

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6698
BILL NUMBER: HB 1149

NOTE PREPARED: Dec 22, 2025
BILL AMENDED:

SUBJECT: Pre-Kindergarten Care SGO Tax Credit.

FIRST AUTHOR: Rep. Heine
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes an early childhood scholarship tax credit for contributions made to a scholarship granting organization (SGO) that conducts a program to provide scholarships for children who attend a qualified early child care provider.

The bill provides that the amount of the credit is equal to 50% of the amount of the contribution. It limits the total amount of tax credits awarded in a state fiscal year to not more than \$100 M.

It requires the Department of Education (DOE) to certify early childhood SGOs that meet certain criteria. It requires qualified early childhood SGOs to enter into an agreement with the DOE. It also specifies conditions that must be included in the agreement. The bill 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 Date: July 1, 2026; January 1, 2027.

Explanation of State Expenditures: The bill's requirement that the DOE certify early childhood SGOs in Indiana and enter into agreements with them would be a workload increase for the DOE.

The Department of State Revenue (DOR) will experience additional workload and expenses to put the bill's changes in place. The DOR should be able to make these changes within current resource levels.

Explanation of State Revenues: The bill establishes a nonrefundable income tax credit in tax year 2027 for contributions to early childhood SGOs. The bill may reduce General Fund revenue by an estimated \$10 M to \$30 M annually beginning in FY 2028. The total amount of credits awarded annually may not exceed \$100 M.

The credit is equal to 50% of contributions to SGOs used to provide early childhood scholarships. Under the proposal, the contributions to SGOs would pay the cost of childcare for children age six and younger at qualified early child care providers. The credit may be carried forward for up to nine years.

The tax credit would be applied against a taxpayer's liability for the following taxes:

- Corporate income tax,
- Individual income tax,
- Financial institutions tax,
- Insurance premiums tax.

Additional Information - The estimate is based on historical credit claims for the Indiana school scholarship contribution tax credit as well as from the revenue impact of a child care contribution tax credit in the state of Colorado.

Indiana has a similar tax credit for contributions made to SGOs for scholarships for elementary and secondary education, which is capped at \$18.5 M per year. In 2023, taxpayers claimed \$12.5 M in credits for the SGO scholarship contribution credit.

The state of Colorado offers a nonrefundable child care contribution tax credit for contributions to promote child care in Colorado. The credit is equal to 50% of the total contribution. The credit is capped at \$100,000 per taxpayer, per year. In 2022, the credit reduced state revenue by \$30.4 M.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Education, Department of State Revenue.

Local Agencies Affected:

Information Sources: Colorado Department of Revenue. 2024 Tax Profile & Expenditure Report. https://content.leg.colorado.gov/sites/default/files/images/2024_tax_profile_and_expenditure_report.pdf; Colorado Office of the State Auditor. Tax Expenditures Compilation Report. September 2021. https://content.leg.colorado.gov/sites/default/files/2021_tax_expenditure_compilation_report.pdf

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