



**INFORMATION BULLETIN #26**

**INCOME TAX**

**JULY 2015**

**(Replaces Information Bulletin #26, dated August 2014)**

**Effective Date: Upon Publication**

**SUBJECT:** General Information Concerning Filing Requirements and Specific Tax Benefits Available to the Elderly

**REFERENCES:** IC 6-3-1-3.5; IC 6-3-2-3.7; IC 6-3-2-4; IC 6-3-2-6; IC 6-3-2-9; IC 6-3-3-9; IC 6-3.5-1.1-7; IC 6-3.5-6-24; IC 6-3.5-7-9

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**SUMMARY OF CHANGES**

Aside from nonsubstantive, technical changes, this bulletin is changed to reflect the increased amounts for the civil service annuity deduction and the repeal of the local option income tax credit for the elderly.

**INTRODUCTION**

Elderly taxpayers have many Indiana tax advantages available to them. The purpose of this bulletin is to highlight those advantages. The first part of the bulletin discusses the filing requirements for the elderly and whether or not they are required to file an annual income tax return.

**I. FILING REQUIREMENTS**

The first step in determining whether an individual needs to file an Indiana return is to determine his residency status for the year. A taxpayer is considered a full-year resident if the taxpayer maintained a legal residence in Indiana for the entire year. A taxpayer does not have to be physically present in Indiana the entire year to be considered a full-year resident. If the taxpayer

is a resident and the total value of personal, elderly, and blind exemptions exceeds the taxpayer's federal adjusted gross income before deductions, the taxpayer does not have to file an annual income tax return. If the taxpayer is not required to file but has withholding for Indiana state and local taxes, the taxpayer may file a return to claim a refund for taxes withheld.

**NOTE:** A taxpayer might not be required to file a federal return because the standard deduction amount and the number of exemptions exceed the taxpayer's adjusted gross income. However, this does not automatically mean the taxpayer is not required to file an Indiana resident return.

If the taxpayer was a part-year resident and he had Indiana source income, the taxpayer must file an IT-40PNR (Part Year Nonresident Return).

## **II. EXEMPTIONS**

Indiana allows:

- A \$1,000 exemption for each exemption claimed on the federal return;
- A \$1,500 exemption for certain dependent children;
- A \$1,000 exemption for the taxpayer and/or spouse if they are age 65 or over;
- A \$1,000 exemption for the taxpayer and/or spouse if they are blind; and
- A \$500 additional exemption for each individual age 65 or older if their federal adjusted gross income is less than \$40,000.

## **III. TAXABLE VERSUS NONTAXABLE INCOME**

Taxable income includes, but is not limited to, income from the following sources:

|                |  |
|----------------|--|
| Wages          | Rental income                          |
| Salaries       | Farm income                            |
| Commissions    | Business income                        |
| Tips           | Pensions (taxable portion)             |
| Interest       | Annuities (taxable portion)            |
| Dividends      | Partnership/Shareholder income         |
| Royalty income | Gain from sale or exchange of property |

Nontaxable income includes, but is not limited to, income from the following sources:

Social Security  
Railroad retirement benefits  
Life insurance proceeds

The federal government may tax a portion of Social Security and railroad retirement benefits. Indiana allows a tax deduction for any Social Security or railroad retirement benefits included in federal adjusted gross income. Indiana also allows a deduction for a portion of unemployment compensation benefits received. For more information on the taxation of unemployment compensation, see Income Tax Information Bulletin #60, which is available online at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

#### **IV. LIABILITY FOR COUNTY TAX**

If the taxpayer's place of residence or principal place of work activity on January 1 was an Indiana county that had adopted the county adjusted gross income tax, county option income tax, and/or county economic development income tax, the taxpayer may owe a county tax. The county tax schedule is included in the tax return booklet with a list of the adopting counties and their respective rates.

#### **V. ADJUSTMENTS TO INDIANA INCOME**

If a taxpayer is required to file an Indiana tax return, the taxpayer may be eligible for certain adjustments to Indiana income.

##### **Civil Service Annuity Deduction**

A taxpayer who is at least 62 years of age by the end of the taxable year, or the taxpayer's surviving spouse regardless of age, may be allowed a deduction from adjusted gross income equal to the first \$8,000 received during taxable year 2015 and \$16,000 for taxable year 2016 and thereafter from a federal civil service annuity included in adjusted gross income. This deduction must be reduced by the total amount of any Social Security benefits and railroad retirement benefits received during the taxable year.

