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

LS 6114
BILL NUMBER: SB 20

NOTE PREPARED: Nov 4, 2025
BILL AMENDED:

SUBJECT: Voluntary Family Leave Insurance Program.

FIRST AUTHOR: Sen. Randolph Lonnie M
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires the Department of Insurance (DOI) to establish, not later than January 1, 2027, a Voluntary Family Leave Insurance Program (program) for the purpose of providing benefits to employees who elect to participate in the program. The bill also sets forth requirements for the program.

This bill allows the DOI to contract with an outside vendor to administer the program. It requires the DOI, not later than November 1, 2026, to submit a report to the Legislative Council and the Budget Committee concerning the proposed program.

The bill establishes the Voluntary Family Leave Insurance Program Trust Fund (trust fund) for the purpose of paying program benefits. It provides that the trust fund consists of employer or employee contributions, appropriations from the General Assembly, and money received from any other source.

The bill provides that certain employers are entitled to an adjusted gross income tax deduction equal to the total amount of contributions made by the employer to the trust fund during the taxable year multiplied by 200%.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Department of Insurance:* The bill would increase DOI workload to establish and implement a Voluntary Family Leave Insurance Program. Workload for the Department of Labor also may increase, as the bill allows the DOI to coordinate with the Department of Labor to develop the program. The impact to workload would be greatest during FY 2027 as the DOI is developing and implementing the rules for the program. The additional funds and resources required to start up the program could be supplied through existing staff and resources currently used in another program or with new appropriations. Ultimately, the program will be funded by the collection of premiums assessed on program participants and from General Fund appropriations.

All Agencies as Employers: If state agencies elect to cover some or all of the employees' premium share, state expenditures would increase. It is unknown at this time if the state would cover the added costs or pass the costs on to employees. [This bill has the potential to impact all agencies as employers, thus impacting all funds that provide operating funds to agency staff.]

Additional Information - The DOI would be charged with creating a Voluntary Family Leave Insurance Program that would begin during calendar year 2027. The benefits included in the program mirror benefits available under short-term disability plans and new parent leave. State employees are eligible for four weeks of paid leave at the birth or adoption of a child.

The DOI would be able to operate the program or contract out the administration of the program to a third-party insurance provider. Operation costs (administrative costs and benefit payments) would be covered by premiums assessed on participating employees and their employers. Because the bill allows the DOI to annually adjust premium costs, it is expected that the operation of this program will not negatively impact DOI workload or expenditures in the long run.

Explanation of State Revenues: *Voluntary Family Leave Insurance Program Trust Fund:* The trust fund would receive revenue from premiums collected from program participants and employers. Total increases in revenue from premiums is unknown, but could be substantial. Desired participation in the Voluntary Family Leave Insurance Program is unknown. The trust fund may also receive funding from appropriations from the General Assembly and from other sources.

Small Business Tax Deduction: The new deduction would reduce General Fund revenue by an indeterminable amount. The bill provides an income tax deduction for employer contributions to the Voluntary Family Leave Insurance Program Trust Fund. A taxpayer must employ fewer than 50 people and participate in the program to qualify for the deduction. The deduction equals 200% of the employer's qualifying contributions made during the taxable year. The deduction would begin in tax year 2027, with the revenue impact beginning in FY 2028.

Additional Information - Based on the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics there were 179,757 small businesses in Indiana with fewer than 50 employees as of the first quarter of 2024. According to research by the Bureau of Labor Statistics, approximately 73% of private employers with fewer than 50 employers offer paid sick leave to their employees.

Explanation of Local Expenditures: To the extent local units of government as employers elect to pay all or part of the employee contribution, local expenditures could increase by an indeterminable amount.

Explanation of Local Revenues: The new tax deduction could decrease adjusted gross income for individual taxpayers, so counties imposing a local income tax (LIT) could potentially experience a decrease in revenue. The amount of the revenue decrease is indeterminable.

State Agencies Affected: Department of Insurance, Department of Labor, all agencies as employers.

Local Agencies Affected: All units as employers.

Information Sources: Bureau of Labor Statistics. Employee Benefits in the United States – March 2025. https://www.bls.gov/news.release/pdf/ebs2.pdf

Bureau of Labor Statistics. Quarterly Census of Employment and Wages. Employment and Wages Data

Viewer. 2025 First Quarter, Indiana, private ownership by establishment size class. https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=15&year=2025&size=0&st=18&agg=61&supp=0

Fiscal Analyst: Camille Tesch, 317-232-5293.