting income subject to tax by other Indiana counties.

Line 11. Add all amounts from Column D, lines 1 through 10, and enter the result here. Also, enter this amount on Schedule E, line 4.

Example. Eddie is a full-year Illinois resident. He is a member of a professional baseball team, and played four games in Indiana during the year. He played two games in Fort Wayne, Indiana (Allen County), was traded, and played two games in Evansville, Indiana (Vanderburgh County). His modified wage income for the games played in Fort Wayne is \$2,800, and \$2,400 for the games played in Evansville.

Here is how Eddie will complete Schedule IN-PRO.

Column A	Column B	Column C	Column D
1 02	2800	.0148	41
2 82	2400	.012125	29
11			70

He will carry the \$70 total county tax due to Schedule E, line 4.

You must enclose all W-2s, 1099s, Forms IN-MSID/MSID-A, etc., showing income from Indiana sources. Make sure to include any Indiana state/county withholding amounts on Schedule F, which is available on our website at www.in.gov/dor/tax-forms/individual/current.

Note. Nonresident professional team members who meet the requirements to file Schedule IN-PRO and who are residents of a reciprocal state (Kentucky, Michigan, Ohio, Pennsylvania, and Wisconsin) are not eligible to file Form IT-40RNR; they must file form IT-40PNR, and figure county tax on Schedule IN-PRO.

Schedule F: Credits

Lines 1 and 2 – Indiana State and County Tax Withheld

If you are reporting any tax withheld on your behalf, report the Indiana state and local taxes on these lines. Report the state and county withholdings separately. **Do not claim credit for taxes withheld for states other than Indiana or for localities outside Indiana.**

The amount of Indiana state tax withheld is usually shown in box 17 and the amount of Indiana county tax withheld is usually shown in box 19 of your W-2s. Indiana state and county withholding amounts may also be present on other forms, including W-2Gs, various 1099s, Form IN-MSID-A and Schedule IN K-1.

You **must** enclose your (and your spouse's, if married filing jointly) withholding statements, including W-2s, W-2Gs, 1099s, Form IN-MSID-A and Schedule IN K-1s, with your tax return to verify Indiana state and county taxes claimed as being withheld. If you had more than one job, a W-2 form for each job must be attached to the tax return so you can get credit for all Indiana state and county tax withheld. Failure to enclose all necessary withholding statements will result in a reduced refund or increase in the amount you owe. In addition to the withholding statements, you must also enclose Schedule IN-W.

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

Important. The use of substitute W-2s will delay the processing of your return and may impact the issuance of any refund.

A note about your withholding statements. It is important that any statement reporting withholding is readable. The state and county tax amounts withheld are verified on every withholding statement that comes in with your tax return. These amounts also should be reflected on Schedule IN-W. If you are not filing electronically, we encourage you to enclose the best copy available when you file.

In some cases, verification of withholding may be delayed if the business withholding the tax is late filing copies of withholding statements.

Special instructions for composite filers. Additional state/county withholdings may have been made on your behalf by a partnership and/or S corporation that files with Indiana. Information about these withholdings will be made available to you on Schedule IN K-1. Make sure to include any withholdings from Lines 11 and 12 of Schedule IN K-1, and enclose the schedule when filing.

Line 3 – Pass Through Entity Tax Credit

If you are claiming a credit for Indiana pass through entity tax, report the Pass Through Entity Tax (PTET) credited to you from Schedule IN K-1 or IT-41 Schedule IN K-1. You must include all Schedule IN K-1s

Schedule F: Credits Continued

reporting credit for PTET to verify the credit claim. Do not report PTET as withholding or estimated tax payments. Also, do not report PTET paid to another state or locality on this line.

Line 4 – 2025 Estimated Tax Paid

If you made estimated tax payments, enter the total paid for 2025 on this line. Also, include any extension payment made with Form IT-9 *Extension of Time to File* for tax year 2025.

Note. Do not include on this line any estimated tax paid for tax year 2026.

Line 5 – Unified Tax Credit for the Elderly

This credit is may be claimed during the same time period as any other refundable credit. The tax return must be filed and credit claimed within three years of the filing due date (including extensions) to be eligible for a refund.

This credit is available for certain low-income individuals who are age 65 or older. You may be able to claim this credit if you and/or your spouse meet all the following requirements:

- You and/or your spouse must have been age 65 or older by Dec. 31, 2025,
- If married and living together at any time during the year, you must file a joint return,
- The amount on Indiana Schedule A, Section 3, line 36A must be less than \$10,000,
- You must have been a resident of Indiana for at least six months during 2025, and
- You must not have been in prison for 180 days or more in 2025.

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

Important.

- If your spouse died after Jan. 1, 2025, you can claim this credit by filing a joint return.
- If a person dies and does not have a surviving spouse, then no one can claim the credit on behalf of the deceased person.
- If your income is low enough that you are not required to file a Form IT-40PNR, and you meet the requirements for claiming the Unified Tax Credit for the Elderly, do not file Form IT-40PNR. Instead, file the simplified Form SC-40 to claim this credit.*

*You may file Form SC-40 electronically using DOR's e-services portal, INTIME, by visiting intime.dor.in.gov. Visit our website at www.in.gov/dor/tax-forms/individual/current to get Form SC-40. You can claim the credit on either Form IT-40PNR or Form SC-40, but file only one of these forms, and only file once.

Note. You must file the Form IT-40PNR if you are eligible to take the Lake County residential income tax credit. See line 7 instructions on page 38 for more information.

No double benefit allowed. If you qualify to file Form SC-40 and do so, then do not also file Form IT-40PNR and claim the credit a second time.

To Figure Your Unified Tax Credit for the Elderly:

Use Table A if:

You meet all the requirements listed above, **and**:

- You are filing a joint return, lived with your spouse during the tax year, both were Indiana residents for at least six months and both were age 65 or older by Dec. 31, 2025, **or**
- Both you and your spouse met all the above-requirements and your spouse died after Jan. 1, 2025.

Table A

Joint Filers Both Age 65 or Older

If the income on Line 36A of Indiana Schedule A, Section 3 is:

less than \$1,000	\$140
between \$1,000 and \$2,999	\$90
between \$3,000 and \$9,999	\$80

Your Allowable Credit* is:

Use Table B if:

You meet all the requirements listed above, **and**:

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

Table B

Only One Person Age 65 or Older

If the income on Line 36A of Indiana Schedule A, Section 3 is:

less than \$1,000	\$100
between \$1,000 and \$2,999	\$50
between \$3,000 and \$9,999	\$40

Your Allowable Credit* is:

*Once you have located your credit on Table A or Table B, enter that amount on line 5.

Remember to file either Form SC-40 or Form IT-40PNR, but not both.

Line 6 – Indiana's Earned Income Credit (EIC)

If you are eligible for an earned income credit on your federal tax return, you may be eligible for Indiana's earned income credit, too. Here are some important things to know:

- You must be eligible for and have claimed an EIC on your federal tax return. If not, **STOP**. You are not eligible to claim Indiana's EIC.
- Your income on Form IT-40, line 1 (or Indiana's Schedule A, line 36A), must be less than \$68,650. If it is the same amount or more, **STOP**. You are not eligible to claim Indiana's EIC.
- Schedule IN-EIC must be completed and enclosed by all filers claiming the EIC.

Your 2025 Indiana EIC will first be determined as your federal EIC multiplied by 10%. Enter this on Line 6, Box A. You are required to multiply the amount in Box A by the proration percentage from Schedule A, Proration Section, Line 21D. The prorated credit amount will be listed on Line 6.

Line 7 – Lake County (Indiana) Residential Income Tax Credit

You may be eligible to claim a Lake County (Indiana) Residential Income Tax credit if you meet **all three** of the following requirements.

1. **You paid property tax to Lake County (Indiana) on your residence.** Your “residence” is your principal dwelling. You must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.
2. **Your Modified Indiana Adjusted Gross Income is less than \$18,600.**
3. **You are not claiming the Homeowner’s Residential Property Tax Deduction on Indiana Schedule C, line 2.** If you are claiming this credit, make sure to see the **Final Step** after **Worksheet B** in the next column.

Complete the following steps to see if you are eligible to claim this credit.

Step 1

- Did you pay property tax to Lake County (Indiana) on your residence during the year? Yes No
- If you answered “no,” **STOP.** You do not qualify for this credit.
- If you answered “yes,” continue to Step 2.

Step 2

1. First, prepare your state tax return (Form IT-40PNR) through line 7. Enter amount from line 7 here 1 _____
2. Enter any Homeowner’s Residential Property Tax Deduction reported on Schedule C, line 2 2 _____
3. Modified Indiana AGI. Add lines 1 and 2, enter result here and continue to Step 3 3 _____

Step 3

If you are filing as a single individual or as married filing jointly:

- If the amount from Step 2, line 3 is greater than \$18,599, **STOP.** You do not qualify for this credit.
- If the amount from Step 2, line 3 is less than \$18,000, go to **Worksheet A** to figure your credit.
- If the amount from Step 2, line 3 is between \$18,000 and \$18,599, go to **Worksheet B** to figure your credit.

If you are filing as a married individual filing separately:

- If the amount from Step 2, line 3 is greater than \$9,299, **STOP.** You do not qualify for this credit.
- If the amount from Step 2, line 3 is less than \$9,000, go to **Worksheet C** to figure your credit.
- If the amount from Step 2, line 3 is between \$9,000 and \$9,299, go to **Worksheet D** to figure your credit.

Worksheet A:

Complete if the answer from Step 2, line 3 is less than \$18,000 and you are filing as single or married filing jointly.

- A1 Enter the amount of Indiana property tax you paid on your Lake County residence A1 \$ _____
- A2 Maximum credit A2 \$ _____ 300
- A3 Enter the **smaller** of A1 or A2. This is your credit. Enter here and on Schedule F, line 7, and skip to the **Final Step** below A3 \$ _____

Worksheet B: Indiana AGI Phaseout

Complete if the answer from Step 2, line 3 is between \$18,000 and \$18,600 and you are filing as single or married filing jointly.

- B1 Allowable maximum Indiana AGI B1 \$ _____ 18,600
- B2 Enter the amount from Step 2, line 3 B2 \$ _____
- B3 Subtract B2 from B1 (if answer is zero or a negative amount, **STOP.** You do not qualify for this credit) B3 \$ _____
- B4 Multiply the amount on B3 by 0.5. Round answer; see page 5 for rounding instructions B4 \$ _____
- B5 Enter the amount of Indiana property tax you paid on your Lake County residence ... B5 \$ _____
- B6 Enter the smaller of B4 or B5. This is your credit. Enter here and on Schedule F, line 7, and continue to the **Final Step** below B6 \$ _____

Worksheet C:

Complete if the answer from Step 2, line 3 is less than \$9,000 and you are a married individual filing separately.

- C1 Enter the amount of Indiana property tax you paid on your Lake County residence C1 \$ _____
- C2 Maximum credit C2 \$ _____ 150
- C3 Enter the **smaller** of C1 or C2. This is your credit. Enter here and on Schedule F, line 7, and skip to the **Final Step** below C3 \$ _____

Worksheet D: Indiana AGI Phaseout

Complete if the answer from Step 2, line 3 is between \$9,000 and \$9,300 and you are a married individual filing separately.

D1 Allowable maximum Indiana AGI **D1 \$** 9,300

D2 Enter the amount from Step 2, line 3 **D2 \$** _____

D3 Subtract D2 from D1 (if answer is zero or a negative amount, STOP.

You do not qualify for this credit) **D3 \$** _____

D4 Multiply the amount on D3 by 0.5.

Round answer; see page 5 for rounding instructions **D4 \$** _____

D5 Enter the amount of Indiana property tax you paid on your Lake County residence ... **D5 \$** _____

D6 Enter the smaller of D4 or D5. This is your credit. Enter here and on Schedule F, line 7, and continue to the **Final Step** below **D6 \$** _____

Final Step

Remember, you are not eligible to claim both the Homeowner's Property Tax Deduction and the Lake County Residential Income Tax Credit in the same year. Therefore, if you are claiming this credit, make sure to remove any Homeowner's Property Tax Deduction reported on Schedule C, line 2.

Lines 8 and 9: Economic Development for a Growing Economy Credit (EDGE); Economic Development for a Growing Economy Retention Credit (EDGE-R)

If you have business income (including partnership or S corporation income) you may be eligible for one or both of these credits. These credits are available to businesses who conduct certain activities that are designed to foster job creation and/or job retention in Indiana.

This credit is available to owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc. However, if all or part of your share of the credit is claimed by the pass-through entity, you may not claim the previously-claimed credit on your own behalf.

Contact the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204, for eligibility requirements, or visit www.iedc.in.gov for additional information.

To claim these credits you must complete and enclose Schedule IN-EDGE or Schedule IN-EDGE-R, which are located online at www.in.gov/dor/tax-forms/individual/current.

The information to be reported on Schedule IN-EDGE or Schedule IN-EDGE-R is located on the Indiana Schedule IN K-1 or on the approved credit agreement letter from the IEDC. You must include the completed Indiana Schedule IN K-1 with your submission.

