OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

LEGISLATIVE SERVICES AGENCY

2022 TAX EXPENDITURE REVIEW

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

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

Expenditure Review Team

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

Staff

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

CONTENTS

PREFACE

IC 2-5-3.2-2 establishes that the Legislative Services Agency (LSA) must prepare and publish a tax expenditure report before November 1 of each even-numbered year.

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

Pursuant to IC 2-5-3.2-2, the report must include at least the following:

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

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

INTRODUCTION
DEFINING TAX EXPENDITURES

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

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

Generally, the following criteria are used to determine whether a provision constitutes a tax expenditure:

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

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

Individual Income Tax

The premise of the individual income tax dates back to the definition of income developed by economists Robert Haig and Henry Simons. Simply, they equate income to the sum of consumption and change in net worth. While some question the accuracy of this method, as one's change in net worth may lead to consumption at a later time, the Haig-Simons definition provides a useful starting point. From this point, income is calculated for tax purposes, and several adjustments are made to determine taxable income.

Individual income taxation begins with gross income, which consists primarily of wages, salaries, taxable interest, business income, realized net capital gains, rents, royalties, taxable pension and annuity income, and alimony received. Federal law provides several adjustments to an individual's or entity's gross income to arrive at federal adjusted gross income (AGI) as defined by Section 62 of the Internal Revenue Code. These adjustments are commonly referred to as being "above

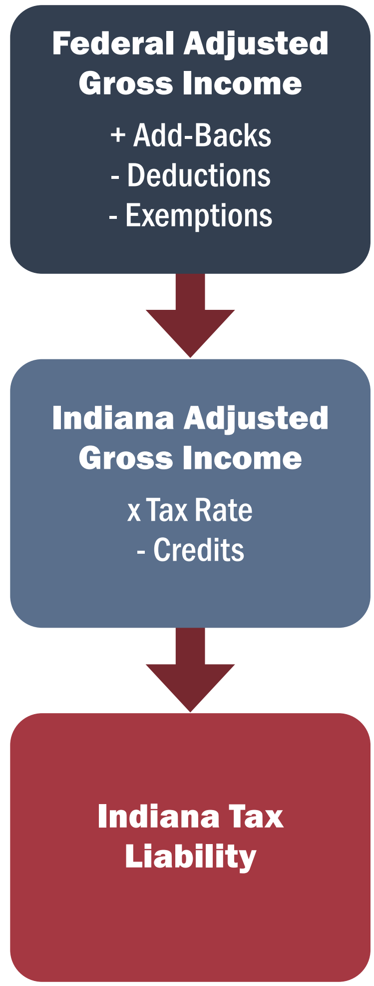
[1]Mikesell, J. L. (2002). Tax expenditure budgets, budget policy, and tax policy: Confusion in the states. *Public Budgeting & Finance, 22*(4), 34-51.

the line" because they are adjustments to income before the computation of federal AGI. "Above the line" also has another meaning for Indiana taxation purposes. Taxpayers are required to carry over their federal AGI from their federal return to their Indiana return. Those "above the line" adjustments are made before the first line of Indiana's income tax filings, and those adjustments do not appear on Indiana's income tax return.

Indiana statute requires certain "above the line" adjustments to be added back to the taxpayer's federal AGI. Most of the adjustments are related to federal tax provisions that Indiana does not recognize, like the bonus depreciation deduction. Pursuant to IC 2-5-3.2-2, a tax expenditure is a provision that reduces a person's state tax liability. Therefore, for the purposes of this tax expenditure report, the tax base is equal to federal AGI, plus Indiana add-backs. Any additional adjustment to income that occurs after the calculation of AGI on Federal Form 1040 is not considered a tax expenditure for the purposes of this report.

After adding back certain amounts to federal AGI, deductions, such as the homeowner's property tax deduction, and exemptions for each qualifying family member are subtracted. The resulting amount equals Indiana AGI. The state AGI tax is computed by multiplying Indiana AGI by the appropriate tax rate, which is 3.23% for tax years 2017 through 2022 and 3.15% for tax years 2023 and 2024.[2] Credits, such as the earned income tax credit, venture capital investment credit, and certain credits for charitable donations, are subtracted from this tax amount. The resulting amount is the Indiana individual income tax liability.

For purposes of this report, Indiana deductions and exemptions subtracted from federal AGI and credits subtracted from the state tax amount are considered tax expenditures.



Corporate Income Tax

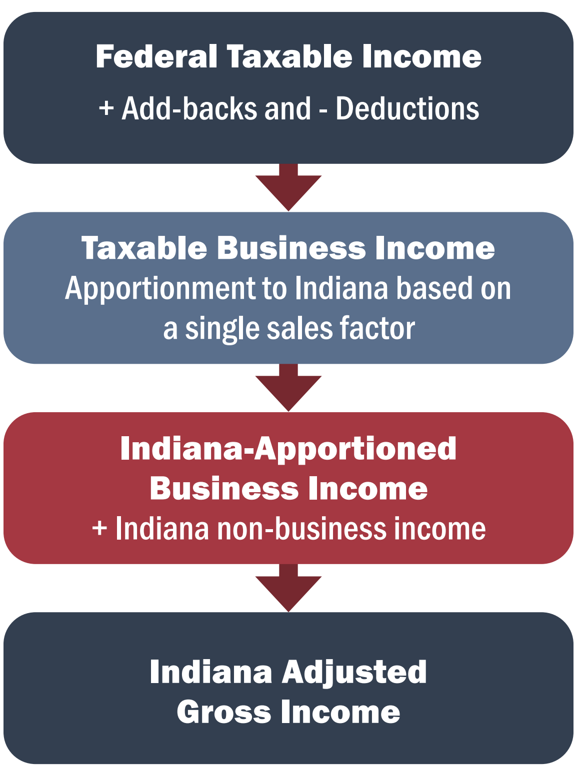
Indiana corporate income taxation begins with federal "taxable income before federal net operating loss (NOL) and special deductions" (e.g., net qualifying dividends deduction). NOL at the federal level refers to losses from all subsidiaries of a corporation, including those outside of Indiana. NOL in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

[2] After 2024, the tax rate will be phased down depending on certain conditions being met.

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

Federal taxable income is then modified by add-backs and deductions to arrive at taxable business income. Corporate taxpayers must apportion their taxable business income to Indiana using a single sales factor, by which a corporation's tax is based on the percentage of its sales in Indiana. Finally, Indiana-apportioned business income is modified by non-business income (e.g., sale of property) to arrive at Indiana AGI.

Any available Indiana NOL is then deducted from Indiana AGI to arrive at taxable Indiana AGI. A taxpayer's liability is computed by multiplying taxable AGI by the appropriate tax rate, which is currently 4.9%.[3]



Sales and Use Tax

Indiana imposes a gross retail tax, also known as the sales tax, on retail transactions made in Indiana. A complementary tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of the transaction or the retail merchant. The sales and use tax rate is 7% of the gross retail income received by a retail merchant. Indiana law defines "gross retail income" as the total amount of consideration, including cash, credit, property, and services, for which tangible personal property is sold, leased or rented, without any deduction for the seller's costs, the cost of materials or labor, service or delivery charges, or consideration received by a third party from the seller. The statute also specifies that "gross retail income" does not include the value of tangible personal property received in a like-kind exchange, interest, finance charges, insurance premiums, discounts, taxes, installation charges, or postage. Sales tax is paid by the purchaser and collected by the seller at the time of the transaction. Use tax is paid and remitted by the purchaser.

