

# HOUSE BILL No. 1425

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-42.5.

**Synopsis:** Social service provider tax credit. Allows a qualified taxpayer to claim a credit against the taxpayer's state tax liability for designated contributions to qualified nonprofit organizations that provide: (1) comprehensive case management services for at risk families; (2) family support services; (3) in-school programs, community based events, or online resources to assist fathers in learning and improving parenting skills; or (4) programs that provide mutual support systems among mothers in raising children or information for mothers to enhance child development.

**Effective:** January 1, 2027.

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**Smith H, Heaton, DeVon**

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January 8, 2026, read first time and referred to Committee on Ways and Means.

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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. 1425

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 6-3.1-42.5 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 3 JANUARY 1, 2027]:
- 4 **Chapter 42.5. Social Service Provider Tax Credit**
- 5 **Sec. 1. This chapter applies only to taxable years beginning after**
- 6 **December 31, 2026.**
- 7 **Sec. 2. As used in this chapter, "credit" refers to the social**
- 8 **service provider tax credit allowable under this chapter.**
- 9 **Sec. 3. As used in this chapter, "designated contribution" means**
- 10 **a monetary contribution to a qualified nonprofit organization that**
- 11 **the contributor designates at the time of the contribution as being**
- 12 **made for the purpose of the credit.**
- 13 **Sec. 4. As used in this chapter, "pass through entity" has the**
- 14 **meaning set forth in IC 6-3-1-35.**
- 15 **Sec. 5. (a) As used in this chapter, "qualified nonprofit**
- 16 **organization" means a nonprofit organization that meets the**
- 17 **following conditions:**



1 (1) Is exempt from federal income taxation under Section  
2 501(c)(3) of the Internal Revenue Code.

3 (2) Is authorized to conduct business in Indiana.

4 (3) Has provided any of the following services in Indiana for  
5 at least ten (10) years preceding the organization's initial  
6 application for eligibility:

7 (A) Comprehensive case management services for at risk  
8 families based on the assessment of family strengths and  
9 needs.

10 (B) Family support services.

11 (C) In-school programs, community based events, or online  
12 resources to assist fathers in learning and improving  
13 parenting skills.

14 (D) Programs that provide mutual support systems among  
15 mothers in raising children or information for mothers to  
16 enhance child development.

17 (4) Does not provide abortion services, either directly or  
18 indirectly, or offer information related to such services.

19 (b) Services described in subsection (a)(3)(A) through (a)(3)(D)  
20 must be implemented with a continuous quality improvement  
21 process and evaluated based on outcomes.

22 Sec. 6. As used in this chapter, "state tax liability" means a  
23 taxpayer's total tax liability that is incurred under:

24 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);

25 (2) IC 6-5.5 (the financial institutions tax); and

26 (3) IC 27-1-18-2 (the insurance premiums tax);

27 as computed after the application of the credits that under  
28 IC 6-3.1-1-2 are to be applied before the credit provided by this  
29 chapter.

30 Sec. 7. As used in this chapter, "taxpayer" means an individual  
31 or entity that has any state tax liability.

32 Sec. 8. A taxpayer that makes a designated contribution that  
33 meets the requirements of this chapter is eligible to apply for a  
34 credit in the amount and under the conditions provided by this  
35 chapter against the taxpayer's state tax liability.

36 Sec. 9. An organization or qualified nonprofit organization must  
37 respectively apply or reapply for certification as a qualified  
38 nonprofit organization each calendar year by submitting to the  
39 department a signed application form containing:

40 (1) a description of the qualifying services and resources  
41 provided by the organization;

42 (2) the total number of individuals served during the previous



calendar year and the number of those individuals who were served and provided resources during that year using designated contributions;

(3) outcomes for services provided;

(4) the organization's financial information;

(5) the organization's contact information;

(6) a statement, signed under penalty of perjury by an officer of the organization, that the organization meets all criteria to qualify as a qualified nonprofit organization, has fulfilled the requirements for the previous calendar year (as applicable), and intends to fulfill the requirements for the next calendar year; and

(7) any other documentation requested by the department to verify an organization's eligibility.

**Sec. 10. The department shall do the following:**

(1) Issue a certificate of eligibility to an eligible applicant stating that the organization meets the qualifications of a qualified nonprofit organization.

(2) Revoke an organization's certificate of eligibility if the organization violates the provisions of this chapter or fails to maintain the eligibility requirements of this chapter.

(3) Require the return of designated contributions made to an organization that has had the organization's certification as a qualified nonprofit organization revoked or that otherwise fails to comply with the requirements of this chapter.

