

Indiana Department of Revenue

**2008**

**IT-40**

*(Index found on pages 43 and 44.)*

# **Indiana Full-Year Resident Individual Income Tax Booklet**

Find the following forms and schedules beginning after page 45:

- Form IT-40
- Schedules 1 & 2
- Schedule CT-40
- Schedule IN-EIC
- Form ES-40
- Form IT-9



## DEPARTMENT OF REVENUE

INDIANA GOVERNMENT CENTER NORTH  
100 N. SENATE AVE

Dear Taxpayer:

Over the past three years, more and more taxpayers have begun using electronic means to file their annual individual income-tax returns. In fact, since 2005, Indiana has seen electronic filing increase by 35 percent. Today, 61 percent of all Indiana individual income-tax returns are filed electronically, either through the federal e-File program, or through I-File – Indiana’s fast, friendly and free online filing program.

So what makes electronic filing such an appealing option to so many people? Through surveys and general conversations with taxpayers, we have learned there are a number of reasons. For example, up to 20 percent of paper returns are filed with errors, such as incorrect math calculations. However, on average, 98 percent of electronic returns are accurate when filed. Online filing programs like e-File and I-File check all the math calculations for you, and ensure your return is completed in accordance with the latest tax laws. These advantages alone can help taxpayers avoid penalties and interest from unintentional errors.

But filing electronically can also speed up the return time on your state tax refund. In 2008, taxpayers who filed their tax returns electronically and had their refunds direct deposited into their bank accounts received their refunds within an average of 4 to 7 *days*. But refunds from paper returns can take up to 12 *weeks* to be issued. Why the dramatic difference? When a tax return is filed electronically, it goes straight into our system, is checked automatically, and is processed instantaneously. However, a paper return is a very different process. A paper return must be opened, reviewed by hand, refigured to ensure the calculations are correct, and then sent for additional processing to be input into the state’s computer system. The refund process can’t even begin until the paper return has been through these additional steps.

The cost to process each type of return is dramatically different as well. It costs the state only 4 cents to process an electronic return, whereas a paper return can cost from \$1 to \$3 per return to process, depending on the type of return filed.

If you’re considering electronic filing for the first time, be sure to take a look at I-File, the state’s fast, friendly and free online filing system. More than 100,000 taxpayers used I-File during the 2008 filing season, and they gave it high praise. Survey responses from more than 2,500 I-File users in 2008 revealed that:

- 95 percent were satisfied or very satisfied with their I-File experience;
- 96.6 percent said they would likely or very likely use I-File again in the future; and
- 97 percent would recommend I-File to a friend or family member.

With I-File, most taxpayers find they can complete their state tax return in less than 30 minutes, and can file as late as 11:30 p.m. on April 15. So, it’s great for those last-minute filers, too.

If you’ve been considering electronic filing, make this the year to switch. Put aside your pencil and paper, reach for your computer mouse and visit [www.ifile.in.gov](http://www.ifile.in.gov). After all, I-File has been tested and approved by more than 100,000 Hoosiers just like you.

Sincerely,

John Eckart  
Commissioner  
Indiana Department of Revenue

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## Which Indiana Tax Form Should I File?

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

### Indiana Full-Year Residents

#### Use Form IT-40EZ:

If you (and your spouse, if filing jointly) were a full-year Indiana resident and all of the following are true:

- You filed a federal Form 1040EZ,
- You are claiming only the renter's deduction and/or unemployment compensation deduction, and
- You have only Indiana state and county tax withholding credits and/or an Indiana earned income credit.

#### Use Form IT-40:

If you (and your spouse, if filing jointly) were a full-year Indiana resident and you do not qualify to file Form IT-40EZ.

### All Other Individuals

#### Use Form IT-40RNR:

If you (and your spouse, if filing jointly) were:

- A full-year resident of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin, and
- Your only type of income from Indiana was from wage, tip, salary or other compensation.\*

\*If you have any other kind of Indiana-source income, you are required to file Form IT-40PNR (see below).

#### Use Form IT-40PNR:

If you (and/or your spouse, if filing jointly) were an Indiana resident for less than a full year (or not at all) and you do not qualify to file Form IT-40RNR.

**Note:** If you have income that is being taxed by both Indiana and another state, you may have to file a tax return with the other state. A listing of other states' tax forms can be found at [www.taxadmin.org/fta/link/forms.html](http://www.taxadmin.org/fta/link/forms.html)

### Military Personnel

See the instructions on page 7 to determine which form to file. Military personnel stationed in a combat zone should see the instructions on page 8 for extensions of time to file procedures.

## 2008 Changes

### Important county tax rate information

This year Indiana counties were allowed to adopt or increase their local income tax rates through Dec. 31, 2008. This publication was printed before that date. This means your county tax rate on page 40 may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list you may

- Log on to the Department's Web site at [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 39 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

### Lake County and county tax

When this publication was printed, Lake County had not adopted a county income tax. However, if Lake County did adopt a county income tax before the end of the year, you may owe tax to Lake County if you lived there on Jan. 1, 2008. See *Special Instructions for Lake County Residents* on page 27 for more information.

### Renter's Deduction

The maximum amount of renter's deduction you can claim has been raised from \$2,500 to \$3,000. See instructions on page 17 for more information.

### Homeowner's Property Tax Deduction

Some property tax statements due in 2007 did not get issued until sometime in 2008. If you got one of these, see the instructions on page 18 to see if you are eligible for an extra deduction.

### Military Service Deduction

The maximum amount of active, reserve or retirement pay (if at least 60 years old) one may deduct has been increased to \$5,000 per qualified person. See page 20 for more information.

### National Guard and Reserve Component Members Deduction

Certain members of the National Guard or a reserve component of the armed forces may be eligible for a new deduction. See instructions on page 23 for more information.

### Qualified Patents Income Exemption (deduction)

Income received from a utility or plant patent may be eligible for a deduction. See page 24 for more information.

### Estimated Tax and any carryover credit

- You may carryover some or part of your overpayment (refund) to next year's estimated tax account. Beginning in 2008 you may no

longer increase that amount by enclosing a payment. See page 13 for more information.

- Use line 38 to give the breakdown of how you want your carryover applied. See page 13 for more information.

### **Media Production Expenditure Credit**

A credit may be allowed for the production of movies, TV series, videos, etc. in Indiana. See page 13 for more information.

### **Returned checks and other types of payments penalty**

If you make a tax payment with a check, credit card, debit card, or electronic funds transfer, and the department is unable to obtain payment for its full amount when it is presented for payment, a penalty is due. See page 16 for more information.

### **Federal Economic Stimulus Payment**

The federal economic stimulus payment you may have received is not taxable by Indiana. See *Line 6 - Other* on page 9 for more information.

### **Enclosures**

Do not staple or paper clip enclosures. See page 6 for more information.

### **Schedules 3, 3A**

You are no longer required to file Schedules 3, 3A: Partnership and S Corporation Disclosure.

### **1-D barcode**

This year we've added a 1-D barcode to the bottom of our forms and schedules. This is done so we can automatically identify information about the form/schedule.

## **Need Tax Forms or Information Bulletins?**

### **Use your personal computer**

Visit our Web site and download the forms you need. Our address is [www.in.gov/dor/](http://www.in.gov/dor/)

### **Use your telephone**

Call the Forms Order Request Line (317) 615-2581 to have forms mailed to you. Have the following information ready to leave on the voice mail system:

- Name of form or form number needed
- Number of copies needed
- Contact person's name
- Daytime phone number
- A complete mailing address (including city, state and zip code)

### **Visit a district office, post office or library**

Tax forms are available at district offices listed on page 39. These offices are open Monday - Friday, 8 a.m. to 4:30 p.m. Also, contact your library or post office to find out if they stock any tax forms.

### **Get large print forms**

The Department has large print IT-40 booklets available for sight impaired Hoosier taxpayers. Call the Forms Order Request Line (317) 615-2581 to get a large print IT-40 booklet.

## **Need Help With Your Return?**

### **Local help**

For help, visit any of the district offices listed on page 39 or take advantage of the IRS Volunteer Return Preparation Program (VRPP). This program offers free tax return help to low income, elderly and special needs individuals. Volunteers will fill out federal and state forms for those who qualify. Call the IRS at 1-800-829-1040 to find the nearest VRPP location. Be sure to take your W-2s and any 1099s. If you are going to a district office, also take a copy of your completed federal tax return.

### **Automated information line**

Call the automated information line at (317) 233-4018 to get the status of your refund, billing information, and prerecorded tax topics. These topics include collection procedures, business registration requirements, payment-plan procedures, estimated tax procedures, underpayment of estimated tax penalty, use tax, county tax, and 2008 tax-year highlights. If you wish to check billing information, be sure to have a copy of your tax notice. The system will ask you to enter the tax identification number shown on the notice.

If you have a rotary phone, please call (317) 232-2240, 8 a.m. to 4:30 p.m., Monday - Friday, and a representative will help you.

### **Internet**

If you need help deciding which form to file, or need to get information bulletins or policy directives on specific topics, visit our Web site at [www.in.gov/dor](http://www.in.gov/dor)

### **Telephone**

Call us at (317) 232-2240 Monday - Friday, 8 a.m. to 4:30 p.m., for help with basic tax questions.

## **Ready To File Your Return?**

### **Use an electronic filing program**

More than 1.7 million Hoosier taxpayers used an electronic filing program to file their 2007 state and federal individual income tax

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returns. Electronic filing provides Indiana taxpayers the opportunity to file their federal and state tax returns immediately, and receive their Indiana refunds in about half the time it takes to process a paper return. It takes even less time if you use direct deposit, which deposits your refund directly into your bank account. Even if there is an amount due on either return, Indiana taxpayers can still file electronically and feel comfortable knowing that the returns were received by the IRS and the Indiana Department of Revenue. Contact your tax preparer to see if he or she provides this service.

## I-File

This fast, friendly and free online program allows taxpayers to prepare and file state tax returns using the Internet. I-File features a question-and-answer format and help links to guide users through filing. For more information, and to take advantage of this free service, please visit our Web site at [www.ifile.in.gov](http://www.ifile.in.gov)

## Our Web site

Our Web site offers tax filing options, a **Spanish version of the IT-40 booklet with forms**, downloadable blank forms and instructions, information bulletins, commissioner's directives, an online helpdesk, helpful e-mail links and a calendar with filing due dates. Visit the Department's Web site at [www.in.gov/dor](http://www.in.gov/dor)

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## Where's Your Refund?

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

- Call (317) 233-4018 for automated refund information.
- Go to [www.in.gov/dor/3336.htm](http://www.in.gov/dor/3336.htm) and click on the words "Look up the status of your refund online."
- Call (317) 232-2240 from 8 a.m. to 4:30 p.m. Monday - Friday, and a representative will help you.

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

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

## Moving?

You need to notify the Department if you move to a new address after filing your tax return, and you do not have a forwarding address on file with the post office.

## Change your address with us by doing one of the following:

- Go to [www.in.gov/dor/3336.htm](http://www.in.gov/dor/3336.htm) and click on the words "Change your mailing address."
- Call the Department at (317) 232-2240.
- Call or visit a district office near you (see list on page 39).

## Public Hearing - June 2, 2009

The Department will hold a public hearing on June 2, 2009. Please come and share your ideas on how the Department of Revenue can better administer Indiana tax laws. The hearing will be held at 9 a.m. in Conference Room 32 of the Conference Center, Indiana Government Center South, 402 West Washington Street, Indianapolis, Ind. You may also submit your concerns in writing to: Indiana Department of Revenue, Commissioner's Office, 100 North Senate Avenue, Indianapolis, IN, 46204.

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## Before You Begin

**Important:** Complete your federal tax return first.

## Filling in the boxes

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

## Social Security Number

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

## Individual Taxpayer Identification Number (ITIN)

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

## Married Filing Separately

If you file your federal income tax return as married, filing separately, you must also file married, filing separately with Indiana. Enter both of your Social Security numbers in the boxes on the top of the form, then check the box directly to the right of those boxes. Enter the name of the person filing the return on the top line, but do not enter the spouse's name on the second name line.

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## Married persons who live apart filing status

If you were not divorced or legally separated in 2008, you may have qualified for and filed as 'head of household' on your federal income tax return. If you did, don't check the married filing separately box. Also, do not enter either your spouse's name or Social Security number.

## Name and address

The first Form IT-40 in this booklet may have your name(s) and address already filled in. If any of the information is incorrect, don't use that form. Instead, print the correct information on the second Form IT-40 in the booklet and file it.

## P.O. Box

Enter your P.O. Box number instead of your street address only if your post office does not deliver mail to your home.

## School corporation number

Enter the four-digit school corporation number (found on pages 41 and 42) for where the primary taxpayer lived on Jan. 1, 2008. The primary taxpayer is the first name listed at the top of the tax return. If the primary taxpayer did not live in Indiana on Jan. 1, 2008, enter the code number "9999". Contact a local school or your county auditor's office if you're not sure which school corporation you live in.

It is important that you enter the correct school corporation number. This information is used for statistical tracking purposes to determine possible school funding needs and changes.

**Note:** If the school corporation number is not entered, the processing of your return will be delayed.

## Foreign or military addresses

The U.S. Post Office requires that the full foreign-country name appear in all addresses. Standard two-character abbreviations for Canadian provinces and territories should be entered in the "State" area on the tax return.

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

## County information

Enter the two-digit code numbers for the county(s) where you and your spouse, if filing joint, lived and worked on Jan. 1, 2008. You can find these code numbers on the chart on page 40 in the column titled *County Code #*. See the instructions beginning on page 24 for more information, including the definitions of the county where you live and work, details for military personnel, retired individuals, homemakers, unemployed individuals, out-of-state filers, etc.

## Refund check address

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

this information is correct and legible. Any wrong information will delay your refund.

## Rounding

**Please round your amounts to the nearest whole dollar.**

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

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

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

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

## Losses or negative entries

Put brackets around any losses or negative entries. *Example.* (1.00).

## Enclosing schedules, W-2s, etc.

You will find an enclosure sequence number in the upper right-hand corner of each schedule. Make sure to put your completed schedules in sequential order behind the IT-40 when assembling your tax return. Also, enclose all your W-2s, 1099s and check, if applicable. Do not staple or paper clip your enclosures.

If you have a schedule on which you've made no entry, do not enclose it unless you have completed information on the back of it.

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## Who Should File?

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

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

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

There are four types of returns available. The type you need to file is generally based on your residency status. Read the following to decide if you are a full-year resident, part-year resident, or nonresident of Indiana, and which type of return you should file.

## Full-year residents

Full-year residents must file Form IT-40, Indiana Full-Year Resident Individual Income Tax Return or Form IT-40EZ for Full-Year Indiana Resident Filers with No Dependents. If you filed a 2008 federal Form 1040EZ, were a full-year resident of Indiana, claim only the renter's deduction and/or unemployment compensation deduction, and have only Indiana state and county tax withholding credits or an earned income credit, then you should file the simplified Form IT-40EZ. If you are not eligible to file Form IT-40EZ, or have any other deductions or credits, you must file Form IT-40.

You are a full-year Indiana resident if you maintain your legal residence in Indiana from Jan. 1 – Dec. 31 of the tax year. You do not have to be physically present in Indiana the entire year to be considered a full-year



resident. Residents, including military personnel, who leave Indiana for a temporary stay, are considered residents during their absence.

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

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

Indiana allows \$1,000 for each exemption claimed on your federal return, plus an additional \$1,500 for certain dependent children (see instructions on page 9 for more information). If you did not have to file a federal return, you should complete a "sample" federal return to see how many exemptions you are eligible to claim.

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

If your gross income is less than your total exemptions, you are not required to file. However, you may want to file a return to get a refund of any state and/or county tax withheld by your employer, or other refundable credits, such as an earned income credit.

## Part-year residents and full-year nonresidents

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

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

## Full-year residents of Kentucky, Michigan, Ohio, Pennsylvania or Wisconsin

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

## Deceased taxpayers

If an individual died during 2008, or died after Dec. 31, 2008, but before filing his/her tax return, the executor, administrator or surviving spouse must file a tax return for the individual if:

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

Be sure to enter the month and day of death for the taxpayer or spouse in the appropriate box located on the back of the IT-40. For example, a date of death of Jan. 9, 2008, would be entered as 01/09/2008. Note: The date of death should not be entered here if the individual died after Dec. 31, 2008, but before filing the tax return. The date of death information will be shown on the individual's 2009 tax return.