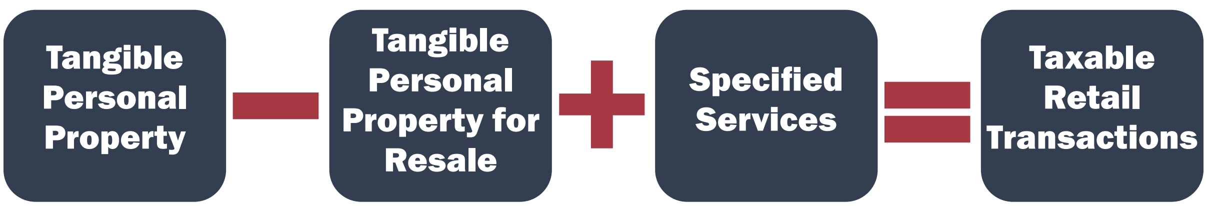
Taxable retail transactions include the sale, lease, and rental of tangible personal property. "Tangible personal property" is defined as personal property that can be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. Electricity, water, gas, steam, and prewritten computer software are also considered to be tangible personal property. In addition, certain services specified in statute, such as water softening and conditioning and the rental of rooms

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

and other accommodations for less than 30 days, are subject to sales tax. Because services are not generally included in the definition of taxable retail transactions, the exclusion of most services from the tax base is not considered a tax expenditure.

Pursuant to IC 6-2.5-5-8, transactions involving tangible personal property are exempt from sales and use tax if the person acquiring the property acquires it for resale without changing the form of the property. This provision is not considered a tax expenditure because it defines the normal tax base and prevents tax pyramiding. If this exemption were not part of the tax structure, many items would be taxed more than once by the time they are sold to the final consumer.

To summarize, the normal sales and use tax base for purposes of this report consists of transactions involving tangible personal property and specified services. It excludes most services and tangible personal property acquired for resale. It also excludes certain transactions that the state is prohibited from taxing pursuant to the U.S. Constitution. Any exemptions from this base are considered tax expenditures in this report.



Data Sources and Methods

This report provides estimates of the cost of each tax expenditure for each year of the next biennial budget (FY 2024 and FY 2025), as well as the previous and current biennia (FY 2020 through FY 2023). It is important to note that these are estimates of the financial benefit received by taxpayers, or the revenue foregone by state government. They do not represent the estimated revenue that would be gained if the provisions were repealed. The estimates in this report do not account for the effect that repealing one expenditure might have on another related expenditure. In addition, the estimates do not adjust for taxpayer behavior or economic impacts that would be caused by the repeal of a tax expenditure.

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

Individual and Corporate Income Tax

Tax return data for individual and corporate income taxes are obtained by LSA from the Department of State Revenue (DOR). The data are transferred to LSA approximately 20 months after the end of the taxable year. The most recent year for which we have data is tax year 2020. However, the database may not contain returns that were suspended or in audit at the time of the data transfer.

The income tax expenditure forecast

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

Sales and Use Tax

Actual tax return data are not available for most sales and use tax exemptions. As a result, these expenditures were estimated using other data sources, including federal government agencies and IMPLAN Group, LLC. Following are brief descriptions of the data sources that were primarily used to estimate sales tax expenditures when actual data from a state agency were not available.

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

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

Bureau of Economic Analysis: Personal Consumption Expenditures

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

Bureau of Labor Statistics: Consumer Expenditure Surveys

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

Bureau of Transportation Statistics: National Transportation Statistics

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

Census Bureau: Economic Census

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

Census Bureau: Manufactured Housing Survey

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

IMPLAN Input-Output

Input-output data provide estimates of products and services purchased by industries, households, and governments. The input-output tables provided by IMPLAN aim to account for all monetary transactions among industries and between industries and final consumers for a specific period. The data used for this report provide a detailed representation of the state's industrial structure in CY 2019.

National Science Foundation

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

State Lottery Commission of Indiana

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

Sales tax expenditures were forecasted based on projected growth in PCE and Indiana Gross State Product (GSP). Different components of PCE and GSP served as the basis for each forecast depending on the nature of the expenditure. For example, the forecast for the sales tax exemption for "tangible personal property used directly in the direct production of food and food ingredients" is based on projected growth in the "agriculture, forestry, and fishing" component of GSP. State-level forecasts of PCE and GSP were provided by IHS Markit in August 2022. Like the estimates for income taxes, the estimates for recently enacted sales tax exemptions were taken directly from the appropriate fiscal note published by LSA.

LEGISLATIVE CHANGES

Several tax expenditures were added or amended as a result of legislation enacted in 2021 and 2022.

Following is a summary of legislation that either resulted in additional tax expenditures or caused significant changes in the estimated cost of a tax expenditure compared to the 2020 Tax Expenditure Report. However, this is not a comprehensive list of all changes that were made to tax provisions. The estimated fiscal impact is listed for each provision for which data are available.

2021 Regular Session

Earned Income Tax Credit (EITC)

HEA 1009-2021 increased the Indiana EITC amount from 9% to 10% of the federal EITC as it was computed under federal law before being amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 11-312). The credit amount depends on the number of qualifying children and the household modified adjusted gross income. The legislation is effective beginning in tax year 2022. It is estimated to reduce state General Fund revenue between $10.5 million to $12 million annually beginning in FY 2023.

Foster Care Support Tax Credit

HEA 1001-2021 established a nonrefundable tax credit for taxpayers who make an eligible contribution to a qualifying foster care organization during the taxable year. The credit is effective beginning in FY 2023 and sunsets on July 1, 2025. The amount of the credit is equal to 50% of the amount of the contribution made to the foster care organization, up to $10,000. The annual state revenue loss cannot exceed $2 million per fiscal year.

Hoosier Business Investment Tax Credit

HEA 1001-2021 provided that the IEDC can accelerate payment of unused excess Hoosier Business Investment tax credit that the taxpayer would otherwise be eligible to carry forward to a subsequent tax year. The total amount of accelerated tax credits that the IEDC may approve may not exceed $17 million in a state fiscal year. Based on the $17 million cap and assuming a discount of 5%, this provision could result in payments of up to $16.2 million beginning in FY 2022 depending on discounting decisions by the IEDC.

Sales Tax Exemption for Public Safety Equipment and Materials

SEA 383-2021 created a new exemption effective July 1, 2021, for public safety equipment and materials used at the site of a public works project that directly contribute to the safety of the general public or workers or serve to inform them of the associated dangers. Items such as concrete or metal barriers, cones, and rumble strips are exempt. However, personal protective equipment such as hard hats are not exempt. The fiscal impact of this exemption is indeterminable.

Sales Tax Exemption for Utility Scale Battery Energy Storage Systems

SEA 383-2021 created a new exemption effective May 1, 2021, for property classified as a utility scale battery energy storage system. Data were not sufficient to determine the fiscal impact of this exemption. The fiscal impact would ultimately depend on the planned increase in power and energy capacity, as well as other characteristics of battery storage systems that are put into place.