Line 10 – Headquarters Relocation Credit (refundable portion)

A business with annual worldwide revenue of \$50 million, at least 75 employees (for credits awarded before July 1, 2022), and which relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50% of the cost incurred in relocating the headquarters.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Some or all of this credit may be refundable. If the IEDC has ruled some or all of this credit to be refundable, enter on this line the refundable amount of the credit less the portion of the credit used to offset your tax liability. You must maintain the documentation provided to you that supports the refundable portion of this credit as DOR may request it.

Caution. The combination of the headquarters relocation credit claimed here (offset amount) and on lines 29 through 31 (refundable amount) may not exceed the total of the credit that is available. See the instructions for the Headquarters Relocation Credit on page 49.

For more information (including limitations on the credit and the application process), see Income Tax Income Tax Information Bulletin #97, available at www.in.gov/dor/files/reference/ib97.pdf. This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.iedc.in.gov, or by phone at 317-232-8800.

Line 11 – Adoption Credit

You are eligible to claim an adoption credit on your state tax return if you claimed an adoption credit on your federal tax return. The amount of the credit is 20% of the federal credit allowed per child, or \$2,500 per child, whichever is less. If you are claiming a credit because of a federal carryover of the adoption credit, the total credit allowable for the child is limited to \$2,500.

Federal adoption carryforward credits.

A carryforward credit claimed on federal Form 8839 may be allowed if it is from the preceding five tax years (2020, 2021, 2022, 2023 and/or 2024). To figure the credit, use the Adoption Credit Worksheet on page 40. Use lines 6 through 30 if you are carrying forward a credit from a previous year. Complete only the lines applicable to the year(s) from which you are carrying forward a credit. If you are not claiming a credit based on any federal adoption credit carryforward, skip lines 6 through 30.

See Income Tax Information Bulletin #111 at www.in.gov/dor/files/reference/ib111.pdf for more information about this credit.

Note. Indiana has incorporated the federal refundable credit limitation under IRC section 23(a)(4) into its allowance of the federal credit. Any portion of the federal credit in excess of your federal tax liability (after application of credits required to be applied before the adoption credit) is allowed for purposes of determining the Indiana credit.

Maintain with your records a copy of the federal Form 8839, federal Adoption Credit Carryforward Worksheets (if applicable), and federal Form 1040 as DOR can require you to provide this information at a later date.

Line 12 – Reserved for Future Use

Adoption Credit Worksheet

	Child 1	Child 2	Child 3
1. First Name			
2. Last Name			
3. Year of Birth			
4. Identification Number			
5. Check if this child is NOT claimed as a dependent			
6. Enter amount from 2020 Form 8839, line 11	\$	\$	\$
7. Enter the amount from 2020 Form 8839, line 12	\$	\$	\$
8. Divide line 6 by line 7; round answer to four decimal places			
9. Enter the amount of 2020 carryforward credit used in 2025 (line 2 minus line 10 of the 2025 Adoption Credit Carryforward Worksheet from the Form 8839 instructions)	\$	\$	\$
10. Multiply line 8 by line 9; round to nearest whole dollar. Enter this amount on line 36	\$	\$	\$
11. Enter amount from 2021 Form 8839, line 11	\$	\$	\$
12. Enter the amount from 2021 Form 8839, line 12	\$	\$	\$
13. Divide line 11 by line 12; round answer to four decimal places			
14. Enter the amount of 2021 carryforward credit used in 2025 (line 3 minus line 12 of the 2025 Adoption Credit Carryforward Worksheet from the Form 8839 instructions)	\$	\$	\$
15. Multiply line 13 by line 14; round to nearest whole dollar. Enter this amount on line 37	\$	\$	\$
16. Enter amount from 2022 Form 8839, line 11	\$	\$	\$
17. Enter the amount from 2022 Form 8839, line 12	\$	\$	\$
18. Divide line 16 by line 17; round answer to four decimal places			
19. Enter the amount of 2022 carryforward credit used in 2025 (line 4 minus line 14 of the 2025 Adoption Credit Carryforward Worksheet from the Form 8839 instructions)	\$	\$	\$
20. Multiply line 18 by line 19; round to nearest whole dollar. Enter this amount on line 38	\$	\$	\$
21. Enter amount from 2023 Form 8839, line 11	\$	\$	\$
22. Enter the amount from 2023 Form 8839, line 12	\$	\$	\$
23. Divide line 21 by line 22; round answer to four decimal places			
24. Enter the amount of 2023 carryforward credit used in 2025 (line 5 minus line 16 of the 2025 Adoption Credit Carryforward Worksheet from the Form 8839 instructions)	\$	\$	\$
25. Multiply line 23 by line 24; round to nearest whole dollar. Enter this amount on line 39	\$	\$	\$
26. Enter amount from 2024 Form 8839, line 11	\$	\$	\$
27. Enter the amount from 2024 Form 8839, line 12	\$	\$	\$
28. Divide line 26 by line 27; round answer to four decimal places			
29. Enter the amount of 2024 carryforward credit used in 2025 (line 6 minus line 18 of the 2025 Adoption Credit Carryforward Worksheet from the Form 8839 instructions)	\$	\$	\$
30. Multiply line 28 by line 29; round to nearest whole dollar. Enter this amount on line 40	\$	\$	\$
31. Enter amount from 2025 Form 8839, line 11a	\$	\$	\$
32. Enter the amount from 2025 Form 8839, line 12	\$	\$	\$
33. Divide line 31 by line 32; round answer to four decimal places			
34. Enter (1) the amount from line 18 of Form 8839 minus line 15 of Form 8839, but not less than zero, plus (2) the amount of line 13 of Form 8839	\$	\$	\$
35. Multiply line 33 by line 34; round to nearest whole dollar. Enter this amount on line 41	\$	\$	\$

Adoption Credit Worksheet (continued)

	Child 1	Child 2	Child 3
36. Enter the amount on line 10	\$	\$	\$
37. Enter the amount on line 15	\$	\$	\$
38. Enter the amount on line 20	\$	\$	\$
39. Enter the amount on line 25	\$	\$	\$
40. Enter the amount on line 30	\$	\$	\$
41. Enter the amount on line 35	\$	\$	\$
42. Enter the sum of lines 36 through 41	\$	\$	\$
43. Multiply line 42 by 20% (0.20)	\$	\$	\$
44. Enter \$2,500	\$	\$	\$
45. Enter the sum of any previous Indiana adoption credits claimed for the child	\$	\$	\$
46. Enter line 44 minus line 45. If less than zero, enter 0	\$	\$	\$
47. Enter the lesser of line 43 and line 46. Enter this amount on IT-40, Schedule 5, line 11, or IT-40PNR, Schedule F, line 11	\$	\$	\$

Schedule IN-DONATE

Each of the following funds has been assigned a three-digit code number. When listing your contribution on Schedule IN-DONATE under line 1, enter the name of the fund, the three-digit code number and the amount to be contributed.

You may contribute all or a portion of your Form IT-40, line 16 overpayment to the following funds:

- **Indiana Nongame Wildlife Fund 200**

The Indiana Wildlife Diversity Program offers you the opportunity to play an active role in conserving Indiana's nongame and endangered wildlife. This program is funded through public donations to the Indiana Nongame Wildlife Fund. The money you donate goes directly to the protection and management of more than 750 wildlife species in Indiana - from songbirds and salamanders to state-endangered Trumpeter swans and spotted turtles.

Enter both the name of the fund and the amount you wish to donate under line 1, and enter 200 as the designated 3-digit code number. Also, see the **Limitation** below.

If you do not have an overpayment, but want to support the Wildlife Diversity Section, do not change your tax return.

You may make a contribution online by visiting www.in.gov/dnr/fish-and-wildlife/nongame-and-endangered-wildlife and clicking "Donate to the Fund."

- **Military Family Relief Fund 201**

The Indiana Department of Veterans Affairs' Military Family Relief Fund provides emergency grants to be used by military and veteran families. The funds can be utilized for needs such as food, housing, utilities, medical services, transportation, and other essential family support expenses which have become difficult to afford. The Military Family Relief Fund has helped more than 2000 families since its inception in 2007.

Enter both the name of the fund and the amount you wish to donate under line 1, and enter 201 as the designated 3-digit code number. Also, see the **Limitation** below.

If you do not have an overpayment, but want to support the Military Family Relief Fund, you may make a contribution by writing a check made payable to the *Military Family Relief Fund* and send it to the Indiana Department of Veterans Affairs, 302 W. Washington Street, Suite E-120, Indianapolis, IN 46204.

Read more about this fund and other programs available for Hoosier veterans online at www.in.gov/dva.

- **Public K through 12 Education Fund 202**

You may donate all or a portion of your overpayment to help fund public education for kindergarten through grade 12 in Indiana. Enter both the name of the fund and the amount you wish to donate under line 1, and enter 202 as the designated 3-digit code number. Also, see the following **Limitation**.

Limitation

The combination of the amounts you wish to donate to these funds **cannot exceed** the overpayment shown on Form IT-40PNR, line 16.

- If the total of the donations designated on this schedule is more than your available overpayment, the donation(s) will be reduced on a pro rata basis. For example, Sam wants to donate \$20 to each fund, for a total of \$60. His actual overpayment is \$51. The donations to the three funds will be evenly reduced to \$17 each.
- If you entered a donation to one or more of these funds, and wish to apply some of your overpayment to next years estimated tax account, the overpayment will be applied first to the selected fund(s) and then to the estimated tax account. Any remaining overpayment will be refunded to you. For example, Aaron donated \$100 to the Indiana Nongame Wildlife Fund, and is applying \$50 to next year's estimated tax account. His actual overpayment is only \$110. The full \$100 will be applied to the selected fund; the remaining \$10 will be applied to next year's estimated tax account.

Schedule IN-W: Indiana Withholding Statements

You must complete and enclose Schedule IN-W if you are reporting any tax withheld on your behalf and when filing your IT-40, IT-40PNR or IT-40RNR by paper. Enter information from each withholding statement, including Form W-2, 1099, IN-MSID-A or Schedule IN K-1.

If you have a withholding statement that withholds tax for multiple Indiana counties, enter the Indiana state income and Indiana state tax withheld once for that statement. **Do not duplicate the Indiana state income and Indiana state tax withheld on multiple lines.**

Column A – Social Security Number

Enter your or your spouse's (if married filing jointly) social security number from your W-2, 1099, IN-MSID-A, IN K-1, or other form on which Indiana state and/or local tax withholding is reported for you or your spouse (if married filing jointly).

Column B – Form Code

Enter the appropriate form code listed on the Reference Chart provided at the bottom of this schedule. Leave blank if your W-2, 1099, or other federal form type is not listed or if your withholding is from IN-MSID-A or IN K-1.

Column C – Employer or Payer Identification Number

Enter the employer's or State/payer's identification number (ID). This is generally the employer's FEIN.

Column D – State Income

Enter the amount of Indiana income.

Column E – State Tax Withheld

Enter the amount of Indiana State Tax withheld.

Important. Complete Columns F, G, and H only if there is Indiana local withholding.

Schedule G: Offset Credits

Column F – Local Income

Enter the amount of Indiana local income.

Column G – Local Tax Withheld

Enter the amount of County Tax withheld.

Column H – Locality Code

Enter the appropriate Indiana 2-digit county code. Refer to the back of Schedule CT-40, CT-40PNR or IT-40RNR for a list of county codes.

Line 26

Add Column E, lines 1 through 25. Enter this total on line 1 of IT-40 Schedule 5, or line 1 of IT-40PNR Schedule F, or line 7 of IT-40RNR.

Line 27

Add Column G, lines 1 through 25. Enter this total on line 2 of IT-40 Schedule 5, or line 2 of IT-40PNR Schedule F, or line 8 of IT-40RNR.

Note. You must enclose your W-2s, 1099s, IN-MSID-As, IN K-1s, or other forms reporting Indiana state or county tax withholding with this completed schedule.

If you are reporting more than 25 withholding statements, complete and include additional Schedule IN-W as needed, but do not complete lines 26 and 27. On the first schedule, enter the total of state tax withheld (Column E) from all pages on line 26 and enter the total of local tax withheld (Column G) from all pages on line 27. Use these totals numbers on lines 1 and 2 of IT-40 Schedule 5 or IT-40PNR Schedule F, or lines 7 and 8 of IT-40RNR.

Schedule G: Offset Credits

The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax amounts due. See the **Combined Limitation** areas after the instructions for line 3 and line 7.

Important. If you are claiming the credit from a pass through entity, include a copy of Schedule IN K-1 or IT-41 Schedule IN K-1. In addition, if you are reporting credits required to be reported in Schedule IN-OCC, Part A, do not list the credit directly on Schedule G. Instead, report the credit on Schedule IN-OCC, Part A and carry the total amount from Schedule IN-OCC, Part A to Schedule G, Line 7. If you are claiming a carryforward from a prior year, complete Schedule IN-OCC, Part B to report the carried over credit. In addition, if you have not claimed the full amount of current-year credits, report all current-year credits on Schedule IN-OCC, Part B, even if the credit cannot be carried over.