## Signing the deceased individual's tax return

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

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

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

**Note:** The Department may ask for a copy of the death certificate, so please keep a copy with your records.

## A refund check for a deceased individual

If you (the surviving spouse, administrator, executor or other) have received a refund check and cannot cash it, contact the Department to get a widow's affidavit (POA-30) or a distributee's affidavit (POA-20) at [www.in.gov/dor/3508.htm](http://www.in.gov/dor/3508.htm). Send the completed affidavit, the refund check and a copy of the death certificate to the State Auditor's Office so a refund check can be issued to you.

## Military personnel - residency

If you were an Indiana resident when you enlisted, you remain an Indiana resident no matter where you are stationed. You must report all your income to Indiana on Form IT-40.

If you changed your legal residence (military home of record) during 2008, you are a part-year resident and should file Form IT-40PNR. You must also enclose a copy of Military Form DD-2058 with the tax return. As an Indiana part-year resident you will be taxed on the income you earned while you were a resident of Indiana, plus any income from Indiana sources.

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

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

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

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**Important:** Refer to the instructions on page 25 for an explanation of county of residence for military personnel.

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## When Should You File?

Your tax return is due April 15, 2009. If you file after this date, you may have to pay interest and penalty. See page 15 for more information.

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

## Penalty for late payment

If you do not file your tax return and pay the amount of tax owed by the due date, Indiana law requires you to pay penalty and interest on the late payment. See page 15 for instructions on penalty and interest.

## What if you can't file on time?

If you can't file by the due date and you don't think you will need to make a payment when you file your return, you are not required to file for an **extension of time to file**. However, if you are expecting a refund, you might need an extension of time to file if you are claiming the Unified Tax Credit for the Elderly. See page 11 for instructions on the Unified Tax Credit for the Elderly.

If you can't file on time, and expect to owe when you file, you may need to apply for an extension of time to file. The extension allows additional time to complete and file your income tax return; however, the extension does not provide additional time to pay the amount of tax owed.

To make the extension valid, you will need to estimate 90 percent of your expected tax, subtract the credits you expect to have, and pay any remaining amount due by April 15, 2009.

Get Indiana's extension Form IT-9, and mail it (including your payment) by April 15, 2009. This extends the filing date to June 15, 2009. Form IT-9 is located with the forms in the middle of the booklet. You may also file for an extension and make an extension payment online at [www.in.gov/dor/epay](http://www.in.gov/dor/epay)

Indiana also recognizes valid federal extension dates, plus 30 days. If you have a federal extension, enclose a copy of Form 4868 with your Indiana return when filing. Make sure you file no later than Nov. 16, 2009. **Note:** Remember, 90 percent of the tax due to Indiana must still be paid by April 15, 2009, to avoid a penalty charge. Interest will be due on any tax that remains unpaid during the extension period.

**Military personnel** on duty outside of the United States and Puerto Rico on the filing due date are allowed an automatic 60 day extension of time to file. A statement must be enclosed with the return verifying that you were outside of the United States or Puerto Rico on April 15, 2009.

Military personnel in a presidentially declared **combat zone** have an automatic extension of 180 days after they leave the combat zone. Also, if they are hospitalized outside the United States as a result of such service, the 180 day extension period begins after being released from the hospital. The spouse of such service member must use the same

method of filing for both federal and Indiana (e.g. single or joint). When filing the return, write "Combat Zone" across the top of the form (above your Social Security number).

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

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## Income and Indiana Additions: Line-by-line instructions

You must complete your federal income tax return (Form 1040, 1040A or 1040EZ) before starting your Indiana income tax return. Line numbers from your federal income tax return are referenced in many of the following instructions. While every effort has been made to make the instructions as clear as possible, sometimes the line numbers change on the federal income tax return after the Indiana forms are printed. Please contact us if you are unsure as to whether or not you are looking at the correct line on your federal income tax return (see page 4 of this booklet for contact information).

## When not to fill in a line

If you do not have an entry for a particular line, leave it blank. Do not use dashes, zeros or other symbols to indicate that you have no entry for that line.

*Example.* Steve does not have income taxed on federal Form 4972. Steve will leave line 4 blank.

## Line 1 - Federal adjusted gross income

Enter the **adjusted gross income** from your federal Form 1040 (line 37), 1040A (line 21), or 1040EZ (line 4). If you were not required to file a federal return, complete a "sample" federal return and report the amount you would have shown on your federal return if you had been required to file.

If the amount is a loss, or negative entry, place it in a (bracket).

## Line 2 - Tax add-back

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

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

- based on, or
- measured by income, and
- levied at a state level by any state in the United States.

If you claimed this kind of deduction on any of these schedules, then you must add it back to your Indiana income.

**Do not** add back property taxes on this line.



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

### Line 3 - Net operating loss add-back

Any net operating loss (NOL) deduction taken on line 21 of your federal Form 1040 must be added back on this line. Write the amount of the net operating loss as a **positive** figure. (You will claim an Indiana net operating loss deduction on Schedule 1, under line 11.)

**Note:** If your federal adjusted gross income this year is a loss, and you have not included a net operating loss as a deduction on line 21 of your 2008 federal Form 1040, then leave this line blank.

### Line 4 - Lump sum distribution

If you completed federal Form 4972, add any capital gains reported on Part II and any ordinary income reported on Part III of federal Form 4972. Enter the total here as a positive amount.

### Line 5 - Domestic production activities add-back

If you claimed a domestic production activities deduction on your federal Form 1040, line 35, enter that amount here.

### Line 6 - Other

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

Figure the net income (or loss) which would have been included in federal adjusted gross income had the bonus depreciation method not been used. Then, enter the difference, which may be a positive or negative amount, on line 6.

*Example.* Mack used the bonus depreciation method for federal income tax purposes. After refiguring the depreciation without using the bonus method, he has to add back \$1,500 on his Indiana tax return.

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

*Example.* Ann made an initial adjustment for bonus depreciation on last year's Indiana tax return. This year she figures she is entitled to a \$150 *additional* depreciation amount for state tax purposes. She should enter that amount as a negative entry, or (\$150), on line 6.

For additional information see Commissioner's Directive #19 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)

**Federal economic stimulus payment** - If you received an economic stimulus payment, do not include it here. Indiana will not tax it.

**Section 179 expense** - You may have figured IRC Section 179 expense using up to a \$100,000 ceiling for federal tax purposes. Indiana allows you to figure IRC Section 179 expense using a ceiling of no more than \$25,000. If you figured IRC Section 179 expense using a ceiling amount of more than \$25,000, you'll need to add back the difference between it and \$25,000 on line 6.

### Line 8 - Indiana deductions

Use Schedule 1 to figure your Indiana deductions. Instructions for Schedule 1 begin on page 17.

## Indiana Exemptions: Lines 10 - 13

**Important:** Keep detailed information about the exemption(s) you are claiming, such as full name(s), age(s), Social Security number(s), etc. The Department can require you to provide this information at a later date.

### Line 10 - Exemptions

You are allowed \$1,000 for each exemption claimed on your federal return. Enter in the box on line 10 the total number of exemptions claimed on your federal return. Multiply \$1,000 by that number, and enter the answer here.

*Example.* John and Lisa have a 12-year-old daughter. On John and Lisa's joint federal return they claim themselves and their daughter as exemptions. They'll enter 3 in the box on line 10 for a total of \$3,000 exemptions.

If you do not have to file a federal return, you will need to complete a "sample" federal return to see how many federal exemptions you are allowed to claim.

**Important:** If no exemption is claimed on your federal return, you can still claim yourself (even if you are claimed on a parent's or guardian's return).

### Line 11 - Additional exemption for dependent child

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

**Dependent child definition:** According to state statute, a dependent child must be a son, stepson, daughter, stepdaughter and/or foster child (and/or your spouse's child, if filing a joint return). He/she must be either under the age of 19 by Dec. 31, 2008, or be a full-time student who is under the age of 24 by Dec. 31, 2008.

If any dependent(s) you are eligible to claim on your federal return also meets the *Dependent Child Definition* above, enter that number in the box on line 11.

*Example.* John and Lisa claimed their 12-year-old daughter as an exemption on their federal return. Since their daughter is under the age of 19, John and Lisa will claim one exemption on line 11 for a total of \$1,500.

## Sales/Use Tax Worksheet

List all purchases made during 2008 from out-of-state retailers.

<b>Column A</b> Description of personal property purchased from out-of-state retailer	<b>Column B</b> Date of purchase(s) made from 1/1/08 through 3/31/08	<b>Column C</b> Purchase Price of Property(s) from Column B	<b>Column D</b> Date of purchase(s) made from 4/1/08 through 12/31/08	<b>Column E</b> Purchase Price of Property(s) from Column D
Magazine subscriptions:				
Mail order purchases:				
Internet purchases:				
Other purchases:				
1. Total purchase price of property subject to the sales/use tax: Enter total of Columns C and E .....		1C		1E
2. Sales/use tax: Multiply line 1C by .06; multiply line 1E by .07 .....		2C		2E
3. Sales tax previously paid on the above items (up to 6% per item in Column C; up to 7% per item in Column E) .....		3C		3E
4. Total amount due: Subtract line 3C from line 2C and line 3E from line 2E. Add lines 4C and 4E. Carry to Form IT-40, line 18. If the amount is negative, enter zero and put no entry on line 18 of the IT-40 .....		4C		4E

*Example.* Jessie's elderly father and her nine-year-old daughter lived with her the entire year. She claimed both as dependents on her federal return. Jessie will claim her daughter for the additional exemption on line 11. She is not allowed to claim the additional exemption for her father.

**Note:** Not all dependent children are eligible for this additional exemption. For instance, if you claimed a grandson or nephew as an exemption on your federal return, you should also claim an exemption for him on line 10. However, since he doesn't qualify under the *Dependent Child Definition* above, you will not be able to claim the additional exemption for him on line 11.

### Line 12 - Age 65 or older or blind

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

### Line 13 - Additional exemption for age 65 or older

An additional \$500 exemption is available for you and/or your spouse (if filing a joint return) if you are age 65 or older and the amount on line 1 is less than \$40,000. Mark the boxes that apply to you and/or your spouse. Enter the total number of boxes marked on this line and multiply by \$500.

### Line 17 - County tax

To figure your county tax, complete Schedule CT-40. Instructions for Schedule CT-40 begin on page 24.

### Line 18 - Use tax on out-of-state purchases

If you have purchased items while you were outside Indiana, through the mail (for instance, by catalog or offer through the mail), through radio or television advertising and/or over the Internet, these purchases may be subject to Indiana sales and use tax, if sales tax was not paid at the time of purchase. This tax, called "use" tax, is figured at 6 percent for purchases made from Jan. 1, 2008 through March 31, 2008, and 7 percent for purchases made from April 1, 2008 through Dec. 31, 2008.

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

Complete the worksheet above to figure your tax. If you paid sales tax to the state where the item was originally purchased, you are allowed a credit against your Indiana use tax for an amount up to 6 percent for purchases made from Jan. 1, 2008 through March 31, 2008, and 7 percent for purchases made from April 1, 2008 through Dec. 31, 2008.

### Line 19 - Household Employment Taxes

If you paid cash wages during 2008 to an individual who is *not*

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

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

For more information on defining an employee see Federal Publication 926, *Household Employer's Tax Guide*. Visit [www.irs.gov/formspubs](http://www.irs.gov/formspubs) or call the IRS at 1-800-829-1040.

If you paid cash wages over \$1,600 to a household worker who is your employee, or total cash wages of \$1,000 or more in any calendar quarter of 2007 or 2008 to **all** household employees, you should have withheld state and county income taxes. To pay these taxes on your Indiana income tax return, contact the Department for Schedule IN-H, or download one from [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm)

### Line 20 - Indiana Advance Earned Income Credit Payment (from W-2s)

Enter the total amount of Indiana advance earned income credit payments you received. This amount is shown on your W-2 form in the box directly beneath box 19 ('INADV' should be in the box directly beneath box 20).

### Line 21 – Recapture of Indiana's CollegeChoice 529 Education Savings Plan Credit

You may be eligible for a credit if you made a contribution(s) to Indiana's CollegeChoice 529 Education Savings Plan (see instructions on page 33 for credit details). However, if you made a non-qualified withdrawal(s) from this plan, you will probably have to repay some or all of any credits previously claimed.

Withdrawals made for higher education expenses tend to be qualified withdrawals. Other withdrawals may fall under the category of 'non-qualified'. For more information about withdrawals, contact the Department for Income Tax Information Bulletin #98 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) See Schedule IN-529R at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) to figure any amount to be recaptured.

## Indiana Credits

### Lines 23 and 24 - Indiana state and county tax withheld

The amount of state tax withheld is usually shown in box 17 and the amount of county tax withheld is usually shown in box 19 of the W-2s. You **must** enclose your W-2s, and/or Form 1099s with your tax return to verify the amount withheld.

**Note: Do not claim credit for taxes withheld for states other than Indiana or for localities outside Indiana.**

If you had more than one job, enclose a W-2 from each job so you can get credit for all Indiana state and county tax withheld.

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

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

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

### Line 25 - 2008 Estimated tax paid

If you made estimated tax payments, enter the total paid for 2008 on this line. Also, include any **extension payment** made with Form IT-9 "Extension of Time to File" for tax year 2008. **Note: Do not include on this line any estimated tax paid for tax year 2009.**

### Line 26 - Unified Tax Credit for the Elderly

You may be able to claim a credit if you or your spouse meet **all** the following requirements:

- You and/or your spouse must have been age 65 or older by Dec. 31, 2008,
- If married and living together at any time during the year, you must file a joint return,
- The amount on line 1 of Form IT-40 must be *less than \$10,000*,
- You must have been a resident of Indiana for six months or more during 2008, and
- You must not have been in prison for 180 days or more in 2008.

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

#### Important:

- If your spouse died after Jan. 1, 2008, you can claim this credit by filing a joint return.
- If a person dies and does not have a surviving spouse, then no one can claim the credit on behalf of the deceased person.
- If your income is low enough that you are not required to file a Form IT-40, and you meet the requirements for claiming the Unified Tax Credit for the Elderly, do not file Form IT-40. Instead, file the simplified Form SC-40 to claim this credit.

**Note:** You must file the Form IT-40 if you are eligible for the Lake County residential income tax credit. See line 28 instructions on page 12 for more information.

Form SC-40 can be found at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) Or call (317) 615-2581. You can claim the credit on either Form IT-40 or Form SC-40, but *file only one of these forms, and only file once.*

### The deadline for claiming this credit is June 30, 2009.

The only exception to this rule is if you have a valid federal extension of time to file your tax return. See *What if you can't file on time?* on page 8 for information about extensions of time to file.

## To figure your Unified Tax Credit for the Elderly:

### Use Table A if:

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

- You are filing a joint return, lived with your spouse during 2008, both were Indiana residents for at least six months and both were age 65 or older by Dec. 31, 2008, **or**
- Both you and your spouse met all the above-requirements and your spouse died after Jan. 1, 2008.

**Table A**  
**Joint Filers Both Age 65 or Older**

If the income on Line 1 of Form IT-40 is:	Your Allowable Credit* is:
less than \$1,000.....	\$140
between \$1,000 and \$2,999 .....	\$90
between \$3,000 and \$9,999 .....	\$80

### Use Table B if:

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

- You are age 65 or older and are single or widowed,
- You are filing a joint return and only one is age 65 or older,
- You are filing a joint return and only one was an Indiana resident for at least six months,  
**or**
- You are married but did not live with your spouse during 2008, are age 65 or older and are married filing separately.

**Table B**  
**Only One Person Age 65 or Older**

If the income on Line 1 of Form IT-40 is:	Your Allowable Credit* is:
less than \$1,000 .....	\$100
between \$1,000 and \$2,999 .....	\$50
between \$3,000 and \$9,999 .....	\$40

\* Once you have located your credit on Table A or Table B, enter that amount on line 26.