School Scholarship Tax Credit

HEA 1001-2021 increased the total amount of school scholarship tax credits that may be awarded for FY 2022 and FY 2023. The new limits are $17.5 million for FY 2022 and $18.5 million for FY 2023. The limit returns to $16.5 million for FY 2024 and following fiscal years.

Venture Capital Investment Tax Credit

HEA 1001-2021 expanded the definition of qualified investment capital to include capital provided to certain qualified Indiana investment funds for the purposes of the venture capital investment tax credit, beginning in tax year 2022. It capped the total amount of credits that the IEDC may award in a calendar year at $20 million, provided that not more than $7.5 million is awarded for proposed investments in a qualified fund.

2022 Regular Session

529 Education Savings Plan Tax Credit

HEA 1045-2022 increased the maximum annual income tax credit amount a taxpayer may claim for contributions to an Indiana College Choice 529 Savings Plan from $1,000 to $1,500 beginning in tax year 2023. It was estimated to reduce state General Fund revenue by about $28.1 million annually beginning in FY 2024.

ABLE Account Contribution Tax Credit

HEA 1303-2022 created a stand-alone credit for contributions to Indiana ABLE accounts. ABLE accounts are tax-advantaged savings accounts for individuals with disabilities. The exemption was estimated to reduce state General Fund revenue by an estimated $0.5 million to $0.7 million beginning in FY 2025.

Affordable and Workforce Housing Tax Credit

SEA 382-2022 provided for a nonrefundable affordable and workforce housing state tax credit. The Indiana Housing and Community Development Authority (IHCDA) may award between 40% and 100% of a taxpayer's total federal low income housing tax credit in FY 2024 through FY 2028. Based on the federal low income housing tax credits awarded by the IHCDA in Indiana in 2020, the estimated reduction in General Fund revenue from the state credit was about $2.1 million in FY 2024, $4.2 million in FY 2025, and $6.3 million in FY 2026. If the maximum credits allowed are awarded to projects with a five-year state tax credit period for claiming the credits, the estimated reduction in revenue could be larger, but the revenue loss cannot exceed $30 million annually.

Changes to Certain Business Tax Credits

SEA 361-2022 increased or removed tax credit caps for the following tax credits: the Hoosier Business Investment (HBI) tax credit, the Economic Development for a Growing Economy (EDGE) tax credit, the Headquarters Relocation tax credit, and the Redevelopment Tax Credit. The legislation also limited the total amount of credits that the IEDC may award for a calendar year for all taxpayers for the HBI tax credit, the EDGE tax credit, the Headquarters Relocation tax credit, the Community Revitalization Enhancement District (CRED) tax credit, the Redevelopment tax credit, and the Film and Media Production tax credit to $300 million. These provisions may reduce revenue beginning in FY 2023.

Deduction for Small Business Insurance Premium

SEA 382-2022 allowed small businesses to deduct amounts paid for employee health insurance premiums from Indiana adjusted gross income. This would result in reducing the state taxable income for businesses that would be able to take the deduction starting tax year 2023. The tax deduction could reduce Individual Income Tax, Corporate Income Tax, or Financial Institutions Tax by an indeterminable amount beginning in FY 2024.

Film and Media Production Tax Credit

SEA 361-2022 allowed the IEDC to award a nonrefundable tax credit for media production expenses for certain media productions in Indiana. The IEDC will determine the amount of credit to award to an applicant, but the credit may not exceed 30% of the taxpayer's qualified production expenses. The credit will likely result in decreased revenue beginning in FY 2023.

Individual Income Tax Rate

HEA 1002-2022 reduced the individual adjusted gross income tax rate from 3.23% in 2022 to 3.15% in 2023 and 2024. It phased down the individual adjusted gross income tax rate after 2024 depending on certain conditions being met. The revenue loss from the rate reduction was estimated at $87.4 million in FY 2023 and $181.5 million in FY 2024. The revenue loss due to the rate reduction will increase in succeeding fiscal years.

Sales Tax Exemption for Public-Private Agreements

SEA 166-2022 created a new exemption for tangible personal property incorporated into a transportation facility under a public-private agreement or development agreement entered into on or after January 1, 2023.

2022 Special Session

Adoption Tax Credit

SEA 2-2022(ss) increased the amount of the adjusted gross income tax credit to which an individual who is eligible to claim the federal adoption tax credit is entitled. Rather than being set at 10% and $1,000, the credit was increased to 20% of the federal adoption tax credit up to $2,500 per eligible child. The credit was estimated to reduce General Fund revenue by $0.9 million to $1.1 million in FY 2023 and FY 2024.

Exemption for an Adopted Child

SEA 2-2022(ss) added a new $3,000 exemption for adopted children. The adoption exemption was estimated to reduce revenue by between $4.4 million and $5.3 million in FY 2023 and between $4.3 million and $5.2 million in FY 2024.

Sales Tax Exemption for Children's Diapers

SEA 2-2022(ss) created a new exemption for children's diapers. The legislation went into effect on August 5, 2022. The exemption was estimated to reduce revenue by approximately $6.2 million in FY 2023 and $8.3 million annually beginning in FY 2024.

TAX EXPENDITURE ESTIMATES

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

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
Deductions							
IT1	Civil service annuity income (Individual)	5.3	5.3	5.3	5.3	5.2	5.2
IT2	COVID-related employee retention credit disallowed expenses (Individual)	N/A	1.9	*	*	*	*
IT2	COVID-related employee retention credit disallowed expenses (Corporate)	N/A	*	*	*	*	*
IT3	Disability retirement income (Individual)	0.2	0.2	0.2	0.2	0.2	0.2
IT4	Foreign source dividends (Corporate)	213.5	197.9	185.3	256.1	256.1	256.1
IT5	Homeowner's property taxes (Individual)	64.0	65.9	67.8	69.8	70.1	72.2
IT6	Human services recipients (Individual)	0.8	0.6	0.6	0.6	0.6	0.6
IT7	Income earned by enterprise zone employees (Individual)	0.6	0.6	0.6	0.6	0.5	0.5
IT8	Indiana partnership long-term care insurance premiums (Individual)	1.6	1.6	1.6	1.7	1.7	1.7
IT9	Military service income, retirement income, survivor's benefits (Individual)	11.3	14.2	18.9	23.5	22.7	22.5
IT10	National Guard/ reserve active pay (Individual)	1.0	1.3	1.3	1.2	1.2	1.1

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
IT11	Net operating loss (Individual)	19.7	24.5	21.0	21.0	20.4	20.4
IT11	Net operating loss (Corporate)	176.4	191.5	341.2	341.2	341.2	341.2
IT12	Olympic/Paralympic medal winners (Individual)	**	**	0.0	0.0	0.0	0.0
IT13	Patent-derived income (Individual)	0.1	0.1	0.1	0.1	0.1	0.1
IT13	Patent-derived income (Corporate)	**	**	**	**	**	**
IT14	Private school/ homeschool expenses (Individual)	3.3	3.7	3.9	4.0	4.0	4.1
IT15	Railroad retirement income (Individual)	4.3	4.3	4.4	4.4	4.4	4.5
IT16	Railroad unemployment and sickness benefits (Individual)	0.1	0.2	0.1	0.1	0.1	0.1
IT17	Regional development authority infrastructure fund contribution (Individual)	**	**	**	**	**	**
IT18	Rent on principal residence (Individual)	63.6	62.2	62.3	62.3	60.8	60.8
IT19	Small business insurance premium (Individual)	N/A	N/A	N/A	N/A	*	*
IT20	Social Security benefits (Individual)	234.6	280.1	303.8	329.5	348.4	377.9
IT21	Unemployment compensation (Individual)	0.7	45.8	26.3	0.7	0.7	0.7
Exemptions							
IT22	Adopted child exemption (Individual)	N/A	N/A	N/A	4.9	4.8	4.8

