

# HOUSE BILL No. 1047

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-8.1-18.

**Synopsis:** Regulation of payroll service providers. Requires a payroll service provider to provide the option to a business client that would allow the business client to hold the business client's funds in a bank account that is: (1) owned by the business client (as opposed to the payroll service provider's bank account); and (2) insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. Requires a payroll service provider to obtain a performance bond equal to the amount of the business client's total annual estimated payroll taxes.

**Effective:** July 1, 2026.

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December 2, 2025, read first time and referred to Committee on Financial Institutions.

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Second Regular Session of the 124th General Assembly (2026)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

## HOUSE BILL No. 1047

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-8.1-18-4.5 IS ADDED TO THE INDIANA  
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2026]: **Sec. 4.5. Notwithstanding any other**  
4 **section of this chapter, a payroll service provider shall provide the**  
5 **option to a business client that would allow the business client to**  
6 **hold the business client's funds in a bank account that is:**

7           **(1) owned by the business client (as opposed to the payroll**  
8 **service provider's bank account); and**

9           **(2) insured by the Federal Deposit Insurance Corporation or**  
10 **the National Credit Union Share Insurance Fund.**

11       SECTION 2. IC 6-8.1-18-5, AS ADDED BY P.L.97-2021,  
12 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
13 JULY 1, 2026]: **Sec. 5. (a)** A contract entered into by a business client  
14 with a payroll service provider for third party payroll services must  
15 include a provision that substantially specifies that if the payroll service  
16 provider fails to deposit a business client's employer withholding taxes  
17 when due, and the failure is caused by an error or omission of the



1 payroll service provider and not by the business client, the payroll  
2 service provider shall be required to reimburse the business client for  
3 the business client's payment of any penalties or interest assessed by  
4 the department as a result of the failure.

5 **(b) A payroll service provider shall obtain a performance bond**  
6 **equal to the amount of the business client's total annual estimated**  
7 **payroll taxes.**