Line 1 – Credit for Local Taxes Paid Outside of Indiana

If you figured county tax on Form IT-40PNR, line 9, **and** had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another city, county, town, or other local governmental entity; and they did not refund the tax, or give you a credit for Indiana county tax.

The credit can be used to reduce your county tax liability. Carefully read instructions for Line B below.

Complete lines A, B and C to figure your credit.

- A. Enter the amount of tax paid to the non-Indiana locality A _____
- B. Multiply the amount of income taxed by the non-Indiana locality by the rate from Schedule CT-40PNR, Section 1, line 4, or Section 2, line 6. Enter result here B _____
- C. Enter the amount of Indiana county income tax shown on Form IT-40PNR, line 9 C _____

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

*Do not include any county tax reported on Schedule E: Other Taxes, line 4.

Note. See the **Combined Limitation** on page 44.

Important. You **must** enclose either a copy of your W-2s or other withholding statements showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

Remember, you can use this credit only if you have **both**:

- A county tax amount on Form IT-40PNR, line 9, and
- A local income tax that you had to pay outside Indiana.

Line 2 – Community Revitalization Enhancement District Credit

A state **and** local income tax liability credit is available for a qualified investment made within a community revitalization enhancement district. The expenditure must be made under a plan adopted by an advisory commission on industrial development and approved by the Indiana Economic Development Corporation before it is made. The credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year.

This credit is available to owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc. It is nonrefundable and cannot be carried back. You may carry forward any excess credit to the next tax year.

The allowable credit is the lesser of the available credit or the county tax due on line 9 of Form IT-40PNR. Also, claim any unused amount (within certain limitations) on Schedule G under line 6 (see instructions for this credit on page 47).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204 for additional information.

See the **Restriction for Certain Tax Credits - Limited to One per Project** below for additional limitations. Also, see the **Combined Limitation** below.

Line 3 – Other Local Credits

Currently, there are no other local credits available to be reported in this space.

Restriction for Certain Tax Credits – Limited to One per Project

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

For more information see Income Tax Information Bulletin #59 available at www.in.gov/dor/files/reference/ib59.pdf.

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

Combined Limitation

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

Order of Application

First, use the credits which cannot be carried over and applied against your county tax in another year. This means apply any credit for local taxes paid outside Indiana first, then apply any community revitalization enhancement district credit.

How to Adjust the Amount of Credit to be Entered (Example)

Example. Megan is eligible to claim a \$100 credit for local taxes paid outside Indiana plus a \$200 Community Revitalization Enhancement District credit (CRED), for a \$300 total amount in offset credits. Her county tax due (IT-40PNR, line 9) is \$160. Since her combined credits are more than her county tax due, she should reduce the last entry (the \$200 CRED credit) by the \$140 difference to \$60. She will enter the full \$100 credit for local taxes paid outside Indiana on Schedule G, line 1, and the \$60 limited CRED credit on line 3a.

Note. Megan may use the \$140 remaining CRED credit to offset any state adjusted gross income tax due on this year's tax return (IT-40PNR, line 8). See additional instructions for the CRED credit on page 47.

Line 4 – College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to \$100 on a single return or \$200 on a joint return. To claim this credit you must complete and enclose Schedule CC-40. For additional information, see Schedule CC-40 at www.in.gov/dor/tax-forms/individual/current and Income Tax Information Bulletin #14 at www.in.gov/dor/files/reference/ib14.pdf.

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

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

See the **Combined Limitation** on page 54.

Line 5 – Credit for Taxes Paid to Other States

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

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

Group A

No Agreement (Credit taken on resident return)

Alabama	Louisiana	North Carolina
Arkansas	Maine	North Dakota
California	Maryland	Oklahoma
Colorado	Massachusetts	Rhode Island
Connecticut	Minnesota	South Carolina
Delaware	Mississippi	Utah
Georgia	Missouri	Vermont
Hawaii	Montana	Virginia
Idaho	Nebraska	Washington*
Illinois	New Jersey	West Virginia
Iowa	New Mexico	
Kansas	New York	

Any foreign countries or U.S. possessions

* Capital gains only.

If you are personally subject to the District of Columbia Unincorporated Business Franchise Tax (D-30) on income that you received while you are an Indiana resident, you may claim a credit against your Indiana adjusted gross income tax for those taxes. Do not claim a credit for taxes paid to the District of Columbia from Form D-40 except as provided for Group C states.

Note. If:

- You are an owner or beneficiary of a partnership, S corporation, estate, trust, or similar pass-through entity;
- The entity is subject to another state's pass through entity tax enacted after 2017; and
- The pass through entity tax is substantially similar to Indiana's PTET; you are eligible to claim a credit for that other state's pass through entity tax as if you paid the tax directly. In addition, if you have composite or withholding taxes paid by a pass through entity on your behalf, you are eligible for credit for those taxes as well.

Group A Worksheet

- Enter the amount of tax paid to the other state. (This does not mean the tax withheld from your wages, but the actual tax figured on the other state's return)..... A _____
- Multiply the amount of income from the other state (that is subject to Indiana tax) by 3% (.03)..... B _____
- Enter the amount of Indiana state income tax shown on Form IT-40PNR line 8 C _____

Schedule G: Offset Credits Continued

The *lesser* of the amounts on A, B or C is your allowable credit for taxes paid to other states.

If you filed an income tax return with another state, you must provide a copy of that state's income tax return. See Income Tax Information Bulletin #28 at www.in.gov/dor/files/reference/ib28.pdf for a list of acceptable documentation when a return is not filed with another state.

Example. Sarah owns an interest in a partnership. Her share of the partnership's income is \$100,000 and her share of the partnership's bonus depreciation is \$10,000. The partnership derived 40% of its income from Illinois sources, and Sarah paid \$2,000 of state income tax to Illinois. Her Indiana state tax liability is \$5,000.

She will enter the following:

- A. \$2,000 (tax paid to Illinois)
- B. \$1,320 (($\$100,000$ income plus $\$10,000$ bonus depreciation) multiplied by .4 (share of partnership income from Illinois sources) multiplied by .03 (tax due to Indiana))
- C. \$5,000 (Form IT-40PNR line 8)

Sarah's credit is \$1,320, the lesser of A, B, and C.

Exception 1 – Gambling winnings from other states. If you're not required to file another state's income tax return to report gambling winnings from that state, enclose the W-2G issued for that state. Use the amount of state tax withheld by that state on Line A of the Group A Worksheet.

Exception 2. If you are subject to Indiana state income tax on income:

- Earned while an Indiana resident,
- Earned from a non-United States country or territory, and
- That is not currently subject to tax in that country but will be taxed in a later year;

enclose the following information with your return:

- The country or territory in which the income is subject to tax
- The type of income (dividends, interest, etc.)
- The amount of income
- The reason the income is deferred by the country
- The tax that will be due upon the income upon recognition by the foreign country
- The credit for taxes paid to another state claimed on the income (include a computation similar to the Group A worksheet above).

If claiming credit for taxes paid to foreign country, include one of the following:

- Federal Form 1116
- Canadian Form NR4
- A qualified payee statement reporting foreign income and tax. Qualified payee statements include Form 1099-DIV, Form 1099-INT, Schedule K-1, Schedule K-3, or similar substitute statements.

Group B

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

Kentucky	Ohio	Wisconsin
Michigan	Pennsylvania	

If you were an Indiana resident during the tax year and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

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

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

Note. Winnings from Indiana **riverboats** and **lotteries** are not eligible for the reciprocal agreement.

Caution. You may have to make estimated tax payments to Indiana. If the reciprocal state employer does not withhold Indiana withholding on your wage income, or does not withhold enough, see page 9 for information on how to figure and pay estimated tax.

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

Group C

Reverse Credit (Credit taken on nonresident return)

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

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

Group D

No State Income Tax (No credit allowed)

Alaska	New Hampshire	Texas
Florida	South Dakota	Wyoming
Nevada	Tennessee	

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

See the **Combined Limitation** on page 54.

Line 6 – Other Credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule G under line 6, enter the name of the credit, the three-digit code number and the amount claimed.

ABLE 529A Account Credit 872

You may be eligible for a credit for contributions made to InvestABLE Indiana plan. While there are many 529 college savings plans available both in Indiana and nation-wide, only contributions made to this specific Indiana plan are eligible for this credit. You may make a contribution before the regular due date of your 2025 tax return (April 15, 2026) and claim the credit for the contribution. However, if you claim a credit in 2025 for a 2026 contribution, you cannot claim a credit for that contribution on your 2026 return.

This plan is administered through the Indiana ABLE Authority. More information can be obtained online at savewithable.com/in/home.html. See Schedule IN-ABLE at www.in.gov/dor/tax-forms/individual/current to figure your credit. This schedule must be enclosed when claiming the credit. Enter code 872 under line 6 if claiming this credit. See the **Combined Limitation** on page 54.

Affordable and Workforce Housing Credit 871

A taxpayer is eligible to claim a credit for the construction of a qualified low income building located in Indiana. In addition, the qualified low income building must be a building for which a federal affordable housing tax credit was awarded using a 30% present value of the qualified basis for the building and is financed by tax exempt bonds subject to federal private activity bond volume cap.

The amount of the credit is determined by the Indiana Housing and Community Development Authority (IHCDA). The credit determined by IHCDA is a five-year credit, with 20% of the credit first allowable each year for five years (e.g., a credit of \$1,000,000 for a building placed in service in 2025 will be \$200,000 first claimable in each year from 2025 to 2029). The credit may be assigned in writing. Any unused credit may be carried forward for nine years following the first year of the credit period. In other words, for a credit related to a project placed in service in 2025 to be claimed for 2025 through 2029, the credits for all years expire in 2034.

The credit can be assigned in writing. If you are assigning a credit or are receiving a credit by assignment, additional guidance will be provided for submission and handling of assigned credits.

Enter Code 871 on Part A of Schedule IN-OCC for the year in which you are claiming the credit. Include the certification/project number provided by IHCDA for the project (or relevant portion of the project) when you claim the credit. If necessary, complete Part B of Schedule IN-OCC to report credits claimed from a carryover or credits to be carried over.

Airport Development Zone Credits

The following credits have been repealed:

Airport Development Zone Employment Expense Credit 800

Airport Development Zone Investment Cost Credit 801

Airport Development Zone Loan Interest Credit 802

However, any previously approved yet unused credit is available to be claimed.

Enter the appropriate 3-digit code under line 6 if claiming any of these credits. See the **Combined Limitation** on page 54.

Alternative Fuel Vehicle Manufacturer Credit 845

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed. Enter code 845 under line 6 if claiming this credit.

See the **Restriction for Certain Tax Credits – Limited to One per Project** and the **Combined Limitation** on page 54 for additional limitations.

Attainable Homeownership Tax Credit 875

A credit is available for contributions of cash and other property made to Habitat for Humanity of Indiana. The credit is for 50% of any allowable contributions up to a maximum credit of \$10,000 per taxable year. In addition, the total amount of credits per state fiscal year is limited to \$4,000,000.

Note. Certification for this credit must be obtained from Habitat for Humanity of Indiana. Contact Habitat for Humanity at taxcredit@habitatindiana.org or at Habitat for Humanity of Indiana, Inc., 101 W. Ohio St, Suite 2000, Indianapolis, IN 46204.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. Make sure to enclose this schedule with your tax filing.

Benefit Corporation Employment of Individuals with Disability Tax Credit 881

A credit is available for employers that hire individuals referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability. If all the following criteria are met, you are eligible for the credit:

- You are a benefit corporation as defined in IC 23-1.3-2-3
- You are an employer that did not have more than 50 employees at any time during the taxable year;
- You hire an individual referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability (the “credit-eligible employee”);
- The credit-eligible employee was first hired by the employer after Dec. 31, 2023;
- The credit-eligible employee works at least an average of 20 hours per week for the employer and at a similar compensation rate as other employees performing the same or similar tasks; and
- The credit-eligible employee is not hired to replace an employee who was terminated unless the terminated employee was terminated for misconduct, or the terminated employee voluntarily left their position.

Schedule G: Offset Credits Continued

The credit is equal to 30% of the credit-eligible employee's wages for the first year for which the credit-eligible employee's wages are allowable for purposes of the credit. The credit increases to 40% of wages for the second year and 50% for the third and subsequent years.

The credit is only available if you are a shareholder in an S corporation. This credit will be reported to you on Schedule IN K-1.

Community Revitalization Enhancement District (CRED) Credit 808

See the Schedule G line 3 instructions for details about this credit. This credit is available to offset **both** your state and local tax liabilities, and any unused remainder is available to be carried forward. Owners of pass-through entities are eligible for this credit.

If you did not use all of the available community revitalization enhancement district credit on Schedule G, line 3, the remaining credit should be claimed on this line.

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their website at www.iedc.in.gov.

Note. If you have not used all of the community revitalization enhancement district credit, the unused portion should be carried over to next year's tax return.