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
IT23	Dependent child exemption (Individual)	80.5	78.7	78.7	78.7	76.8	76.8
IT24	Dependent exemption (Individual)	60.6	57.8	57.8	57.8	56.4	56.4
IT25	Elderly or blind exemption (Individual)	29.1	30.1	30.9	31.8	31.9	32.8
IT26	Low income and elderly exemption (Individual)	7.0	7.5	7.6	7.6	7.5	7.5
IT27	Personal exemption (Individual)	142.7	143.8	144.6	145.4	142.6	143.3
Credits							
IT28	ABLE account contribution credit (Individual)	N/A	N/A	N/A	N/A	N/A	0.6
IT29	Adoption credit (Individual)	0.7	0.7	0.7	1.7	1.7	1.7
IT30	Affordable and workforce housing credit (Individual and Corporate)	N/A	N/A	N/A	N/A	2.1	4.2
IT31	Coal gasification technology investment credit[1] (Corporate)	0.0	0.0	0.0	15.0	N/A	N/A
IT32	Community revitalization enhancement district credit (Individual)	0.2	0.4	0.4	0.4	0.4	0.4
IT33	Earned income tax credit (Individual)	94.8	84.6	98.0	109.2	109.2	109.2
IT34	Economic Development for a Growing Economy (EDGE) credit (Individual)	9.2	8.9	9.6	10.1	10.6	11.2
IT34	Economic Development for a Growing Economy (EDGE) credit (Corporate)	71.4	48.3	66.8	70.3	74.0	77.8

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
IT35	Enterprise zone employment expense credit (Individual)	0.5	0.4	0.4	0.4	0.4	0.4
IT35	Enterprise zone employment expense credit (Corporate)	0.3	0.3	0.3	0.3	0.3	0.3
IT36	Enterprise zone investment cost credit (Individual)	**	**	**	**	**	**
IT36	Enterprise zone investment cost credit (Corporate)	**	**	**	**	**	**
IT37	Enterprise zone loan interest credit (Individual)	**	**	**	**	**	**
IT37	Enterprise zone loan interest credit (Corporate)	**	**	**	**	**	**
IT38	Film and media production credit (Individual and Corporate)	N/A	N/A	N/A	*	*	*
IT39	Foster care support credit (Individual)	N/A	N/A	N/A	*	*	*
IT40	Headquarters relocation credit (Corporate)	**	**	**	**	**	**
IT41	Hoosier Business Investment (HBI) credit (Individual)	1.2	1.2	1.1	1.1	1.1	1.1
IT41	Hoosier Business Investment (HBI) credit (Corporate)	4.3	4.3	3.3	3.3	3.3	3.3
IT42	Indiana 529 College Savings Account contribution credit (Individual)	78.7	80.6	86.0	91.8	126.0	132.6
IT43	Indiana colleges and universities contribution credit (Individual)	7.0	6.7	6.5	6.3	6.1	5.9

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
IT43	Indiana colleges and universities contribution credit (Corporate)	**	**	**	**	**	**
IT44	Indiana Insurance Guaranty Association assessment credit[2]	**	**	**	**	**	**
IT45	Individual development account credit (Individual)	0.2	0.1	0.1	0.1	0.1	0.1
IT46	Industrial recovery (dinosaur) credit (Individual)	10.0	6.9	6.2	5.5	4.8	4.2
IT46	Industrial recovery (dinosaur) credit (Corporate)	0.5	0.5	0.5	0.5	0.5	0.5
IT47	Lake County homeowner's property tax credit (Individual)	4.7	4.9	4.9	4.9	4.9	4.9
IT48	Neighborhood assistance credit (Individual)	2.1	2.0	2.1	2.1	2.1	2.1
IT48	Neighborhood assistance credit (Corporate)	**	**	**	**	**	**
IT49	Redevelopment credit (Individual and Corporate)	N/A	*	*	*	*	*
IT50	Research expense credit (Individual)	29.4	32.0	35.2	38.7	42.5	46.8
IT50	Research expense credit (Corporate)	42.2	35.2	45.2	45.2	45.2	45.2
IT51	Residential historic rehabilitation credit (Individual)	0.3	0.4	0.3	0.3	0.3	0.3
IT52	School scholarship contribution credit (Individual)	9.1	9.4	9.4	9.4	9.4	9.4
IT52	School scholarship contribution credit (Corporate)	0.1	0.1	0.2	0.2	0.3	0.3

Item #	Tax Expenditure	FY 2020 Actual	FY 2021^ Actual & Estimated	FY 2022 Estimated	FY 2023 Estimated	FY 2024 Estimated	FY 2025 Estimated
IT53	Teacher classroom supplies credit (Individual)	4.8	4.7	4.7	4.7	4.7	4.7
IT54	Unified tax credit for elderly (Individual)	10.4	8.6	9.8	9.8	9.8	9.8
IT55	Venture capital investment credit (Individual)	5.7	5.1	5.2	5.2	5.3	5.3
IT55	Venture capital investment credit (Corporate)	0.6	0.5	0.5	0.5	0.5	0.5

NOTES:
^FY 2021 corporate income tax return data was not available at the time of publication.
*Indeterminable.
**Less than $100,000.

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

TAX EXPENDITURE ESTIMATES

SALES TAX, ESTIMATED REVENUE FOREGONE ($ MILLIONS)

Item #	Tax Expenditure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Exemptions							
ST1	Agricultural machinery, tools, and equipment	3.9	4.4	4.8	4.9	4.6	4.5
ST2	Aircraft acquired for rental or leasing	4.4	4.6	5.3	5.8	6.2	6.6
ST3	Aircraft based outside of Indiana	*	*	*	*	*	*
ST4	Aircraft repair, maintenance, refurbishment, remodeling, and remanufacturing	2.4	2.5	2.9	3.1	3.2	3.2
ST5	Blood glucose monitoring supplies and drug samples	*	*	*	*	*	*
ST6	Change of motor vehicle title	*	*	*	*	*	*
ST7	Children's diapers	N/A	N/A	N/A	6.2	8.3	8.3
ST8	Cigarette and tobacco tax meter machines	*	*	*	*	*	*
ST9	Coins, bullion, and legal tender	5.2	5.2	5.2	5.2	5.2	5.2
ST10	Commercial printing	*	*	*	*	*	*
ST11	Data center equipment	*	*	*	*	*	*
ST12	Drainage water management systems	1.1	1.1	1.1	1.1	1.1	1.1
ST13	Environmental quality compliance	*	*	*	*	*	*
ST14	Exchange of owned vehicle for like-kind vehicle	79.0	80.6	94.8	110.3	113.0	108.7
ST15	Food and food ingredients for human consumption	930.8	1,016.9	1,099.0	1,166.4	1,197.9	1,201.5
ST16	Food sold by certain not-for-profit organizations	*	*	*	*	*	*
ST17	Free distribution newspapers	*	*	*	*	*	*

