

HOUSE BILL No. 1169

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3-12.

Synopsis: College savings tax credit. Beginning in taxable year 2027, increases the credit provided for a contribution to an Indiana 529 savings plan against a taxpayer's adjusted gross income from \$1,500 to \$2,500 (and from \$750 to \$1,250 in the case of a married individual filing a separate return), subject to other requirements.

Effective: January 1, 2027.

Klinker

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. 1169

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 6-3-3-12, AS AMENDED BY P.L.205-2025,
2 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2027]: Sec. 12. (a) As used in this section, "account" has
4 the meaning set forth in IC 21-9-2-2.

5 (b) As used in this section, "account beneficiary" has the meaning
6 set forth in IC 21-9-2-3.

7 (c) As used in this section, "account owner" has the meaning set
8 forth in IC 21-9-2-4.

9 (d) As used in this section, "Indiana529 plan" refers to an
10 Indiana529 plan established under IC 21-9.

11 (e) As used in this section, "contribution" means the amount of
12 money directly provided to an Indiana529 plan account by a taxpayer.
13 A contribution does not include any of the following:

14 (1) Money credited to an account as a result of bonus points or
15 other forms of consideration earned by the taxpayer that result in
16 a transfer of money to the account.

17 (2) Money transferred from any other qualified tuition program



under Section 529 of the Internal Revenue Code or from any other similar plan.

(3) Money transferred from any qualified ABLE program under Section 529A of the Internal Revenue Code or any other similar plan.

(f) As used in this section, "nonqualified withdrawal" means a withdrawal or distribution from an Indiana 529 plan that is not a qualified withdrawal.

(g) As used in this section, "qualified higher education expenses" has the meaning set forth in IC 21-9-2-19.5, except that the term does not include qualified education loan repayments under Section 529(c)(9) of the Internal Revenue Code.

(h) As used in this section, "qualified K-12 education expenses" means expenses that are for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school located in Indiana and are permitted under Section 529 of the Internal Revenue Code.

(i) As used in this section, "qualified withdrawal" means a withdrawal or distribution from an Indiana 529 plan that is made:

(1) to pay for qualified higher education expenses, excluding any withdrawals or distributions used to pay for qualified higher education expenses, if the withdrawals or distributions are made from an account of an Indiana 529 plan that is terminated within twelve (12) months after the account is opened;

(2) as a result of the death or disability of an account beneficiary;

(3) because an account beneficiary received a scholarship that paid for all or part of the qualified higher education expenses of the account beneficiary, to the extent that the withdrawal or distribution does not exceed the amount of the scholarship; or

(4) by an Indiana 529 plan as the result of a transfer of funds by an Indiana 529 plan from one (1) third party custodian to another.

However, a qualified withdrawal does not include a withdrawal or distribution that will be used for expenses that are for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school unless the school is located in Indiana. A qualified withdrawal does not include a rollover distribution or transfer of assets from an Indiana 529 plan to any other qualified tuition program under Section 529 of the Internal Revenue Code, to any qualified ABLE program under Section 529A other than an Indiana ABLE 529A savings plan adopted by the state under IC 12-11, or to any other similar plan.

(j) As used in this section, "taxpayer" means:



- (1) an individual filing a single return;
- (2) a married couple filing a joint return; or
- (3) for taxable years beginning after December 31, 2019, a married individual filing a separate return.

(k) A taxpayer is entitled to a credit against the taxpayer's adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for a taxable year equal to the least of the following:

- (1) Twenty percent (20%) multiplied by the amount of the total contributions that are made by the taxpayer to an account or accounts of an Indiana529 plan during the taxable year.
- (2) ~~One thousand five hundred dollars (\$1,500), or seven hundred fifty dollars (\$750)~~ **Two thousand five hundred dollars (\$2,500), or one thousand two hundred fifty dollars (\$1,250)** in the case of a married individual filing a separate return.
- (3) The amount of the taxpayer's adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year, reduced by the sum of all credits (as determined without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

(l) A taxpayer who makes a contribution to an Indiana529 plan is considered to have made the contribution on the date that:

- (1) the taxpayer's contribution is postmarked or accepted by a delivery service, for contributions that are submitted to an Indiana529 plan by mail or delivery service; or
- (2) the taxpayer's electronic funds transfer is initiated, for contributions that are submitted to an Indiana529 plan by electronic funds transfer.

(m) A taxpayer is not entitled to a carryback, carryover, or refund of an unused credit.

(n) A taxpayer may not sell, assign, convey, or otherwise transfer the tax credit provided by this section.

(o) To receive the credit provided by this section, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this section.

(p) An account owner of an account of an Indiana529 plan must repay all or a part of the credit in a taxable year in which any nonqualified withdrawal is made from the account. The amount the taxpayer must repay is equal to the lesser of:

- (1) twenty percent (20%) of the total amount of nonqualified withdrawals made during the taxable year from the account; or
- (2) the excess of:



(A) the cumulative amount of all credits provided by this section that are claimed by any taxpayer with respect to the taxpayer's contributions to the account for all prior taxable years beginning on or after January 1, 2007; over

(B) the cumulative amount of repayments paid by the account owner under this subsection for all prior taxable years beginning on or after January 1, 2008.

(q) Any required repayment under subsection (p) shall be reported by the account owner on the account owner's annual state income tax return for any taxable year in which a nonqualified withdrawal is made.

(r) A nonresident account owner who is not required to file an annual income tax return for a taxable year in which a nonqualified withdrawal is made shall make any required repayment on the form required under IC 6-3-4-1(2). If the nonresident account owner does not make the required repayment, the department shall issue a demand notice in accordance with IC 6-8.1-5-1.

(s) The executive director of the Indiana education savings authority shall submit or cause to be submitted to the department a copy of all information returns or statements issued to account owners, account beneficiaries, and other taxpayers for each taxable year with respect to:

- (1) nonqualified withdrawals made from accounts, including subaccounts of an Indiana 529 plan for the taxable year; or
- (2) account closings for the taxable year.

(t) The following apply to contributions made after December 31, 2023:

(1) For purposes of this section, all or part of a contribution made after the end of a taxable year, and not later than the due date of the taxpayer's adjusted gross income tax return for the taxable year under this article (as determined without regard to any allowable extensions), shall be considered as having been made during the taxable year preceding the contribution if:

- (A) the taxpayer elects to treat all or part of a contribution as occurring in the taxable year preceding the contribution;
- (B) the taxpayer designates the amounts of the contribution to be treated as occurring in each taxable year, in the case of a single contribution that is to be allowable under this section in two (2) separate years; and
- (C) the taxpayer irrevocably waives the right to claim the contribution claimed in the taxable year preceding the contribution as occurring in the taxable year of the contribution.

(2) The Indiana education savings authority may prescribe any



1 forms necessary for purposes of this subsection.
2 SECTION 2. [EFFECTIVE JANUARY 1, 2027] (a) **IC 6-3-3-12,**
3 **as amended by this act, applies to taxable years beginning after**
4 **December 31, 2026.**
5 (b) This SECTION expires January 1, 2029.

