



2025 Individual Income Tax Administrative Highlights

Add-Backs

- **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 2025 is 12.5%.

Credits

- **Affordable and Workforce Housing Credit (3-digit code 871; 4-digit composite code 1871)**
 - Provides a new tax credit for affordable and workforce housing and is awarded by the Indiana Housing and Community Development Authority.
 - This credit must be reported on Schedule IN-OCC.
- **Railroad Expenditures Tax Credit (3-digit code 882; 4-digit composite code 1882)**
 - Establishes a new railroad tax credit for taxpayers that make qualified railroad expenditures.
 - Amount of credit is 50% of expenditures or number of track miles multiplied by \$3,500, whichever is less.
 - Taxpayers must apply to IDOR for credit approval by completing Application for Railroad Tax Credit for Qualified Infrastructure Investment form IN-RRTC.
 - This credit must be reported on Schedule IN-OCC.
- **New Rail Infrastructure Expenditures Tax Credit (3-digit code 883; 4-digit composite code 1883)**
 - Establishes a new railroad tax credit for taxpayers that make qualified new rail infrastructure expenditures.
 - Amount of credit is the lesser of \$500,000 or 50% of expenditures.
 - Taxpayers must apply to IDOR for credit approval by completing Application for Railroad Tax Credit for Qualified Infrastructure Investment form IN-RRTC.
 - This credit must be reported on Schedule IN-OCC.
- **Small Modular Nuclear Reactor Tax Credit (3-digit code 884; 4-digit composite code 1884)**
 - Establishes a new small modular nuclear reactor manufacturing expense credit for taxpayers that make qualified infrastructure investments.
 - Amount of credit is 20% of qualified investment.
 - Taxpayer wishing to claim the credit must mail a written request to IDOR's Tax Policy Division.
 - This credit must be reported on Schedule IN-OCC.
- **Physician Practice Ownership Tax Credit Change (3-digit code 880)**
 - New law expands the Physician Practice Ownership Tax Credit to practicing physicians (instead of only primary care physicians) who have an ownership interest in a physician practice.
 - To receive this credit, the medical practice must apply to IDOR's approval for its physician owners by completing Physician Practice Ownership Tax Credit Application form IN-PPOTC.

- **Residential Historic Rehabilitation Credit Change (3-digit code 831)**
 - A \$10,000 per project cap has been added for a taxpayer who completes preservation or rehabilitation of a historic property. The amount of the credit is equal to 20% or \$10,000, whichever is less.

Deductions

- **Active Military Pay Deduction Change**
 - 100% deduction of military pay has been expanded to include members of Space Force, Public Health Service (USPHS) Commissioned Corps, and the National Oceanic and Atmospheric Administration (NOAA) Commissioned Officer Corps.
- **Retirement Income or Survivor's Benefits Deduction Change**
 - Members of Space Force, Public Health Service (USPHS) Commissioned Corps, and the National Oceanic and Atmospheric Administration (NOAA) Commissioned Officer Corps will be eligible to claim Military Retirement Income and/or Survivor's Benefits Deduction.

Miscellaneous

- **IRC Update**

Line 1 of Form IT-40 assumes conformity with the Internal Revenue Code of 1986, as amended and in effect on Jan. 1, 2023. If the 2025 Indiana General Assembly does not conform to the most current changes to the Internal Revenue Code, you may have to amend your 2025 tax return at a later date to reflect any differences between Indiana and federal law. You may wish to periodically check DOR's homepage at www.in.gov/dor/ for updates.
- **Individual Income Tax Rate Change**
 - Individual income tax rate is lowered to 3% for tax year 2025 and 2.95% for tax year 2026.
- **Principal Residence Address Requirement**
 - Beginning 2025, individual taxpayers must provide their primary residence address on Schedule CT-40 or Schedule CT-40PNR, if different from their mailing address.
 - NOTE: New law recently passed authorizing eligible cities and towns may impose a municipal local income tax beginning tax year 2029. Primary residence address is needed for upcoming implementation.
- **Schedule IT-40NOL Individual Income Tax Net Operating Loss Computation**
 - Individual MeF schema will now include data from IT-40NOL.
 - If an Indiana NOL deduction is reported on Schedule 2, line 9 of IT-40 or Schedule C, line 9 of IT-40PNR, then IT-40NOL must also be filed.
- **Schedule IN-CR Credit Recapture**
 - ABLE 529A Credit, Employer Child Care Expenditure Credit, and Physician Practice Ownership Tax Credit have been added to the list of credits that can be required to be recaptured on this schedule.

Indiana MeF Vendor Portal

- **Communications**

All communications will need to take place through the portal. Email boxes AltFileMgr@dor.in.gov and forms@dor.in.gov, will no longer be available.

- **Linked Returns**

IDOR will now require linked returns for all submissions. Returns submitted unlinked (without federal return information) will be rejected.

- **Software ID**

IDOR will no longer use software IDs that start with CMEF for Business/Fid tax types, and all tax types will be filed under one software ID per product. Only one platform will be allowed per software ID, either desktop or web-based, not both.

- **Limitations/Exclusions**

The LOI provides space to indicate limitations/exclusions your product may have. Utilize this function and provide the requested information to avoid amending your LOI later in the year. If this is not completed and limitations/exclusions are found during testing, IDOR will request an LOI amendment.

- **LOI Amendments**

The portal allows for editing and amendments of the LOI only after the original LOI has been approved by IDOR. If you need to amend your LOI, you will need to wait for IDOR to approve the original before submitting another amendment. DOR approval is required before further action can be taken on your end.

- **Approvals/Certifications**

The portal allows you to view your completed submissions and their real-time status updates.

Various IND Due Dates

2025 IND Tax Returns; 2025 IND Extension of Time to File; 2026 Estimated Tax Installment Payments; Safe Harbors

Date	Form Type/Payment/Filing Activity
01/15/26	Farmer/fisherman ($2/3^{\text{rd}}$ rule): only one estimated payment due; IT-40ES/ES-40 2024 fourth estimated installment payment due
02/02/26	File 2025 IND return, pay all tax due, no fourth installment payment due
03/03/26	Farmer/fisherman ($2/3^{\text{rd}}$ rule): file 2025 IND return/pay by March 3, 2026, no estimated tax due
04/15/26	Filing due date for: 2025 IT-40, IT-40PNR, IT-40RNR, SC-40, IT-9 (extension of time to file) IT-40ES/ES-40 2026 first estimated tax installment payment due
06/15/26	IT-40ES/ES-40 2026 second estimated tax installment payment due
09/15/26	IT-40ES/ES-40 2026 third estimated tax installment payment due
11/17/26	IND return filing due date if filing under extension (federal Form 4868; State Form IT-9; online)
01/15/27	IT-40ES/ES-40 2026 fourth estimated tax installment payment due