### Line 27 Indiana's Earned Income Credit: Schedule IN-EIC

Indiana's earned income credit is based on your federal earned income credit. If your federal earned income credit is \$9 or more, you may be eligible for Indiana's earned income credit. The earned income credit will lower the tax you owe and may give you a refund even if you don't owe any tax.

To claim the credit you must complete and enclose Schedule IN-EIC. For additional information see Income Tax Information Bulletin #92 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm), and Schedule IN-EIC at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm)

### Line 28 - Lake County (Indiana) Residential Income Tax Credit

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

- You paid property tax to Lake County (Indiana) during 2008 on your residence.** Your "residence" is your principal dwelling. You

must either own or be buying the residence under contract, and must pay property tax to Lake County (Indiana) on that residence.

- Your earned income must be less than \$18,600.** Earned income is the combination of your (and your spouse's, if filing a joint return) wages, salaries, tips and other compensation, plus net earnings from self-employment (income on which you are required to pay self-employment tax on federal Schedule SE). NOTE: Income from pensions, interest, dividends, Social Security, etc., is not classified as earned income.

*Example.* Sue has \$17,000 wage income, \$300 interest income and \$7,000 pension income. Even though her total income is \$24,300, Sue will qualify for the credit because her *earned* income is less than \$18,600 (it is \$17,000).

**Important:** You are *not required* to have earned income to be eligible for this credit.

*Example.* Dale receives \$17,000 pension income, \$3,000 Social Security income and \$100 interest income. He meets the income eligibility requirement because his earned income is less than \$18,600 (it is zero).

- You are not claiming the homeowner's residential property tax deduction on Indiana Schedule 1, line 2, Box A.**

## How do I figure my credit?

**Step 1** Did you pay property tax to Lake County (Indiana) on your residence for 2008?  Yes  No

If yes, continue to Step 2.

If no, STOP. You do not qualify for this credit.

**Step 2** Enter your earned income. This will include your (and your spouses, if filing a joint return) wage, salary, tip and other compensation, plus net earnings from self-employment.

\$ \_\_\_\_\_

**Step 3** If the amount in Step 2 is greater than \$18,600, **STOP**. You do not qualify for this credit.

If the Step 2 amount is **less than** \$18,000, skip to Worksheet A.

If the Step 2 amount is between \$18,000 and \$18,600, skip to Worksheet B.

### Worksheet A:

Complete if your earned income is **less than** \$18,000.

**A1** Enter the amount of Indiana property tax you paid on your Lake County residence **A1** \$ \_\_\_\_\_

**A2** Maximum credit ..... **A2** \$ 300

**A3** Enter the **smaller** of A1 or A2. This is your credit. Enter here and on IT-40, line 28 **A3** \$ \_\_\_\_\_



## Worksheet B: Earned Income Phaseout

Complete if your earned income is between \$18,000 and \$18,600.

**B1** Allowable maximum earned income ..... **B1** \$ 18,600

**B2** Enter your earned income from Step 2 on page 12 ..... **B2** \$ \_\_\_\_\_

**B3** Subtract B2 from B1 (if answer is zero or a (negative) amount, **STOP**. You do not qualify for this credit) ..... **B3** \$ \_\_\_\_\_

**B4** Multiply the amount on B3 by .5 ..... **B4** \$ \_\_\_\_\_

**B5** Enter the amount of Indiana property tax you paid on your Lake County residence ... **B5** \$ \_\_\_\_\_

**B6** Enter the **smaller** of B4 or B5. This is your credit. Enter here and on IT-40, line 28 ..... **B6** \$ \_\_\_\_\_

**Important:** Remember, you can claim either this credit OR the homeowner's residential property tax deduction on Schedule 1, line 2, Box A, but not both.

## Line 29 – Economic Development for a Growing Economy Credit (EDGE Credit)

If you have business income (including partnership or S corporation income) you may be eligible for the EDGE credit. This credit is available to businesses who conduct certain activities that are designed to foster job creation or job retention in Indiana.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

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

**Note:** The approved credit agreement letter from the IEDC must be enclosed, or this credit will not be allowed.

## Line 30 – Media Production Expenditure Credit

This credit is for qualified media production expenditures. The minimum qualified production expenditure for a feature length film, including a short feature; an independent or studio production; a documentary; and a television series, program, or feature, must be at least \$100,000 to qualify for the credit. The minimum qualified production expenditure for a digital media production, an audio recording, a music video, an advertising message broadcast on radio or television, or a media production concerning training or external marketing or communications is \$50,000.

Pass-through entities (such as members of S corporations and partnerships) are eligible for this credit.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information about this credit. The approved credit agreement letter from the IEDC and a computation of the credit must be enclosed with the return. Otherwise, this credit will not be allowed.

Get Commissioner's Directive #36 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm) for additional information.

## Line 31 – Indiana Credits

To figure your Indiana credits, complete Schedule 2. Instructions for Schedule 2 begin on page 28.

## Line 35 – Overpayment

If the line 34 total credits are more than the line 33 total tax, you have an overpayment. Enter the difference between those two amounts here.

### A note about refund offsets

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

## Line 36 - Contribution to Indiana Nongame Wildlife Fund

The Indiana Wildlife Diversity Section offers you the opportunity to play an active role in conserving Indiana's nongame and endangered wildlife. This program is funded through public donations to Indiana's Nongame Fund. The money you donate goes directly to the protection and management of more than 750 wildlife species in Indiana - from songbirds and salamanders to state-endangered Trumpeter swans and spotted turtles.

Enter the amount of your refund you wish to donate to the Nongame Wildlife Fund on line 36. You can donate all or a part of your refund. Donations must be a minimum of \$1.

If you are not receiving a refund, but want to support the Wildlife Diversity Section, do not change your tax return. You can send a donation directly to the Nongame Fund by completing the form on the back of this booklet.

Read more about Indiana's Wildlife Diversity Section and learn how donations have helped Indiana's endangered wildlife at [www.in.gov/dnr/fishwild](http://www.in.gov/dnr/fishwild)

**Note:** The Department may examine your return and find that your actual overpayment or refund is less than you calculated. If you entered a donation to the Indiana Nongame Wildlife Fund *and* wish to apply some of your overpayment to your 2009 estimated tax account, the overpayment will be applied first to the wildlife fund and then to the estimated tax account. Any amount left will be refunded to you.

## Line 38 - Amount to be applied as a 2009 estimated tax installment payment

If you expect to have income during the 2009 tax year that:

- Will not have Indiana income taxes withheld, or
- If you think the amount withheld will not be enough to pay your tax liability, and
- You expect to owe more than \$1,000 when you file your tax return, then you should pay estimated tax.

There are several ways you can make estimated tax payments. First, use the worksheet on Form ES-40 (located with the forms in the middle of the booklet) to see how much you will owe. Then, if you have an overpayment showing on line 37 of your tax return, you can have some or all of the overpayment applied to next year's estimated tax account. To do so, enter any portion of the overpayment:

- On line a, if you want to apply an amount to offset estimated county tax due (from Form ES-40, line K). Also, enter the 2-digit county code from line K; and/or
- On line b, if your spouse lived in a different county than you did on January 1, 2009, and you want to apply an amount to offset your spouse's estimated county tax due (from Form ES-40, line L). Also, enter the 2-digit county code from line L; and/or
- On line c, if you want to apply an amount to offset your estimated state tax due (from Form ES-40, line J).

*Example.* Chris and Megan have a \$420 overpayment, and want to apply some of it to their 2009 estimated tax account. Their worksheet from Form ES-40 has the following breakdown:

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

They will enter \$30 on line 38a (along with their 2-digit county code), \$270 on line 38c, and the \$300 total amount to be applied will be entered on line 38d. They will get a \$120 refund (\$420 overpayment - \$300 applied to their 2009 estimated tax account).

*Example.* Stu wants to pay \$500 in estimated tax for each installment period. He has a \$30 overpayment on his tax return. He chooses to enter the full \$30 overpayment on line 38c (Indiana adjusted gross income tax amount), and carries it over to line 38d. (He will pay the \$470 additional amount by filing the Form ES-40.)

**Important:** Estimated tax installment payments made for the 2009 tax year are due by April 15, 2009, June 15, 2009, Sept. 15, 2009 and Jan. 15, 2010. Any installment payment amount entered on line 38d will be considered to be paid on the day your tax return is filed (postmarked). For instance, an installment payment shown on a return filed on: April 15, 2009, will be considered to be a 2009 first installment payment; June 3, 2009, will be considered to be a 2009 second installment payment; and July 22, 2009, will be considered to be a 2009 third installment payment. **Note:** If you are filing this return *after* Jan. 15, 2010, you will not be able to make an installment payment on this line.

**Note:** You may use Form ES-40 to make a payment by check or money order. Estimated tax payments may also be made online, via credit card or check, at [www.in.gov/dor/epay](http://www.in.gov/dor/epay) See line 45 instructions on page 15 for details about payment options.

For additional information about estimated taxes see Income Tax Information Bulletin #3 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## Line 39 - Penalty for underpayment of estimated tax

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

In fact, not properly paying estimated tax is one of the most common errors made in filing Indiana tax returns.

Generally, if you owe \$1,000 or more in state and county tax for the year that's not covered by withholding taxes, you need to be making estimated tax payments.

You might owe this penalty if:

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

If either of these cases apply to you, you must complete Schedule IT-2210 or IT-2210A to see if you owe a penalty or if you meet an exception. If you owe this penalty, enclose Schedule IT-2210 or IT-2210A with your tax return and write the penalty amount on Form IT-40, line 39.

\*You must have timely paid 100 percent of lines 16 and 17 of your 2007 IT-40. Note: If last year's **Indiana adjusted gross income** was more than \$150,000 (\$75,000 for married filing separately), you must pay 110 percent of last year's tax (instead of 100%).

\*\*Farmers and fishermen should see the special instructions on page 16.

### Important.

If it looks like you owe a penalty for the underpayment of estimated tax, and:

- You didn't report a penalty amount on line 39, and
  - You didn't enclose Schedule IT-2210 or Schedule IT-2210A showing you meet an exception to owing a penalty,
- Then the Department will automatically figure a penalty for you.

### Should I use Schedule IT-2210 or IT-2210A?

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

*Example.* Jim and Sarah together received \$1,000 in pension income each month. Since their income is received on a fairly even basis, they'll use Schedule IT-2210 to figure their penalty or exception to the penalty.

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



*Example.* Bill's income is from selling fireworks in June and July. He will want to figure any penalty due on Schedule IT-2210A, which may exempt him from having had to pay estimated tax on the April 15, 2008, first installment due date.

*Example.* Rachael received a sizeable lump sum distribution in Dec. of 2008. She figured how much estimated tax was due, and paid it by the Jan. 15, 2009, fourth period installment due date. By completing Schedule IT-2210A, she shows she owes no penalty for the first three installment periods, and that a proper payment was made for the fourth installment period. She will owe no penalty.

Visit our Web site at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) to get Schedule IT-2210 or IT-2210A.

### Line 40 Refund

You have a refund if line 37 is greater than the combined amounts entered on lines 38d and 39. No refund will be issued if the overpayment is less than one dollar.

**Note:** If the combination of line 38d plus line 39 is *greater* than the line 37 amount, you must make an adjustment. The estimated tax carryover amount on line 38 is limited; it cannot be greater than the remainder of line 37 minus line 39. See the second example in the left-hand column on page 14 for clarification.

**Please wait 12 weeks before you contact the Department about your refund.**

**Note:** There is a **statute of limitations** on filing refund claims. When filing your 2008 tax return, a claim for refund of excess withholding credits must be made no later than April 15, 2011. A claim for refund of all other excess payments and refundable credits must be made by April 16, 2012. (The claim is considered to be made on the day your return is postmarked.) If you file your 2008 tax return after the statute of limitations has expired, no refund will be issued.

### Line 41 - Direct deposit

You may choose to have your refund deposited in your checking, savings or Hoosier Works Master Card account.

If you want your refund directed into your checking or savings account, complete lines 41a, b and c.

- a) The routing number is nine digits, with the first two digits of the number beginning with 01 through 12 or 21 through 32. Do not use a deposit slip to verify the number because it may have internal codes as part of the actual routing number.
- b) The account number can be up to 17 digits. Omit any hyphens, accents and special symbols. Enter the number from left to right and leave any unused boxes blank.
- c) Check the appropriate box for the type of account you are making your deposit to: either a checking account or savings account.

**Note: The routing and account numbers may appear in different places on your checks.**

If you currently have a **Hoosier Works MasterCard** and wish to have your refund directly deposited in your account, enter your 12-digit account number on line 41b, where it says "Account Number" (do not write anything on line 40a "Routing Number"). You can find your 12-digit account number in the upper right-hand corner of your account monthly statement.

**Note:** DO NOT use your MasterCard 16-digit number.

Make sure to check the "Hoosier Works MC" box on line 41c.

For more information on direct deposit, please see "Where's Your Refund" on page 5.

### Line 42 - Subtotal

If line 40 is less than zero, you have an amount due. Enter here as a positive number and skip to line 43.

**OR**

If line 33 is greater than line 34, complete the following steps:

- |   |         |
|---|---------|
| A. Subtract line 34 from line 33 and enter the total here ..... | A _____ |
| B. Enter any amount from line 39 .....                          | B _____ |
| C. Add lines A + B. Enter total here and on line 42 .....       | C _____ |

### Line 43 - Penalty

If your tax return is filed after the April 15, 2008, due date and you have an amount due, you will probably owe a penalty. Penalty is 10 percent of the amount due (line 42 minus line 39) or \$5, whichever is greater. Exception: If you have an extension of time to file, are filing by the extended filing due date and have prepaid at least 90 percent of the amount due by April 15, 2009, then no penalty is due.

### Line 44 - Interest

If your tax return is filed after the April 15, 2009, due date and you have an amount due, you will owe interest (even if you have a valid extension of time to file). Interest should be figured on the sum of line 42 minus line 39. Contact the Department at (317) 232-2240 or visit our Web site at [www.in.gov/dor/3618.htm](http://www.in.gov/dor/3618.htm) to get Departmental Notice 3 for the current interest rate.

### Line 45 - Amount you owe - payment options

There are several ways to pay the amount you owe.

Make your check, money order or cashiers check payable to: Indiana Department of Revenue. Just include the payment loose in the envelope. **Do not staple** it to the return. **Do not send cash.**

You may also pay using the **eCheck** payment method. This service uses a paperless check and may be used to pay the tax due with your Indiana individual income tax return, as well as any billings issued by the Indiana Department of Revenue for any tax type. To pay, go to

[www.in.gov/dor/epay](http://www.in.gov/dor/epay) and follow the step-by-step instructions. You will receive a confirmation number and should keep this with your tax filing records. The fee for using this service is \$1.

**Note:** All payments made to the Indiana Department of Revenue must be made with U.S. funds.

You may also pay by using your American Express® Card, Discover® Card, MasterCard® or VISA® by calling 1-800- 2-PAY TAX (1-800-272-9829). Or, log on to [www.in.gov/dor/epay](http://www.in.gov/dor/epay) and use your Discover® Card, MasterCard® or VISA® to make a payment.

A convenience fee will be charged *by the credit card processor* based on the amount you are paying. You will be told what the fee is and you will have the option to either cancel or continue the credit card transaction.

**Note:** No payment is due if you owe less than \$1.

## Returned checks and other types of payments

If you make a tax payment with a check, credit card, debit card or electronic funds transfer, and the Department is unable to obtain payment for its full amount when it is presented for payment, a 10 percent penalty of the unpaid tax or the face value of the check, credit card, debit card, or electronic funds transfer, whichever is smaller, is due.

The assessed amount will be due immediately upon receipt of the tax due notice and must be paid by certified check, bank draft or money order. If payment is not received immediately, the penalty will be increased to the face value of the intended payment or 100 percent of the unpaid tax, whichever is smaller. Also, *any permits and/or licenses issued by the Department may be revoked if the assessed amount is not paid immediately.*

## Additional Information

### Out-of-state income information

If you and/or your spouse worked in Illinois, Kentucky, Michigan, Ohio, Pennsylvania and/or Wisconsin you must enter your salary, wage, tip and/or commission income from those states in the appropriate boxes. **Note:** This entry is for information purposes only, and will not change your refund or the amount you may owe.

