Indiana Taxes
Basic information

• Complete the federal return first. A state return cannot be filed if no federal return is filed.
• We do only Indiana returns. During the interview, enter IN when asked about a state return.
• Taxwise will transfer federal information to the state return.
• When you begin the state return, most of it will already be completed.
IN-40 and 7 Schedules

- Sch 1. Add-Backs
- Sch 2. Deductions
- Sch 3. Exemptions
- Sch 4. Other taxes
- Sch 5. Credits
- Sch 6. Offset credits
- Sch 7. Additional required information

- Taxwise does most of it. We will look only at what preparers need to do.
IN-40: top of p. 1

- Personal information for taxpayer (and spouse) will be filled in by Taxwise

- Preparer needs to add codes:
  - ++School corporation (4 digit)
  - ++County of residence (2 digit)
  - ++County where employed (2 digit)

- These codes will be available at the site
IN-40: Lines 1 and 2, Sch. 1

• The federal AGI will appear on Line 1

• Line 2 is the sum of Add-Backs (income taxed by the state but not by the feds), from Sch. 1

• Most Add-Backs are out of scope for us.

• (In 2009 the $2400 unemployment not taxed by the feds was an Add-Back. In 2010 all unemployment will be taxed at federal level.)
IN-40: Line 4, Schedule 2, Deductions

• Sch 2 includes:

• 1) income taxed at federal level but not state (taxable Social Security, for ex.)

• 2) Indiana deductions

• Taxwise takes care of (1) and some deductions, but preparers must enter other deductions.
Schedule 2, Line 1, Renter’s deduction

• A taxpayer may take a renter’s deduction if the rented property was subject to Indiana property tax

• Taxpayer must provide (and keep records of) name and address of landlord, amount of rent paid, and months rented.
Schedule 2, Line 2, property tax deduction (for principal residence)

• For taxpayers who itemize, the amount of tax is already in the system. Add the number of months lived at the address.

• For taxpayers who do not itemize, enter both the property tax and the number of months.
Schedule 2, Line 11, other deductions

• Indiana has a large number of extra deductions, each with a 3-digit code.

• Taxpayers eligible for these deductions are generally aware of their eligibility, and should have the appropriate documentation.
Schedule 3: Exemptions

• Taxwise will complete this section on the basis of information already entered.

• Indiana does **not** have the equivalent of the standard and itemized deductions.

• Therefore some taxpayers who do not pay federal tax are required to pay state tax.
Schedule 4: Other taxes

• Taxpayers should figure how much they spent on out-of-state purchases (mail order, internet, etc) on which no sales tax was paid, figure the tax at 7%, and enter on Sch 4

• Taxwise enters the Advanced EIC if appropriate.
Schedule 5: Credits

• Lines 1 & 2: Withholding entered from W-2s, etc.
• Line 3: If both federal and state estimated tax was paid, this information will be there.
• Line 5: The EIC should be already be calculated if appropriate. Check for red on Sch IN-EIC and complete if necessary.
Schedule 5, Line 4, Credit for the Elderly

- This credit will be automatically calculated for taxpayers over 65 with incomes below $10,000.

- If the taxpayer has no federal or state tax liability, instead of completing a tax return, it is simpler to complete Form SC-40.
Schedule 6: Offset (non-refundable) credits

• Many of these credits relate to returns that are out of scope for us.

• Taxpayers eligible for credits we can handle should know about them and have the appropriate documentation.
Schedule 7

• On schedule 7 you will need to check the box indicating that you are filing a federal return.

• At this point, if all the red is gone, you should be done.

• So run Diagnostics.