Enter code 808 under line 6 if claiming this credit. See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 54 for additional limitations.

Economic Development for a Growing Economy – Nonresident Employees (EDGE-NR) 865

This credit is for incremental state income tax amounts that would have been withheld on employees from reciprocal states if those employees had been subject to Indiana state tax withholding. Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible for this credit. Unlike the EDGE and EDGE-R credits, the EDGE-NR credit is a non-refundable credit.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.iedc.in.gov, or by phone at 317-232-8800.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of a pass-through entity such as S corporations, partnerships, limited liability companies, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

Employer Child Care Expenditure Credit 876

A credit is available for employers with 100 or fewer employees who incur certain costs for establishing new Indiana licensed childcare facilities for their employees' children. The credit is 50% of the employer's qualified expenditures for Indiana licensed childcare

facilities, up to a maximum credit of \$100,000 per employer. The amount of allowable credits is \$2,500,000 per state fiscal year and is awarded in the order of returns claiming the credit.

Qualified expenditures for purposes of this credit are limited to expenses:

- For the acquisition, construction, rehabilitation, or expansion of property used as part of an Indiana qualified childcare facility of a taxpayer that is operated for the taxpayer's employees;
- Incurred under a contract between a taxpayer and an Indiana qualified childcare facility to provide for the acquisition, construction, rehabilitation, or expansion of property used as part of the Indiana qualified childcare facility; or
- For purposes of complying with the qualified child care facility licensure requirements under IC 12-17.2, as part of the taxpayer acquiring or constructing an Indiana qualified child care facility.

This credit is not available for employers who were in the business of operating a childcare facility prior to making qualified expenditures allowable for this credit.

If you take this credit, the credit may be recaptured if certain events occur within five years after the credit was allowed. These events are:

- Cessation of the operation of the Indiana qualified childcare facility as an Indiana qualified childcare facility;
- A change in ownership of an Indiana qualified childcare facility for which a credit was allowed under this chapter, unless the person acquiring an interest agrees to assume the recapture liability of the person disposing of an interest; or
- The use of an Indiana qualified childcare facility for the enrollment of a child from any individual who is not an employee of the taxpayer.

However, cessation or changes in ownership as a result of accident or casualty are not subject to credit recapture. The credit recapture is 100% of the credit if the event occurs in the year after the credit is allowed. The recapture percentage is reduced by 20% each year for the next four years, and any event occurring in the sixth year after the credit is first allowed is not subject to recapture.

Employment of Individuals with Disability Tax Credit 877

A credit is available for employers that hire individuals referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability. If all the following criteria are met, you are eligible for the credit:

- You are an employer that did not have more than 500 employees at any time during the taxable year;
- You hire an individual referred to the employer for employment through a vocational rehabilitation services program for individuals with a disability (the "credit-eligible employee");
- The credit-eligible employee was first hired by the employer after Dec. 31, 2023;
- The credit-eligible employee works at least an average of 20 hours per week for the employer and at a similar compensation rate as other employees performing the same or similar tasks; and
- The credit-eligible employee is not hired to replace an employee who was terminated unless the terminated employee was terminated for misconduct or the terminated employee voluntarily left their position.

Schedule G: Offset Credits Continued

If you are receiving the credit as a result of an interest in a partnership, the eligibility is determined at the partnership level.

The credit is equal to 20% of the credit-eligible employee's wages for the first year for which the credit-eligible employee's wages are allowable for purposes of the credit. The credit increases to 30% of wages for the second year and 40% for the third and subsequent years.

If you claim this credit as a result of your own activities as opposed to those reported on a Schedule IN K-1 or IT-41 Schedule IN K-1, DOR may contact you to complete Form EDTC W-1, Employment of Individuals with Disability Tax Credit Worksheet, to provide additional information related to the credit. Additional instructions will be provided upon issuance of the Form EDTC W-1.

You may also receive a Notice of Proposed Assessment if you are claiming this as a sole proprietor or disregarded entity. If this happens, please submit the requested EDTC W-1. If the Notice of Proposed Assessment has not been resolved within 60 days of the date the Notice of Proposed Assessment was issued, you can file a protest with DOR's Legal Division. Failure to file a timely protest may result in collection actions.

Note. If you are a benefit corporation (as defined in IC 23-1.3-23) and did not have more than 50 employees at any time during the taxable year, see the instructions for Benefit Corporation Employment of Individuals with Disability Tax Credit, Code 881, on page 46.

About Enterprise Zone Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Visit www.aiez.org to look up contact information for a particular enterprise zone.

Sole proprietors who operate and/or invest in a business located in a zone and owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible to claim the enterprise zone employment expense credit and/or the enterprise zone loan interest credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their website at www.iedc.in.gov for more information about these credits.

Enterprise Zone Employment Expense Credit 812

This credit is based on qualified investments made within Indiana. It is the lesser of 10% of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the enterprise zone.

For more information, see Income Tax Information Bulletin #66 at www.in.gov/dor/files/reference/ib66.pdf and Schedule EZ 1, 2 and 3 at www.in.gov/dor/tax-forms/other-forms/enterprise-zone-forms. Also, you may contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call 317-232-8827, or visit their website at www.iedc.in.gov.

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

Enter code 812 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

Enterprise Zone Investment Cost Credit 813

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30% of the investment, depending on the number of employees, the type of business and the amount of investment in an enterprise zone.

For more information about this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/files/reference/ib66.pdf, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, or visit their website at www.iedc.in.gov.

Note. See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 54 for additional limitations.

Enter code 813 under line 6 if claiming this credit.

Enterprise Zone Loan Interest Credit 814

This credit can be for up to 5% of the interest received from all qualified loans made before Jan. 1, 2018, for use in an Indiana enterprise zone.

For more information, and how to calculate this credit, see Income Tax Information Bulletin #66 at www.in.gov/dor/files/reference/ib66.pdf and Indiana Schedule LIC at www.in.gov/dor/tax-forms/other-forms/enterprise-zone-forms.

Note. Schedule LIC must be enclosed if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call 317-232-8827, or visit their website at www.iedc.in.gov for additional information.

Enter code 814 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

Ethanol Production Credit 815

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 815 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

Film and Media Production Tax Credit 869

Effective July 1, 2022, a credit is available for expenses incurred for qualified film and media production expenses. The amount of the taxpayer's credit is equal to the taxpayer's qualified film and media production expenses multiplied by a percentage determined by the Indiana Economic Development Corporation, but not more than 30% of the expenses. Beginning July 1, 2025, any single film and media production tax credit may not exceed \$250,000.

Effective Jan. 1, 2026, a taxpayer may assign any part of the film and media production credit that the taxpayer may claim. The assignment must be in writing and the taxpayer must notify the IEDC in the manner prescribed by the IEDC. Both the taxpayer and assignee shall report the assignment on their AGIT returns for the year in which the credit was assigned. The taxpayer may not receive value in connection with an assignment that exceeds the value of the part of the credit assigned.

Schedule G: Offset Credits Continued

Note. Certification for this credit must be obtained from the Indiana Economic Development Corporation. See www.indianacreates.com for further information.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Enclose the certification letter from the IEDC with the return, otherwise the credit will be denied.

Foster Care Donations Credit 867

A credit for donations to qualifying foster care organizations is available. In addition, beginning July 1, 2023, a credit for qualifying contributions to the Insuring Foster Youth Trust Fund is also available. The credit is 50% of the donation made, up to a maximum of \$10,000 per taxable year. In addition, no more than \$2,000,000 in credits can be awarded during a calendar year. See www.in.gov/dor/tax-forms/other-forms/foster-credit for further information regarding the application and approval process.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Enclose the approval letter from the Department of Revenue with the return, otherwise the credit will be denied.

Headquarters Relocation Credit 818

Some or all of this credit may be available to be refunded. See below for more information.

A business may be eligible for a credit if it meets one of two sets of criteria. The first set of criteria ("first test") is that the business meets all of the following:

- Has an annual worldwide revenue of \$50 million;
- Has at least 75 Indiana employees (for credits awarded before July 1, 2022); and
- Relocates its corporate headquarters to Indiana.

The second set of criteria ("second test") is that the business meets either (1) or (2), meets (3), and meets (4) or (5):

1. Received at least \$4 million in venture capital in the six months immediately preceding the business's application for this tax credit.
2. Closes on at least \$4,000,000 in venture capital not more than six months after submitting the business's application for this tax credit.
3. Has at least 10 Indiana employees (for credits awarded before July 1, 2022).
4. Relocates its corporate headquarters to Indiana.
5. Relocates the number of jobs equal to 80% of the business's total payroll during the immediately preceding quarter to an Indiana location.

The credit may be as much as 50% of the cost incurred in relocating the taxpayer's headquarters. For more information (including limitations on the credit and the application process), see Income Tax Information Bulletin #97, available at www.in.gov/dor/files/reference/ib97.pdf.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.iedc.in.gov, or by phone at 317-232-8800.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Submit a copy of the certificate from the IEDC verifying the amount of tax credit for the taxable year with the return. Otherwise, the credit will be denied.

Enclose proof of the relocation costs as well as proof of employment of the minimum number of employees in Indiana and, if applicable, payroll in both Indiana and everywhere. See the **Combined Limitation** on page 54 for additional limitations.

Important. If the IEDC has granted a refundable credit under the second test, see the instructions on page 39 for completing Schedule F, line 10. Maintain the documentation provided to you that supports the refundable portion of this credit as DOR may request it.

Health Reimbursement Arrangement Credit 878

A credit is available for employers that make contributions to health reimbursement arrangements for their employer. The credit is available for the first two years that the employer:

- Provides an amount toward the health reimbursement arrangement is equal to or greater than either the level of benefits provided in the previous benefit year; or
- If the amount the employer contributes toward the health reimbursement arrangement equals the same amount contributed per covered individual toward the employer provided health insurance plan during the previous benefit year.

To qualify for this credit, an employer must not have more than 49 employees at any time during the taxable year. The credit for the employer is equal to the lesser of:

- The amount contributed to the health reimbursement arrangement during the taxable year, or
- \$400 for the first year the employer qualifies for the credit, \$200 for the second year the employer qualifies for the credit, and \$0 for the third and subsequent years.

These limitations are computed on an employee-by-employee basis.

In addition, the credit is capped at \$10,000,000 per fiscal year for all taxpayers and is awarded in the order of returns claiming the credit.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership. However, you will not have a certification/project number for this credit. If you are required to enter a certification number, enter a numeric value. Make sure to enclose this schedule with your tax filing.

Note. This credit cannot be passed through and cannot be used to reduce or eliminate nonresident withholding tax due.

Historic Building Rehabilitation Credit 819

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Schedule G: Offset Credits Continued

Enter code 819 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

Important. The credit will need to be recaptured if, within five years of the completion of the project:

- Ownership of the property, and/or
- Additional modifications are undertaken to the property that do not meet required standards.

Report any recapture on Schedule E, line 3. See Line 3 instructions on page 35 for more information.

Historic Rehabilitation Tax Credit 879

A credit is available for certain expenses for rehabilitation of qualified historic structures. A qualified historic structure is a building that is:

- A certified historic structure as defined in IRC section 47(c)(3);
- Individually listed on the register of Indiana historic sites and historic structures; or
- Located in, and contributes to, a district listed in the register of Indiana historic sites and historic structures.

If you:

- Incurred costs and expenses for the restoration and preservation of a qualified historic structure;
- The costs and expenses are defined as a qualified rehabilitation expenditure in IRC Section 47(c)(2); and
- The costs and expenses are at least \$5,000

you are eligible for a credit of 25% of the qualified rehabilitation expenses.

In the case of a qualified rehabilitation expenditures incurred for non-income producing property, the credit is 30% of the qualified rehabilitation expenses.

The credit is available for the year in which the restoration and preservation of the qualified historic structures. See www.irs.gov/pub/irs-sbse/qualified-rehabilitation-expenditures.pdf for further information on expenses that do and do not qualify as a qualified rehabilitation expenditure.

This credit is administered by the IEDC. Contact them at One North Capitol, Suite 700, Indianapolis, IN 46204, via website at www.in.gov/dor, or by phone at 317-232-8800.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Hoosier Business Investment Credit 820

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining or finishing equipment. Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN

46204. Visit the IEDC website at www.iedc.in.gov or call 317-232-8800 for additional information.

Also, see Income Tax Information Bulletin #95 at www.in.gov/dor/files/reference/ib95.pdf.

Note. See the **Restriction for Certain Tax Credits - Limited to One Per Project** and the **Combined Limitation** on page 54 for additional limitations.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of a pass-through entity such as S corporation, partnership, limited liability company, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

Hoosier Business Investment Credit – Logistics 860

This credit is for qualified expenditures for certain logistics investments. Owners of pass-through entities are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204. Visit the IEDC website at www.iedc.in.gov or call 317-234-4046, and get Income Tax Information Bulletin #95 at www.in.gov/dor/files/reference/ib95.pdf for additional information.