### Farmers and fishermen

Farmers and fishermen have special filing considerations. If at least two-thirds (2/3) of your gross income is from farming or fishing, mark the box provided on the back of the tax return. This will make sure that a penalty for the underpayment of estimated tax is not assessed provided you have followed through by:

- Paying all your estimated tax on or by Jan. 15, 2009, and filing your Form IT-40 by April 15, 2009, **or**

- Filing your Form IT-40 by March 2, 2009, and paying all the tax due at that time.

You are not required to make an estimated tax payment if you use this option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

**Important:** If you have checked the box, you must enclose the completed Schedule IT-2210 or IT-2210A to support your claim.

## Are you filing a federal income tax return?

You must check the “yes” or “no” box to answer the question: “Are you filing a federal income tax return for 2008?”

## Deceased individual information

If the taxpayer and/or spouse died during 2008, and this return is being filed with his/her name on it, make sure to enter the month and day of death in the appropriate box located on the back of the IT-40. For example, a date of death of Jan. 9, 2008, would be entered as 01/09/2008. See instructions on page 7 for more information.

**Note:** If the taxpayer and/or spouse died before 2008, or after Dec. 31, 2008, but before filing his or her tax return, do not enter his/her date of death in this box.

## Signature Section

If this is a joint return, both you and your spouse must sign and date the tax return. Please enter your daytime telephone number so we can call you if we have any questions about your tax return. Also, enter your e-mail address if you would like us to be able to contact you by e-mail.

## Signing a tax return for a deceased individual

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

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

If an executor or administrator has not been appointed, the person filing the return should sign and give their relationship to the deceased (e.g. “John Doe, nephew”).

## Personal representative information

Typically, the Department will contact you (and your spouse, if filing jointly) if there are any questions or concerns about your tax return. If you wish to allow the Department to discuss your tax return with someone else (e.g. the person who prepared it, a relative or friend, etc.), you will need to complete this area.

First, you must check the “Yes” box, which follows the sentence, “I authorize the Department to discuss my tax return with my personal representative.”

Next, enter:

- The name of the individual you are designating as your personal representative,
- That person's telephone number, and
- That person's complete address.

If you complete this area, you are authorizing the Department to be in contact with someone other than you concerning information about this tax return. After your return is filed, the Department will communicate primarily with your designated personal representative.

**Note:** If you are due a refund, it will be paid to you (and your spouse, if filing jointly) even if you designate a personal representative.

You may decide at any time to **revoke** the authorization for the Department to speak with your personal representative. You will need to provide a signed statement indicating you revoke this authorization. Include your name, Social Security number and the year of your tax return. Mail your statement to Indiana Department of Revenue, P.O. Box 40, Indpls., IN. 46206-0040.

## Paid Preparer Information

Fill out this area if a paid preparer completed this tax return.

Note: This area needs to be completed even if the paid preparer is the same individual designated as your personal representative.

The paid preparer must provide:

- The name and address of the firm that he/she represents,
- His/her identification number,
- His/her telephone number,
- Complete address, and
- Signature with date.

## Opt-Out Designation

There are many benefits to electronic filing, which include:

- Elimination of math errors.
- Faster refunds.
- Fast and free filing (with the state's I-File program).

A new law regarding electronic filing went into effect Jan. 1, 2008. This new law requires paid preparers to electronically file all Indiana individual income-tax returns if they prepare more than 100 tax returns annually. If you use a paid preparer and do not want your tax return to be filed electronically, you must complete a state Form IN-OPT. This form requires your signature (and your spouse's, if filing jointly), and must be maintained by your paid preparer with his or her records.

Get Form IN-OPT at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) for more information.

**Make sure you keep a copy of your completed tax return, including all required enclosures, such as W-2s and schedules.**

## Unresolved Problems?

### Use the taxpayer advocate

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

For more information, and to get required schedules if filing for an offer in compromise or a hardship case, visit our Web site at: [www.in.gov/dor/files/fs-oic.pdf](http://www.in.gov/dor/files/fs-oic.pdf) You may also contact the Office of the Taxpayer Advocate directly at [taxpayeradvocate@dor.in.gov](mailto:taxpayeradvocate@dor.in.gov), or by telephone at (317) 232-4692. Submit supporting information and documents to: Indiana Department of Revenue, Office of the Taxpayer Advocate, P.O. Box 6155, Indpls., IN 46206-6155.

### Where to mail your tax return – use labels for envelope

You'll find mailing labels next to the envelope enclosed in this booklet. **Returns with payments enclosed have a different post office box number for mailing purposes.**

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

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

For all other filings, please mail your tax return with all enclosures to:

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

## Indiana Deductions: Schedule 1 – Line-by-Line Instructions

### Line 1 - Renter's Deduction

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

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

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

If you rented a manufactured home or paid rent for your manufactured home lot, you may claim the renter's deduction if the above requirements are met.

Rent paid for summer homes or vacation homes is *not* deductible.

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

- Government owned housing,
- Property owned by a nonprofit organization,
- Student housing,
- Property owned by a cooperative association, and
- Property located outside of Indiana.

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

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

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

**How much rent can I deduct?** You can deduct up to \$3,000 or the amount of rent paid, whichever is less.

*Example.* Emily paid \$4,800 in rent on her principal place of residence. She will claim a \$3,000 renter's deduction.

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

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

For more information about this deduction, see Income Tax Information Bulletin #38 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## Line 2 - Homeowner's Residential Property Tax Deduction

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

**Note about last year's property tax:** Most property tax statements for the 2006 tax year were issued and payable in 2007. However, some of those statements were not issued (and payable) until sometime in 2008. If you received and paid one of these catch-up bills in 2008, you may be eligible for an additional deduction. See *Catch-up deduction* on page 19 for details.

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

**Important:** You cannot claim this deduction for property tax paid in 2008 if you are claiming the Lake County residential income tax credit on line 28.

**How do I claim my deduction?** First, complete the information area on Schedule 1, line 2.

- Enter the address of your principal residence where the Indiana property tax was paid if it's different from the address on the front of the return. If you had more than one principal residence during the year, and you paid Indiana property tax on both residences, list the additional residence on a separate piece of paper.

*Example.* Sue and Mack each owned their own home; they married in 2008. They sold both of their homes during the year and began renting. They are eligible to claim a property tax deduction on the combined property taxes paid on both homes if they are filing a joint return (limited to \$2,500 altogether).

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

**\*Property tax rebate.** If you received a property tax rebate (refund) from the county during 2008, make sure to claim the reduced amount of property tax paid accordingly.

*Example:* Billy's property tax statement showed he owed \$2,400 in property tax on his home. He got a \$200 property tax rebate from the county, and wound up paying \$2,200 altogether. He should enter \$2,200 as his property tax deduction (\$2,400 amount due minus the \$200 rebate) in Box A.

*Example:* Alex owed \$3,200 in property tax on his home; he got a \$150 rebate, so he paid \$3,050 altogether. Since the deduction is limited to the lesser of \$2,500 or the amount paid, he should enter the maximum of \$2,500 in Box A.

**Important:** Do not reduce the amount reported in Box A by any property tax rebate if you received *both* a property tax rebate in 2008 *and* a property tax statement in 2008 for taxes assessed in 2006 which were normally payable in 2007. See *Catch-up deduction* on page 19 for details.

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

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



**How do I find out how much I paid in Indiana property tax on my principal residence?** Indiana counties send statements to homeowners showing how much property tax is due on their property. Add together the 2008 spring and fall installments, if you paid both of them. If you received just one installment statement this year for your 2008 property taxes, use the amount paid for that installment.

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

If you can't locate the information, contact your local county treasurer's office or your mortgage company.

**Important:** You must maintain copies of proof that you paid your Indiana property tax as the Department can require you to provide this information. This could include the Form 1098, the property tax statement from your local assessor's office, cancelled checks, etc.

**Catch-up deduction.** Most Indiana property tax statements for the 2006 tax year were issued and payable in 2007. However, some of those statements were not issued (and payable) until sometime in 2008. If you received and paid one of these catch-up bills in 2008, you may be eligible for a deduction.

You cannot take a catch-up deduction:

- For any property taxes already claimed on your 2007 tax return, or
- If you claimed the Lake County residential income tax credit on your 2007 tax return.

Complete the *Property Tax Deduction Worksheet* below to see if you are eligible to claim a 2007 property tax deduction on this year's tax return, and to figure your deduction.

**Important:** If you claimed the **Lake County** credit on line 28 of your 2007 state tax return (or on line 24 of Form IT-40PNR), do not complete the worksheet. *You are not eligible for this deduction.*

### Property Tax Deduction Worksheet

<b>Step 1</b>	Maximum deduction .....	\$ 2,500
<b>Step 2a</b>	Enter any property tax deduction claimed on your 2007 tax return, Schedule 1 line 2 (or Schedule D, line 2 if you filed Form IT-40PNR) .....	\$ _____
<b>Step 2b</b>	Subtract Step 2a from Step 1 (if zero or less, STOP. You are not eligible for this deduction) .....	\$ _____
<b>Step 3</b>	Enter the amount of 2006 property tax due for 2007 but not paid until 2008 ...	\$ _____
<b>Step 4a</b>	Enter any property tax rebate received from the county during 2008 .....	\$ _____
<b>Step 4b</b>	Subtract Step 4a from Step 3 (if zero or less, STOP. You are not eligible for this deduction) .....	\$ _____
<b>Step 5</b>	Enter the smaller of Step 2b or Step 4b here and on Schedule 1, line 2, Box B ...	\$ _____

*Example.* Spencer paid \$2,100 in property taxes on his home in 2007, and claimed a \$2,100 homeowner's property tax deduction on Schedule 1, line 2. He got a follow-up bill in 2008, and had to pay an additional \$514 in 2007 property tax. He also received a \$220 property tax rebate from the county in 2008. Here's his completed *Property Tax Deduction Worksheet*:

<b>Step 1</b>	Maximum .....	\$ 2,500
<b>Step 2a</b>	Enter any property tax deduction claimed on your 2007 tax return, Schedule 1 line 2 (or Schedule D, line 2 if you filed Form IT-40PNR) .....	\$ 2,100
<b>Step 2b</b>	Subtract Step 2a from Step 1 (if zero or less, STOP. You are not eligible for this deduction) .....	\$ 400
<b>Step 3</b>	Enter the amount of 2006 property tax due for 2007 but not paid until 2008 .....	\$ 514
<b>Step 4a</b>	Enter any property tax rebate received from the county during 2008 .....	\$ 220
<b>Step 4b</b>	Subtract Step 4a from Step 3 (if zero or less, STOP. You are not eligible for this deduction).....	\$ 294
<b>Step 5</b>	Enter the smaller of Step 2b or Step 4b here and on Schedule 1, line 2, Box B .....	\$ 294

Spencer is eligible to claim \$294 as a deduction on Schedule 1, line 2, Box B.

### Line 3 - State tax refund reported on federal return

If you entered a state tax refund amount on line 10 of your federal Form 1040, then enter that amount here.

### Line 4 - Interest on U.S. Government Obligations Deduction

If the amount on line 1 of Form IT-40 includes interest income, you may be able to take a deduction. If any part of your interest income included on line 1 is from a direct obligation of the U.S. government, you can deduct this amount.

Examples of U.S. government obligations include U.S. savings bonds, U.S. Treasury bills and U.S. government certificates. This interest is usually reported on federal Schedule B.

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

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

For more information about this deduction see Income Tax Information Bulletin #19 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

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

Indiana does not tax Social Security income or the railroad retirement benefits that are issued by the Railroad Retirement Board. To figure your deduction:

- Enter the amount from Form 1040, line 20b (Form 1040A, line 14b), on Indiana's Schedule 1, line 5.
- If you have included railroad retirement benefits that are issued by the Railroad Retirement Board on line 16b of your federal Form 1040, or on line 12b of your federal Form 1040A, then enter that amount on Indiana's Schedule 1, line 6.

**Note: Do not** enter any other types of pension or retirement income on these lines.

## Line 7 - Military Service Deduction

The income on line 1 of Form IT-40 may include active or reserve military pay. If it does, you will be able to take a deduction (regardless of your age).

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

- You were at least 60 years of age by Dec. 31, 2008,
- You were receiving military retirement or survivor's benefits in 2008, and
- The benefits received as retirement income were reported on your federal return.

Your deduction will be the actual amount of military income received (i.e. military pay, retirement pay and/or survivor's benefits) or \$5,000, whichever is *less*. If both you and your spouse received military income, you may each claim the deduction for a maximum of \$10,000.

**Important:** If you served in the Indiana National Guard or the reserve component of the armed forces during 2008, see the new National Guard and Reserve Component Members deduction on page 23.

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

*Example.* Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form shows regular military wage income of \$950, and \$19,000 income earned while being stationed in a combat zone. Only \$950 of his income is taxed on his federal return; likewise, Indiana will only initially tax \$950. Jim should claim a \$950 military deduction (the lesser of the income being taxed [\$950] or \$5,000).

**Important:** You **must** enclose your military W-2 form, retirement pay statement and/or survivor's benefit statement with the tax return if you are claiming this deduction.

**Note:** If you received a combination of military pay, retirement pay and/or survivor's benefits during the tax year, the total deduction cannot be greater than \$5,000 per qualifying person. For example, if you earned \$6,000 in military pay and \$1,500 in retirement pay, you can deduct only \$5,000 of your military income.

For more information about this deduction see Income Tax Information Bulletins #6 and #27 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## Line 8 - Non-Indiana Locality Earnings Deduction

You may be allowed a deduction if you have income being taxed by a locality (local governmental unit) located in another state. A "locality" could be a city, county, parish, etc.

*Example.* You earned wages in Louisville, KY. Your employer withheld a Louisville city (locality) tax. Since your wages were taxed by a non-Indiana locality (Louisville), you are eligible to take a deduction.

The deduction is limited. You may deduct the amount of your income that was taxed by a non-Indiana locality **or** \$2,000, whichever is *less*. If you and your spouse both qualify, you may each claim the deduction for a maximum of \$4,000 (limited to no more than \$2,000 per person).

You must enclose proof that the tax was paid to a locality outside Indiana to be allowed this deduction. A W-2 form is proof as long as the W-2 form shows a withholding amount and the name of the non-Indiana locality where the tax was paid. The name of the locality is usually found in box 20, Locality Name, on the W-2 form. A copy of a non-Indiana locality tax return will also serve as proof of tax paid.

For more information see Income Tax Information Bulletin #28 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

## Line 9 - Insulation Deduction

You may be able to take this deduction if you installed new insulation in your Indiana home during 2008. Insulation includes weather stripping, double pane windows, storm doors and storm windows. To take this deduction the following requirements must be met:

- The insulating items must have been installed in your principal place of residence located in Indiana,
- The part of your home where the insulating items were installed must have been built *before* Jan. 1, 2005,
- The insulating items must be an *upgrade* and not a replacement **or** like-kind item (e.g., replacing a double pane window with a new double pane window won't qualify, but replacing a double pane window with a triple pane window will qualify), and
- The deduction must be taken in the year the insulating items were installed.

You are allowed to deduct the actual cost of the qualifying items, including labor, up to a maximum of \$1,000.

When claiming the deduction, enclose a separate sheet with the following information:

- Item(s) purchased
- Purchase price
- Place of purchase



- Date of purchase
- Date of installation
- Amount paid for labor (you cannot include the cost of labor that you did yourself)

For more information about this deduction see Income Tax Information Bulletin #43 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

### Line 10 - Nontaxable portion of unemployment compensation

You may be eligible for a deduction if you reported unemployment compensation on your federal income tax return. Complete the worksheet below to see if you are eligible.

### Line 11 - Other deductions

Each of the following deductions has been assigned a three-digit code number. When claiming the deduction on Schedule 1 under line 11, write the name of the deduction, the three-digit code number and the amount claimed.

