

HOUSE BILL No. 1149

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-31.6; IC 20-20-28-5.5; IC 20-51.

Synopsis: Pre-kindergarten care SGO tax credit. Establishes an early childhood scholarship tax credit for contributions made to a scholarship granting organization that conducts a program to provide scholarships for children who attend a qualified early child care provider. Provides that the amount of the credit is equal to 50% of the amount of the contribution. Limits the total amount of tax credits awarded in a state fiscal year to not more than \$100,000,000. Requires the department of education (department) to certify early childhood scholarship granting organizations that meet certain criteria. Requires qualified early childhood scholarship granting organizations to enter into an agreement with the department. Specifies conditions that must be included in the agreement. Provides that a school corporation that operates an early childhood education program may not limit consideration for participation in the program solely to those residing within the school district.

Effective: July 1, 2026; January 1, 2027.

Heine, McGuire, O'Brien, Heaton

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. 1149

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 6-3.1-31.6 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2027]:

4 **Chapter 31.6. Early Childhood Scholarship Tax Credit**

5 **Sec. 1. As used in this chapter, "credit" refers to a credit**
6 **granted under this chapter.**

7 **Sec. 2. As used in this chapter, "early childhood scholarship"**
8 **refers to a grant to pay only the cost of attendance for a qualified**
9 **child at a qualified early child care provider for which the**
10 **scholarship will be granted.**

11 **Sec. 3. As used in this chapter, "early childhood scholarship**
12 **granting organization" refers to an organization that:**

13 **(1) is exempt from federal income taxation under Section**
14 **501(c)(3) of the Internal Revenue Code; and**

15 **(2) conducts an early childhood scholarship program.**

16 **Sec. 4. As used in this chapter, "early childhood scholarship**
17 **program" refers to a program conducted by an early childhood**



1 scholarship granting organization to provide early childhood
 2 scholarships to qualified children in which not more than twenty
 3 five percent (25%) of the early childhood scholarship granting
 4 organization's total contributions for the program in a taxable year
 5 are used to provide early childhood scholarships to attend a
 6 particular qualified early child care provider.

7 Sec. 5. As used in this chapter, "pass through entity" has the
 8 meaning set forth in IC 6-3-1-35.

9 Sec. 6. As used in this chapter, "qualified child" means a child
 10 that is not more than six (6) years of age.

11 Sec. 7. As used in this chapter, "qualified early child care
 12 provider" refers to a child care provider that:

13 (1) is:

14 (A) a licensed child care center under IC 12-17.2-4;

15 (B) a licensed child care home under IC 12-17.2-5; or

16 (C) a licensed child care ministry under IC 12-17.2-6;

17 that meets the standards of quality recognized by a Level 3 or
 18 Level 4 Paths to QUALITY program rating under
 19 IC 12-17.2-2-14.2 or has a comparable rating from a
 20 nationally recognized accrediting body;

21 (2) is a state accredited school as described in IC 20-18-2-18.8;

22 (3) is a state accredited nonpublic school as described in
 23 IC 20-18-2-18.7; or

24 (4) is a school that is accredited by or obtains provisional
 25 accreditation from a national or regional accreditation agency
 26 that is recognized by the state board.

27 Sec. 8. As used in this chapter, "state tax liability" means a
 28 taxpayer's total tax liability that is incurred under:

29 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

30 (2) IC 6-5.5 (the financial institutions tax); and

31 (3) IC 27-1-18-2 (the insurance premiums tax) or IC 6-8-15
 32 (the nonprofit agricultural organization health coverage tax);

33 as computed after the application of the credits that under
 34 IC 6-3.1-1-2 are to be applied before the credit provided by this
 35 chapter.

36 Sec. 9. As used in this chapter, "taxpayer" means an individual
 37 or entity that has any state tax liability.

38 Sec. 10. A taxpayer that makes a contribution to an early
 39 childhood scholarship granting organization for use by the early
 40 childhood scholarship granting organization for an early childhood
 41 scholarship program is entitled to a credit against the taxpayer's
 42 state tax liability in the taxable year in which the taxpayer makes



1 the contribution.

2 Sec. 11. The amount of a taxpayer's credit is equal to fifty
3 percent (50%) of the amount of the contribution made to the early
4 childhood scholarship granting organization for an early childhood
5 scholarship program.

6 Sec. 12. (a) If the credit provided by this chapter exceeds the
7 taxpayer's state tax liability for the taxable year for which the
8 credit is first claimed, the excess may be carried forward to
9 succeeding taxable years and used as a credit against the
10 taxpayer's state tax liability during those taxable years. Each time
11 the credit is carried forward to a succeeding taxable year, the
12 credit is reduced by the amount that was used as a credit during
13 the immediately preceding taxable year. The credit provided by
14 this chapter may be carried forward and applied to succeeding
15 taxable years for nine (9) taxable years following the unused credit
16 year.