Note. See the **Restriction for Certain Tax Credits - Limited to One Per Project** and the **Combined Limitation** on page 54 for additional limitations.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of a pass-through entity such as S corporations, partnerships, limited liability companies, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

Indiana529 Education Savings Plan Credit 837

You may be eligible for a credit for contributions made to Indiana529 education savings plan. Also, you may make contributions to this fund for Indiana K through 12 education purposes. While there are many 529 college savings plans available both in Indiana and nation-wide, only contributions made to this specific *Indiana529 Education Savings Plan* are eligible for this credit.

You may make a contribution before the regular due date of your 2025 tax return (April 15, 2026) and elect to claim the credit for the contribution on your 2025 tax return. If you wish to have a contribution count toward the prior calendar year, include a letter with the contribution or contact the plan administrator to make the request. However, if you claim a credit in 2025 for a 2026 contribution, you cannot claim a credit for that contribution on your 2026 return.

Note. Contributions made prior to April 15 that have been elected to be treated as a prior year contribution may take up to 45 days to be able to be verified.

Schedule G: Offset Credits Continued

For more information about this credit, see Income Tax Information Bulletin #98 at www.in.gov/dor/files/reference/ib98.pdf. This plan is administered through the Indiana Education Savings Authority. More information can be obtained online at www.in.gov/tos/iesa and at www.indiana529direct.com. See Schedule IN-529 at www.in.gov/dor/tax-forms/individual/current to figure your credit. This schedule must be enclosed when claiming the credit.

Enter code 837 under line 6 if claiming this credit. See the **Combined Limitation** on page 54.

Indiana's Research Expense Credit 822

Indiana has a research expense credit that is similar to the federal credit for research and experimental expenses paid in carrying on your trade or business in Indiana. Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible to claim this credit. Enclose your Schedule IN K-1 to support your claim.

If you are claiming the credit as a sole proprietor or as an owner of a disregarded entity such as a single-member LLC, a completed Form IT-20REC must be kept with your records as DOR can require you to provide this information. Also complete Schedule IN-OCC, Part B, with the information for this credit. Get Form IT-20REC at www.in.gov/dor/tax-forms/corporate/current-corporatepartnership.

Enter code 822 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

Individual Development Account Credit 823

A credit is available for qualified contributions made to a community development corporation participating in an Individual Development Account (IDA) program. Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc. may be eligible to claim this credit.

The organization must have an approved program number from the Indiana Housing and Community Development Authority (IHCDA) before a contribution qualifies for pre-approval. Applications for the credit are filed through the IHCDA.

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

To request additional information about the definitions, procedures and qualifications for obtaining this credit, contact: Indiana Housing and Community Development Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number 317-232-7777.

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

Enter code 823 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

Industrial Recovery Credit 824

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If the

Indiana Economic Development Corporation approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment." The minimum age for a facility to be eligible for this credit has been reduced from 20 years to 15 years. This credit is available to owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc.

Note. Except for in situations described in the next sentence, a taxpayer is entitled to receive this credit only for a qualified investment made before Jan. 1, 2020. A taxpayer is entitled to receive a credit for a qualified investment made after Dec. 31, 2019, and before Jan. 1, 2030, if the taxpayer is awarded a credit under:

- An application approved by the Indiana Economic Development Corporation (IEDC) before Jan. 1, 2020; or
- An agreement entered into by the taxpayer and IEDC before Jan. 1, 2021.

Important. Any unused credit existing before Jan. 1, 2020, is still eligible for carryforward for an unlimited number of years.

For additional information regarding procedures for obtaining this credit, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call 317-232-8800, or visit their website at www.iecd.in.gov.

Note. See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 54 for additional limitations. Enter code 824 under line 6 if claiming this credit.

Military Base Investment Cost Credit 826

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed. You must enclose approval certification from IEDC or a letter of assignment with your return.

Enter code 826 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

Military Base Recovery Credit 827

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed. You must enclose approval certification from IEDC or a letter of assignment with your return.

Enter code 827 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

Mine Reclamation Credit 874

A credit is available for a qualified investment at a mine reclamation site.

To be eligible for the credit, the credit must be approved by the IEDC. The credit for a taxable year cannot exceed 30% of the IEDC-approved qualified investment for the taxable year or \$5,000,000, whichever is less.

The taxpayer claiming this credit must provide a copy of the IEDC certification of the credit. However, if a taxpayer is claiming the credit as an owner of a pass through entity, the taxpayer must have a Schedule IN K-1 reporting the claimed credit. The pass through entity must provide and retain the certification by IEDC.

Schedule G: Offset Credits Continued

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing. Also, any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on the state tax returns for the year of assignment.

Neighborhood Assistance Credit 828

If you made a contribution or engaged in activities to upgrade areas in Indiana, you may be able to claim a credit for this assistance. Contact the Indiana Housing & Community Development Authority, Neighborhood Assistance Program, 30 S. Meridian, Suite 1000, Indianapolis, IN 46204, telephone number 317-232-7777 (800-872-0371 outside Indianapolis), for more information.

Owners of pass-through entities such as S corporations, partnerships, limited liability companies, etc., are eligible for this credit.

Important. Do not report fees paid to your neighborhood association on this line. They are not eligible for this credit.

Enter code 828 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

New Employer Credit 850

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 850 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

New Rail Infrastructure Expenditures Tax Credit 883

Effective January 1, 2025, a taxpayer may claim a credit for new railroad infrastructure investments. The amount of the credit is equal to 50% of the taxpayer's qualified railroad expenditures, but may not exceed the lesser of:

- 50% of the qualified new rail expenditures for each served customer project completed by the taxpayer in the taxable year, or
- \$500,000 per rail served customer project.

A credit application may only be filed with the department after completion of the project.

The department must evaluate a taxpayer's eligibility to be certified the credit based on a taxpayer submitting the number of miles of railroad track owned or leased in Indiana and a description and certification of the amount of the taxpayer's qualified new rail infrastructure expenditures.

If a pass through entity does not have state tax liability to apply the credit, the credit flows through to the shareholders, partners or members on a pro rata basis.

The credit may be assigned in writing. A taxpayer may make only one assignment and the assignee may not subsequently assign the credit. If the transferor of an assignment is a tax exempt entity (meaning a government agency or an organization that is recognized as exempt under section 501(c)(3) of the Internal Revenue Code) the transfer

must be completed on or before the date that is one year after the close of the tax year for which the credit was certified.

Enter Code 883 on Part A of Schedule IN-OCC for the year in which you are claiming the credit. Include the certification number provided by the department when you claim the credit. If necessary, complete Part B of Schedule IN-OCC to report credits claimed from a carryover or credits to be carried over.

Physician Practice Ownership Credit 880

Note that the requirements for this credit have changed effective Jan. 1, 2025.

If you:

- Are a physician engaged in the practice of medicine;
- Have an ownership interest in a corporation, limited liability company, partnership, or other legal entity organized to provide health care services as a physician owned entity;
- Are not employed by a health system (as defined in IC 16-18-2-168.5); and
- Have any state income tax liability;

you may be eligible for a credit of \$20,000 against your state income tax liability. In addition, you are permitted a \$20,000 credit for the two years following establishment of the practice.

To qualify for this credit, the physician's practice must:

- Be established as a legal entity under Indiana law after Dec. 31, 2023;
- Open and begin to provide health care services to patients in a particular calendar year beginning after Dec. 31, 2023;
- Have billed for health care services for at least six months of that calendar year.

To qualify for the credit, a physician must have an ownership interest in the income of the physician owned practice of at least 5% if the practice has not more than 10 owners or an ownership interest in the income of the physician owned practice equal to 50% of the physician owned practice's income divided by the number of physicians who own an interest in the income of the physician owned practice.

A physician owned medical practice must apply to the department for approval of the tax credit for its owners for a calendar year after June 30 of the calendar year, but not later than June 30 of the subsequent taxable year.

The total amount of physician tax credits awarded is limited to \$10,000,000 per calendar year. Each credit award is \$60,000 (\$20,000 for three years). Credits will be awarded based on the chronological order received.

The credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. For the PIN, use your physician license number without the last letter.

Also use this code if you are reporting a credit based on the 2024 version of the credit. Follow the same reporting as required for the 2025 and forward credit.

Public School Educator Expense Credit 861

If you are an eligible educator working for an Indiana school corporation, you may be entitled to a credit for qualified expenses paid for certain classroom supplies. The credit can be as much as \$100 (\$200 if married filing joint and both spouses meet the requirements, but not more than \$100 each).

You are an **eligible educator** if, during the taxable year, you are employed as a kindergarten through grade 12 Indiana public school:

- Teacher
- Counselor
- Superintendent
- Librarian
- Principal

Public school means a school maintained by an Indiana school corporation, and includes charter schools. Private schools, parochial schools and homeschooleds are not public schools.

Qualified expenses are amounts you paid or incurred during the tax year for certain classroom supplies, which include books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom. For courses in health and physical education, expenses for supplies are qualified expenses only if related to athletics.

Non-qualified expenses are certain expenses not allowed when figuring this credit. They include:

- Certain expenses for professional development courses related to the curriculum, or to the students, that the educator teaches.
- Protective items, such as face masks; disinfectant; hand soap; hand sanitizer; disposable gloves; tape, paint, or chalk to guide social distancing; physical barriers (for example, clear plexiglass); air purifiers; and other items recommended by the CDC to be used for the prevention of the spread of disease.

Reimbursements. You must reduce your expenses for the qualified supplies by any reimbursements you received that were not included in box 1 of your Form W-2.

Example 1. Jonah spent \$40 for qualified supplies; he was reimbursed for \$30 out of petty cash, none of which was included on his W-2. He will claim the \$10 difference as a credit.

Figure the credit. The amount of the credit is the lesser of:

- The total amount paid for qualified supplies, less any reimbursements for those qualified supplies not included on line 1 of your W-2, or
- \$100.

Example 2. Liam was an 8th grade teacher for four months at an Indiana public school. During that time period he spent \$314 for qualified supplies. He is eligible to claim a \$100 credit.

Example 3. Chris and Pat are employed as teachers at an Indiana public high school. They are filing a joint tax return. During the year Chris spent \$74 for qualified supplies; Chris's credit is \$74. Pat spent \$214 for qualified supplies; Pat's credit is \$100 (limited to the lesser of the amount Pat spent or \$100). They will claim a \$174 combined credit.

Important. Make sure to keep a copy of the expense receipts used to figure this credit as DOR can require you to provide this information at a later date.

Note. Claiming an educator expense deduction on your federal tax return in no way prohibits you from being eligible to claim this credit on your state tax return.

Enter code 861 under line 6 if claiming this credit. See the **Combined Limitation** on page 54.

Railroad Expenditures Tax Credit 882

Effective Jan. 1, 2025, a taxpayer may claim a credit for qualified railroad expenditures. The amount of the credit is equal to 50% of the taxpayer's qualified railroad expenditures, but may not exceed the number of miles of Class II or Class III railroad track owned or leased by the taxpayer in Indiana at the close of the taxable year multiplied by \$3,500.

A credit application may only be filed with the department after completion of the project.

The department must evaluate a taxpayer's eligibility to be certified the credit based on a taxpayer submitting the number of miles of railroad track owned or leased in Indiana and a description and certification of the amount of the taxpayer's qualified railroad expenditures.

The credit may be assigned in writing. A taxpayer may make only one assignment and the assignee may not subsequently assign the credit. If the transferor of an assignment is a tax exempt entity (meaning a government agency or an organization that is recognized as exempt under section 501(c)(3) of the Internal Revenue Code) the transfer must be completed on or before the date that is one year after the close of the tax year for which the credit was certified.

Enter Code 882 on Part A of Schedule IN-OCC for the year in which you are claiming the credit. Include the certification number provided by the department when you claim the credit. If necessary, complete Part B of Schedule IN-OCC to report credits claimed from a carryover or credits to be carried over.

Redevelopment Tax Credit 863

You may be eligible for a credit if you make a qualified investment for the redevelopment or rehabilitation of real property located within a qualified redevelopment site.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN 46204. Visit the IEDC website at www.iedc.in.gov or call 317-232-8800 for additional information.

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. Also, see the **Combined Limitation** on page 54.

Residential Historic Rehabilitation Credit 831

A credit is available for the repair and rehabilitation of residential property that is listed on the Indiana Register of Historic Sites and Structures, is at least 50 years old, and will be used as your primary

Schedule G: Offset Credits Continued

residence. All work must meet the Secretary of the Interior's Standards for Rehabilitation of Historic Properties. The credit limit is 20% of expenditures or \$10,000, whichever is less.

For more information about this credit, see Income Tax Information Bulletin #87A at www.in.gov/dor/files/reference/ib87a.pdf. Also, contact the Indiana Department of Natural Resources, Division of Historic Preservation and Archaeology, 402 W. Washington St., Room W274, Indianapolis, IN 46204-2739; call 317-232-1646; or visit www.in.gov/dnr/historic-preservation.

Enter code 831 under line 6 if claiming this credit. Also, see the **Combined Limitation** on page 54.

