

Income/Franchise:

Indiana: New Law Updates State Conformity to IRC and Addresses NOLs, R&D Deduction, and Mobile Workforce

S.B. 419, signed by gov. 5/4/23. Effective retroactively to January 1, 2023, new law generally updates state corporate and personal income tax statutory references to the Internal Revenue Code (IRC) so that IRC references in Indiana law generally refer to the federal income tax law in effect on January 1, 2023 (previously, March 31, 2021). The legislation also provides that to the extent that a federal statute is enacted or amended in a title other than the IRC on or before January 1, 2023, and affects federal adjusted gross income, federal taxable income, federal tax credits, or other federal tax attributes, “the federal statute shall be considered to be part of the Internal Revenue Code as amended and in effect on January 1, 2023.” Furthermore, the legislation makes some changes involving the computation of net operating losses (NOLs) for purposes of determining Indiana adjusted gross income, as well as effectively retroactively as of January 1, 2022, requires Indiana taxpayers with certain research and development expenses to deduct from their Indiana adjusted gross income for a taxable year the amount of specified research or experimental expenditures paid or incurred by them during the taxable year and then add to their Indiana adjusted gross income an amount equal to the deduction claimed under IRC section 174 for the taxable year. Moreover, the new law addresses the Indiana tax liability and withholding requirements for some nonresident individuals earning wages in Indiana by adopting a general bright-line 30-day “safe harbor” threshold for employers to determine nonresident state income tax withholding requirements. Please contact us with any questions.

URL: <https://iga.in.gov/legislative/2023/bills/senate/419>

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