



2021 Individual Income Tax

Administrative Highlights



Indiana Department of Revenue

2021 Individual Income Tax Administrative Highlights

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| Add-Backs |
| Employer Student Loan Payment Add-Back – 3-Digit Code 148 |
| Meal Deduction Add-Back – 3-Digit Code 149 |
| Student Loan Discharge Add-Back – 3-Digit Code 150 |
| Tax Add-Back |
| The portion of wagering taxes required to be added back as a tax based on or measured by income is being phased out. The percentage of taxes required to be added back for 2021 is 50%. |
| Credits |
| Earned Income Credit Ceiling Increase; 2022 first year |
| <ul style="list-style-type: none"> State credit ceiling increased; cannot exceed 10% of federal EIC (was 9% through 2021 tax year) |
| EDGE-NR – 3-Digit Code 865; EDGE-NR – Composite 4-digit code 1865; 2021 first year |
| <ul style="list-style-type: none"> Nonrefundable Reported on Schedule IN-OCC |
| Foster Care Donation Credit – 3-Digit Code 867; Foster Care Donation Credit – Composite – 4-digit code 1867; 2022 first year |
| <ul style="list-style-type: none"> Nonrefundable Reported on Schedule IN-OCC |
| Lake County Residential Income Tax Credit – New Married Filing Separately Rule; 2021 first year |
| <ul style="list-style-type: none"> Provides that in the case of a married individual filing a MFS return, the amount of credit shall be 50% of the amounts listed in IC 6-3.1-20-5(b) and (c) (see worksheets in 2021 IT-40/IT-40PNR instruction booklets) |
| Public School Educator Expense Credit conformity issue; 2021 first year, The following expenses are not allowed when figuring this state credit: |
| <ul style="list-style-type: none"> COVID-19 protective items, such as face masks; disinfectant for use against COVID-19; hand soap; hand sanitizer; disposable gloves; tape, paint, or chalk to guide social distancing; physical barriers (for example, clear plexiglass); air purifiers; and other items recommended by the CDC to be used for the prevention of the spread of COVID-19. |
| School Scholarship Tax Credit Contribution Ceiling Increase |
| The total of allowable net contributions to the program has changed to: |
| <ul style="list-style-type: none"> \$17.5 million for the program’s fiscal year of July 1, 2021 through June 30, 2022 \$18.5 million for the program’s fiscal year of July 1, 2022 through June 30, 2023 \$16.5 million for the program’s fiscal year of July 1, 2023 through June 30, 2024 and later |
| Venture Capital Investment - Qualified Investment Fund Credit – 3-Digit Code 867; Qualified Investment Fund Credit – Composite – 4-digit code 1867; 2023 first year |
| <ul style="list-style-type: none"> Nonrefundable Reported on Schedule IN-OCC |
| Deductions |
| COVID-related Employee Retention Credit Disallowed Expenses Deduction – 3-Digit Code 634; 2021 first year |

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| Indiana Education Scholarship Account Deduction – 3-Digit Code 635; 2022 first year |
| Indiana-only Tax-exempt Bonds Deduction – 3-digit Code 636 |
| Allows a married individual filing a MFS return who is otherwise entitled to the Indiana Partnership Long-Term Care Policy Premiums Deduction to subtract an amount equal to the portion of any premiums paid during the taxable year by the individual for the individual. 2021 first year |
| Allows a married individual filing a MFS return for a particular taxable year who rents an Indiana dwelling for use as the individual’s principal place of residence to deduct the amount of rent paid by the individual with respect to the dwelling during the taxable year up to the lesser of the amount paid by the individual or \$1,500. 2021 first year |
| Allows a married individual filing a MFS return for a particular taxable year who pays Indiana property tax on a dwelling for use as the individual’s principal place of residence to deduct the amount of property tax paid by the individual with respect to the dwelling up to the lesser of the amount paid by the individual or \$1,500. 2021 first year |
| Establishes, for purposes of calculating the disability retirement deduction in IC 6-3-2-9, a threshold of \$7,500 on line 4 in the case of a married individual filing a MFS return. (Line 4 previously had a threshold of \$15,000 without regard to the filing status of a married individual.) 2021 first year |
| Exemptions |
| Allows a married individual filing a MFS return to claim the additional \$500 Indiana exemption for taxpayers aged 65 or older if the individual’s federal adjusted gross income is less than \$20,000. 2021 first year |