Item #	Tax Expenditure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
ST18	Intrastate telecommunication service, video and Internet access, and VOIP services	22.8	22.8	24.1	25.3	26.3	27.7
ST19	Lottery tickets	96.9	121.6	113.8	108.7	112.6	116.7
ST20	Manufactured homes and industrialized residential structures	2.3	2.9	3.5	3.7	3.8	4.0
ST21	Manufacturing machinery, tools, and equipment	1,651.3	1,881.0	2,067.3	2,072.0	2,140.7	2,181.4
ST22	Material or integral part of public street or public utility	123.0	127.7	136.5	143.9	149.2	155.4
ST23	Motion picture film, audio or video tape for broadcast	25.3	25.1	26.5	27.8	28.9	30.4
ST24	Motor vehicles transported outside Indiana	13.8	22.6	20.3	21.5	20.2	19.5
ST25	Newspapers	23.4	23.4	24.7	25.9	26.9	28.3
ST26	Nonreusable property	15.4	16.0	18.2	19.9	21.8	23.0
ST27	Prescription drugs and medical equipment, supplies, and devices	387.1	402.5	424.6	445.7	468.4	496.7
ST28	Production of food and food ingredients	96.3	109.7	120.6	120.9	115.2	111.0
ST29	Production of machinery, tools, and equipment	204.1	232.5	255.5	256.1	263.4	266.7
ST30	Production of tangible personal property; Material part of tangible personal property	4,374.9	4,983.4	5,477.2	5,489.4	5,643.2	5,731.7
ST31	Production plant and power production expenses of electrical energy, steam, and steam heat utilities	296.4	337.7	371.1	372.0	385.0	399.8

Item #	Tax Expenditure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
ST32	Production plant, storage plant, production expenses, and underground storage expenses of natural and artificial gas utilities	26.6	30.3	33.3	33.4	34.6	35.9
ST33	Professional motor racing	3.9	3.9	3.9	3.9	3.9	3.9
ST34	Property acquired by certain not-for-profit organizations	167.1	168.8	182.2	195.2	207.3	220.7
ST35	Property added to certain structures	167.4	173.8	185.8	195.8	203.1	211.5
ST36	Property incorporated into a transportation facility	N/A	N/A	N/A	*	*	*
ST37	Property used by manufacturers of hot mix asphalt	*	*	*	*	*	*
ST38	Property used in providing public transportation	107.7	122.7	134.9	135.2	144.0	152.3
ST39	Public safety equipment and materials	N/A	N/A	*	*	*	*
ST40	Purchases by licensed practitioners and health care facilities	34.0	34.8	37.3	39.8	42.6	45.2
ST41	Purchases by state and local government agencies	131.1	135.7	142.7	151.0	158.7	166.1
ST42	Purchases by utilities	5.4	5.7	6.2	6.6	6.9	7.1
ST43	Qualified computer equipment	*	*	*	*	*	*
ST44	Recreational vehicles and cargo trailers	4.8	5.0	5.0	5.0	5.1	5.1
ST45	Recycling materials	212.4	242.0	265.9	266.5	275.5	280.8
ST46	Remotely accessed prewritten computer software	*	*	*	*	*	*
ST47	Rental of a residence for fewer than 15 days	*	*	*	*	*	*
ST48	Rental of booth or display space	*	*	*	*	*	*

Item #	Tax Expenditure	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
ST49	Required product labels	*	*	*	*	*	*
ST50	Research and development property	63.6	63.6	63.6	63.6	63.6	63.6
ST51	Returnable containers and wrapping materials	152.3	173.5	190.7	191.1	197.5	201.3
ST52	Rolling stock	29.2	30.4	34.6	38.3	41.0	43.3
ST53	Sales by certain not-for-profit organizations	8.2	8.3	9.0	9.6	10.2	10.9
ST54	Sales by public libraries	**	**	**	**	**	**
ST55	Sales of race horses in claiming races	0.2	0.3	0.5	0.5	0.5	0.5
ST56	Sales to city or town for municipal golf course	*	*	*	*	*	*
ST57	School building materials	*	*	*	*	*	*
ST58	School meals	44.6	31.7	33.9	53.6	55.1	55.5
ST59	Sharing of a passenger motor vehicle for fewer than 15 days	*	*	*	*	*	*
ST60	Supply, pumping, and water treatment plant and expenses; Collection, disposal, and system pumping plant and expenses	3.3	3.8	4.2	4.2	4.3	4.5
ST61	Utilities purchased by business in inactive or closed military base	*	*	*	*	*	*
ST62	Utility scale battery energy storage systems	N/A	*	*	*	*	*

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

TAX EXPENDITURE DESCRIPTIONS
INCOME TAX

Indiana Income Tax Deductions

IT1. Civil Service Annuity Income (IC 6-3-2-3.7)

Year Enacted: 1977

Description: Individual taxpayers ages 62 and older may deduct a portion of their federal civil service annuity income from adjusted gross income (AGI). The deduction equals the difference of: (1) the lesser of the amount of taxable civil service annuity income or $16,000; and (2) the total amount of social security and railroad retirement benefits received by the taxpayer. An individual's surviving spouse is also eligible to claim the deduction.

IT2. COVID-related Employee Retention Credit Disallowed Expenses (IC 6-3-1-3.5(a)(31))

Year Enacted: 2021

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

IT3. Disability Retirement Income (IC 6-3-2-9)

Year Enacted: 1985

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

IT4. Foreign Source Dividends (IC 6-3-1-3.5; IC 6-3-2-12)

Year Enacted: 1987

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

(1) 100% of the foreign source dividends included in AGI if the taxpayer owns at least 80% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived;

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

(3) 50% of the foreign source dividends included in AGI if the taxpayer owns less than 50% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.

IT5. Homeowner's Property Taxes (IC 6-3-1-3.5(a)(13))

Year Enacted: 1979

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

IT6. Human Services Recipients (IC 6-3-1-3.5(a)(10))

Year Enacted: 1989

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

IT7. Income Earned by Enterprise Zone Employees (IC 6-3-2-8)

Year Enacted: 1983

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

IT8. Indiana Partnership Long-Term Care Insurance Premiums (IC 6-3-1-3.5(a)(12))

Year Enacted: 1999

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

IT9. Military Service Income, Retirement Income, Survivor's Benefits (IC 6-3-2-4)

Year Enacted: 1977

Description: Individual taxpayers may deduct military service income from their AGI. Military personnel on active duty or in the active reserves may deduct up to $5,000 of their military pay. If the taxpayer and spouse are both in the military, they each may claim the deduction if filing a joint return.

Taxpayers may deduct military retirement income or survivor's benefits. The deduction is the lesser of the benefits included in the adjusted gross income of the individual or the individual's surviving spouse; or $6,250 plus the following:

(1) 25% of the amount of the benefits exceeding $6,250 in tax year 2019.
(2) 50% of the amount of the benefits exceeding $6,250 in tax year 2020.
(3) 75% of the amount of the benefits exceeding $6,250 in tax year 2021.
(4) 100% of the amount of the benefits exceeding $6,250 beginning in tax year 2022.

