



January 21, 2026

SENATE BILL No. 161

DIGEST OF SB 161 (Updated January 20, 2026 10:18 am - DI 140)

Citations Affected: IC 6-3.1; IC 20-53; IC 22-4.1.

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 department of workforce development, in consultation with the commission for higher education, 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, Garten

January 5, 2026, read first time and referred to Committee on Education and Career Development.
January 15, 2026, amended, reported favorably — Do Pass; reassigned to Committee on Tax and Fiscal Policy.
January 20, 2026, reported favorably — Do Pass.

SB 161—LS 6719/DI 143



January 21, 2026

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 (A) is exempt from federal income taxation under Section
7 501(c)(3) of the Internal Revenue Code; and
8 (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); **or**
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),

SB 161—LS 6719/DI 143



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

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

- 16 **(1) Each scholarship granting organization to which a**
 17 **qualified contribution was made.**
- 18 **(2) The total amount of the taxpayer's qualified contributions**
 19 **for the taxable year.**
- 20 **(3) The amount of the credit claimed for those qualified**
 21 **contributions under this chapter for the taxable year.**

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

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

31 **ARTICLE 53. STATE PARTICIPATION IN FEDERAL TAX**
 32 **CREDIT SCHOLARSHIP PROGRAM**

33 **Chapter 1. State List of Scholarship Granting Organizations**
 34 **Sec. 1. The department is authorized to and shall as early as**
 35 **practicable elect to participate as a covered state in the federal tax**
 36 **credit scholarship program for elementary and secondary**
 37 **education under Section 25F of the Internal Revenue Code.**

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

41 **(b) The department shall accept applications throughout the**
 42 **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 January each year, the
4 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 shall be included
13 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 SECTION 4. IC 22-4.1-4-16 IS ADDED TO THE INDIANA CODE
32 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
33 1, 2026]: Sec. 16. (a) As used in this section, "High skill, high wage,
34 or in demand industry sectors or occupations" means sectors or
35 occupations identified by the state pursuant to the Carl D. Perkins
36 Career and Technical Education Act of 2006 (20 U.S.C. 2301 et
37 seq.) and applicable state and local workforce development
38 processes.

39 (b) The department, in consultation with the commission for
40 higher education (established under IC 21-18-2-1) shall do the
41 following:

42 (1) Establish a process to identify and approve eligible



1 **workforce training programs that prepare students for high**
2 **skill, high wage, or in demand industry sectors or occupations**
3 **for workforce Pell grants.**

4 **(2) Establish a process for institutions and programs to:**
5 **(A) apply for recognition as an eligible workforce training**
6 **program;**
7 **(B) be approved for workforce Pell grants; and**
8 **(C) appeal denials of workforce Pell grants.**

9 **(3) Coordinate certification and oversight of eligible**
10 **workforce training programs with:**
11 **(A) workforce focused agencies;**
12 **(B) workforce related programs; and**
13 **(C) state and federal programs.**

14 **(4) Require eligible workforce training programs to provide**
15 **data required under applicable federal workforce Pell grant**
16 **regulations, including:**
17 **(A) program completion rates;**
18 **(B) job placement rates; and**
19 **(C) graduate earnings.**

20 **(c) The department shall ensure that the implementation of this**
21 **section does not impose requirements more restrictive than, or**
22 **inconsistent with, any applicable federal rules governing the**
23 **workforce Pell grant program.**

24 **SECTION 5. An emergency is declared for this act.**



COMMITTEE REPORT

Mr. President: The Senate Committee on Education and Career Development, to which was referred Senate Bill No. 161, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 10, delete "and" and insert "**or**".

Page 3, line 3, delete "December" and insert "**January**".

Page 3, line 12, delete "is eligible to" and insert "**shall**".

Page 3, delete lines 31 through 42.

Page 4, delete lines 1 through 42, begin a new paragraph and insert:

"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) As used in this section, "High skill, high wage, or in demand industry sectors or occupations" means sectors or occupations identified by the state pursuant to the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) and applicable state and local workforce development processes.

(b) The department, in consultation with the commission for higher education (established under IC 21-18-2-1) shall do the following:

(1) Establish a process to identify and approve eligible workforce training programs that prepare students for high skill, high wage, or 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 certification and oversight 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 required under applicable federal workforce Pell grant regulations, including:

(A) program completion rates;
(B) job placement rates; and
(C) graduate earnings.



(c) The department shall ensure that the implementation of this section does not impose requirements more restrictive than, or inconsistent with, any applicable federal rules governing the workforce Pell grant program.".

Page 5, delete lines 1 through 26.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass and be reassigned to the Senate Committee on Tax and Fiscal Policy.

(Reference is to SB 161 as introduced.)

RAATZ, Chairperson

Committee Vote: Yeas 10, Nays 3.

COMMITTEE REPORT

Mr. President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 161, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is to SB 161 as printed January 16, 2026.)

HOLDMAN, Chairperson

Committee Vote: Yeas 9, Nays 1

