

SENATE BILL No. 161

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-30.5; IC 20-53; IC 21-18-9-12; IC 22-4.1-4-16.

Synopsis: Education matters. Requires the Indiana department of education to elect to participate as a covered state in the federal tax credit scholarship program for elementary and secondary education under Section 25F of the Internal Revenue Code (enacted in Public Law 119-21, commonly known as the One Big Beautiful Bill Act of 2025). Makes conforming changes to the school scholarship tax credit in current law. Requires the commission for higher education to adopt rules that prohibit certain funding from being allocated or expended, directly or indirectly, to low earning outcome degree programs. Requires the department of workforce development to: (1) establish a process to identify and approve eligible workforce training programs; (2) establish a process for institutions and programs to apply for recognition as an eligible workforce training program; (3) coordinate certain workforce training matters; and (4) require eligible workforce training programs to provide certain datasets to the department. Provides that the department of workforce development must maintain alignment with federal rules governing workforce Pell grants.

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

Raatz, Rogers

January 5, 2026, read first time and referred to Committee on Education and Career Development.



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.

SENATE BILL No. 161

A BILL FOR AN ACT to amend the Indiana Code concerning education.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-30.5-3, AS AMENDED BY P.L.92-2011,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2027]: Sec. 3. As used in this chapter, "scholarship
4 granting organization" refers to:

5 (1) an organization that:

6 (1) ~~(A)~~ **(A)** is exempt from federal income taxation under Section
7 501(c)(3) of the Internal Revenue Code; and

8 ~~(2)~~ **(B)** conducts a school scholarship program without limiting
9 the availability of scholarships to students of only one (1)
10 participating school (as defined in IC 20-51-1-6); **and**

11 (2) **an organization that:**

12 **(A) meets the requirements described in subdivision (1);**
13 **and**

14 **(B) is included on the list submitted to the Secretary of the**
15 **Treasury of the United States for the taxable year under**
16 **IC 20-53-1.**

17 SECTION 2. IC 6-3.1-30.5-11, AS ADDED BY P.L.182-2009(ss),



SECTION 205, IS AMENDED TO READ AS FOLLOWS
[EFFECTIVE JANUARY 1, 2027]: Sec. 11. (a) To apply a credit
against the taxpayer's state tax liability, a taxpayer must claim the credit
on the taxpayer's annual state tax return or returns in the manner
prescribed by the department. The taxpayer shall submit to the
department the information that the department determines is necessary
for the department to determine whether the taxpayer is eligible for the
credit.

(b) To the extent a taxpayer claims the credit under this chapter
for qualified contributions (as defined in Section 25F(c)(3) of the
Internal Revenue Code) to a scholarship granting organization that
is on the list of qualified scholarship granting organizations under
IC 20-53-1 for the taxable year, the taxpayer must identify the
following on the taxpayer's annual state tax return for such
qualified contributions:

(1) Each scholarship granting organization to which a
qualified contribution was made.

(2) The total amount of the taxpayer's qualified contributions
for the taxable year.

(3) The amount of the credit claimed for those qualified
contributions under this chapter for the taxable year.

The department may prescribe any forms necessary for purposes
of this subsection. The department's state tax return instruction
shall include notice to a taxpayer that a credit amount identified in
this subsection that is claimed under this chapter may
correspondingly reduce the taxpayer's allowable federal tax credit
under Section 25F(b)(2) of the Internal Revenue Code.

SECTION 3. IC 20-53 IS ADDED TO THE INDIANA CODE AS
A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE UPON
PASSAGE]:

ARTICLE 53. STATE PARTICIPATION IN FEDERAL TAX CREDIT SCHOLARSHIP PROGRAM

Chapter 1. State List of Scholarship Granting Organizations

Sec. 1. The department is authorized to and shall as early as
practicable elect to participate as a covered state in the federal tax
credit scholarship program for elementary and secondary
education under Section 25F of the Internal Revenue Code.

Sec. 2. (a) The department shall identify qualified scholarship
granting organizations located in Indiana that meet the
requirements set forth in section 4 of this chapter.

(b) The department shall accept applications throughout the
year from scholarship granting organizations wishing to be



1 identified as a qualified scholarship granting organization under
2 subsection (a).

3 Sec. 3. (a) Not later than the first day of December each year,
4 the department shall submit to the Secretary of the Treasury of the
5 United States the list of qualified scholarship granting
6 organizations identified under section 2(a) of this chapter that are
7 located in Indiana and publish the list submitted under this
8 subsection on its website.