IT10. National Guard/Reserve Active Pay (IC 6-3-1-3.5(a)(18); IC 6-3-1-34)

Year Enacted: 2007

Description: Individual taxpayers who are members of the Indiana National Guard or a reserve unit of the armed forces may deduct qualified military income received while on full-time involuntary orders, while mobilized and deployed for full-time service, or when an Indiana National Guard unit is federalized. This deduction is equal to the actual amount of military income received. A taxpayer cannot receive this deduction as well as the military service income deduction for the same income. Combat pay is not eligible for a deduction because it is not taxed at the federal or state level.

IT11. Net Operating Loss (IC 6-3-2-2.5; IC 6-3-2-2.6)

Year Enacted: 1987

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

IT12. Olympic/Paralympic Medal Winners (IC 6-3-2-24)

Year Enacted: 2014

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

IT13. Patent-Derived Income (IC 6-3-2-21.7)

Year Enacted: 2007

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

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

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

IT14. Private School/Homeschool Expenses (IC 6-3-2-22)

Year Enacted: 2011

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

IT15. Railroad Retirement Income (IC 6-3-1-3.5(a)(7))

Year Enacted: 1978

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

IT16. Railroad Unemployment and Sickness Benefits (IC 6-3-1-3.5(a)(1))

Year Enacted: 1971

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

IT17. Regional Development Authority Infrastructure Fund Contribution (IC 6-3-2-26)

Year Enacted: 2017

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

IT18. Rent on Principal Residence (IC 6-3-2-6)

Year Enacted: 1979

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

IT19. Small Business Insurance Premium (IC 6-3-1-3.5(a)(34))

Year Enacted: 2022

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

IT20. Social Security Benefits (IC 6-3-1-3.5(a)(8))

Year Enacted: 1978

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

IT21. Unemployment Compensation (IC 6-3-2-10)

Year Enacted: 1987

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

Indiana Income Tax Exemptions

IT22. Adopted Child Exemption (IC 6-3-1-3.5(a)(5)(D))

Year Enacted: 2022

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

IT23. Dependent Child Exemption (IC 6-3-1-3.5(a)(5)(A), (B))

Year Enacted: 1997

Description: Individual taxpayers may claim an AGI exemption of $1,500 for each of the taxpayer's qualifying dependent children younger than 19 years old, or for full-time students younger than 24 years old.

IT24. Dependent Exemption (IC 6-3-1-3.5(a)(4)(A))

Year Enacted: 1963

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

IT25. Elderly or Blind Exemption (IC 6-3-1-3.5(a)(4)(B))

Year Enacted: 1963

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

IT26. Low Income and Elderly Exemption (IC 6-3-1-3.5(a)(5)(C))

Year Enacted: 1999

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

IT27. Personal Exemption (IC 6-3-1-3.5(a)(3))

Year Enacted: 1963

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

Indiana Income Tax Credits

IT28. ABLE Account Contribution Credit (IC 6-3-3-12.1)

Year Enacted: 2022

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

IT29. Adoption Credit (IC 6-3-3-13)

Year Enacted: 2014

Description: The credit was created to help families offset the cost of adopting a child. Taxpayers eligible to claim the federal adoption tax credit may be eligible to claim the Indiana adoption tax credit. Through tax year 2021, the credit was nonrefundable and equaled the lesser of 10% of the qualifying federal adoption credit the taxpayer claimed for the taxable year, or $1,000 per eligible child. Beginning in tax year 2022, the credit equals 20% of the qualifying federal adoption credit up to $2,500. The credit is refundable, is capped at $2,500 per adoption, and must be used in the same year as the qualifying federal adoption credit.

IT30. Affordable and Workforce Housing Credit (IC 6-3.1-35)

Year Enacted: 2022

Description: The Indiana Housing and Community Development Authority (IHCDA) may award total credits up to $30 million in tax years 2024 through 2028. The credit is nonrefundable. Taxpayers apply to the IHCDA to receive the credit. The IHCDA may award between 40% and 100% of a taxpayer's total federal low-income housing tax credit. The credit may be allocated for five taxable years beginning with the taxable year in which any amount of the federal low-income housing tax credit is first claimed.

IT31. Coal Gasification Technology Investment Credit (IC 6-3.1-29)

Year Enacted: 2005

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

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

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

IT32. Community Revitalization Enhancement District Credit (IC 6-3.1-19)

Year Enacted: 1998

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

IT33. Earned Income Tax Credit (IC 6-3.1-21)

Year Enacted: 1999

Description: An individual AGI taxpayer is eligible for the Indiana earned income tax credit if they are eligible for the federal Earned Income Tax Credit under Section 32 of the Internal Revenue Code as it existed before amended by the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*. The credit amount depends on the number of qualifying children and the household modified adjusted gross income. The credit is refundable.

IT34. Economic Development for a Growing Economy (EDGE) Credit (IC 6-3.1-13)

Year Enacted: 1994

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

Prior to FY 2023, the aggregate amount of credits awarded for projects to retain existing jobs in Indiana could not exceed $10 million per year, and there was no aggregate limit on EDGE credits for new jobs. As of July 1, 2022, there is no cap on the total amount of EDGE credits that can be awarded; however, total tax credits awarded by the IEDC cannot exceed $300 million annually.

IT35. Enterprise Zone Employment Expense Credit (IC 6-3-3-10)

Year Enacted: 1983

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

IT36. Enterprise Zone Investment Cost Credit (IC 6-3.1-10)

Year Enacted: 1986

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

IT37. Enterprise Zone Loan Interest Credit (IC 6-3.1-7)

Year Enacted: 1984

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

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

IT38. Film and Media Production Credit (IC 6-3.1-36)

Year Enacted: 2022

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

IT39. Foster Care Support Credit (IC 6-3.1-35.8)

Year Enacted: 2021

Description: The nonrefundable tax credit is for taxpayers who make an eligible contribution to a qualifying foster care organization during the taxable year. The credit is effective beginning on July 1, 2022, and sunsets on July 1, 2025. The credit is equal to 50% of the amount of the contribution made to the foster care organization, up to $10,000. The annual state revenue loss cannot exceed $2 million per fiscal year.

IT40. Headquarters Relocation Credit (IC 6-3.1-30)

Year Enacted: 2005

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

(1) It had at least $50 million in worldwide revenues in the year prior to applying for the credit, has a qualifying facility located outside Indiana, and has not previously maintained a qualifying facility in Indiana.
(2) It received at least $4 million in venture capital in the six months immediately preceding the business's application for a tax credit or closes on at least $4 million in venture capital not later than six months after submitting the business's

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

An eligible business that completes a qualifying project and incurs relocation costs is entitled to a credit against the taxpayer's state tax liability for the year in which the relocation costs are incurred. Prior to July 1, 2022, a business also had to employ at least 75 employees in Indiana in order to be eligible for the tax credit. The amount of the credit equals up to 50% of the amount of the relocation costs incurred in the taxable year. However, the amount claimed may not result in an Indiana tax liability that is lower than the Indiana tax liability in the taxable year immediately preceding the taxable year in which the taxpayer first incurred the relocation costs. The credit is nonrefundable, but unused credits may be carried forward for up to nine succeeding taxable years. Unused credits may not be carried back. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