Riverboat Building Credit 832

This credit has been repealed. However, any previously approved yet unused credit is available to be claimed.

Enter code 832 under line 6 if claiming this credit. See the **Combined Limitation** on page 54 for additional limitations.

School Scholarship Credit 849

A credit is available for donations to certain scholarship-granting organizations (SGOs). The amount of a taxpayer's credit is equal to 50% of the amount of the contribution made to the SGO for a school scholarship program. In some cases, the department may round the credit down to the nearest dollar if the department receives information that the credit should be the amount as rounded down.

While there are no limits to how much a donor can contribute to a qualified SGO, the entire tax credit program cannot award more than \$18.5 million in credits per state fiscal year.

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

The approved credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. Also, see the **Combined Limitation** on page 54.

Small Modular Nuclear Reactor Tax Credit 884

A credit is available for expenditures incurred in the manufacture of a small modular nuclear reactor. The credit is allowable for 20% of these expenditures incurred during the taxable year. The credit must be approved by the department prior to any credit claim.

List this credit on Schedule IN-OCC, Part A using code 884 and listing the PIN provided by the department. If you are carrying forward any credit from a prior year or carrying forward a credit to next year, list the credit on Schedule IN-OCC, Part B. Any unused credit in excess of the current year tax liability can be carried forward indefinitely to future tax years.

Venture Capital Investment Credit 835

A taxpayer that provides qualified investment capital to a qualified Indiana business may be eligible for this credit.

Certification for this credit must be obtained from the Indiana Economic Development Corporation Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204, telephone number 317-232-8800, or visit www.iedc.in.gov.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing. If you are claiming this credit as an owner of pass-through entity such as S corporation, partnership, limited liability company, etc., make sure to keep Schedule IN K-1 with your records as DOR can require you to provide this information.

See the **Restriction for Certain Tax Credits - Limited to One per Project** and the **Combined Limitation** on page 54 for additional limitations.

Venture Capital Investment Credit – Qualified Indiana Investment Fund 868

A taxpayer who provides qualified investment capital (either debt or equity capital) to a qualified Indiana investment fund may be eligible for this credit.

Note. Certification for this credit must be obtained from the Indiana Economic Development Corporation, Development Finance Office, VCI Credit Program, One North Capitol, Suite 700, Indianapolis, IN 46204.

This credit must be reported on Schedule IN-OCC, found at www.in.gov/dor/tax-forms/individual/current. Make sure to enclose this schedule with your tax filing.

Apply online through the IEDC's website at www.iedc.in.gov or call 317-232-8800 for more information.

Enclose the certification letter from the IEDC with the return, otherwise the credit will be denied.

Restriction for Certain Tax Credits - Limited to One Per Project

A taxpayer may not be granted more than one credit for the same project. The credits that are included are the alternative fuel vehicle manufacturer credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, and the venture capital investment credit. Apply this restriction first when figuring your credits. Then apply the **Combined Limitation** below.

Combined Limitation

There is one final limitation if you have more than one credit to be entered on lines 4 through 7 of Schedule G. These credits, when combined, cannot be greater than the state adjusted gross income tax shown on Form IT-40PNR line 8; if they are, adjust the amounts before you enter them. This includes any credits reported on Schedule IN-OCC, and carried to line 7 of Schedule G.

How to Adjust the Amount of Credit to Enter (Examples)

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

Example. Matthew has a \$500 Indiana529 Savings Plan Credit and a \$600 Industrial Recovery Credit. His state adjusted gross income tax due (IT-40PNR, line 8) is \$700. He will report the full \$500 Indiana529 Savings Plan Credit on Schedule G, line 6a, and enter \$200 of the Industrial Recovery Credit on line 6b. He will carry the \$400 remaining unused Industrial Recovery Credit over to next year's tax return.

Schedule H Section 1: Residency Information

Your (and Spouse's) Information

Tell us where you were a resident during 2025 by completing this area. Enter the 2-letter name for the other state(s) where you lived.

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

Note. If you were a resident of a foreign country during all or a part of 2025, enter the 2-letter code "OC" for other country. In addition, indicate whether or not you filed a tax return with the state/country you were a resident of in 2025.

Schedule H Section 2: Additional Required Information

Line 1 – Federal Filing Information

You must place an "X" in the "yes" or "no" box to answer the question: "Are you filing a federal income tax return for 2025?"

Line 2 – Extension of Time to File Information

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

Line 3 – Farmers and Fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on Schedule H, line 3, and place an "F" on Form IT-40PNR, line 20a. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- Paying all your estimated tax on or by Jan. 15, 2026, and filing your Form IT-40PNR by April 15, 2026, or
- Filing your Form IT-40PNR by March 2, 2026, and paying all the tax due at that time. You are not required to make an estimated tax payment if you use this option.

Line 4 – Non- or Partially- Responsible Spouse

Place an "X" in this box if you are a spouse who claims to not be liable for all or part of a tax liability because the remaining liability is that of the other spouse. You may be filing as a spouse who claims to not be liable for all or part of a tax liability if:

- You have a tax liability reported on a joint return for which you are not responsible;
- You have a tax liability reported on a joint return, but you are responsible only for a portion of the liability; or
- You have received an assessment from the Indiana Department of Revenue and you are not liable for all or part of the assessment because the assessment arises from the tax attributable to your spouse.

If filing as a non- or partially- responsible spouse who claims to not be liable for all or part of a tax liability, complete and submit Schedule IN-40PA (www.in.gov/dor/tax-forms/individual/current), along with any supporting documentation.

Line 5 – Date of Death

If the taxpayer and/or spouse died during 2025, and this return is being filed with his/her name on it, make sure to enter the month and day of death in the appropriate box. For example, a date of death of Jan. 9, 2025, would be entered as 01/09/2025. See instructions beginning on page 6 for more information.

Note. If the taxpayer and/or spouse died before 2025, or after Dec. 31, 2025, but before filing his or her tax return, do not enter his/her date of death in this box.

Line 6

Enter the number of days you worked in Indiana during 2025. In addition, if you are filing a joint return with your spouse, also enter the number of days your spouse worked in Indiana. Include the days from all places of employment in Indiana. See Income Tax Information Bulletins #28 (www.in.gov/dor/files/reference/ib28.pdf), #32 (www.in.gov/dor/files/reference/ib32.pdf), and #33 (www.in.gov/dor/files/reference/ib33.pdf) for further information.

CAUTION. A blank entry in a box will be treated as if you and/or your spouse worked the full calendar year in Indiana.

Personal Representative Information

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

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

Schedule IT-40NOL Instructions

Next, enter the name of the individual you are designating as your personal representative, that person's telephone number, and that person's complete address.

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

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

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

Paid Preparer Information

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

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

Opt-Out Designation

There are many benefits to electronic filing, which include:

- Elimination of math errors
- Faster refunds

Paid preparers are required to electronically file all Indiana individual income tax returns if they prepare more than 10 tax returns annually. If you use a paid preparer and do not want your tax return to be filed electronically, you must complete a state Form IN-OPT. This form requires your signature (and your spouse's, if filing jointly), and must be maintained by your paid preparer with his or her records. Get Form IN-OPT at www.in.gov/dor/tax-forms/individual/current for more information.

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

Schedule IT-40NOL and Carryforward Worksheet

A separate Schedule IT-40NOL must be used for each loss year.

Indiana Code 6-3-2-2.5 and 6-3-2-2.6 allow for a net operating loss (NOL) deduction from Indiana adjusted gross income. All loss years ending after Jan. 1, 2004, and any existing NOL(s) carried over to a taxable year after this date must be recomputed by applying the amended provisions of this Act. Deductions for net operating losses that were incurred in taxable years ending before Jan. 1, 2004, and carried back or forward and deducted in taxable years ending before Jan. 1, 2004, are calculated under the law in effect for the year the NOL was incurred.

For tax years 2021 and later, itemized deductions are not permitted in determining Indiana net operating losses. In addition, if you have a net operating loss carryforward that was calculated in whole or in part using an itemized deduction, you must recalculate the net operating loss without the itemized deduction in order to determine the amount to be carried forward.

* The application of the NOL in the pre-2004 tax year(s) must conform with the rules that govern those years. Do not refigure the amount of deduction used in the pre-2004 tax years.

When to use an Indiana NOL

Carryback and carryforward years. Public Law 172-2011 amends IC 6-3-2-2.5 and IC 6-3-2-2.6. It provides that no Indiana net operating loss carryback claim may be filed after Dec. 31, 2011.

Example. Paul has an Indiana NOL for the 2010 tax year. Paul did not file an Indiana NOL carryback claim before Jan. 1, 2012. Therefore, he will have to carry the loss forward.

Note. This rule will have no impact on carryback claims filed before Jan. 1, 2012.

Example. Ross has a \$200,000 Indiana NOL for the 2010 tax year. In October of 2011 he carried this loss back to his 2008 and 2009 Indiana returns. He used \$75,000 of the loss in 2008, and \$100,000 of the loss in 2009. He has a \$25,000 loss available to be carried to tax year 2011.

Indiana NOLs may be carried forward for up to 20 years following the loss year (HEA 1316-2018(ss), Sec. 5).

Note. If you potentially had a net operating loss for 2018 through 2021, please see the specific modifications for Line 2 related to those years and later.

Part 1 – Computation of Indiana NOL

Enter the loss year (this is the year in which the NOL occurred).

PL. 81-2004, effective Jan. 1, 2004, provides for an NOL deduction from Indiana adjusted gross income equal to the amount of a federal NOL, computed under IRC Section 172, for the taxable year, that is derived from sources from within Indiana, and adjusted for modifications under IC 6-3-1-3.5. The federal NOL for individuals, which reflects the IRC Section 172 application, is computed on IRS Form 172, Part 1, or the equivalent worksheet from IRS Publication 536.

Note. The use of Indiana modifications may result in an Indiana net operating loss even if there is no federal NOL.

Line 1. Enter your adjusted gross income from Line 1 of Form IT-40PNR.

Line 2. Enter the sum of certain Indiana add-backs and deductions that you reported on your Form IT-40PNR here. The amount will be the 100-code add-backs other than Code 155 minus the 600-code deductions. For years before 2023, the 100-series codes listed below will be reported on Line 2 of the IT-40NOL and the 600-series codes will be

Schedule IT-40NOL Instructions Continued

reported on Line 5 of the IT-40NOL. Please note the years specified for each code. If no year is listed, the modification is required for all years.

For a modification report on Form IT-40PNR, any modification for a 100-series code applies only to 2009 and later.

- Tax add-back – 100
- Net operating loss carryforward – 101
- Lump sum distribution – 102 (2009 through 2015 only)
- Section 179 expense – 105
- Bonus depreciation – 104
- Unemployment compensation – 106 (2009 only)
- Deferral of business indebtedness discharge and reacquisition – 107 (2009 to present)
- Qualified disaster assistance property – 110 (2009 to present)
- Qualified refinery property – 111 (2009 to present)
- Qualified restaurant property – 108 (2009 to present)
- Qualified film or television production – 112 (2009 to present)
- Qualified preferred stock – 113 (2009 to present)
- Qualified retail improvement property – 109 (2009 to present)
- Educator expense – 124 (2010 through 2012)
- Employer-provided educational expenses – 125** (2010 through 2012)
- IRA charitable distribution – 122** (2010 to 2012)
- Qualified transportation fringe expenses – 127** (2010 to 2012)
- Student loan interest – 128** (2010 to 2012)
- Tuition and fees – 123** (2010 to 2012)
- Discharge of debt of a principal residence – 117 (2010 through 2015)
- Motorsports entertainment complex – 130** (2010 to present)
- Qualified advance mining safety equipment – 126** (2010 to present)
- Qualified environmental remediation costs – 121** (2010 to present)
- Qualified leasehold improvement property – 129** (2010 to present)
- Start-up expenditures – 131** (2010 to present)
- Certain trade or business deductions based on employment of unauthorized alien – 132 (2011 through 2015)
- OOS municipal obligation interest – 137 (2012 to present)
- Federal Repatriated Dividend Deduction Add-Back – 139 (2017 to present)
- Excess federal interest (under IRC Section 163(j)) – 142 (2018 to present)
- Excess business losses permitted for federal purposes but not Indiana purposes – 120 (2018 through 2020)
- Student loan payments made by an employer and excluded from federal gross income, net of interest that would have been permitted for federal purposes absent the federal exclusions – 148
- Student loan debt discharged under IRC section 108(f)(5) except those excluded as a result of death, total and permanent disability, or bankruptcy – 150 (2021 to present)
- 50% of certain meals deducted in determining AGI – 149 (2021 to present)
- Modifications for Excess Business Losses – 151 (2023 to present)
- Modifications from Excess Inclusion Income – 153 (2023 to present)
- Specified Research and Experimental Expenses Add-Back – 154 (2023 to present)
- Military service deduction – 613 (2024 to present)
- Non-Indiana locality earnings deduction – 614 (2003 through 2015)

- Homeowner's residential property tax deduction – 604
- State tax refund and/or other recovered itemized deductions – 618
- Interest from U.S. government obligations – 610
- Social Security and/or benefits issued by the U.S. Railroad Retirement Board – 624
- Indiana partnership long-term care policy premiums deduction – 608
- Human services deduction – 605
- Qualified patent income exemption – 622 (2009 to present)
- National Guard and reserve component member's deduction – 621 (2009 to present)
- Nonresident military spouse earned income deduction – 625 (2009 to present)
- Government or civic group capital contribution deduction – 633 (2018 to present)
- COVID-related ERC disallowed expense deduction – 634 (2021 to 2022 and 2025)
- Indiana education scholarship account grant deduction – 635 (2021 to present)
- Indiana enrichment scholarship account deduction – 638 (2022 to present)
- Student loan interest deduction for interest paid from student loan payments required to be added back – 637 (2022 to present)
- Small Employer Health Insurance Premium Deduction – 639 (2023 to present)
- Specified Research and Experimental Expenses Deduction – 641 (2023 to present)
- Indiana career scholarship account deduction – 642 (2023 to present)
- Any other modification reported using Code 120 or Code 147 (2010 to present for 120, 2020 to present for 147). This includes, without limitation:
 - Excess business losses permitted for federal purposes but not Indiana purposes (2018 through 2020)
 - Charitable contributions deductions claimed by individuals in determining federal AGI – (2020 only)
 - Unemployment excluded from federal gross income (2020 only)
 - Any late-added modifications listed in this list for 2021 to present but which were required or permitted for 2020.