*Example.* Enter the following information on line 11a to claim a \$130 civil service annuity deduction and on 11b to claim a \$5,200 NOL deduction:

11a. Civil Service Annuity	6 0 1	11a	130
b. Indiana Net Operating Loss	6 0 7	11b	5,200

### Airport Development Zone Employee Deduction 600

Certain areas within Indiana have been designated as airport development zones. If you lived in an airport development zone and worked for a qualified employer in that zone, you may be able to take this deduction.

Your employer will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. You must enclose Form IT-40QEC with the Form IT-40 to support any claimed deduction.

Enter 6 0 0 under line 11 if claiming this deduction.

### Civil Service Annuity Deduction 601

The income on line 1 of Form IT-40 may include federal civil service annuity payments. If it does, you may be able to take a deduction if you were at least 62 years of age by Dec. 31, 2008.

To figure your deduction, begin with the amount of annuity payments received or \$2,000, whichever is less. Subtract from that amount any Social Security and railroad retirement benefits (issued by the Railroad Retirement Board) you received.

*Example.* Your civil service annuity is \$6,000. Your Social Security income is \$1,200. Here's how to figure your deduction:

Lesser of the amount of the annuity (\$6,000) or \$2,000 .....	\$2,000
Social Security benefits .....	<u>\$1,200</u>
Allowable deduction .....	\$ 800

If you and your spouse both received civil service annuities, you may each take this deduction for a maximum of \$4,000 (no more than \$2,000 per qualifying person), provided you both meet the age requirement.

This deduction is available only to the annuitant and is not available to the annuitant's beneficiary. For more information about this deduction see Income Tax Information Bulletin #6 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

Enter 6 0 1 under line 11 if claiming this deduction.

### Disability Retirement Deduction 602

To take this deduction you must have:

- Been permanently and totally disabled at the time of retirement,
- Retired on disability before Dec. 31, 2008, and
- Received disability retirement income during 2008.

If you meet these qualifications, you must complete Schedule IT-2440 and have it signed by your doctor to claim this deduction. Schedule IT-2440 **must** be enclosed with your tax return when claiming this deduction.

## Unemployment Compensation Worksheet

**Note:** If you were married but filing separately, and you lived with your spouse at any time during 2008, enter -0- on line 3 of the worksheet. However, if you were married but filing separately, and lived apart from your spouse the entire year, enter \$12,000 on line 3.

1. Unemployment compensation included on IT-40, line 1 .....	1		
2. Federal adjusted gross income from Form 1040 (line 37), Form 1040A (line 21), or Form 1040EZ (line 4) ..	2		
3. Enter \$12,000 if single, or \$18,000 if married filing a joint return .....	3		
4. Subtract line 3 from line 2. If zero or less, enter -0- .....	4		
5. Enter one-half of the amount on line 4 (divide line 4 by the number 2) .....	5		
6. Taxable unemployment compensation for Indiana purposes: enter the amount from either line 1 or line 5, whichever is smaller .....	6		
7. Subtract line 6 from line 1. Carry this amount to Schedule 1, line 10 .....	7		

For more information about this deduction see Income Tax Information Bulletin #70 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Schedule IT-2440 at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm)

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

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

Enter 6 0 2 under line 11 if claiming this deduction.

### Enterprise Zone Employee Deduction 603

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

Enterprise zones have been established in portions of the following cities/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Dev. Auth.
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

Your *employer* will provide Form IT-40QEC to you if you are eligible to claim this deduction.

The amount of the deduction is one-half (½) of the earned income shown on that form or \$7,500, whichever is less. You must enclose Form IT-40QEC to the Form IT-40 to support any claimed deduction.

Enter 6 0 3 under line 11 if claiming this deduction.

### Human Services Deduction 605

The human services deduction is intended to alleviate any individual income tax burden that might be imposed on Medicaid recipients who are living in a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home or a certified Christian Science facility.\* The goal of the human services tax deduction is to reduce the affected individual's adjusted gross income tax liability to zero (0).

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

Generally, the deduction should not be used in conjunction with most tax credits in order to create a refund.

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

Enter 6 0 5 under line 11 if claiming this deduction.

### Indiana Lottery Winnings Deduction 606

If you win any prize money from the Indiana Hoosier Lottery Commission, either by winning an instant game, an online game such as Hoosier Lotto, Powerball, Lucky 5, Daily 3 & 4, Max 5, etc., you must report those winnings as income on your federal income tax return.

Most of these winnings are fully taxable by Indiana. However, some of the winnings may be exempt from Indiana tax. Also, annuity payments

## Lottery Winnings Worksheet

A. Enter the amount of winnings from the Hoosier Lottery Commission that you have reported on your federal Form 1040, line 21 ..... A \$ \_\_\_\_\_

B. Locate those W-2Gs (issued by the Hoosier Lottery Commission) showing Indiana state withholding in Box 14. Add the amounts from Box 1 of each of those W-2G's; enter total here..... B \$ \_\_\_\_\_

C. Exemption ..... C \$ 1,200

D. How many W-2Gs did you locate in step B above (e.g. 1, 2, etc.)?.. D X \_\_\_\_\_

E. Multiply line C by line D; enter result here ..... E \$ - \_\_\_\_\_

F. Subtract line E from line B; enter result here ..... F \$ - \_\_\_\_\_

G. Subtract line F from line A. Enter here and on Schedule 1 under line 11 ..... G \$ \_\_\_\_\_

received for drawings held before July 1, 2002, are exempt from Indiana tax.

Complete the worksheet on page 22 to see if you are eligible for a deduction.

**Note:** Winnings from other state lotteries, Indiana pari-mutuel horse races or out-of-state tracks, Indiana and out-of-state riverboats and other gambling winnings, are fully taxable in Indiana and should not be deducted from your taxable income.

Enter 606 under line 11 if claiming this deduction.

### Indiana Net Operating Loss Deduction 607

You may take a deduction for the Indiana portion of the federal net operating loss deduction you added back on line 3 of Form IT-40. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2008.) Write the amount you deduct as a positive figure. Enclose the following with your tax return:

- Schedule A from federal Form 1045, and
- A completed Indiana Schedule IT-40NOL.

**Important:** The deduction will be denied if these schedules are not enclosed with your tax return.

Enter 607 under line 11 if claiming this deduction.

### Indiana Partnership Long-Term Care Policy Premiums Deduction 608

You may take a deduction for the amount of premiums paid for Indiana Partnership long-term care insurance.

**Important:** The Indiana Partnership policy will have the following box of information on the outline of coverage, the application or on the front page of the policy:

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

If the information shown in the box above is **not** located in a box on your policy, you do not have a qualifying policy, and are not eligible to take this deduction.

The deduction is the amount of premiums paid during the year on the policy for the taxpayer and/or spouse.

**No double benefit allowed.** Certain self-employed individuals will claim these premiums as a deduction on the front page of federal Form 1040. The Indiana deduction will be the actual amount of these premiums paid, minus any amount of these already reported on federal Form 1040.

*Example.* Sam paid \$645 in Indiana Partnership long-term care premiums. He deducted \$400 of those premiums on the front page of Form 1040. He'll be able to deduct the \$245 difference (\$645 - \$400) on Indiana Schedule 1 under line 11.

More information about this program is available at the following Web site [www.in.gov/fssa/iltcp](http://www.in.gov/fssa/iltcp)

**Important:** Keep a copy of the premium statements as the Department can require you to provide this information.

Enter 608 under line 11 if claiming this deduction.

### Law Enforcement Reward Deduction 611

You may be eligible for this deduction if you reported an amount you received as a reward as "other income" on line 21 of your federal Form 1040.

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

Enter 611 under line 11 if claiming this deduction.

### Medical Savings Account Deduction 612

You may be eligible for a deduction if your employer deposited funds in certain medical care savings accounts. If you received Form IN-MSA from the account provider you should deduct any medical withdrawals and exempt interest income reported in Box 2 and/or Box 7.

**Note:** You are not eligible to claim this deduction if you also claimed a medical savings account deduction on the front page of federal Form 1040.

Make sure you enclose Form IN-MSA or your claimed deduction will be denied.

Enter 612 under line 11 if claiming this deduction.

### National Guard and Reserve Component Members Deduction 621 (also see the Military Service Deduction on page 20)

There is a new deduction available for certain members of the reserve components of the armed forces and the Indiana National Guard.

#### Who is eligible?

You must be a member of the reserve components of:

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

Or, a member of:

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

### What is eligible to be deducted?

If you are eligible (based on the above requirements), your deduction is the qualified military income\* received as a result of service on involuntary orders:

- During the period you were deployed or mobilized for full time service, or
- During the period your Indiana National Guard unit was federalized.

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

### What is qualified military income?

Qualified military income is military wages paid:

- to a member of a reserve component of the armed forces or the Indiana National Guard,
- for the period during the member's full-time service on involuntary orders in a reserve component of the armed forces or the period when Indiana National Guard unit was federalized.

**Note:** You cannot claim both this deduction and the Military Service Deduction (see page 20) based on the same income. See the following example.

*Example.* Brandon is a member of the Indiana National Guard.

- From January through October 15, 2008, Brandon earned \$6,000 from the guard.
- His unit was federalized on Oct. 16, 2008. He earned \$7,000 from that point through Dec. 1, 2008.
- His unit was assigned to a combat zone on Dec. 2, 2008, and he earned \$3,000 from then until the end of the year.
- Brandon's military W-2 shows \$13,000 in *Box 1, Wages, tips, other compensation* (the combat zone income is not included in Box 1 because it is not taxable).

Brandon is eligible for both Indiana military deductions. First, he will claim the \$5,000 maximum Military Service Deduction on Schedule 1, line 7, based on the \$6,000 income earned through October 15. Then, he will claim the National Guard and Reserve Components Deduction of \$7,000 (full amount of income earned after his unit was federalized) under line 11. Note: He will not deduct the \$3,000 income earned while stationed in a combat zone because it was not taxed to begin with.

Military withholding statements must be attached to the tax return when claiming this deduction.

### Qualified Patents Income Exemption Deduction 622

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

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

For the first 5 years, 50 percent of the amount of income received from the patent is exempt; the percentage declines by 10 percent each year starting in the sixth year that the exemption is claimed. Get Income Tax Information Bulletin #104 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

### Recovery of deductions 616

You are not eligible for this deduction if you did not complete the "other income" line on your federal Form 1040.

Generally, Indiana **does not** allow you to claim itemized deductions from federal Schedule A. However, if you reported *recovered* itemized deductions as "other income" on line 21 of your federal Form 1040, enter that amount on this line.

A *recovery* is a return of an amount you deducted in an earlier year. The most common recoveries are refunds (see Schedule 1, line 3), reimbursements and rebates of deductions previously itemized on federal Schedule A.

Enter 616 under line 11 if claiming this deduction.

## County Tax Schedule CT-40: Line-by-Line Instructions

Complete Schedule CT-40 if, on Jan. 1, 2008, you and your spouse (if filing a joint return) lived and/or worked in an Indiana county that has a tax. As of Jan. 1, 2008, Lake County\* was the only county in Indiana that did not have a county tax.

\*While Lake County had not adopted a county tax by the time this booklet was printed, the county may have by year's end. See **Special Instructions for Lake County Residents** on page 27 if you lived in Lake County on Jan. 1, 2008.

You are not required to enclose Schedule CT-40 with your return if, on Jan. 1, 2008, you were:

- Single or married filing separately and did not live in Lake County or Perry County, or
- Married filing jointly and each lived in the same county, unless one or both of you lived in Lake County or Perry County.

You are required to enclose Schedule CT-40 if you are subject to county tax and you have any other filing situation.

**Note:** You may enclose the Schedule CT-40 with your tax return even if it is not required. For instance, if you need to enclose Schedules 1 and 2, and the completed CT-40 is on the back of it, you may go ahead and send it in.

## County where you lived defined

The county where you lived is the county where you maintained your home on Jan. 1, 2008. If you had more than one home in Indiana on this date, then your county of residence as of Jan. 1, 2008, was:

- Where you were registered to vote. If this did not apply, then your county of residence was
- Where your personal automobile was registered. If this did not apply, then your county of residence was
- Where you spent the majority of your time in Indiana during 2008.

## Did you move during the year?

If you moved to another Indiana county after Jan. 1, 2008, the county where you lived for tax purposes *will not change until next year*.

If, on Jan. 1, 2008, you lived in a county that has a tax, then you will owe county tax on all of your Indiana adjusted gross income.

If, on Jan. 1, 2008, you lived in a county that doesn't have a tax, then county tax will be figured on your income from your principal employment if the county where you worked on Jan. 1, 2008, has a tax (see definition below).

## County where you worked defined

The county where you worked (county of principal employment) is the county where your main place of business was located or where your main work activity was performed on Jan. 1, 2008. If you began working in another county after Jan. 1, 2008, the county where you worked for tax purposes *will not change until next year*.

*Example.* Jessie worked in Marion County on Jan. 1, 2008. She quit that job and began a new one in Johnson County on Feb. 10, 2008. She will enter the Marion County two-digit code (49) as the county where she worked even though she changed jobs during the year.

If you had more than one job on Jan. 1, 2008, your principal place of employment is the job where you worked the most hours and earned the most income.

If, on Jan. 1, 2008, your county of principal employment was *not* in Indiana, write county code "00" (out-of-state) in the *County Where You Worked* box.

**Exception:** If you worked in any of the following states on Jan. 1, 2008, enter their two-digit code number (instead of 00):

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

## Principal employment income

You must figure your principal employment income if, on Jan. 1, 2008, you *lived* in a county that did not have a tax, but *worked* in a county that *did* have a tax. Your principal employment income is income you

earned from your main work activity (job) for the entire year. See instructions for Section 2, line 1 on page 26 for more information.

## Military personnel

If you were stationed in Indiana, your county of residence is the county where you lived on Jan. 1 of the year you entered the military service. If, on Jan. 1, 2008, you were stationed *outside* Indiana and your family was with you, write county code "00" (out-of-state) in all the county boxes (you won't owe a county tax).

If, however, you maintained your home in an Indiana county and/or your spouse and family were still living in an Indiana county on Jan. 1, 2008, you are considered to be a resident of that county and will be subject to county tax.

## Retired persons, homemakers or unemployed

If you were retired, a homemaker, or were unemployed on Jan. 1, 2008, put your county of residence two-digit code number in *both* the Indiana County where you lived and Indiana County Where You Worked boxes. **Do not write the word "Retired," "Homemaker" or "Unemployed" over the boxes.**

## Special note to married taxpayers filing a joint return

If you lived in different counties on Jan. 1, 2008, both of you need to figure your county tax separately on Section 1.

If both of you lived in a county on Jan. 1, 2008, that had no tax, but worked in a county that did have a tax, you must figure your tax separately on Section 2.

If only one of you is subject to county tax, then you may use all of the exemptions from Form IT-40, line 14, *except for your spouse's personal exemption*, to figure your tax. See Section 2: Line-by-Line instructions on page 26 for more information.

# County Tax Schedule CT-40

## Section 1: Line-by-Line Instructions

### Where did you live?

Did you live in a county on Jan. 1, 2008, that has a tax? If "yes", complete Section 1 for yourself, and skip Section 2. If your answer is "no", skip Section 1 and go to Section 2: Line-by-Line Instructions.

Did your spouse live in a county on Jan. 1, 2008, that has a tax? If yes, complete Section 1 for your spouse, and skip Section 2. If your answer is no, skip Section 1 and go to Section 2: Line-by-Line Instructions.

### Line 1

If you are filing a single return or are married filing separately, enter in Column A the state taxable income from line 15 of Form IT-40.

If you are filing a joint return and you both lived in the same county on Jan. 1, 2008<sup>1</sup>, enter in Column A the state taxable income from line 15 of Form IT-40. Leave Column B blank.



*Example.* On Jan. 1, 2008, Jack and Diane lived in the same county, and that county has a tax. They will enter their Form IT-40, line 15 combined state taxable income in Column A.

If you are filing a joint return and you and your spouse lived in different counties on Jan. 1, 2008, or if Lake County adopted a tax and you lived in different Lake County cities or towns on Jan. 1, 2008<sup>1</sup>, enter each person's share of state taxable income from Form IT-40, line 15, in the appropriate columns.

