

HOUSE BILL No. 1241

DIGEST OF INTRODUCED BILL

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

Synopsis: Roth IRA rollover of 529 account balance. Designates as a qualified withdrawal for Indiana 529 plan (529 plan) purposes a withdrawal of funds from the 529 plan in order to make a contribution to a Roth IRA, pursuant and subject to the limitations of the federal SECURE 2.0 Act. Requires the Indiana education savings authority to coordinate with the treasurer of state in the administration of contributions to 529 plans.

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

Hall, Pierce K

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. 1241

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 Indiana529 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 Indiana529 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 Indiana529 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 Indiana529 plan as the result of a transfer of funds by an Indiana529 plan from one (1) third party custodian to another; or

(5) for the purpose of contributing the withdrawn funds to a Roth IRA (as described in Section 408A of the Internal Revenue Code) pursuant to, and subject to the limitations of, the federal Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act.

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 Indiana529 plan to any other



1 qualified tuition program under Section 529 of the Internal Revenue
 2 Code, to any qualified ABLE program under Section 529A other than
 3 an Indiana ABLE 529A savings plan adopted by the state under
 4 IC 12-11, or to any other similar plan.

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

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

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

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

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

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

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

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

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

40 (p) An account owner of an account of an Indiana529 plan must
 41 repay all or a part of the credit in a taxable year in which any
 42 nonqualified withdrawal is made from the account. The amount the



1 taxpayer must repay is equal to the lesser of:

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

4 (2) the excess of:

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

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

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

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

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

25 (1) nonqualified withdrawals made from accounts, including
26 subaccounts of an Indiana 529 plan for the taxable year; or

27 (2) account closings for the taxable year.

28 (t) The following apply to contributions made after December 31,
29 2023:

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

36 (A) the taxpayer elects to treat all or part of a contribution as
37 occurring in the taxable year preceding the contribution;

38 (B) the taxpayer designates the amounts of the contribution to
39 be treated as occurring in each taxable year, in the case of a
40 single contribution that is to be allowable under this section in
41 two (2) separate years; and

42 (C) the taxpayer irrevocably waives the right to claim the



- 1 contribution claimed in the taxable year preceding the
2 contribution as occurring in the taxable year of the
3 contribution.
4 (2) The Indiana education savings authority may prescribe any
5 forms necessary for purposes of this subsection.
6 **(3) The Indiana education savings authority shall coordinate**
7 **with the treasurer of state in the administration of this**
8 **section.**
9 SECTION 2. [EFFECTIVE JULY 1, 2026] (a) IC 6-3-3-12, as
10 amended by this act, applies to taxable years beginning after
11 December 31, 2026.
12 (b) This SECTION expires June 30, 2029.