Note. Prior to completing line 3, you will need to complete IRS Form 172, Part 1, or the equivalent worksheet from IRS Publication 536.

Line 3. Add the following amounts from IRS Form 172, Part 1, or the equivalent worksheet from IRS Publication 536 that are from sources within Indiana and enter on line 3:

- Line 9 minus any itemized or standard deductions included in line 6, but not less than zero.
- Line 17
- Line 21
- Line 22

If you are adding one or more of these amounts, also complete Schedule NOL-MOD, Part 1 to report these amounts. If you have an Indiana net capital loss that was deducted in full against your net capital gains from other states for federal purposes, those Indiana net capital losses generally are not required to be added back. Only add back the portion of Indiana capital losses deducted against ordinary federal income.

Schedule IT-40NOL Instructions Continued

Line 4. Enter the total of lines 1 through 3. If this number is greater than zero, enter 0.

Line 5. If you have a federal excess business loss for the current year, enter your excess business loss from IRS Form 1040, Schedule 1, line 8p that is derived from Indiana sources as a negative number. If you have a federal net operating loss for the current year after determining excess inclusion income, enter the portion of federal net operating loss that equals your excess inclusion income if you were an Indiana resident at the end of the year. If you have Indiana net operating losses as the result of the termination of an estate or a trust that can first be claimed by you in the current taxable year, enter the amount of those Indiana net operating losses as a negative number. Do not include any net operating losses carried forward from prior years. If you have an amount reported on this line, also complete Schedule NOL-MOD, Part 2.

Note. If you have a deduction permitted as part of your federal net operating loss but not deducted in determining federal adjusted gross income, such as a federal itemized deduction, enter the net operating loss determined as if that deduction was disallowed for federal purposes.

Line 6. If you have a Code 151 or Code 153 adjustment, include that adjustment on this line. If Code 151 is a negative number, enter that amount as a positive number on line 6. Also complete Schedule NOL-MOD, Part 2, to report these amounts.

Line 7. Add lines 5 and 6. If line 7 is greater than 0, enter zero.

Line 8. Add lines 4 and 7. If this number is negative, this is your net operating loss available for carryforward. If this number is zero, you do not have a net operating loss.

Part 2 – Record of Indiana NOL Application

Column 1. List the year(s) to which you are carrying the loss.

Column 2. Enter the amount of Indiana AGI available to be offset from line 5 of the completed Carryforward Worksheet.

Column 3. Enter as a positive amount the Indiana NOL available for deduction from line 6 of the completed Carryforward Worksheet.

Column 4. Enter the amount from either line 7 or line 8 of the Carryforward Worksheet (only one of those lines will have an entry).

Column 5. Enter the amount from line 9 of the completed Carryforward Worksheet. This is your Indiana NOL deduction. Enter on IT-40 Schedule 1 (Schedule 2 for the 2009 tax year and beyond), under line 11, or IT-40PNR Schedule B (Schedule C for the 2009 tax year and beyond), under line 11. If carrying the loss forward to a tax year which has already been filed, enter the amount on Form IT-40X, line 1, Column B.

Schedule IT-40NOL Carryforward Worksheet

A Carryforward Worksheet must be completed for each loss year. If you are carrying your loss forward for more than five years, modify the top of the column to show the year to which it is being carried.

Example. Modify Column A, '1st' following year, to read '6th' following year.

Before you begin. You must have a completed state tax return (not including the Indiana NOL deduction) for the intervening year(s) in which you are applying the loss. For 2024 and later, you may also need to complete Schedule NOL-MOD.

Note. If you have a debt excluded from your gross income that was discharged by a Title 11 bankruptcy, a debt that was discharged while you were insolvent, or a discharged debt that was qualifying farm indebtedness, you will be required to reduce your net operating losses available for carryforward. Your loss reduction will equal the amount of the indebtedness listed above and attributed to Indiana sources minus any portion of that indebtedness applied against basis, capital loss, and passive loss/credit attributes. This reduction is to be applied first against the current year net operating loss, then against loss carryforwards in the order in which they were incurred, from oldest to newest. In the case of discharges from partnerships or S corporations, the insolvency rules are consistent with federal law.

Columns A – E. Enter in Column A information from the first year following the loss year. Enter in Column B information from the second year following the loss year. Complete the remaining columns accordingly.

Example. The loss year is 2009. Column A should reflect information from tax year 2010; Column B should reflect information from tax year 2011, and so on.

Intervening year. Year to which a loss is being carried.

Complete lines 1 through 5 of the Carryover Worksheet to figure the intervening year's Indiana AGI.

Line 1. Enter the amount from line 1 of the intervening year's IT-40 or IT-40PNR.

Note. If reporting from the IT-40PNR for tax year 2008 or before, skip line 2 and enter this amount on line 3.

Line 2. Net the following Indiana add-backs as reported on the intervening year's return.

Add the modifications applicable for the taxable year. See the instructions for Line 2 of the IT-40NOL for a list of modifications. Also report any discharges required to be applied to net operating loss carryforwards. For 2024 and later, also see the instructions for Code 155 on page 19.

If you reported any of the above on your 2012 tax return, and you utilized Option 2 to report them as a negative add-back on your 2013 return (using a 300-series 3-digit code number in lieu of filing an amendment for 2012), do not include these amounts on line 2 when 2013 is the intervening year.

Line 3. Add lines 1 and 2 and enter the result here.

Line 4. Enter the net of certain deductions as claimed on the intervening year's return. These are the 600-code deductions listed in Part 1, line 2, along with the total exemptions claimed.

County Tax Instructions

Line 5 – Intervening year’s Indiana AGI. Subtract line 4 from line 3 (if less than zero, enter zero).

Line 6. NOL available for carryforward. Enter here the amount from Schedule IT-40NOL, Part 1, line 8 (enter as a positive amount).

- If this is the first time the NOL from Schedule IT-40NOL, Part 1, line 8, is being used, then enter the full amount here.
- If you have already used the NOL from Schedule IT-40NOL, Part 1, line 8, to offset income, then enter the remaining available loss here (from line 8 of the Carryforward Worksheet). See line 8 instructions.

Complete line 7 OR line 8 based on the following:

- If line 5 is greater than line 6, complete line 7.
- If line 6 is greater than line 5, complete line 8.

Line 7. If the line 5 intervening year’s Indiana AGI is greater than or equal to the line 6 NOL available for carryforward, then you will use all of the available NOL as a deduction. Subtract line 6 from line 5 and enter the difference here. Skip line 8 and complete line 9.

Line 8. If the line 6 NOL available for carryforward is greater than the line 5 intervening year’s Indiana AGI, then you will be able to offset the entire intervening year’s Indiana AGI and have a reduced NOL available to carry to other years. Subtract line 5 from line 6 and enter the difference here and on line 6 in the next column.

Line 9. Enter the smaller of the amount on line 5 or line 6. This is your Indiana NOL deduction. Enter on IT-40 Schedule 1 (Schedule 2 for the 2009 tax year and beyond), under line 11, or IT-40PNR Schedule B (Schedule C for the 2009 tax year and beyond), under line 11. For tax years beginning before 2020, if you are carrying the loss forward to a tax year which has already been filed, enter the amount on Form IT-40X, line 4, Column B.

County Tax: Schedule CT-40PNR

If you live or work in an Indiana county as of Jan. 1 of the tax year, you will probably owe county tax. Complete the county tax Schedule CT-40PNR to figure if you do owe, and how much it will be.

County Where You Lived Defined

The county where you lived is the county where you maintained your home on Jan. 1, 2025. If you had more than one home on this date, then your county of residence as of Jan. 1, 2025, was:

- Where you were registered to vote. If this did not apply, then your county of residence was
- Where your personal automobile was registered. If this did not apply, then your county of residence was
- Where you spent the majority of your time in Indiana during 2025.

Did You Move During the Year?

If you moved your residence to a different Indiana county (or out of state) during the year, but after Jan. 1, 2025, the county where you lived for tax purposes *will not change until next year*.

County Where You Worked Defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on Jan. 1, 2025. If you began working in another county (or out of state) after Jan. 1, 2025, the county where you worked for tax purposes will not change *until next year*.

Example. Jessie worked in Marion County, Indiana, on Jan. 1, 2025. She quit that job and began a new one in Johnson County, Indiana, on Feb. 10, 2025. She will enter the Marion County two-digit code “49” in the County Where You Worked box on the front of Form IT-40PNR even though she changed jobs during the year.

If you had more than one job on Jan. 1, 2025, your principal place of employment is the county where you worked the most hours and earned the most income.

If, on Jan. 1, 2025, your county of principal employment was not in Indiana, write county code “00” (out-of-state) in the County Where You Worked box on the front of the IT-40PNR.

Exception. If you worked in any of the following states on Jan. 1, 2025, enter their two-digit code number (instead of 00):

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

Principal Employment Income

You must figure your principal employment income if, on Jan. 1, 2025, you lived out-of-state and were employed in an Indiana county. Your principal employment income is income you earned from the county of your main Indiana work activity (job) for the entire year. See instructions for Section 2, line 1 on page 61 for more information.

Military Personnel

If you were stationed in Indiana, your county of residence is the county where you lived on Jan. 1 of the year you entered the military service. If, on Jan. 1, 2025, you were stationed outside Indiana and your family was with you, write county code “00” (out-of-state) in all the county boxes on Form IT-40PNR (you won’t owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and family were still living in an Indiana county on Jan. 1, 2025, you are considered to be a resident of that county and will be subject to county tax.

Retired Persons, Homemakers or Unemployed

If you were retired, a homemaker, or were unemployed on Jan. 1, 2025, put your county of residence two-digit code number in both the Indiana County where you lived and Indiana County Where You Worked boxes on Form IT-40. **Do not write the word “Retired,” “Homemaker” or “Unemployed” over the boxes.**

Special Note to Married Taxpayers Filing a Joint Return

- If you lived in different Indiana counties on Jan. 1, 2025, you need to figure your county tax separately on Section 1.
- If both of you lived out-of-state on Jan. 1, 2025, but worked in different Indiana counties, you must figure your tax separately on Section 2.
- If only one of you is subject to county tax, then you may use all of the exemptions from Schedule D, line 8, except for your spouse's personal exemption, to figure your tax.*

Example. On Schedule D Jack and Sue claim \$2,000 on line 1, one exemption (\$1,000) on line 2, and one additional dependent exemption (\$1,500) on line 3. The line 6 amount is \$4,500. The line 7 amount is .40. Jack can use \$1,400 (the \$3,500 exemption amount multiplied by .40 equals \$1,400) to figure his county tax.

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

Principal Place of Residence Address

Enter the street address where you lived on Jan. 1 of the current year. You may enter a rural route address if that is the mailing address of your residence. See instructions for "County Where You Lived Defined" for additional information and special rules.

You must complete this section even if the address is the same as your mailing address on page 1 of the return.

If you are married and filing a joint return, you must also complete this information for your spouse. If you or your spouse are listing an address located in a foreign country, enter the 2-character foreign country code, which may be found online at www.in.gov/dor/resources/tax-library/foreign-country-code-listing.

Do not enter:

- A post office box
- A non-residential address
- "Same", "See page 1", "Same as above", or similar language.

Where Did You Live?

Did you live in an Indiana county on Jan. 1, 2025? If "yes," complete Section 1 for yourself, and skip Section 2. If your answer is "no," skip Section 1 and go to *Section 2: Line-By-Line instructions*.

If you are filing a joint return, did your spouse live in an Indiana county on Jan. 1, 2025? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to *Section 2: Line-By-Line instructions*.