<sup>1</sup> Lake County residents should see the **Special Instructions for Lake County Residents** on page 27 for more information.

*Example.* Simon and Tina married in 2008 and are filing a joint return. On Jan. 1, 2008, Simon lived in Greene County and Tina lived in Clay County. Their Form IT-40 line 15 income of \$36,300 includes the following breakdown:

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

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

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

## Line 2

If you claimed a non-Indiana locality earnings deduction on Schedule 1, line 8, enter that amount on this line in Column A. If you are completing Column B instead, and your spouse is the one taking this deduction, then enter it in Column B.

## Line 4

Find your county on the County Income Tax Chart on page 40. Find the rate from the *Resident Rate* column and enter it here.

**Important.** This year Indiana counties were allowed to adopt or increase their local income tax rates through Dec. 31, 2008. This publication was printed before that date. This means your county tax rate on page 40 may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list you may:

- Log on to the Department's Web site at: [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 39 for these locations.

- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m. , and a representative will assist you.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

## Line 6

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

## Line 7

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

## Line 9

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

# County Tax Schedule CT-40

## Section 2: Line-by-Line Instructions

Complete Section 2 if, on Jan. 1, 2008, you were a resident of Lake County, Lake County did not adopt a tax, and you worked in a county that does have a county tax.

## Line 1

Enter your principal employment income for the year. This includes income from wages, tips, salaries and commissions; net self-employment income from federal Schedule C/C-EZ; federal Form 1065, Schedule K-1; and/or net farm income from federal Schedule F. **Do not** include passive-source income like non-business interest and dividends, pension, capital gains, farm rental, etc. Also, do not include income from a part-time job if you hold it at the same time you have a full-time job.

*Example.* During 2008, Jake received income from the following sources:

- \$15,000 from his full-time job (held for the entire year)
- \$1,850 from his part-time job
- \$50 non-business interest income
- \$800 pension income

Jake will enter his \$15,000 principal employment income on line 1.

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

*Example.* Sarah had two full-time jobs during the year. She earned \$7,000 from her first job, which she held from January through April. She began a new job in May and worked through year's end, earning \$11,000. She should enter the \$18,000 combined amount here.



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

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

## Line 2

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

### Allowable deductions from your Indiana return can include:

- airport development zone employee deduction
- enterprise zone employee deduction
- active military pay deduction
- National Guard and reserve component member's deduction
- (Indiana) medical savings account deduction

### Allowable deductions from your federal return can include:

- educator expenses (if allowed on federal Form 1040)
- certain business expenses of reservists, performing artists and fee-based government officials
- health savings account deduction
- moving expenses\*
- one-half self-employment tax
- SEP, SIMPLE and qualified plans
- self-employed health insurance deduction
- IRA deduction
- the deduction for the jury duty pay you gave to your employer
- Archer MSA deduction (if allowed on federal Form 1040).

**Note:** Do not include the domestic production activities deduction.

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

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

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

## Line 4

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

*Example.* On Jan. 1, 2008, Jack and Sue live in a county that does not have a tax. Jack worked in a county that does have a tax. They claim themselves and their dependent child for exemption purposes. They claimed \$4,500 in total exemptions (\$1,000 each plus an additional \$1,500 for their dependent child) on their tax return. Jack is allowed to use \$3,500, or all of the total exemptions except for Sue's \$1,000 personal exemption.

## Line 6

Find your county on the *County Income Tax Chart* on page 40. Find the rate from the *Nonresident Rate* column (the second column of rates over) and enter it here.

**Important.** This year Indiana counties were allowed to adopt or increase their local income tax rates through Dec. 31, 2008. This publication was printed before that date. This means your county tax rate on page 40 may not be correct. We encourage you to contact us to get an updated list of the rates before filing. To get the updated list, you may:

- Log on to the Department's Web site at [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 39 for these locations.
- Call our main tax line at (317) 232-2240, Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

Tax returns filed using the wrong rates will be corrected. This may result in a reduced refund, or an increase in the amount you owe.

## Line 8

Add the amounts from line 7, Columns A and B. Enter the total here and on line 17 of Form IT-40.

**Note:** If you have figured a tax in Section 1 and Section 2, add amounts from Section 1, line 9 and Section 2, line 8, and enter on Form IT-40, line 17.

## Special Instructions for Lake County Residents

If you and /or your spouse lived in Lake County on Jan. 1, 2008, then read the following instructions.

For the 2008 tax year, Indiana counties were allowed to adopt or increase their county tax rates through Dec. 31, 2008. This publication was printed before that date. This means that even though no tax rates are listed with Lake County on page 40, the county may have adopted a local income tax before the end of the year.

To determine if Lake County did adopt a local income tax, you must contact us to get an updated list of the rates before filing. To get the updated list you may:

- Log on to the Department's Web site at [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 39 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

If you find that Lake County did not adopt a tax (no resident or nonresident rates will be on the updated chart), skip the following information. Return to **Section 2: Line-by-Line Instructions** on page 26 to see if you owe tax to another county.

If you find that Lake County has adopted a county tax (resident and nonresident rates will be on the updated chart), you'll have to:

- complete Section 1 of Schedule CT-40, and
- enter information about where you lived.

If you lived in one of the following Lake County cities or towns on Jan. 1, 2008, enter the 4-digit code number associated with that location on Schedule CT-40. If you did not live within the city or town limits, or lived in another Lake County community not on the list, enter the 4-digit code number 4599.

### Lake County Cities and Towns Chart

4504	Cedar Lake	4529	Lowell
4506	Crown Point	4530	Merrillville
4511	Dyer	4531	Munster
4512	East Chicago	4532	New Chicago
4513	Gary	4540	Schererville
4515	Griffith	4541	Schneider
4516	Hammond	4546	St. John
4518	Highland	4549	Whiting
4519	Hobart	4550	Winfield
4524	Lake Station	4599	Other Lake County Community

See county tax instructions beginning on page 24 for help in figuring your county tax.

## Indiana Credits: Schedule 2 – Line-by-Line Instructions

**Note:** The following credits cannot be refunded; their purpose is to help reduce your state and/or county tax amounts due. Also, see the limitation areas after the instructions for line 3 and line 6.

### Line 1 - Credit for local taxes paid outside of Indiana

If you figured county tax on Form IT-40, line 17, **and** had to pay a local income tax outside Indiana, you may be able to take a credit. This credit applies only if the tax you paid outside Indiana was to another

city, county, town, or other local governmental entity, and they did not refund the tax, or give you a credit for Indiana county tax.

The credit can be used to reduce your Indiana county tax if it is the County Adjusted Gross Income Tax or the County Option Income Tax. It **cannot** be used to reduce any County Economic Development Income Tax.

**Step 1:** Figuring your rate: If your Jan. 1, 2008, county of residence has a rate on the **Rate Conversion Chart** on page 29, use the rate in Column A to figure your credit.\*

If your Jan. 1, 2008, county of residence is Lake County\*, but the Jan. 1, 2008, county where you worked has a rate on the **Rate Conversion Chart**, use the rate in Column B to figure your credit.<sup>1</sup>

*\*Important.* This year Indiana counties were allowed to adopt or increase their local income tax rates through Dec. 31, 2008. This publication was printed before that date. This means your county tax rate on page 40 may not be correct. We encourage you to contact us in one of the following ways to get an updated list of the rates before filing. To get the updated list, you may:

- Log on to the Department's Web site at [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)
- Call the form order request line at (317) 615-2581 to have one mailed to you.
- Visit or call a district office. See page 37 for these locations.
- Call our main tax line at (317) 232-2240 Monday – Friday, 8 a.m. to 4:30 p.m., and a representative will assist you.

If Lake County adopted a tax (find out at [www.in.gov/dor/3980.htm](http://www.in.gov/dor/3980.htm)), then use the Lake County resident rate.

Tax returns filed using the wrong rates will be adjusted. This may result in a reduced refund, or an increase in the amount you owe.

**Step 2:** Figuring your credit. Complete lines A, B and C.

- |    |   |                |
|----|---|----------------|
| A. | Enter the amount of tax paid to the non-Indiana locality .....                          | <b>A</b> _____ |
| B. | Multiply the amount of income taxed by the non-Indiana locality by the rate from Step 1 | <b>B</b> _____ |
| C. | Enter the amount of Indiana county income tax shown on Form IT-40, line 17 .....        | <b>C</b> _____ |

The amount of the credit is the **lesser** of the amounts on A, B or C.

**Important:** You **must** enclose either a copy of your W-2s showing the non-Indiana locality amount withheld or a copy of the non-Indiana locality tax return.

**Remember,** you can use this credit only if you have **both**:

- A county tax amount on Form IT-40, line 17, **and**
- A local income tax that you had to pay outside Indiana.

**Note:** See the **Limitation** on page 30.

**Line 2 - County credit for the elderly (age 65 or older) or permanently disabled**

If you take a credit on federal Schedule R, *Credit for the Elderly or the Disabled*, and you owe county tax, you may be allowed a credit.

Use the following steps to figure your credit.

A. Enter your county tax rate (from Schedule CT-40, Section 1 line 4A, or Section 2 line 6) .....	A	_____
B. Divide line A by .15, round to 3 places, and enter result here.....	B	_____
C. Enter credit from federal Schedule R.....	C	_____
D. Multiply B times C and enter result here.....	D	_____
E. Enter the amount of Indiana county tax shown on Form IT-40, line 17 .....	E	_____

The amount of the county credit for the elderly is the lesser of the amount on D or E. You must attach a copy of federal Schedule R.

*Example.* Melinda is 67 years old. She is entitled to a credit of \$550 on federal Schedule R. Her county tax rate is .015, so the amount on Line B of the worksheet is .10. Her county tax due is \$60. Melinda's county credit for the elderly is \$55 (the lesser of [ $\$550 \times .10 = \$55$ ] or \$60).

**Note:** See the **Limitation** in the next column.

**Line 3 - Other Local Credits**

**Both of the following credits have been assigned a three-digit code number. When claiming the credit on Schedule 2 under line 3, enter the name of the credit, the three-digit code number and the amount claimed.**

*Example.* Enter the following information on line 3a to claim a \$200 community revitalization enhancement district credit, and on line 3b to claim a \$175 voluntary remediation credit:

3a. Comm. Rev. Enhan. Dist. Cr.	8 0 8	3a	200
b. Voluntary Remediation Cr.	8 3 6	3b	175

**Community Revitalization Enhancement District Credit 808**

A state and local income tax liability credit is available for a qualified investment made within a community revitalization enhancement district. The expenditure must be made under a plan adopted by an advisory commission on industrial development and approved by the Indiana Economic Development Corporation before it is made. The credit is equal to 25 percent of the qualified investment made by the taxpayer during the taxable year.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

The credit is nonrefundable and cannot be carried back. You may carry forward any excess credit to the next tax year.

The allowable credit is the lesser of the available credit or the county tax due on line 17 of Form IT-40. Also, claim any unused amount (within certain limitations) on Schedule 2 under line 6 (see instructions for this credit on page 34).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204 for additional information.

Enter **8 0 8** under line 3 if claiming this credit.

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** below for additional limitations.

**Voluntary Remediation Credit 836**

A voluntary remediation credit is available for qualified investments involving redevelopment of a brownfield and environmental remediation. The Indiana Department of Environmental Management and the Indiana Development Finance Authority must determine and certify that the costs incurred in a voluntary remediation are qualified investments. Upon approval, the credit may be used to offset adjusted gross income tax, county tax, etc.

For additional information, contact the Indiana Department of Environmental Management, Indiana Government Center North, Room N 1101, 100 N Senate Ave., Indianapolis, IN, 46204, or call (317) 232-8827.

See the Voluntary Remediation Credit instructions for line 6 on page 36. **Note:** See the **Limitation** below.

Enter **8 3 6** under line 3 if claiming this credit.

**Restriction for Certain Tax Credits - Limited to One per Project**

PL 199-2005 (IC 6-3.1-1-3) provides that a taxpayer may not be granted more than one credit for the same project. The credits that are included are the alternative fuel vehicle manufacturer credit, capital investment credit, community revitalization enhancement district credit, enterprise zone investment cost credit, Hoosier business investment credit, industrial recovery credit, military base investment cost credit, military base recovery credit and the venture capital investment credit.

For more information see Commissioner's Directive #29 at [www.in.gov/dor/3617.htm](http://www.in.gov/dor/3617.htm)

Apply this restriction first when figuring your credits. Then apply the following **Limitation**.

**Limitation:** There is one final limitation if you have entries on lines 1, 2 and/or 3 of Schedule 2. These credits, *when combined*, cannot be greater than the county tax shown on Form IT-40, line 17; if they are, adjust the amounts before you enter them. See the example on the next page.

Example.

- A line 1 credit for local taxes paid outside of Indiana of \$100, plus a line 2 county credit for the elderly of \$20, equals \$120.
- Your IT-40, line 17 county tax due is \$115.
- Since your combined credits are \$5 more than your county tax due, reduce your last entry (the \$20 county credit for the elderly) by \$5 to \$15.
- Enter \$15 on line 2, and enclose an explanation showing your calculations.

### Line 4 - College Credit

If you donated money or property to an Indiana college or university, you may be able to take a credit of up to \$100 on a single return or \$200 on a joint return. To claim this credit you must complete and enclose Schedule CC-40. For additional information see Schedule CC-40 at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) and Income Tax Information Bulletin #14 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Important:** You must maintain documentation of your contributions. The Department can require you to provide this information at a later date.

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

**Note:** See the **Additional Limitation** on page 38.

### Line 5 - Credit for Taxes Paid to Other States

If you received income from another state while you were an Indiana resident, you must report that income on your Indiana income tax return. You may be able to take a credit for taxes paid to another state. If you had income from another state, and had to pay taxes to that state, read the following instructions carefully.

If you were an Indiana resident during 2008 and had income from any of the states listed in Group A below, you should first find out what the other state's rules are concerning the taxation of your income.

#### Group A

**No Agreement** (Credit taken on resident return)

Alabama	Maine	New York
Arkansas	Maryland	North Carolina
Colorado	Massachusetts	North Dakota
Connecticut	Minnesota	Oklahoma
Delaware	Mississippi	Rhode Island
Georgia	Missouri	South Carolina
Hawaii	Montana	Tennessee*
Idaho	Nebraska	Utah
Illinois	New Hampshire*	Vermont
Iowa	New Jersey	Virginia
Kansas	New Mexico	West Virginia
Louisiana		

Any foreign countries or U.S. possessions

\*(Capital gain, interest, and dividends only)

### Group A Worksheet

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

The *lesser* of the amounts on A, B or C is your allowable credit for taxes paid to other states. You **must** enclose a copy of the income tax return (not just the W-2 forms) you filed with the other state to claim this credit. If the other state's return is not enclosed, the credit will not be allowed. Likewise, if you have a foreign tax credit, complete the Group A Worksheet and federal Form 1116. If Form 1116 was not required, enclose Forms 1099-INT and/or 1099-DIV (or a substitute statement) to verify the foreign tax and amount of income being taxed.

*Example.* Ryan reported \$10,000 Illinois-source wage income on the Illinois nonresident individual income tax return, and paid \$300 tax to Illinois on that income. His Indiana state tax liability from line 16 of Form IT-40 is \$870.

He will enter the following information on the *Group A Worksheet*.

- A. \$300 (tax paid to Illinois)
- B. \$340 (\$10,000 x .034, tax due to Indiana)
- C. \$870 (Form IT-40 line 16)

Ryan's credit is \$300, which is the lesser of A, B and C.

**Exception: Gambling winnings** from other states. If you're not required to file another state's income tax return to report gambling winnings from that state, enclose the W-2G issued by that state. Use the amount of state tax withheld by that state on Line A of the Group A Worksheet.

#### Group B

**Reciprocal Agreement** (Wages, Salaries, Tips, and Commissions Only)

Kentucky	Michigan	Ohio
Pennsylvania	Wisconsin	

If you were an Indiana resident during 2008 and had income from one of the states listed in Group B, you are covered by a reciprocal agreement. However, this agreement only applies to income from wages, salaries, tips and commissions. If you had other types of income from these states (such as business income, farm income, etc.), use the Group A Worksheet to figure your credit.

