

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

LS 6719
BILL NUMBER: SB 161

NOTE PREPARED: Jan 26, 2026
BILL AMENDED: Jan 22, 2026

SUBJECT: Education Matters.

FIRST AUTHOR: Sen. Raatz
FIRST SPONSOR: Rep. Behning

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Federal Tax Credit:* This bill 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). It also makes conforming changes to the school scholarship tax credit in current law.

This bill requires the Governor and the Department of Workforce Development, in consultation with the Commission for Higher Education, to:

- (1) establish a process to identify 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. It also provides that the Department of Workforce Development must maintain alignment with federal rules governing workforce Pell grants.

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

Explanation of State Expenditures: *State Tuition Support:* Under the bill, Indiana taxpayers would be eligible to receive the federal qualified elementary and secondary education scholarships tax credit for donations made to SGOs. If all of the following occur, state tuition support expenditures could decrease beginning in FY 2028.

1. Donations to SGOs increase,
2. SGOs provide more scholarships to nonpublic schools,
3. The net cost of some nonpublic schools decreases, and
4. Students currently attending a public school switch to a nonpublic school.

Any impact is dependent upon actions taken by taxpayers, SGOs, and students' families.

Workload: The bill's requirements represent minor workload increases that would be implemented with

existing resources for the:

1. CHE;
2. Department of Education;
3. Department of State Revenue;
4. Department of Workforce Development; and
5. Governor.

Additional Information - State Tuition Support: In FY 2025, public schools received an average of about \$8,500 in tuition support revenue per ADM. The average Choice Scholarship was \$6,497. Students attending a nonpublic school without a Choice Scholarship or who are homeschooled do not receive any tuition support.

Federal Tax Credit: The federal tax credit is:

- A. 100% of the amount donated to an SGO,
- B. Reduced by any state tax credit received for a donation to an SGO, and
- C. Capped at \$1,700 annually.

Explanation of State Revenues: *Tax Credit:* Under current law, donations made to SGOs are eligible for a state tax credit. If the federal tax credit increases donations to SGOs, state tax credit claims could increase. However, any revenue decrease would be limited by the statewide cap on annual credit awards. The cap is set at \$18.5 M, and the Department of State Revenue awarded \$17.7 M in FY 2025.

Additional Information - The state tax credit equals 50% of the total amount contributed by an eligible taxpayer to a qualified, nonprofit SGO. The tax credit may be claimed against liability for the following taxes: Individual income tax, Corporate income tax, Financial institutions tax, Insurance premium tax, and Nonprofit agricultural organization health coverage tax. The credit is nonrefundable and may not be carried back.

Explanation of Local Expenditures:

Explanation of Local Revenues: State tuition support revenue to public schools could decrease if students who would have attended a public school switch to a nonpublic school. See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education; Department of State Revenue; Commission for Higher Education; Department of Workforce Development; Governor.

Local Agencies Affected: Public schools.

Information Sources: LSA education database; Department of Education; Department of State Revenue; <https://www.congress.gov/119/plaws/publ21/PLAW-119publ21.pdf>; <https://www.in.gov/sba/files/TheWholeBudgetReport.pdf>.

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