IT41. Hoosier Business Investment (HBI) Credit (IC 6-3.1-26)

Year Enacted: 2003

Description: The HBI credit is for qualified investments that the IEDC determines will foster job creation and higher wages in Indiana. The credit is calculated differently depending on the type of investment (i.e. logistics, non-logistics, and digital manufacturing equipment). The credit equals up to 10% of qualifying non-logistics investments. For logistics investments, the credit equals up to 25% of the difference of the logistics investments made in the taxable year and 105% of the average logistics investments made in the prior two years. For tax years 2019 through 2029, the credit equals 15% of the amount of investments in digital manufacturing equipment. The credit is nonrefundable, but unused credits may be carried forward for a number of years determined by the IEDC up to a maximum of nine years. Unused credits may not be carried back. The credit may be applied against individual or corporate AGI tax, financial institutions tax, and insurance premiums tax liabilities. Prior to July 1, 2022, the total non-logistics credit for all taxpayers was capped at $50 million per year, while the total logistics credit for all taxpayers was capped at $5 million per year. As of July 1, 2022, there is no longer a cap on the amount of HBI credits that can be awarded annually; however, total credits awarded by the IEDC cannot exceed $300 million annually.[1]

IT42. Indiana 529 College Savings Account Contribution Credit (IC 6-3-3-12)

Year Enacted: 2006

Description: This tax credit may be claimed by individual taxpayers who made contributions to an Indiana CollegeChoice 529 Education Savings Plan. The credit is equal to 20% of the taxpayer's annual contributions to an Indiana CollegeChoice 529 Education Savings Plan for qualified higher education or K-12 expenses, up to a maximum credit of $1,000 annually through tax year 2022. The maximum credit increases to $1,500 beginning in tax year 2023. The credit is nonrefundable and unused credits may not be carried forward or carried back.

IT43. Indiana Colleges and Universities Contribution Credit (IC 6-3-3-5)

Year Enacted: 1963

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

IT44. Indiana Insurance Guaranty Association Assessment Credit (IC 27-6-8-15)

Year Enacted: 1971

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

[1] The $300 million limit on the total amount of credits that the IEDC may award applies to the HBI tax credit, EDGE tax credit, Headquarters Relocation tax credit, CRED tax credit, Redevelopment tax credit, and Film and Media Production tax credit.

IT45. Individual Development Account Credit (IC 6-3.1-18)

Year Enacted: 1997

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

IT46. Industrial Recovery (Dinosaur) Credit (IC 6-3.1-11)

Year Enacted: 1987

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

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

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

IT47. Lake County Homeowner's Property Tax Credit (IC 6-3.1-20)

Year Enacted: 2001

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

IT48. Neighborhood Assistance Credit (IC 6-3.1-9)

Year Enacted: 1984

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

IT49. Redevelopment Credit (IC 6-3.1-34)

Year Enacted: 2019

Description: The redevelopment credit is available beginning January 1, 2020, to taxpayers for investment in qualifying redevelopment sites. The credit is awarded to taxpayers who redevelop or rehabilitate real property located within qualified redevelopment areas that are approved by the IEDC. The credit percentage is determined by the IEDC but may not exceed 30% of a qualified investment as of July 1, 2022.

Prior to July 1, 2022, for sites that are part of a regional development authority plan, it may not exceed the following:

(1) 15% for qualified sites placed in service between 15 and 30 years, vacant land, or qualifying brownfields;
(2) 20% for qualified sites placed in service between 30 and 40 years; or
(3) 25% for qualified sites placed in service for at least 40 years.

Prior to July 1, 2022, for redevelopment sites that are not part of a regional development authority plan, the percentage may not exceed 10% for qualified sites placed in service between 15 and 40 years, vacant land, or qualifying brownfields, and it may not exceed 15% for qualified sites placed in service for at least 40 years.

Unused credits may be carried forward for up to nine years. Credits are nonrefundable and may not be carried back. The credit is assignable. The credit can be applied against individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities. Beginning in FY 2023, the total amount of redevelopment credit is not capped, though total credits awarded by the IEDC cannot exceed $300 million annually. Prior to FY 2022, the total amount of credits awarded was capped at $50 million per fiscal year.

IT50. Research Expense Credit (IC 6-3.1-4)

Year Enacted: 1984

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

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

IT51. Residential Historic Rehabilitation Credit (IC 6-3.1-22)

Year Enacted: 2001

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

IT52. School Scholarship Contribution Credit (IC 6-3.1-30.5)

Year Enacted: 2009

Description: The school scholarship contribution credit is equal to 50% of the contributions made by an individual or corporate taxpayer to a nonprofit K-12 school scholarship-generating organization. The tax credit is nonrefundable and unused credits may be carried forward for up to nine years. Unused credits may not be carried back. Total credits allowed may not exceed $15 million in FY 2020, $16.5 million in FY 2021, $17.5 million in FY 2022, and $18.5 million in FY 2023. The limit returns to $16.5 million for FY 2024 and following years. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

IT53. Teacher Classroom Supplies Credit (IC 6-3-3-14.5)

Year Enacted: 2015

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

IT54. Unified Tax Credit for Elderly (IC 6-3-3-9)

Year Enacted: 1982

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

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

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

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

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

IT55. Venture Capital Investment Credit (IC 6-3.1-24)

Year Enacted: 2002

Description: The venture capital investment credit is equal to 20% of annual qualified venture capital investment made by a taxpayer up to a maximum credit of $1 million prior to January 1, 2022.

Beginning in 2022, the credit is 25% of annual qualified venture capital investment up to $1 million. For a minority business enterprise or a women's business enterprise, the credit is 30% of qualified investment up to $1.5 million. Also beginning in 2022, the definition of qualified investment capital expanded to include capital provided to certain qualified Indiana investment funds for the purposes of the venture capital investment tax credit at the rate of the lesser of 20% of investment in a qualified fund or $5 million.

The IEDC certifies businesses to receive creditable venture capital investment. Total new credits awarded may not exceed $12.5 million annually in 2011 through 2021 and $20 million beginning in 2022, provided that not more than $7.5 million is awarded for proposed investments in a qualified fund. The credit is nonrefundable, but unused credits may be carried forward for up to five years. Unused credits may not be carried back. Taxpayers may assign all or part of a venture capital investment credit for investments made after June 30, 2020. The credit may be applied to individual or corporate AGI tax, financial institutions tax, insurance premiums tax, or sales tax liabilities.