9 (b) The department shall on each list submitted under
10 subsection (a) certify its authority to do so as required under
11 Section 25F(g)(2) of the Internal Revenue Code.

12 Sec. 4. (a) A scholarship granting organization is eligible to be
13 included on the list of qualified scholarship granting organizations
14 submitted by the department to the Secretary of the Treasury of
15 the United States under this chapter, if the organization:

- 16 (1) is a nonprofit organization with the primary purpose of
- 17 providing scholarships to students; and
- 18 (2) meets the requirements described in Section 25F(c)(5) of
- 19 the Internal Revenue Code.

20 (b) A scholarship granting organization (as defined in
21 IC 6-3.1-30.5-3(1)) for purposes of the tax credit under
22 IC 6-3.1-30.5 is eligible to be included on the list of qualified
23 scholarship granting organizations under this chapter, if the
24 scholarship granting organization meets the requirements under
25 subsection (a). Each year the department shall provide to the
26 department of state revenue a list of the scholarship granting
27 organizations (as defined in IC 6-3.1-30.5-3(1)) that are also
28 included on the list of qualified scholarship granting organizations
29 submitted by the department to the Secretary of the Treasury of
30 the United States under this chapter.

31 Sec. 5. The department shall adopt rules under IC 4-22-2
32 regarding:

- 33 (1) the administration process; and
- 34 (2) the documentation necessary;

35 for an entity to be listed as a qualified scholarship granting
36 organization under this chapter.

37 SECTION 4. IC 21-18-9-12 IS ADDED TO THE INDIANA CODE
38 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
39 1, 2026]: Sec. 12. (a) As used in this section, "low earning outcome
40 degree program" refers to the term as described in Section
41 84001(c)(2) of the One Big Beautiful Bill Act of 2025 (Public Law
42 119-21).



(b) The commission shall adopt rules to prohibit funding that the commission administers under IC 21-18-6-2 or IC 21-18.5-4 from being allocated or expended, directly or indirectly, to low earning outcome degree programs. The rules must include allocations or expenditures for the following categories of higher education funding:

(1) Individual student financial aid.

(2) Separately or specially appropriated aid or grants.

(c) The commission shall annually review updated federal determinations of low earning outcome degree programs to revise the rules adopted under subsection (b) as necessary.

(d) The commission shall submit an annual report to the general assembly, in an electronic format under IC 5-14-6, that includes the following information:

(1) Any low earning outcome degree program that the commission has prohibited from receiving funding described in subsection (b).

(2) The commission's efforts at enforcing the prohibitions described in subsection (b).

(3) The estimated fiscal impact of the prohibitions described in subsection (b).

SECTION 5. IC 22-4.1-4-16 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 16. (a) The following definitions apply throughout this section:

(1) "Eligible workforce training program" refers to a program that meets the requirements in Section 83002 of the federal One Big Beautiful Bill Act of 2025 (Public Law 119-21).

(2) "High skill industry sectors or occupations" refers to sectors or occupations that require postsecondary education, experience, or training beyond a high school diploma.

(3) "High wage industry sectors or occupations" refers to sectors or occupations with earnings above one hundred fifty percent (150%) of the federal poverty level for individual earners.

(4) "In demand industry sectors or occupations" refers to sectors or occupations identified:

(A) in state, regional, or local workforce development or labor market projections;

(B) as growing or emerging sectors or occupations; or

(C) as having projected shortages or hiring demand.



(b) The department shall do the following:

(1) Establish a process to identify and approve eligible workforce training programs that prepare students for:

(A) high skill industry sectors or occupations;

(B) high wage industry sectors or occupations; and

(C) in demand industry sectors or occupations;

for workforce Pell grants.

(2) Establish a process for institutions and programs to:

(A) apply for recognition as an eligible workforce training program;

(B) be approved for workforce Pell grants; and

(C) appeal denials of workforce Pell grants.

(3) Coordinate the approval of eligible workforce training programs with:

(A) workforce focused agencies;

(B) workforce related programs; and

(C) state and federal programs.

(4) Require eligible workforce training programs to provide data to demonstrate program outcomes, as determined by the department, including:

(A) program completion rates;

(B) job placement rates; and

(C) graduate earnings.

(c) The department shall ensure that the implementation of this section is consistent with any applicable federal rules governing the workforce Pell grant program.

SECTION 6. An emergency is declared for this act.