17 (b) A taxpayer is not entitled to a carryback or refund of any
18 unused credit.

19 Sec. 13. If a pass through entity is entitled to a credit under
20 section 10 of this chapter but does not have state tax liability
21 against which the tax credit may be applied, a shareholder,
22 partner, or member of the pass through entity is entitled to a tax
23 credit equal to:

24 (1) the tax credit determined for the pass through entity for
25 the taxable year; multiplied by

26 (2) the percentage of the pass through entity's distributive
27 income to which the shareholder, partner, or member is
28 entitled.

29 Sec. 14. To apply a credit against the taxpayer's state tax
30 liability, a taxpayer must claim the credit on the taxpayer's annual
31 state tax return or returns in the manner prescribed by the
32 department. The taxpayer shall submit to the department the
33 information that the department determines is necessary for the
34 department to determine whether the taxpayer is eligible for the
35 credit.

36 Sec. 15. A contribution to an early childhood scholarship
37 granting organization shall be treated as having been made for use
38 in an early childhood scholarship program if:

39 (1) the contribution is made directly to an early childhood
40 scholarship granting organization; and

41 (2) either:

42 (A) not later than the date of the contribution, the taxpayer



designates in writing to the early childhood scholarship granting organization that the contribution is to be used only for an early childhood scholarship program; or (B) the early childhood scholarship granting organization provides the taxpayer with written confirmation that the contribution will be dedicated solely for use in an early childhood scholarship program.

Sec. 16. The total amount of tax credits awarded under this chapter in a state fiscal year may not exceed one hundred million dollars (\$100,000,000).

Sec. 17. The department, on a website used by the department to provide information to the public, shall provide the following information:

- (1) The application for the credit provided in this chapter.
- (2) A timeline for receiving the credit provided in this chapter.
- (3) The total amount of credits awarded under this chapter during the current state fiscal year.

Sec. 18. The department shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 2. IC 20-20-28-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 5.5. A school corporation that operates an early childhood education program may not limit consideration for participation in the program solely to those residing within the school district.

SECTION 3. IC 20-51-1-4.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 4.1. "Early childhood scholarship" refers to a grant to pay only the cost of child care tuition or expenses for a qualified child as determined for the fiscal year for which the scholarship will be granted.

SECTION 4. IC 20-51-1-4.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 4.2. "Early childhood scholarship granting organization" refers to an organization that:

- (1) is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code; and
- (2) is organized at least in part to grant early childhood education scholarships without limiting the availability of early childhood scholarships to students of only one (1) qualified early child care provider.

SECTION 5. IC 20-51-1-6.2 IS ADDED TO THE INDIANA CODE



AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 6.2. "Qualified child" refers to a child who:**

- (1) resides in Indiana; and**
- (2) is not more than six (6) years of age.**

SECTION 6. IC 20-51-1-6.4 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 6.4. "Qualified early child care provider" refers to a child care provider that:**

- (1) is:**
 - (A) a licensed child care center under IC 12-17.2-4;**
 - (B) a licensed child care home under IC 12-17.2-5; or**
 - (C) a licensed child care ministry under IC 12-17.2-6;**
- that meets the standards of quality recognized by a Level 3 or Level 4 Paths to QUALITY program rating under IC 12-17.2-2-14.2 or has a comparable rating from a nationally recognized accrediting body;**
- (2) is a state accredited school as described in IC 20-18-2-18.8;**
- (3) is a state accredited nonpublic school as described in IC 20-18-2-18.7; or**
- (4) is a school that is accredited by or obtains provisional accreditation from a national or regional accreditation agency that is recognized by the state board.**

SECTION 7. IC 20-51-5 IS ADDED TO THE INDIANA CODE AS A **NEW CHAPTER** TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:

Chapter 5. Early Childhood Scholarship Granting Organizations; Certification; Administration of Contributions

Sec. 1. A program qualifies for certification as an early childhood scholarship program if:

- (1) the program:**
 - (A) is administered by an early childhood scholarship granting organization; and**
 - (B) has the primary purpose of providing early childhood scholarships to qualified children; and**
- (2) the early childhood scholarship granting organization administering the program:**
 - (A) applies to the department on the form and in the manner prescribed by the department; and**
 - (B) enters into an agreement with the department to comply with this article.**

Sec. 2. The department shall certify all programs that meet the qualifications under section 1 of this chapter as school scholarship



1 programs.