**EXAMPLE:** A taxpayer who received \$6,000 in federal civil service annuity benefits and \$1,500 in Social Security benefits will be allowed a \$4,500 civil service annuity adjustment.

##### **Military Retirement Pay Adjustment**

A taxpayer who is at least 60 years old by the end of the taxable year, or the taxpayer's surviving spouse, may qualify for a military retirement pay deduction. This deduction is limited to the first \$5,000 of retirement or survivor's benefits received during the taxable year by the individual or the individual's surviving spouse for service in an active or reserve component of the armed forces.

##### **Homeowner's Residential Property Tax Deduction**

A taxpayer is eligible for an income tax deduction equal to the lesser of \$2,500 or the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's Indiana principal place of residence.

##### **Renter's Income Tax Deduction**

A taxpayer is eligible for an income tax deduction if the taxpayer rents a dwelling for his principal place of residence. The deduction is equal to the lesser of the amount of rent actually paid or \$3,000.

##### **Disability Retirement Deduction**

An individual who retired on disability and was permanently and totally disabled is entitled to a deduction from adjusted gross income. For further information, see Information Bulletin #70, available online at [www.in.gov/dor/3650.htm](http://www.in.gov/dor/3650.htm).

## **VI. CREDITS AVAILABLE TO THE ELDERLY**

### **Unified Tax Credit for the Elderly**

An individual is eligible for the Unified Tax Credit for the Elderly if the individual meets all of the following requirements:

1. The taxpayer and/or spouse must be at least 65 by the end of the taxable year.
2. The taxpayer and spouse must file a joint return if they lived together at any time during the taxable year.
3. The federal adjusted gross income must be less than \$10,000.
4. The qualifying taxpayer and/or spouse must have been a resident of Indiana at least six months during the taxable year.

A claim for this credit must be made by the later of (1) June 30 following the close of the taxable year or, (2) if an extension is granted for filing the taxpayer's income tax return for the taxable year, the end of the extension period. After this date, no credit or refund will be allowed.

This credit can be claimed on the IT-40 or the IT-40PNR. If the income is below the limits that require the filing of an income tax return but the taxpayer and/or spouse meets the qualifications to claim the credit, the credit can be claimed by filing Form SC-40 no later than June 30 following the close of the taxable year. The credit cannot be claimed on behalf of a decedent unless the claim is filed by the surviving spouse on a joint return. If an individual is imprisoned for more than 180 days during the taxable year, the individual is not eligible for the credit.

The amount of credit that may be claimed depends on the income and filing status of the taxpayer. Use the table below to calculate the amount of the credit.

If the taxpayer is filing a single return and is age 65 or older, or if the taxpayer is filing a joint return and only the taxpayer or spouse is over 65, use the following table:

| If your income is:          | Allowable credit |
|-----------------------------|------------------|
| Less than \$1,000           | \$100            |
| Between \$1,000 and \$2,999 | \$50             |
| Between \$3,000 and \$9,999 | \$40             |

If the taxpayer and spouse are filing a joint return and both are 65 or older, use the following table:

| If your income is:          | Allowable credit |
|-----------------------------|------------------|
| Less than \$1,000           | \$140            |
| Between \$1,000 and \$2,999 | \$90             |
| Between \$3,000 and \$9,999 | \$80             |

## **VII. CREDIT AGAINST COUNTY TAXES**

Note: This credit is repealed effective for taxable years beginning after Dec. 31, 2015.

If a taxpayer qualifies for the Federal Elderly Credit on Schedule R and is subject to county tax (CAGIT, COIT, or CEDIT), the taxpayer will be allowed a credit against the county tax.

The credit is the lesser of:

1. The product of:
  - A) The amount of federal credit for the elderly; multiplied by
  - B) A fraction, the numerator of which is the county tax rate and the denominator of which is 0.15; or
2. The amount of county tax imposed on the county taxpayer.

If you need additional information concerning credits for the elderly, contact the Department of Revenue online at [www.in.gov/dor/3330.htm](http://www.in.gov/dor/3330.htm).

A handwritten signature in black ink that reads "Andrew J. Kossack". The signature is written in a cursive style with a horizontal line underneath the name.

Andrew Kossack  
Commissioner