

HOUSE BILL No. 1378

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3; IC 6-3.1-39.5.

Synopsis: Child care tax credits. Provides a child and dependent care refundable tax credit against an individual's Indiana adjusted gross income tax for employment related child and dependent care expenses based on the percentage of the federal child and dependent care tax credit the taxpayer claimed for the taxable year for federal income tax purposes. Provides a child tax credit against an individual's Indiana adjusted gross income tax. 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.

Effective: January 1, 2026 (retroactive).

Campbell, Jackson C, Errington

January 8, 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. 1378

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 6-3-3-11 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 11. (a) Each taxable**
4 **year, an individual who is eligible to claim the federal child and**
5 **dependent care tax credit under Section 21 of the Internal Revenue**
6 **Code is entitled to a credit against the individual's, and the**
7 **individual's spouse's in the case of a joint return, adjusted gross**
8 **income tax liability equal to:**

9 (1) the allowable amount of the federal child and dependent
10 care tax credit that the taxpayer claimed on the taxpayer's
11 federal income tax return for the taxable year under Section
12 21 of the Internal Revenue Code; multiplied by

13 (2) twenty percent (20%).

14 (b) If the credit provided by this section exceeds the amount of
15 the individual's adjusted gross income tax liability for the taxable
16 year, reduced by the sum of all credits for the taxable year that are
17 applied before the application of the credit provided by this



1 **section, the excess shall be refunded to the individual.**

2 SECTION 2. IC 6-3-3-15 IS ADDED TO THE INDIANA CODE
3 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
4 JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 15. (a) As used in this**
5 **section, "qualifying child" has the meaning set forth in Section**
6 **24(c) of the Internal Revenue Code.**

7 **(b) Each taxable year, an individual is entitled to a credit**
8 **against the individual's, and the individual's spouse's in the case of**
9 **a joint return, adjusted gross income tax liability equal to:**

10 **(1) three hundred dollars (\$300); multiplied by**

11 **(2) the number of qualifying children for which the taxpayer**
12 **was eligible to claim the federal child tax credit under Section**
13 **24 of the Internal Revenue Code for the taxable year.**

14 **(c) If the credit provided by this section exceeds the amount of**
15 **the individual's adjusted gross income tax liability for the taxable**
16 **year, reduced by the sum of all credits for the taxable year that are**
17 **applied before the application of the credit provided by this**
18 **section, the excess shall be refunded to the individual.**

19 SECTION 3. IC 6-3.1-39.5-1, AS ADDED BY P.L.201-2023,
20 SECTION 103, IS AMENDED TO READ AS FOLLOWS
21 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 1. As used**
22 **in this chapter, "Indiana qualified child care facility" means a facility**
23 **that is:**

24 **(1) a qualified child care facility (as defined in Section 45F of the**
25 **Internal Revenue Code);**

26 **(2) located in Indiana; and**

27 **(3) licensed by the division of family resources under IC 12-17.2.**
28 **and**

29 **(4) operated:**

30 **(A) by a taxpayer;**

31 **(B) by a taxpayer jointly with one (1) or more other individuals**
32 **or entities; or**

33 **(C) under a contract described in Section 45F(c)(1)(A)(iii) of**
34 **the Internal Revenue Code with the taxpayer.**

35 SECTION 4. IC 6-3.1-39.5-3, AS ADDED BY P.L.201-2023,
36 SECTION 103, IS AMENDED TO READ AS FOLLOWS
37 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: **Sec. 3. As used**
38 **in this chapter, "qualified child care expenditure" means an**
39 **expenditure:**

40 **(1) for the acquisition, construction, rehabilitation, or expansion**
41 **of property used as part of an Indiana qualified child care facility**
42 **of a taxpayer that is operated for the taxpayer's employees;**



(2) incurred under a contract between a taxpayer and an Indiana qualified child care facility to provide for the acquisition, construction, rehabilitation, or expansion of property used as part of the Indiana qualified child care facility; ~~or~~

(3) for purposes of complying with the qualified child care facility licensure requirements under IC 12-17.2, as part of the taxpayer acquiring or constructing an Indiana qualified child care facility;

(4) incurred for the operating costs of an Indiana qualified child care facility of a taxpayer that is operated for the taxpayer's employees, including costs related to training of employees, to scholarship programs, and to provide increased compensation to employees with higher levels of child care training;

(5) under a contract with an Indiana qualified 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 (1) or more Indiana qualified child care facilities for child care services; or

(6) under a contract to provide child care resources and referral services to an employee of the taxpayer.

SECTION 5. IC 6-3.1-39.5-5, AS ADDED BY P.L.201-2023, SECTION 103, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 5. As used in this chapter, "recapture event" means:

(1) the cessation of the operation of the Indiana qualified child care facility as an Indiana qualified child care facility; ~~or~~

(2) subject to section 12(c) of this chapter, a change in ownership of an Indiana qualified child care facility for which a credit was allowed under this chapter, unless the person acquiring an interest agrees to assume the recapture liability of the person disposing of an interest. ~~or~~

~~(3) the use of an Indiana qualified child care facility for the enrollment of a child from any individual who is not an employee of the taxpayer.~~

The term does not include a cessation of operation or change in ownership due to accident or casualty.

SECTION 6. [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]

(a) IC 6-3-3-11 and IC 6-3-3-15, both as added by this act, apply to taxable years beginning after December 31, 2025.

(b) IC 6-3.1-39.5-1, IC 6-3.1-39.5-3, and IC 6-3.1-39.5-5, all as amended by this act, apply to taxable years beginning after December 31, 2025.



1 **(c) This SECTION expires June 30, 2028.**
2 **SECTION 7. An emergency is declared for this act.**