Sales Tax

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

Year Enacted: 1963

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

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

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

Year Enacted: 2007

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

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

Year Enacted: 2005

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

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

Year Enacted: 2012

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

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

Year Enacted: 1997

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

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

Year Enacted: 1993

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

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

Year Enacted: 2022

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

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

Year Enacted: 2012

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

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

Year Enacted: 2016

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

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

Year Enacted: 1993

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

ST11. Data Center Equipment (IC 6-2.5-15)

Yeat Enacted: 2019

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

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

ST12. Drainage Water Management Systems (IC 6-2.5-5-48)

Year Enacted: 2018

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

ST13. Environmental Quality Compliance (IC 6-2.5-5-30)

Year Enacted: 1980

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

ST14. Exchange of Owned Vehicle for Like-Kind Vehicle (IC 6-2.5-5-38.2)

Year Enacted: 1997

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

ST15. Food and Food Ingredients for Human Consumption (IC 6-2.5-5-20)

Year Enacted: 1973

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

ST16. Food Sold by Certain Not-for-Profit Organizations (IC 6-2.5-5-21)

Year Enacted: 1974

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

ST17. Free Distribution Newspapers (IC 6-2.5-5-31)

Year Enacted: 1981

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

ST18. Intrastate Telecommunication Service, Video and Internet Access, and VOIP Services (IC 6-2.5-5-13)

Year Enacted: 1963

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

ST19. Lottery Tickets (IC 6-2.5-5-34)

Year Enacted: 1989

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

ST20. Manufactured Homes and Industrialized Residential Structures (IC 6-2.5-5-29)

Year Enacted: 1979

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

ST21. Manufacturing Machinery, Tools, and Equipment (IC 6-2.5-5-3)

Year Enacted: 1963

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

ST22. Material or Integral Part of Public Street or Public Utility (IC 6-2.5-5-7)

Year Enacted: 1978

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

ST23. Motion Picture Film, Audio or Video Tape for Broadcast (IC 6-2.5-4-10(c))

Year Enacted: 1967

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

ST24. Motor Vehicles Transported Outside Indiana (IC 6-2.5-2-3)

Year Enacted: 2014

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

ST25. Newspapers (IC 6-2.5-5-17)

Year Enacted: 1963

Description: Sales of newspapers are exempt from sales tax.

ST26. Nonreusable Property (IC 6-2.5-5-35)

Year Enacted: 1992

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

ST27. Prescription Drugs and Medical Equipment, Supplies, and Devices (IC 6-2.5-5-18)

Year Enacted: 1967

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

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

ST28. Production of Food and Food Ingredients (IC 6-2.5-5-1(a))

Year Enacted: 1963

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

ST29. Production of Machinery, Tools, and Equipment (IC 6-2.5-5-4)

Year Enacted: 1963

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

ST30. Production of Tangible Personal Property (IC 6-2.5-5-5.1); Material Part of Tangible Personal Property (IC 6-2.5-5-6)

Year Enacted: 1981; 1965

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

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

ST31. Production Plant and Power Production Expenses of Electrical Energy, Steam, and Steam Heat Utilities (IC 6-2.5-5-10)

Year Enacted: 1963

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

ST32. Production Plant, Storage Plant, Production Expenses, and Underground Storage Expenses of Natural and Artificial Gas Utilities (IC 6-2.5-5-11)

Year Enacted: 1963

Description: Property that is classified as production plant, storage plant, production expenses, or underground storage expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility that furnishes or sells natural or artificial gas.

ST33. Professional Motor Racing (IC 6-2.5-5-37)

Year Enacted: 1994

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

ST34. Property Acquired by Certain Not-for-Profit Organizations (IC 6-2.5-5-25)

Year Enacted: 1963

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

ST35. Property Added to Certain Structures (IC 6-2.5-4-9(c))

Year Enacted: 1965

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

ST36. Property Incorporated into a Transportation Facility (IC 6-2.5-5-56)

Year Enacted: 2022

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

ST37. Property Used by Manufacturers of Hot Mix Asphalt (IC 6-2.5-5-52)

Year Enacted: 2018

Description: Beginning in FY 2019, certain purchases by operators of hot mix asphalt plants are exempt from sales and use tax. Items that are exempt under this provision include the following: asphalt, (3) plant equipment directly used to directly produce hot mix asphalt, (4) fuel used to operate exempt trucks, pavers, or equipment, and (5) repair parts installed on exempt trucks, pavers, or equipment.

ST38. Property Used in Providing Public Transportation (IC 6-2.5-5-27)

Year Enacted: 1963

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

ST39. Public Safety Equipment and Materials (IC 6-2.5-5-55)

Year Enacted: 2021

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

ST40. Purchases by Licensed Practitioners and Health Care Facilities (IC 6-2.5-5-19)

Year Enacted: 1969

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

ST41. Purchases by State and Local Government Agencies (IC 6-2.5-5-16)

Year Enacted: 1963

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

ST42. Purchases by Utilities (IC 6-2.5-5-14)

Year Enacted: 1978

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

ST43. Qualified Computer Equipment (IC 6-2.5-5-38.1)

Year Enacted: 1997

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

ST44. Recreational Vehicles and Cargo Trailers (IC 6-2.5-5-39; IC 6-2.5-2-5)

Year Enacted: 2005

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

ST45. Recycling Materials (IC 6-2.5-5-45.8)

Year Enacted: 2012

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

ST46. Remotely Accessed Prewritten Computer Software (IC 6-2.5-4-16.7)

Year Enacted: 2018

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

ST47. Rental of a Residence for Fewer than 15 Days (IC 6-2.5-5-53)

Year Enacted: 2019

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

ST48. Rental of Booth or Display Space (IC 6-2.5-4-4(e))

Year Enacted: 1987

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

ST49. Required Product Labels (IC 6-2.5-5-50)

Year Enacted: 2015

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

ST50. Research and Development Property (IC 6-2.5-5-40)

Year Enacted: 2005

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

ST51. Returnable Containers and Wrapping Materials (IC 6-2.5-5-9)

Year Enacted: 1963

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

ST52. Rolling Stock (IC 6-2.5-5-27.5)

Year Enacted: 1997

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

ST53. Sales by Certain Not-for-Profit Organizations (IC 6-2.5-5-26)

Year Enacted: 1963

Description: Sales by certain not-for-profit organizations are exempt if the organization does not make more than $20,000 in sales in a calendar year. Once sales exceed $20,000, the organization is required to collect sales tax for the remainder of the calendar year. Sales by certain not-for-profit organizations are also exempt if the property sold is designated for the organization's educational, cultural, or religious purpose or for improvement of the work skills or professional qualifications of the organization's members.

ST54. Sales by Public Libraries (IC 6-2.5-5-26(c))

Year Enacted: 2018

Description: Effective July 1, 2018, sales of items in a public library's circulated and publicly available collections are exempt from sales tax. Also exempt are items that would typically be included in the library's collections that are donated by individuals or organizations. Exempt sales may be made by a public library or a charitable organization formed to support a public library.

ST55. Sales of Race Horses in Claiming Races (IC 6-2.5-5-1(b))

Year Enacted: 2017

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

ST56. Sales to City or Town for Municipal Golf Course (IC 6-2.5-5-44)

Year Enacted: 2010

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

ST57. School Building Materials (IC 6-2.5-5-23)

Year Enacted: 1965

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

ST58. School Meals (IC 6-2.5-5-22)

Year Enacted: 1963

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

ST59. Sharing of a Passenger Motor Vehicle for Fewer than 15 Days (IC 6-2.5-5-54)

Year Enacted: 2019

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

ST60. Supply, Pumping, and Water Treatment Plant and Expenses (IC 6-2.5-5-12); Collection, Disposal, and System Pumping Plant and Expenses (IC 6-2.5-5-12.5)

Year Enacted: 1963; 2007

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

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

ST61. Utilities Purchased by Business in Inactive or Closed Military Base (IC 6-2.5-5-8.5)

Year Enacted: 2004

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

ST62. Utility Scale Battery Energy Storage Systems (IC 6-2.5-5-10.5)

Year Enacted: 2021

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