

HOUSE BILL No. 1138

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3-11.

Synopsis: Child care tax credit. Provides a child and dependent care refundable tax credit against an individual's Indiana adjusted gross income tax for employment related child and dependent care expenses based on the taxpayer's Indiana adjusted gross income and a percentage of the federal child and dependent care tax credit the taxpayer claimed for the taxable year for federal income tax purposes.

Effective: January 1, 2026 (retroactive).

Hamilton

January 5, 2026, read first time and referred to Committee on Ways and Means.



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. 1138

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 6-3-3-11 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 11. (a) Each taxable**
4 **year, an individual who is eligible to claim the federal child and**
5 **dependent care tax credit under Section 21 of the Internal Revenue**
6 **Code is entitled to a credit against the individual's, and the**
7 **individual's spouse's in the case of a joint return, adjusted gross**
8 **income tax liability equal to:**

9 (1) the allowable amount of the federal child and dependent
10 care tax credit that the taxpayer claimed on the taxpayer's
11 federal income tax return for the taxable year under Section
12 21 of the Internal Revenue Code; multiplied by

13 (2) the following applicable percentage:

14 (A) If the adjusted gross income of the individual, and the
15 individual's spouse in the case of a joint return, is forty
16 thousand dollars (\$40,000) or less, one hundred percent
17 (100%).



(B) If the adjusted gross income of the individual, and the individual's spouse in the case of a joint return, is greater than forty thousand dollars (\$40,000) and not more than sixty thousand dollars (\$60,000), seventy-five percent (75%).

(C) If the adjusted gross income of the individual, and the individual's spouse in the case of a joint return, is greater than sixty thousand dollars (\$60,000) and not more than seventy-five thousand dollars (\$75,000), fifty percent (50%).

If the adjusted gross income of the individual, and the individual's spouse in the case of a joint return, is greater than seventy-five thousand dollars (\$75,000), the individual is not entitled to a credit against the individual's adjusted gross income tax liability.

(b) If the credit provided by this section exceeds the amount of the individual's adjusted gross income tax liability for the taxable year, reduced by the sum of all credits for the taxable year that are applied before the application of the credit provided by this section, the excess shall be refunded to the individual.

SECTION 2. [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]
(a) IC 6-3-3-11, as added by this act, applies to taxable years beginning after December 31, 2025.

(b) This SECTION expires June 30, 2029.

SECTION 3. An emergency is declared for this act.