**Sec. 11. An organization that is required to return designated contributions under section 10(3) of this chapter is ineligible for future qualification as a qualified nonprofit organization. An organization whose certification as an eligible organization lapses or is revoked for a reason other than the reason described in section 10(2) of this chapter may reapply for certification as a qualified nonprofit organization.**

**Sec. 12. A qualified nonprofit organization shall do the following:**

(1) Conduct a local, state, and national criminal background check of all individuals working directly with children in a program funded by designated contributions that includes the use of:

(A) a commercial multi-state and multi-jurisdiction criminal records locator or other similar commercial nationwide data base; and

(B) the national sex offender registry data base maintained



- 1 by the United States Department of Justice or a successor
- 2 agency.
- 3 (2) Spend all designated contributions, other than the amount
- 4 described in subdivision (3), to provide services and resources
- 5 for Indiana residents.
- 6 (3) Spend not more than five percent (5%) of the total dollar
- 7 amount of designated contributions on administrative
- 8 expenses.
- 9 (4) Submit to the department, not later than one hundred
- 10 eighty (180) days after the end of the qualified nonprofit
- 11 organization's fiscal year:
- 12 (A) a copy of the qualified nonprofit organization's annual
- 13 financial audit; and
- 14 (B) a copy of the qualified nonprofit organization's most
- 15 recent federal Form 990 filed with the Internal Revenue
- 16 Service.
- 17 (5) Not later than thirty (30) days after receipt of a designated
- 18 contribution, provide to the taxpayer making the designated
- 19 contribution a certificate of designated contribution that
- 20 includes:
- 21 (A) the taxpayer's name;
- 22 (B) the qualified nonprofit organization's name;
- 23 (C) the amount of the designated contribution; and
- 24 (D) the date the designated contribution was made.
- 25 Sec. 13. Subject to the limitations provided by this chapter and
- 26 at the election of the taxpayer, a credit is allowed against the
- 27 taxpayer's state tax liability for the taxable year in which the
- 28 taxpayer makes a designated contribution to a qualified nonprofit
- 29 organization.
- 30 Sec. 14. Subject to section 15 of this chapter, the amount
- 31 allowable as a credit under this chapter for any taxable year is
- 32 equal to the lesser of:
- 33 (1) the total amount of the designated contributions made by
- 34 the taxpayer to one (1) or more qualified nonprofit
- 35 organizations; or
- 36 (2) fifty percent (50%) of the taxpayer's state tax liability.
- 37 Sec. 15. (a) A taxpayer may not apply for a credit in excess of
- 38 one million dollars (\$1,000,000) during a taxable year.
- 39 (b) The total amount of credits awarded under this chapter may
- 40 not exceed five million dollars (\$5,000,000) during a state fiscal
- 41 year. Any credits under this chapter are granted on a first-come,
- 42 first-served basis.



1       **Sec. 16. (a)** If the credit provided by this chapter exceeds the  
 2 taxpayer's state tax liability for the taxable year for which the  
 3 credit is first claimed, the excess may be carried forward to  
 4 succeeding taxable years and used as a credit against the  
 5 taxpayer's state tax liability during those taxable years. Each time  
 6 the credit is carried forward to a succeeding taxable year, the  
 7 credit is reduced by the amount that was used as a credit during  
 8 the immediately preceding taxable year.

9       **(b)** A taxpayer is not entitled to a carryback or refund of any  
 10 unused credit.

11       **Sec. 17.** If a pass through entity is entitled to a credit under this  
 12 chapter but does not have state tax liability against which the  
 13 credit may be applied, a shareholder, partner, or member of the  
 14 pass through entity is entitled to a credit equal to:

15       (1) the credit determined for the pass through entity for the  
 16 taxable year; multiplied by

17       (2) the percentage of the pass through entity's distributive  
 18 income to which the shareholder, partner, or member is  
 19 entitled.

20       **Sec. 18.** A taxable entity may not convey, assign, or transfer a  
 21 credit awarded under this chapter to another taxable entity unless  
 22 substantially all of the assets of the taxable entity are conveyed,  
 23 assigned, or transferred in the same transaction.

24       **Sec. 19. (a)** To apply a credit against the taxpayer's state tax  
 25 liability, a taxpayer must claim the credit on the taxpayer's annual  
 26 state tax return or returns in the manner prescribed by the  
 27 department.

28       **(b)** The taxpayer shall submit to the department the information  
 29 that the department determines is necessary for the department to  
 30 determine whether the taxpayer is eligible for the credit.

31       **(c)** The department shall notify a taxpayer in writing of the  
 32 department's decision to grant or deny the application. If the  
 33 department denies a taxpayer's application, the department shall  
 34 include in the notice of denial the reasons for the department's  
 35 decision.

36       **Sec. 20.** The department shall publish on the department's  
 37 website the following information:

38       (1) The form the department prescribes for claiming the  
 39 credit provided by this chapter.

40       (2) A timeline for receiving the credit provided by this  
 41 chapter.

42       (3) The total amount of credits awarded under this chapter



1 during the current state fiscal year.

2 (4) The requirements and process for an organization to be  
3 certified as a qualified nonprofit organization.

4 (5) A list of organizations currently certified as qualified  
5 nonprofit organizations.

6 Sec. 21. The expiration of this chapter does not affect the  
7 carryforward of a credit under this chapter or those credits for  
8 which a taxable entity is eligible after the date this chapter expires  
9 based on designated contributions made before that date.

10 Sec. 22. This chapter expires January 1, 2036.

