



This Week in State Tax (TWIST)

March 16, 2026



Indiana: Penalty for certain pass-through entity composite returns eliminated

Indiana recently enacted a measure to remove the \$500 penalty imposed on pass-through entities that failed to include nonresident partners, nonresident shareholders, or nonresident beneficiaries with no distributive share of Indiana income in the composite return. Prior to the passage of this bill, Indiana imposed the \$500 penalty on pass-through entities that failed to include all nonresident owners in the composite return, even when an owner had no Indiana distributive share. The penalty will still be applied to entities that fail to include nonresident owners with positive distributive share Indiana income in the composite return. Please contact [Gianluca Pitetti](#) or [Ryan Dahlkamp](#) with questions on [Senate Bill 259](#).

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