

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

LS 6690
BILL NUMBER: HB 1177

NOTE PREPARED: Dec 22, 2025
BILL AMENDED:

SUBJECT: Child Care Assistance.

FIRST AUTHOR: Rep. Cash
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill increases the maximum number of individuals an entity may employ to be eligible for the employer child care expenditure income tax credit.

It provides that costs incurred:

- (1) for the operating costs of a child care facility operated for a taxpayer's employees; or
- (2) under a contract with a child care facility to provide child care services to employees of the taxpayer, or under a contract with an intermediate entity that contracts with one or more child care facilities for child care services;

are qualified expenditures for purposes of the employer child care expenditure income tax credit.

The bill allows a redevelopment commission to use revenue collected in a tax increment financing district to expend money or provide financial assistance to entities for the purpose of encouraging or incentivizing the construction or expansion of child care facilities.

Effective Date: January 1, 2026 (retroactive); July 1, 2026; July 1, 2027.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The 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 makes changes to the employer child care expenditure credit that will increase claims for the credit. The bill will reduce state General Fund revenue by up to the credit cap of \$2.5 M annually beginning in FY 2027.

Additional Information - The proposal makes the following changes to the credit:

- It expands eligibility for the credit to employers with up to 500 employees. Under current law, the credit applies to employers with 100 or fewer employees.
- The bill expands the definition of eligible child care expenditures for the credit to include operating costs of an employer-run child care facility and expenses for contracts for a third-

party to provide childcare for the employees' children. Under current law, the credit may only be claimed on expenses related to establishing new Indiana licensed childcare facilities for their employees' children.

- The bill also removes provisions related to credit recapture.

The credit amount is equal to 50% of the employer's qualified expenditures for licensed childcare for employees' children. The maximum credit per employer per year is \$100,000. The credit may be carried forward for three years.

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

- Corporate income tax,
- Individual income tax,
- Insurance premiums tax,
- Nonprofit agricultural organization health coverage tax,
- Financial institutions tax.

Explanation of Local Expenditures: *Tax Increment Financing:* This provision adds an additional use for TIF proceeds. Local redevelopment commissions will have the discretion to allow funds to be used for this purpose. This bill does not impact the amount of TIF revenues received by the redevelopment commissions.

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Redevelopment commissions.

Information Sources:

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