Line 1

If you are completing Section 1, state taxable income means:

- State taxable income from Line 7 of Form IT-40PNR; plus
- Any Indiana-source income from wages, tips, or other compensation earned while you are a resident of a reciprocal state (Kentucky, Michigan, Ohio, Pennsylvania, or Wisconsin).

If you are filing a single return or are married filing separately, enter in Column A your state taxable income.

If you are filing a joint return and you both lived in the same Indiana county on Jan. 1, 2025, enter in Column A your combined state taxable income. Leave Column B blank.

Example. On Jan. 1, 2025, Jack and Diane lived in the same Indiana county. They will enter their combined state taxable income in Column A.

If you are filing a joint return and you and your spouse lived in different Indiana counties on Jan. 1, 2025, enter each person's share of state taxable income in the appropriate columns.

Following are three examples for when a taxpayer and spouse file married filing jointly but live in different Indiana counties on Jan. 1 of the tax year.

Example 1. Simon and Tina married in 2025 and are filing a joint return. On Jan. 1, 2025, Simon lived in Greene County (Indiana) and Tina lived in Clay County (Indiana). Their federal adjusted gross income is \$55,400. Their proration percentage from Schedule A, Line 21D is .549. None of their income is derived from wages from a reciprocal state. Their state taxable income (subject to tax in Indiana) of \$29,302 includes the following breakdown:

Simon:

\$23,000	wages
+ 200	(½ joint interest income)
- 549	exemption*
19,651 income for CT-40PNR Section 1, line 1 Column A	

Tina:

\$10,000	wages
+ 200	(½ joint interest income)
- 549	exemption*
9,651 income for CT-40PNR Section 1, line 1 Column B	

** Exemptions.* Schedule D line 8 is .549 multiplied by \$2,000 = \$1,098. Simon and Tina will each use one-half of that total, or \$549.

Example 2. Same facts as the example above, except that Simon and Tina moved to Ohio but Simon continued to work in Indiana. Simon's wages from the period after moving to Ohio were \$5,000, not included on Line 7 of the IT-40 PNR. Simon would use \$25,000 (\$20,000 earned while an Indiana resident plus \$5,000 earned from Indiana sources while an Ohio resident) instead of \$20,000, which would make his income for CT-40PNR, Section 1, line 1 Column A \$24,651 (\$25,000 plus \$200 minus \$549).

Use of exemptions when separating income.

Each spouse must use their own:

- Personal \$1,000 exemption (included on Schedule D, line 1),
- Age 65 or older exemption (included on Schedule D, line 4),
- Additional age 65 exemption (included on Schedule D, line 5),

when figuring their share of net income subject to county tax. Additional exemptions for dependents should be divvied up in whole* in a way that provides the most benefit to the individuals. This usually results with the individual with the higher county tax rate using all of the dependent exemptions when figuring county tax.

Exception. If you or your spouse have negative income after exemptions, the negative income amount may be used to reduce the

County Tax Instructions Continued

positive income of the other spouse. In this situation only can the exemptions of one spouse be used to reduce the income of the other spouse.

*Exemptions must be used in whole. For example, a \$1,000 exemption may not be separated into \$700 to be used by one spouse, with the remaining \$300 to be used by the other spouse. The full \$1,000 must be used by one spouse only.

Note. The total amount of exemptions used in Section 1 may not be greater than the total amount of exemptions reported on Schedule D, line 9.

Example 3. Sam and Molly married in Jan. 2025 and are filing a joint return. On Jan. 1, 2025, Sam lived in County A, which has a county tax rate of .01. Molly lived in County B, which has a county tax rate of .025. They claim their five-year old son Sebastian as a dependent, and also claim him as an additional dependent exemption.

Their total exemptions before proration are \$4,500 (\$1,000 each for Sam and Molly, \$1,000 for Sebastian, plus the \$1,500 additional dependent exemption for Sebastian).

Sam's Indiana wage income is \$49,000; Molly's is \$45,000. They claimed a \$2,500 homeowner's property tax deduction. They moved to Minnesota in November of the tax year and earned \$31,333 after moving there. Their proration amount is 75% (.75).

Molly will use all of the prorated exemptions except for Sam's personal exemption ($\$1,000 \times .75 = \750) when figuring her share of income subject to county tax since she has the higher county tax rate.

Their individual share of the \$88,125 state taxable income reported on line 7 of their Form IT-40PNR is to be reported on Schedule CT-40PNR between Column A and Column B in the following way:

Sam:

\$49,000	wages
- 1,250	(½ property tax deduction)
- 750	exemption total (after proration)*
47,000	amount for CT-40PNR Section 1, line 1 Column A

Molly:

\$45,000	wages
- 1,250	(½ property tax deduction)
- 2,625	exemption total (after proration)*
41,125	amount for CT-40PNR Section 1, line 1 Column B

*Sam's prorated exemption total is \$750 (\$1,000 multiplied by .75).
Molly's prorated exemption total is \$2,625 (\$3,500 multiplied by .75).

Sam will enter \$47,000 on line 1A and Molly will enter \$41,125 on line 1B.

Line 2

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

Line 4

Add the amounts from line 3, Columns A and B. If you were a Perry County (Indiana) resident and worked in the Kentucky counties of Breckinridge, Hancock or Meade, review Lines 5 and 6 instructions. Otherwise, skip to line 7.

Lines 5 and 6

If you:

- Were a Jan. 1, 2025 Perry County resident,
- Worked in the Kentucky counties of Breckinridge, Hancock and/or Meade; and
- The income from those counties was subject to either a Kentucky county income tax or a local income tax for a locality in those counties,

review the following instructions. Otherwise, skip these lines and go to line 7.

Line 5 – If the Kentucky counties of Breckinridge, Hancock and/or Meade, or a locality located within these counties figured a locality tax on your income, enter the amount of that income here.

Line 6 – Multiply the amount on line 5 by .0140 and enter the result here. Continue to line 7.

Line 7

Subtract any entry on line 6 from the amount on line 4. Continue with Section 2 below if you are married filing jointly and your spouse needs to complete it. Otherwise, enter the result here and on line 9 of Form IT-40PNR.

County Tax Schedule CT-40PNR Section 2: Line-By-Line Instructions

Where Did You Work?

Did you work in an Indiana county on Jan. 1, 2025? If "yes," complete this section. If your answer is "no," you will not owe any county tax. Do not complete this section on your behalf.

If you are filing a joint return, did your spouse work in an Indiana county on Jan. 1, 2025? If yes, complete this section. If your answer is "no," your spouse will not owe any county tax. Do not complete this section on your spouse's behalf.

Note. If:

- You or your spouse are both subject to Indiana county tax, and
- Either you or your spouse has a negative income subject to tax after exemption,

you may combine the two incomes into the total of the spouse with positive income. Disregard any contrary instructions below for allocations between spouses below in this circumstance only.

Line 1

Enter your principal employment or business income that is included on Indiana Schedule A, Section 1, Column B* (if you are a resident of a reciprocal state [Kentucky, Ohio, Pennsylvania, Michigan or Wisconsin], see **Reciprocal state residents** below). This can include income from:

County Tax Instructions Continued

- Wages, tips, salaries and commissions. This includes amounts earned from secondary or part-time employment in the same county as your county of principal business or employment;
- Net self-employment income from federal Schedule C/C-EZ, Schedule IN K-1, and/or net farm income from federal Schedule F;
- The portion of income from a trade or business, including income listed on a Schedule IN K-1 and derived from the primary county of employment if you are actively involved in the business;
- Sales or exchanges of property located in the county of your principal place of business or employment; and/or
- Rental or real or tangible personal property in the county of principal business or employment.

Do not include passive-source income like nonbusiness interest and dividends, pension, capital gains from the sale of securities, unemployment compensation, etc.

Example. During 2025, Jake received income from the following Indiana sources (included on Indiana Schedule A, Section 1, Column B):

- \$15,000 from his full-time job (held for the entire year) in Vigo County
- \$1,850 from his part-time job in Vigo county
- \$3,000 from his part-time job in Clay county
- \$50 nonbusiness interest income
- \$800 pension income

Jake will enter his income from Vigo County on line 1. This includes both his \$15,000 from his full-time job and \$1,850 from his part-time job, for a total of \$16,850. He will not enter his \$3,000 from Clay County, the nonbusiness interest income, and the pension income.

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

Example. Jo Anne and her husband John are Illinois residents. They moved to Indiana two years ago when John, who is in the military, was stationed in Indiana. She has an Indiana job. Jo Anne reported her \$35,000 Indiana-source wage income on Schedule A, lines 2A and 2B. She reported the \$35,000 as a military spouse earned income deduction on Schedule C, line 11. That \$35,000 income is not subject to Indiana county tax. She will not enter it on Schedule CT-40PNR, Section 2, line 1B.

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

Example. Sarah had two full-time jobs in Indiana during the year. She earned \$13,000 from her first job, which she held from January through April. She began a new job in May and worked through year's end, earning \$21,000. She should enter the \$34,000 combined amount here.

Reciprocal state residents (see instructions on page 9 and under Line 4 below) with Indiana-source income from wages, tips or other compensation may owe county tax on that income and certain business income described above even though it's not taxed on

Schedule A, Section 1, Column B. See also the instructions for Line 2 below if you have certain deductions allowable against your wages.

Example. Fred and Deanna are full-year Michigan residents. Deanna earned \$55,000 wage income from an Elkhart, Indiana employer, which is the county where she worked as of Jan. 1, 2025. Fred received \$10,000 winnings from an Indiana riverboat. Fred's gambling income is subject to Indiana state tax (he will report it on Schedule A, line 20, Column B); however, his winnings are not subject to Indiana county tax (he lived and worked in Michigan on Jan. 1, 2025).

Conversely, while Deanna's wage income is not subject to Indiana adjusted gross income tax, it is subject to county tax. Enter her \$55,000 wage income on CT-40PNR, Section 2, line 1B. See **Reciprocal state residents** under Line 4 instructions below and the *Example* for more information on how to figure her county tax.

Line 2

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

The allowable deduction from your Indiana Schedule C can include the enterprise zone employee deduction if the deduction is directly related to the income reported on line 1.

The allowable deductions reported on Indiana Schedule A, Section 2, can include the educator expense deduction, certain business expenses of reservists, performing artists and fee-based government officials, health savings account deduction, deductible part of self-employment tax, SEP, SIMPLE and qualified plans, self-employed health insurance deduction, and/or IRA deduction, if the deduction is directly related to the income reported on line 1. If you have a deduction that is not directly related to the income being taxed on Line 1, do not claim these deductions.

Note. If you are a resident of a reciprocal state and the allowable deductions relate to wages not subject to state income tax, report the wages minus allowable deductions on line 1 and do not enter the deductions on line 2.

Example. Ann is an Illinois resident teaching in Indiana. Her Indiana wages were \$51,000, which she reported on Schedule A, lines 1A and 1B. She claimed a \$250 educator expense deduction on Indiana Schedule A, Section 2, lines 22A and 22B. She will claim the \$250 educator expense deduction on line 2.

Example. Tim and Jane file a joint tax return and are full-year Illinois residents. Jane does not owe county tax, but Tim does because his business is located in an Indiana county. Jane has a \$21,000 wage income and a \$2,000 IRA deduction. Tim has \$23,000 net income from his Indiana photography shop and claimed a \$700 self-employed SEP deduction. He will enter his \$23,000 income on line 1 of Section 2 and the \$700 SEP deduction on line 2 of Section 2. He is not eligible to take the IRA deduction because the wage income that it is in relation to is not being taxed for county tax purposes (it is associated with Jane's income).

Line 4

If you are married filing jointly, enter a portion of the your exemption(s) (personal, over 65 and/or blind) included on Schedule D, line 9. All other filers should enter the total exemptions from Schedule D, line 9.

You cannot claim your spouse's personal exemption. Exemptions for dependents, and age 65 or older or blind can be claimed by either spouse, as long as the total of line 4, Columns A and B is not greater than the total reported on Schedule D, line 9.

Example. On Schedule D Jack and Sue claim \$2,000 on line 1, one dependent exemption (\$1,000) on line 2, and one additional dependent exemption (\$1,500) on line 3. The line 7 amount is \$4,500. The line 8 amount is .40. Jack can use \$1,400 (the \$3,500 exemption amount multiplied by .40 = \$1,400) to figure his county tax.

Reciprocal state residents (see instructions on page 9) with Indiana-source income from wages, tips or other compensation (reciprocal income) may not use any exemptions to reduce their reciprocal income for county tax calculation purposes.

Example. Alex lived in Michigan and worked in Indiana on Jan.1 of the year, earning \$65,000 wages (reciprocal income) from his Elkhart County job.

He also had \$5,000 income from his St. Joseph County, Indiana business (rental income, which is not reciprocal income).

While his wage income is not subject to Indiana income tax, it is subject to county tax. He will complete Schedule CT-40PNR, Section 2, Column A, entering his \$65,000 wage income on lines 1 and 3. He is not eligible to claim any exemptions on line 4.

Line 6

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

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



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