INFORMATION BULLETIN #60

INCOME TAX

MAY 2012

(Replaces Bulletin #60, dated August 2009)

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SUBJECT: Taxation of Unemployment Compensation Benefits

EFFECTIVE: January 1, 2010 (RETROACTIVE)

DIGEST OF CHANGES: Reinstates provisions that were in place prior to 2009

REFERENCE: IC 6-3-1-3.5; IC 6-3-2-10

INTRODUCTION

All unemployment compensation benefits are taxable at the federal level. However, a federal adjusted gross income threshold of $12,000 for single taxpayers and $18,000 for married taxpayers determines the taxability of unemployment compensation benefits in Indiana.

CALCULATION OF DEDUCTION FROM FEDERAL ADJUSTED GROSS INCOME

The following worksheet should be used to calculate the Indiana deduction, if qualified.

1. Net unemployment compensation received in the tax year ________
2. Federal adjusted gross income including net unemployment compensation ________
3. Enter $12,000 if single or $18,000 if married filing jointly ________
4. Subtract line 3 from line 2. If zero or less, enter zero. ________
5. Enter 50% of the amount on Line 4 ________
6. Taxable unemployment compensation for Indiana purposes: enter the amount from Line 1 or Line 5, whichever is smaller ________
7. Subtract Line 6 from Line 1. ________

Enter the amount from Line 7 on the appropriate line of Form IT-40, Form IT-40PNR, or Form IT-40EZ.

If you were married but are filing separately and you lived with your spouse at any time during the year, you must enter 0 on Line 3 of the worksheet. However, if you were married and filing separately and lived apart from your spouse the entire year, you may use the single taxpayer income limitation of $12,000 on Line 3.

John Eckart

John Eckart
Commissioner