2 **Sec. 3. An agreement entered into under section 1 of this chapter**
 3 **between the department and an early childhood scholarship**
 4 **granting organization must require the early childhood scholarship**
 5 **granting organization to do the following:**

6 (1) Provide a receipt to taxpayers for contributions made to
 7 the early childhood scholarship granting organization that
 8 will be used in an early childhood scholarship program. The
 9 department of state revenue shall prescribe a standardized
 10 form for the receipt issued under this subdivision. The receipt
 11 must indicate the value of the contribution and the part of the
 12 contribution being designated for use in an early childhood
 13 scholarship program.

14 (2) Allow a taxpayer to designate a qualified early child care
 15 provider for which the taxpayer's contribution must be used
 16 as scholarships.

17 (3) Use not more than ten percent (10%) of the total amount
 18 of contributions for administrative costs.

19 (4) Distribute one hundred percent (100%) of any income
 20 earned on contributions as early childhood scholarships to
 21 qualified children.

22 (5) Conduct criminal background checks on all the early
 23 childhood scholarship granting organization's employees and
 24 board members and exclude from employment or governance
 25 any individual who might reasonably pose a risk to the
 26 appropriate use of contributed funds.

27 (6) Make the reports required by this chapter.

28 **Sec. 4. An agreement entered into under section 1 of this chapter**
 29 **may not prohibit an early childhood scholarship granting**
 30 **organization from receiving contributions other than contributions**
 31 **described in section 3(1) of this chapter.**

32 **Sec. 5. (a) An agreement entered into under section 1 of this**
 33 **chapter must prohibit an early childhood scholarship granting**
 34 **organization from distributing scholarships for use by a qualified**
 35 **child to:**

36 (1) enroll in a qualified early child care provider that has:

37 (A) paid staff or board members; or

38 (B) relatives of paid staff or board members;

39 in common with the early childhood scholarship granting
 40 organization;

41 (2) enroll in a qualified early child care provider that the
 42 early childhood scholarship granting organization knows does



not qualify as a qualified early child care provider; or
 (3) pay for the cost of child care for a qualified early child care provider where the qualified child is entitled to enroll without the payment of tuition.

(b) An agreement entered into under section 1 of this chapter must prohibit an early childhood scholarship granting organization from limiting the availability of scholarships to children of only one (1) qualified early child care provider. An agreement entered into under section 1 of this chapter before July 1, 2026, must be amended to include the requirement specified in this subsection.

Sec. 6. (a) An early childhood scholarship granting organization certified under this chapter must publicly report to the department by December 1 of each year the following information regarding the organization's scholarships awarded in the previous school year:

(1) The name and address of the early childhood scholarship granting organization.

(2) The total number and total dollar amount of contributions received during the previous fiscal year.

(3) The:

(A) total number and total dollar amount of all scholarships awarded during the previous fiscal year; and

(B) total number and total dollar amount of early childhood scholarships awarded during the previous fiscal year.

The report must be certified under penalties of perjury by the chief executive officer of the early childhood scholarship granting organization.

(b) An early childhood scholarship granting organization certified under this chapter shall contract with an independent certified public accountant for an annual financial audit of the early childhood scholarship granting organization. The early childhood scholarship granting organization must provide a copy of the annual financial audit to the department and must make the annual financial audit available to a member of the public upon request.

Sec. 7. The department shall prescribe a standardized form for early childhood scholarship granting organizations to report information required under this chapter.

Sec. 8. The department may, in a proceeding under IC 4-21.5, suspend or terminate the certification of an organization as an early childhood scholarship granting organization if the



1 department establishes that the early childhood scholarship
2 granting organization:

3 (1) has intentionally and substantially failed to comply with
4 the requirements of this chapter or an agreement entered into
5 under this chapter; or

6 (2) has not granted an early childhood scholarship, as defined
7 in IC 20-51-1-4.1, for either:

8 (A) three (3) consecutive years; or

9 (B) within the first two (2) years of operation as a certified
10 early childhood scholarship granting organization.

11 Sec. 9. If the department suspends or terminates the
12 certification of an organization as an early childhood scholarship
13 granting organization, the department shall notify all affected
14 eligible students and their parents of the decision as quickly as
15 possible. An eligible student affected by a suspension or
16 termination of an early childhood scholarship granting
17 organization's certification remains an eligible student under this
18 chapter until the end of the school year after the school year in
19 which the early childhood scholarship granting organization's
20 certification is suspended or terminated, regardless of whether the
21 scholarship student currently meets the definition of an eligible
22 student.

23 Sec. 10. The department may conduct either a financial review
24 or an audit of an early childhood scholarship granting organization
25 certified under this chapter if the department of state revenue has
26 evidence of fraud.

27 Sec. 11. The department may adopt rules under IC 4-22-2 to
28 implement this chapter.