Normally, employers in these states will withhold Indiana state tax from your wages because of the reciprocal agreement. However, if the state tax they withheld is not for Indiana, you must file a claim for refund with that state. You still have to include this income on your Indiana return and pay the Indiana tax. You'll get some or all of the other state's taxes back by filing a refund claim with them.



**Note:** Winnings from Indiana **riverboats** are not eligible for the reciprocal agreement.

**Caution:** You may have to make estimated tax payments to Indiana. If the reciprocal state employer does not withhold Indiana withholding on your wage income, or doesn't withhold enough, see page 13 for information on how to figure and pay estimated tax.

If you were a full-year resident of one of the reciprocal states and your income from Indiana was from wages, salaries, tips and commissions, you should file Form IT-40RNR, Reciprocal Nonresident Income Tax Return. If you were a resident of one of the reciprocal states and had other types of income from Indiana, or were a part-year Indiana resident, you will need to file Form IT-40PNR.

## Group C

**Reverse Credit** (Credit taken on nonresident return)

Arizona    California    Oregon    Washington D.C.

If you were an Indiana resident during 2008 and had income from one of the states in Group C, you must pay Indiana tax on all your income. You will also need to file a nonresident return with the other state and claim a credit on their tax return for the Indiana tax paid.

## Group D

**No State Income Tax** (No credit allowed)

Alaska                      Florida                      Nevada  
South Dakota              Texas                      Washington  
Wyoming

If you were an Indiana resident during 2008 and had income from one of the states in Group D, you are not allowed to claim this credit. These states do not have an income tax. You must file an Indiana resident return and pay Indiana tax on all your income.

**Note:** See the **Additional Limitation** on page 38.

## Line 6 - Other Credits

Each of the following credits has been assigned a three-digit code number. When claiming the credit on Schedule 2 under line 6, enter the name of the credit, the three-digit code number and the amount claimed.

*Example.* Enter the following information on line 6a to claim a \$500 blended biodiesel credit, and on line 6b to claim a \$275 Capital Investment Credit:

<b>6a. Blended Biodiesel Credit</b>	<b>8 0 3</b>	<b>6a</b>	<b>500</b>
<b>6b. Capital Investment Credit</b>	<b>8 0 4</b>	<b>6b</b>	<b>275</b>

## About Airport Development Zone Credits

Certain areas within Indiana have been designated as airport development zones (ADZ). These zones are established to encourage investment and job growth in distressed urban areas.

## Who is eligible to claim these credits?

The following are eligible to claim the airport development zone employment expense credit and/or the airport development zone loan interest credit:

Sole proprietors who operate and/or invest in a business located in a zone, and/or

Businesses organized as partnerships, S corporations and fiduciaries (who may pass through airport development zone credits to their partners or shareholders).

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) for more information about these credits.

## Following are the three available airport development zone credits:

### Airport Development Zone Employment Expense Credit 800

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the airport development zone.

For more information, and how to calculate this credit, see Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule EZ, Parts 1, 2 and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm)

**Note:** A substitute Schedule EZ for the ADZ must be enclosed if claiming this credit.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 0 0 under line 6 if claiming this credit.

### Airport Development Zone Investment Cost Credit 801

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an airport development zone.

For more information about this credit see Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm), contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

**Note:** See the **Additional Limitation** on page 38.

Enter 8 0 1 under line 6 if claiming this credit.

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## **Airport Development Zone Loan Interest Credit 802**

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana airport development zone.

For more information on how to calculate this credit, see Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) Enclose a substitute schedule LIC (as modified to reflect ADZ entries) if claiming this credit.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 0 2 under line 6 if claiming this credit.

## **Alternative Fuel Vehicle Manufacturer Credit 845**

A new credit is available for qualified investments made within Indiana that foster job creation, reduce dependency on foreign oil and reduce pollution.

A person that proposes a project to manufacture or assemble alternative fuel vehicles may apply to the Indiana Economic Development Corporation before the qualified investment is made. A certificate of verification from the IEDC must be enclosed when claiming the credit.

For additional information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) Also, get Income Tax Information Bulletin #103 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 4 5 under line 6 if claiming this credit.

## **Blended Biodiesel Credit 803**

Credits are available for taxpayers who produce biodiesel and/or blended biodiesel at an Indiana facility, and for dealers who sell blended biodiesel at retail. Pass-through entities are eligible for this credit. An approved Form BD-100 must be enclosed to verify the claimed credit.

For more information, contact the Indiana Economic Development Corporation, Biodiesel Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) Also, see Income Tax Information Bulletin #91 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for additional information.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 0 3 under line 6 if claiming this credit.

## **Capital Investment Credit 804**

A pass-through entity is eligible for a capital investment cost credit. This credit is based on certain qualified capital investments made in Shelby County.

For information regarding the definitions, procedures and qualifications for obtaining this credit, contact the Indiana Economic Development Corporation, Enterprise Zone Board, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 0 4 under line 6 if claiming this credit and enclose proof of your investment.

## **Indiana's CollegeChoice 529 Education Savings Plan Credit 837**

You may be eligible for a credit for contributions made to Indiana's CollegeChoice 529 Education Savings Plan. While there are many 529 college savings plans available both in Indiana and nation-wide, only contributions made to this specific *CollegeChoice 529 Education Savings Plan* are eligible for this credit.

For more information about this credit, see Income Tax Information Bulletin #98 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) This plan is administered through the Indiana Education Savings Authority. More information can be obtained online at [www.in.gov/iesa](http://www.in.gov/iesa) and at [www.collegechoiceplan.com](http://www.collegechoiceplan.com) See Schedule IN-529 at [www.in.gov/dor/3910.htm](http://www.in.gov/dor/3910.htm) to figure your credit. This schedule must be enclosed when claiming the credit.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 3 7 under line 6 if claiming this credit.

## **Coal Combustion Product Credit 805**

A manufacturer who uses coal combustion products (byproduct resulting from the combustion of coal in an Indiana facility) for the manufacturing of recycled components may be eligible for this credit. Pass-through entities are eligible for this credit. An approved Form CCP-100 must be enclosed to verify the claimed credit.

**Note:** A taxpayer that obtains a property tax deduction for investment property purchased by the manufacturer of coal combustion products is not eligible for this credit.

For more information, contact the Indiana Department of Revenue, Coal Combustion Credit, Room N203, 100 N. Senate Ave., Indianapolis, IN, 46204, or call (317) 232-2339.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 0 5 under line 6 if claiming this credit.



## Coal Gasification Technology Investment Credit 806

A credit may be available for a qualified investment in an integrated coal gasification power plant or a fluidized bed combustion technology.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

You must file an application for certification with the Indiana Economic Development Corporation (IEDC). For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

Also, see Income Tax Information Bulletin #99 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Additional Limitation** on page 38.

Enter 806 under line 6 if claiming this credit. Enclose the certificate of compliance issued by IEDC to support this credit.

## Community Revitalization Enhancement District Credit 808

See the Schedule 2 line 3 instructions for details about this credit. This credit is available to offset **both** your state and local tax liabilities, and any unused remainder is available to be carried forward. Pass-through entities are eligible for this credit.

If you did not use all of the available community revitalization enhancement district credit on Schedule 2, line 3, the remaining credit should be claimed on this line.

**Note:** If you have not used all of the community revitalization enhancement district credit, the unused portion should be carried over to next year's tax return.

For more information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 808 under line 6 if claiming this credit.

## Employer Health Benefit Plan Credit 842

A credit is available to certain employers who begin offering health insurance to their employees.

An employer who did not provide health insurance to his employees prior to Jan. 1, 2008, and makes health insurance available to his employees may be eligible for a credit. The credit can be as much as \$2,500.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

For more information see Income Tax Information Bulletin #101 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Additional Limitation** on page 38.

Enter 842 under line 6 if claiming this credit. Enclose proof of your continued eligibility for the credit.

## About Enterprise Zone Credits

Certain areas within Indiana have been designated as enterprise zones. Enterprise zones are established to encourage investment and job growth in distressed urban areas. Current enterprise zones are located in portions of the following cities/locations:

Bedford	Grissom Aeroplex	Mitchell
Bloomington	Hammond	New Albany
Connersville	Indianapolis	Richmond
East Chicago	Jeffersonville	River Ridge Dev. Auth.
Elkhart	Kokomo	Salem
Evansville	Lafayette	South Bend
Fort Harrison	LaPorte	Vincennes
Fort Wayne	Marion	
Frankfort	Michigan City	

Use this Web site to look up contact information for a particular enterprise zone: [www.in.gov/dor/3621.htm](http://www.in.gov/dor/3621.htm)

See enterprise zone maps at [www.in.gov/dor/3622.htm](http://www.in.gov/dor/3622.htm)

The following are eligible to claim the enterprise zone employment expense credit and/or the enterprise zone loan interest credit:

- Sole proprietors who operate and/or invest in a business located in a zone.
- Partnerships.
- S corporations.
- Fiduciaries.
- Pass-through entities.

Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) for more information about these credits.

## Following are the three available enterprise zone credits:

### Enterprise Zone Employment Expense Credit 812

This credit is based on qualified investments made within Indiana. It is the lesser of 10 percent of qualifying wages, or \$1,500 per qualified employee, up to the amount of tax liability on income derived from the enterprise zone.

For more information see Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and Indiana Schedule EZ, Parts 1, 2 and 3 at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) Also, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

**Note:** Schedule EZ must be enclosed if claiming this credit.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 1 2 under line 6 if claiming this credit.

### **Enterprise Zone Investment Cost Credit 813**

This credit is based on qualified investments made within Indiana. It can be up to a maximum of 30 percent of the investment, depending on the number of employees, the type of business and the amount of investment in an enterprise zone.

For more information about this credit see Income Tax Information Bulletin #66 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) and contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, or visit their Web site at [www.in.gov/iedc/](http://www.in.gov/iedc/)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 1 3 under line 6 if claiming this credit.

### **Enterprise Zone Loan Interest Credit 814**

This credit can be for up to five percent of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone.

For more information, and how to calculate this credit, get Income Tax Information Bulletin #66 at <http://www.in.gov/dor/3650.htm> and Indiana Schedule LIC at [www.in.gov/dor/3515.htm](http://www.in.gov/dor/3515.htm) **Note:** Schedule LIC must be enclosed if claiming this credit. Contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) for additional information.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 1 4 under line 6 if claiming this credit.

### **Ethanol Production Credit 815**

An Indiana facility with a capacity to produce 40 million gallons of grain ethanol per year may be eligible for this credit. Proof of information for the credit calculation, plus a copy of the Certificate of Qualified Facility issued by the Indiana Recycling and Energy Development Board, must be enclosed to verify this credit.

This credit is available to pass-through entities, such as members of partnerships and S corporations.

File Application for Ethanol Credit Certification, State Form 52302, with the Indiana Economic Development Corporation, Ethanol Credit Certification, One North Capitol, Suite 700, Indianapolis, IN, 46204, call them at (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc) for additional information. Also, see Income Tax Information Bulletin #93 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm) for more information.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 1 5 under line 6 if claiming this credit.

### **Headquarters Relocation Credit 818**

A business with annual worldwide revenue of \$100 million, and at least 75 employees, that relocates its corporate headquarters to Indiana may be eligible for a credit. The credit may be as much as 50 percent of the cost incurred in relocating the headquarters.

For more information, including limitations and the application process, see Income Tax Information Bulletin #97 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Additional Limitation** on page 38.

Enter 8 1 8 under line 6 if claiming this credit.

### **Historic Building Rehabilitation Credit 819**

An Historic Building Rehabilitation Credit is available for the rehabilitation or preservation of an historic building that is listed on the Indiana Register of Historic Sites and Structures, is at least 50 years old and is income-producing. The cost of rehabilitation or preservation must also exceed \$10,000. A credit of 20 percent of the cost of the qualified rehabilitation or preservation expenses may be taken against your state income tax liability. Any unused balance of the credit may be carried forward for up to 15 years.

Those eligible to claim this credit include an individual, corporation, S corporation, partnership, limited liability company, limited liability partnership, nonprofit organization and/or joint venture.

To qualify for the credit, you must obtain certification from the Division of Historic Preservation and Archaeology, Indiana Department of Natural Resources. For additional information, you may call the Department of Natural Resources at (317) 232-1646, visit their Web site at [www.in.gov/dnr/historic](http://www.in.gov/dnr/historic), and see Income Tax Information Bulletin #87 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Additional Limitation** on page 38.

Enter 8 1 9 under line 6 if claiming this credit and enclose the certification from the Division of Historic Preservation and Archaeology to your return.

### **Hoosier Business Investment Credit 820**

This credit is for qualified investments, which include the purchase of new telecommunications, production, manufacturing, fabrication, processing, refining or finishing equipment. Pass-through entities are eligible for this credit.

This credit is administered by the Indiana Economic Development Corporation (IEDC), One North Capitol, Suite 700, Indianapolis, IN, 46204. Visit the IEDC Web site at [www.in.gov/iedc](http://www.in.gov/iedc) or call (317) 234-4046 for additional information.

Also, see Income Tax Information Bulletin #95 at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One Per Project** on page 38 for additional limitations.

Enter 8 2 0 under line 6 if claiming this credit. The taxpayer is required to submit to the Department a copy of the certificate from the IEDC verifying their share of the tax credit.

### **Indiana's Research Expense Credit 822**

Indiana has a research expense credit that is similar to the federal credit for research and experimental expenses paid in carrying on your trade or business in Indiana.

S corporations and partnerships may pass through the credit to their shareholders and partners. Enclose your schedule IN K-1 to support your claim.

A completed Form IT-20REC must be enclosed to verify any claimed credit. See Form IT-20REC at [www.in.gov/dor/3914.htm](http://www.in.gov/dor/3914.htm)

**Note:** See the **Additional Limitation** on page 38.

Enter 8 2 2 under line 6 if claiming this credit.

### **Individual Development Account Credit 823**

A credit is available for contributions made to a community development corporation participating in an Individual Development Account (IDA) program. The IDA program is designed to assist qualifying low-income residents to accumulate savings and build personal finance skills.

The organization must have an approved program number from the Indiana Housing and Community Development Authority before a contribution qualifies for pre-approval.

The credit is equal to 50 percent of the contribution, which must not be less than \$100 and not more than \$50,000. S corporations and partnerships may take this credit and pass through the unused portion to their shareholders and partners.

Applications for the credit are filed through the community development corporation by using Form IDA-10/20. An approved Form IDA 20 must be enclosed with your return if claiming this credit.

To request additional information about the definitions, procedures and qualifications for obtaining this credit, contact: Indiana Housing and Community Development Authority, 30 S. Meridian St., Suite 1000, Indianapolis, IN 46204, telephone number (317) 232-7777.

**Note:** See the **Additional Limitation** on page 38.

Enter 8 2 3 under line 6 if claiming this credit. Enclose approval certification from IEDC or letter of assignment with your return.

### **Industrial Recovery Credit 824**

This credit is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. If the Indiana Economic Development Corporation approves the application and the plan for rehabilitation, you are entitled to a credit based on the "qualified investment."

For additional information regarding procedures for obtaining this credit contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 2 4 under line 6 if claiming this credit.

### **Maternity Home Credit 825**

A credit is allowed for maternity homeowners who provide a temporary residence to at least one unrelated pregnant woman, for at least 60 consecutive days during her pregnancy. The maternity home owner must file an application annually with the State Department of Health to be eligible to claim this credit. A copy of the approved maternity home application must be enclosed with your tax return before the credit can be taken.

Contact the Maternal and Child Health Division at 2 N. Meridian St. 3<sup>rd</sup> Floor, Indianapolis, IN 46204, or call (317) 233-1253 to obtain an application and more information about this credit.

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 2 5 under line 6 if claiming this credit.

### **Military Base Investment Cost Credit 826**

This credit is available for certain taxpayers who provide for a qualified investment in a business located in a military base, a military base reuse area, an economic development area, a military base recovery site or a military base enhancement area. The amount of the credit depends on the type of business, the number of jobs created and the amount of the investment. The maximum amount of the credit may not exceed 30 percent of the investment.

