

Important. If you served in the Indiana National Guard or the reserve component of the armed forces during the tax year, see the *National Guard and Reserve Component Members Deduction* on page 20.

Note. Military income earned while in a **combat zone** is not taxable on your federal or state income tax returns. Since Indiana is not taxing this income, your combat zone income is not eligible for a deduction.

Example. Jim was on active duty the first month of the year. He was stationed in a combat zone the rest of the year. His military W-2 form shows the first month's regular military wage income of \$950, and \$19,000 income earned while being stationed in a combat zone. Only \$950 of his income is taxed on his federal return; likewise, Indiana will only tax \$950. Jim should claim a \$950 military deduction (the lesser of the income being taxed [\$950] or \$5,000).

Important. You **must** enclose your military W-2 form, retirement pay statement and/or survivor's benefit statement with the tax return if you are claiming this deduction.

Note. If you received a combination of military pay, retirement pay and/or survivor's benefits during the tax year, the total deduction cannot be greater than \$5,000 per qualifying person. For example, if you earned \$6,000 in military pay and \$1,500 in retirement pay, you can deduct only \$5,000 of your military income.

For more information about this deduction see Income Tax Information Bulletins #6 and #27 at www.in.gov/dor/3650.htm.

Line 8 – Private School/Homeschool Deduction

You may be eligible for a deduction based on education expenditures paid for each dependent child who is enrolled in a private school or is homeschooled.

Dependent Child Qualifications

- Your dependent child must be eligible to receive a free elementary or high school education (K-12 range) in an Indiana school corporation;
- You must be eligible to claim the child as a dependent on your federal tax return; and
- The child must be your natural or adopted child or, if not, you must have been awarded custody of the child in a court proceeding making you the court appointed guardian or custodian of the child.

Education expenditure. This refers to any expenditures made in connection with enrollment, attendance, or participation of your dependent child in a private elementary or high school education program. The term includes tuition, fees, computer software, textbooks, workbooks, curricula, school supplies (other than personal computers), and other written materials used primarily for academic instruction or for academic tutoring, or both. The term does not include the delivery of instructional service in a home setting to your dependent child who is enrolled in a school corporation or a charter school.

A “**private elementary or high school education program**” means attendance at a nonpublic school (including a private school, a parochial school and a homeschool) in Indiana that satisfies a child's obligation for compulsory attendance at a school.

The obligation for “compulsory attendance” means a child must be in attendance in a school (public and/or private) for a minimum of 180 days in a calendar year.

Note. No deduction will be available based on a child who is enrolled in school for a period of less than 180 days in a calendar year.

Figure your deduction. If you made an unreimbursed education expenditure during the year your deduction is:

- \$1,000; multiplied by
- the number of qualified dependent children for whom you made education expenditures.

Example. Greg and Constance have three children ages 7, 9 and 11. The two oldest children attend a private school. The youngest child attends the neighborhood public school. The parents purchased schoolbooks for all three children. They will be eligible for a \$2,000 deduction (the youngest does not qualify as he attends a public school).

Note. A qualifying child may be claimed for this deduction only once per year. For example, if a husband and wife are married and filing separately, whichever parent is eligible to claim the child as a dependent for exemption purposes is eligible to claim this deduction.

For more information about this deduction, see Income Tax Information Bulletin #107 at www.in.gov/dor/3650.htm.

Line 9 – Indiana Net Operating Loss Deduction

You may take a deduction for the Indiana portion of the federal net operating loss deduction (NOL) you added back on line 2 of Schedule 1. (This will be a net operating loss deduction from an earlier year(s) carried forward to 2016.) Write the amount you deduct as a positive figure.

IN NOL instructions continued on page 18.