For more information about this credit, contact the Indiana Economic Development Corporation at One North Capitol, Suite 700, Indianapolis, IN, 46204, call (317) 232-8827, or visit their Web site at [www.in.gov/iedc](http://www.in.gov/iedc)

You must enclose documentation of qualified investment and certification of the percentage credit allowed by the Indiana Economic Development Corporation.

**Note:** See the **Restriction for Certain Tax Credits - Limited to One per Project** on page 38 for additional limitations.

Enter 8 2 6 under line 6 if claiming this credit.

### **Military Base Recovery Credit 827**

A taxpayer who is an owner or developer of a military base recovery site may be eligible for a credit if investing in the rehabilitation of real property located in a military base recovery site according to a plan approved by the Indiana Economic Development Corporation (IEDC).



**Indiana Full-Year Resident  
Individual Income Tax Return**

Due April 15, 2009

If you are **not** filing for the calendar year January 1 through December 31, 2008, enter period from: \_\_\_\_\_ to: \_\_\_\_\_

Your Social Security Number	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Spouse's Social Security Number	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Check the box if you are married filing separately.	<input type="checkbox"/>
<input type="checkbox"/> Check if applying for ITIN UU								<input type="checkbox"/> Check if applying for ITIN VV								C	

Your first name			D	Initial	E	Last name			F							
If filing a joint return, spouse's first name			G	Initial	H	Last name			I							
Present address (number and street or rural route) (If you have a P.O. Box, see instructions on page 6.)										J	School Corporation Number (see pages 41 and 42)		<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
City				K	State	L	Zip code + 4			M	Foreign Country (if applicable)					O

Enter the **2-digit county code** numbers (found on page 40 in the instruction booklet) for the county where you lived and worked on January 1, 2008.

<b>Yourselves</b>				<b>Spouse</b>			
P	Q	R	S				
County where you lived	<input type="text"/>	County where you worked	<input type="text"/>	County where spouse lived	<input type="text"/>	County where spouse worked	<input type="text"/>

1. Enter your federal adjusted gross income from your federal return (see instructions on page 8).....	1		
2. Tax add-back: certain taxes deducted from federal Schedule C, C-EZ, E, and/or F.....	2		
3. Net operating loss carryforward from federal Form 1040, 'Other income' line.....	3		
4. Income taxed on federal Form 4972 (lump sum distribution) (attach Form 4972: see page 9).....	4		
5. Domestic production activities add-back (see page 9).....	5		
6. Other (see instructions on page 9).....	6		
7. Add lines 1 through 6..... <b>Total Indiana Income</b> ▶	7		
8. Indiana deductions: Enter amount from Schedule 1, line 12 and attach Schedule 1.....	8		
9. Line 7 minus line 8..... <b>Indiana Adjusted Income</b> ▶	9		
10. Number of exemptions claimed on your federal return <input type="text"/> x \$1,000 (If no federal return was filed, enter \$1,000 per qualifying person: see instructions on page 9).....	10		<b>00</b>
11. Additional exemption for certain dependent children (see instructions on page 9) Enter number <input type="text"/> x \$1,500.....	11		<b>00</b>
12. Check box(es) below for additional exemptions if, by December 31, 2008: <u>You were:</u> <input type="checkbox"/> 65 or older or <input type="checkbox"/> blind. <u>Spouse was:</u> <input type="checkbox"/> 65 or older or <input type="checkbox"/> blind Total the number of boxes checked <input type="text"/> x \$1,000.....	12		<b>00</b>
13. Check box(es) below for additional exemptions if, by December 31, 2008: <u>You were:</u> <input type="checkbox"/> 65 or older and line 1 above is less than \$40,000 <u>Spouse was:</u> <input type="checkbox"/> 65 or older and line 1 above is less than \$40,000 Total the number of boxes checked <input type="text"/> x \$500.....	13		<b>00</b>
14. Add lines 10, 11, 12 and 13..... <b>Total Exemptions</b> ▶	14		<b>00</b>
15. Line 9 minus line 14 (if answer is less than zero, leave blank)..... <b>State Taxable Income</b> ▶	15		
16. State adjusted gross income tax: multiply line 15 by 3.4% (.034).....	16		
17. County income tax. See instructions on page 24.....	17		
18. Use tax due on out-of-state purchases. See instructions on page 10.....	18		
19. Household employment taxes: attach Schedule IN-H (see instructions on page 10).....	19		
20. Indiana advance earned income credit payments from W-2(s) (see instructions on page 11).....	20		
21. Recapture of Indiana's CollegeChoice 529 credit. Attach Schedule IN-529R (see page 11).....	21		
22. Add lines 16 through 21. Enter here and on line 33 on the back..... <b>Total Tax</b> ▶	22		
23. Indiana state tax withheld (from box 17 of your W-2s or from 1099s).....	23		
24. Indiana county tax withheld (from box 19 of your W-2s or from 1099s).....	24		
25. Estimated tax paid for 2008: include any extension payment made with Form IT-9.....	25		
26. Unified tax credit for the elderly: see instructions on page 11.....	26		
27. Earned income credit: attach Schedule IN-EIC and enter amount from Section A, line A-2.....	27		
28. Lake County Residential income tax credit: see instructions on page 12.....	28		
29. Economic development for a growing economy credit: see instructions on page 13.....	29		
30. Media production expenditure credit: see instructions on page 13.....	30		
31. Indiana credits: enter the total from Schedule 2, line 7 and attach Schedule 2.....	31		
32. Add lines 23 through 31. Enter here and on line 34 on the back..... <b>Total Credits</b> ▶	32		

VN



33. Enter the Total Tax from line 22 on the front of this form .....	▶ 33	
34. Enter the Total Credits from line 32 on the front of this form .....	▶ 34	
35. If line 34 is more than line 33, subtract line 33 from line 34 (if smaller, skip to line 42).....	35	
36. Amount of line 35 to be donated to the Indiana Nongame Wildlife Fund (see page 13) .....	36	
37. Subtract line 36 from line 35 .....	37	
<b>SUBTOTAL</b>		
38. Amount from line 37 to be applied to your 2009 estimated tax account (see instructions on page 13)		
a. Your county <input type="text"/> amount \$ _____ b. Spouse's county <input type="text"/> amount \$ _____		
c. Indiana adjusted gross income tax amount \$ _____ Total to be applied (a+b+c) .....	38d	
39. Penalty for underpayment of estimated tax for 2008: attach Schedule IT-2210 or IT-2210A .....	39	
40. Refund: Line 37 minus lines 38d and 39 (if less than zero see line 42 instructions on page 15) <b>YOUR REFUND</b> . ▶	40	
41a. Routing Number <input type="text"/> c. Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Hoosier Works MC		Direct Deposit (see page 15)
b. Account Number <input type="text"/>		
42. If line 33 is more than line 34, subtract line 34 from line 33. Add to this any amount on line 39, and enter total here (see instructions on page 15) .....	42	
<b>SUBTOTAL</b>		
43. Penalty if filed after due date (see instructions on page 15).....	43	
44. Interest if filed after due date (see instructions of page 15) .....	44	
45. Amount Due: Add lines 42, 43 and 44 .....	45	
<b>AMOUNT YOU OWE</b> ▶		

▶ No payment is due if you owe less than \$1. **Do Not Send Cash.** Please make your check or money order payable to: **Indiana Department of Revenue.** Credit card payers must see page 15 for payment options.

<b>Out-of-State Income Information</b>		Yourself \$ T	<input type="text"/>
Enter any salary, wage, tip &/or commission received from Illinois, Kentucky, Michigan, Ohio, Pennsylvania and/or Wisconsin:		Spouse \$ U	<input type="text"/>

X If two-thirds of your gross income was made from farming or fishing, please check here.  If any individual listed at the top of the IT-40 died during 2008, enter date of death below (MM/DD).

Important: If you checked the box, you must attach Schedule IT-2210 or IT-2210A.

TT **Are you filing a federal income tax return for 2008?** Yes  No

EE Taxpayer's date of death     2008

FF Spouse's date of death     2008

**Authorization**

Under penalty of perjury, I have examined this return and all attachments and to the best of my knowledge and belief, it is true, complete and correct. I understand that if this is a joint return, any refund will be made payable to us jointly and each of us is liable for all taxes due under this return. Also, my request for direct deposit of my refund includes my authorization to the Indiana Department of Revenue to furnish my financial institution with my routing number, account number, account type and Social Security number to ensure my refund is properly deposited. I give permission to the Department to contact the Social Security Administration to confirm that the Social Security number(s) used on this return is correct.

Your Signature \_\_\_\_\_ Date \_\_\_\_\_ HH

Spouse's Signature \_\_\_\_\_ Date \_\_\_\_\_ JJ

Daytime telephone number

E-mail address where we can reach you

GG <b>I authorize the Department to discuss my return with my personal representative (see page 16).</b> <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, complete the information below.	<b>Paid Preparer: Firm's Name</b> (or yours if self-employed)
Personal Representative's Name (please print)	MM _____
SS _____	MA <input type="checkbox"/> IN-OPT on file with paid preparer if not filing electronically
Telephone number WW <input type="text"/>	KK <input type="checkbox"/> Federal I.D. Number <input type="checkbox"/> PTIN <b>OR</b> <input type="checkbox"/> Social Security Number
XX Address _____	LL <input type="text"/>
ZZ City _____	Telephone number RR <input type="text"/>
AB State _____ AC Zip Code + 4 _____	NN Address _____
	OO City _____
	PP State _____ QQ Zip Code + 4 _____
	Signature _____ Date _____

- If enclosing payment mail to: Indiana Department of Revenue, P.O. Box 7224, Indianapolis, IN 46207-7224.
- Mail all other returns to: Indiana Department of Revenue, P.O. Box 40, Indianapolis, IN 46206-0040.

Keep a copy for your records.





Enter your first name, middle initial and last name and spouse's full name if filing a joint return \_\_\_\_\_ A Your Social Security Number

**Instructions for Schedule 1 begin on page 17.**

1. Renter's deduction: Address where rented if different from the one on the front page (enter below) \_\_\_\_\_  
 \_\_\_\_\_ B Landlord's name and address(enter on next line)  
 \_\_\_\_\_ C Amount of rent paid D \$ \_\_\_\_\_

Number of months rented \_\_\_\_\_ E Enter the lesser of \$3,000 or amount of rent paid.....

2. Homeowner's residential property tax deduction: enter address where property tax was paid if different from front page \_\_\_\_\_ F

Number of months lived there \_\_\_\_\_ G

Enter the lesser of \$2,500 or the actual amount of property tax paid for 2008.  Box A \$

**Note:** Enter the amount of property taxes due in 2007 but paid **during** 2008 (if any) from step 5 of the worksheet on page 19 .....  Box B \$

Add Boxes A and B, enter the total here (**combined deduction cannot be more than \$5,000**) .....

3. State tax refund reported on federal return (see page 19) .....

4. Interest on U.S. government obligations (see page 19) .....

5. Taxable Social Security benefits (see page 20) .....

6. Taxable railroad retirement benefits (see page 20) .....

7. Military service deduction: \$5,000 maximum for qualifying person (see page 20) .....

8. Non-Indiana locality earnings deduction: \$2,000 maximum per qualifying person (see page 20) .....

9. Insulation deduction: \$1,000 maximum: attach verification (see page 20) .....

10. Nontaxable portion of unemployment compensation (see page 21) .....

11. **Other Deductions:** See instructions beginning on page 21 (attach additional sheets if necessary)

a. Enter deduction name \_\_\_\_\_ I code no. \_\_\_\_\_

b. Enter deduction name \_\_\_\_\_ J code no. \_\_\_\_\_

c. Enter deduction name \_\_\_\_\_ K code no. \_\_\_\_\_

d. Enter deduction name \_\_\_\_\_ L code no. \_\_\_\_\_

12. Add lines 1 through 11 and enter total on line 8 of Form IT-40 ..... **Total Deductions** ▶

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11a		
11b		
11c		
11d		
12		

**Schedule 2: Indiana Credits**

1. Credit for local taxes paid outside Indiana (see page 28) .....

2. County credit for the elderly: attach federal Schedule R (see page 30) .....

3. **Other Local Credits:** See instructions on page 30 (attach additional sheets if necessary)

a. Enter credit name \_\_\_\_\_ A code no. \_\_\_\_\_

b. Enter credit name \_\_\_\_\_ B code no. \_\_\_\_\_

**Important:** Lines 1 through 3 cannot be greater than the county tax due on IT-40 line 17 (see limitation on page 30)

4. College credit: attach Schedule CC-40 (see page 31) .....

5. Credit for taxes paid to other states: attach other state's return (see page 31) .....

6. **Other Credits:** See instructions on page 32 (attach additional sheets if necessary)

a. Enter credit name \_\_\_\_\_ C code no. \_\_\_\_\_

b. Enter credit name \_\_\_\_\_ D code no. \_\_\_\_\_

c. Enter credit name \_\_\_\_\_ E code no. \_\_\_\_\_

d. Enter credit name \_\_\_\_\_ F code no. \_\_\_\_\_

**Important:** Lines 4 through 6 added together cannot be greater than the state adjusted gross income tax due on IT-40 line 16 (see *Additional Limitations* on page 38)

7. Add lines 1 through 6 and enter total on line 31 of Form IT-40 ..... **Total Credits** ▶

1		
2		
3a		
3b		
4		
5		
6a		
6b		
6c		
6d		
7		



Enter your first name, middle initial and last name and spouse's full name if filing a joint return **A** Your Social Security Number

**Section A: Figure Your Indiana Earned Income Credit**

**A-1** Enter the earned income credit from your federal income tax return Form 1040 line 64a, Form 1040A line 40a, or Form 1040EZ line 8a (must be \$9.00 or more: see instructions)..... **A-1\$** \_\_\_\_\_ ●

**A-2** Multiply line A-1 by .06 and enter here. Carry this total to Form IT-40, line 27, or Form IT-40PNR, line 23..... **Indiana Earned Income Credit** **A-2\$** \_\_\_\_\_ ●

▶ **If you did not complete Federal Schedule EIC (you did not claim children when figuring your federal earned income credit), you are finished with this schedule. Make sure to attach it to your Form IT-40 or IT-40PNR.**

▶ **If you claimed children on your Federal Schedule EIC**  
Complete Section B if you claimed children (on Federal Schedule EIC) when you figured your earned income credit on federal Forms 1040 or 1040A. Enter information for up to four children even if only claiming two on federal Schedule EIC (see instructions for more information).

**Section B: Qualifying Child (Read the instructions to explain the terms used below.)**

Enter each child's name here  Enter each child's Social Security Number	1 First _____ Last _____	2 First _____ Last _____	3 First _____ Last _____	4 First _____ Last _____
	SSN _____	SSN _____	SSN _____	SSN _____
	_____	_____	_____	_____

⬇ **Check only one box in each section for each child listed.**

<b>B-1</b>	Your child	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>	a <input type="checkbox"/>
	Adopted child	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>	b <input type="checkbox"/>
	Grandchild	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>	c <input type="checkbox"/>
	Stepchild	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>	d <input type="checkbox"/>
	Foster child (not related)	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>	e <input type="checkbox"/>
	Other (related foster child, or other related child - see instructions)	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>	f <input type="checkbox"/>
<b>B-2</b>	Under age 18	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>	g <input type="checkbox"/>
	Age 18	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>	h <input type="checkbox"/>
	Age 19 - 24 and a full-time student	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>	i <input type="checkbox"/>
	Age 19 or older and totally disabled	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>	j <input type="checkbox"/>
<b>B-3</b>	Child lived with you at least 1/2 of the year.	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>	k <input type="checkbox"/>
	Child was born or died in 2008, and lived with you while alive in 2008.	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>	l <input type="checkbox"/>

**Important:** You must complete and attach this schedule to your Form IT-40 or IT-40PNR when claiming the Indiana earned income credit. Note: Do not complete or attach this schedule if you are claiming this credit on the Form IT-40EZ (see the worksheet on Form IT-40EZ for instructions for how to claim the credit).

