
SENATE BILL No. 161

AM016103 has been incorporated into introduced printing.

Synopsis: Education matters.

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2026

IN 161—LS 6719/DI 143



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Introduced

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 6-3.1-31.6 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2027]:
4 **Chapter 31.6. Early Childhood Scholarship Tax Credit**
5 **Sec. 1. As used in this chapter, "credit" refers to a credit**
6 **granted under this chapter.**
7 **Sec. 2. As used in this chapter, "early childhood scholarship"**
8 **refers to a grant to pay only the cost of attendance for a qualified**
9 **child at a qualified early child care provider for which the**
10 **scholarship will be granted.**
11 **Sec. 3. As used in this chapter, "early childhood scholarship**
12 **granting organization" refers to an organization that:**
13 **(1) is exempt from federal income taxation under Section**
14 **501(c)(3) of the Internal Revenue Code; and**
15 **(2) conducts an early childhood scholarship program.**

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1 **Sec. 4.** As used in this chapter, "early childhood scholarship
2 program" refers to a program conducted by an early childhood
3 scholarship granting organization to provide early childhood
4 scholarships to qualified children in which not more than twenty
5 five percent (25%) of the early childhood scholarship granting
6 organization's total contributions for the program in a taxable year
7 are used to provide early childhood scholarships to attend a
8 particular qualified early child care provider.

9 **Sec. 5.** As used in this chapter, "pass through entity" has the
10 meaning set forth in IC 6-3-1-35.

11 **Sec. 6.** As used in this chapter, "qualified child" means a child
12 that is not more than six (6) years of age.

13 **Sec. 7.** As used in this chapter, "qualified early child care
14 provider" refers to a child care provider that:

15 (1) is:

16 (A) a licensed child care center under IC 12-17.2-4;

17 (B) a licensed child care home under IC 12-17.2-5; or

18 (C) a licensed child care ministry under IC 12-17.2-6;

19 that meets the standards of quality recognized by a Level 3
20 or Level 4 Paths to QUALITY program rating under
21 IC 12-17.2-2-14.2 or has a comparable rating from a
22 nationally recognized accrediting body;

23 (2) is a state accredited school as described in
24 IC 20-18-2-18.8;

25 (3) is a state accredited nonpublic school as described in
26 IC 20-18-2-18.7; or

27 (4) is a school that is accredited by or obtains provisional
28 accreditation from a national or regional accreditation
29 agency that is recognized by the state board.

30 **Sec. 8.** As used in this chapter, "state tax liability" means a
31 taxpayer's total tax liability that is incurred under:

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

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

35 (3) IC 27-1-18-2 (the insurance premiums tax) or IC 6-8-15
36 (the nonprofit agricultural organization health coverage
37 tax);

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

41 **Sec. 9.** As used in this chapter, "taxpayer" means an individual
42 or entity that has any state tax liability.



1 **Sec. 10. A taxpayer that makes a contribution to an early**
 2 **childhood scholarship granting organization for use by the early**
 3 **childhood scholarship granting organization for an early childhood**
 4 **scholarship program is entitled to a credit against the taxpayer's**
 5 **state tax liability in the taxable year in which the taxpayer makes**
 6 **the contribution.**

7 **Sec. 11. The amount of a taxpayer's credit is equal to fifty**
 8 **percent (50%) of the amount of the contribution made to the early**
 9 **childhood scholarship granting organization for an early childhood**
 10 **scholarship program.**

11 **Sec. 12. (a) If the credit provided by this chapter exceeds the**
 12 **taxpayer's state tax liability for the taxable year for which the**
 13 **credit is first claimed, the excess may be carried forward to**
 14 **succeeding taxable years and used as a credit against the**
 15 **taxpayer's state tax liability during those taxable years. Each time**
 16 **the credit is carried forward to a succeeding taxable year, the**
 17 **credit is reduced by the amount that was used as a credit during**
 18 **the immediately preceding taxable year. The credit provided by**
 19 **this chapter may be carried forward and applied to succeeding**
 20 **taxable years for nine (9) taxable years following the unused credit**
 21 **year.**

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

24 **Sec. 13. If a pass through entity is entitled to a credit under**
 25 **section 10 of this chapter but does not have state tax liability**
 26 **against which the tax credit may be applied, a shareholder,**
 27 **partner, or member of the pass through entity is entitled to a tax**
 28 **credit equal to:**

29 **(1) the tax credit determined for the pass through entity for**
 30 **the taxable year; multiplied by**

31 **(2) the percentage of the pass through entity's distributive**
 32 **income to which the shareholder, partner, or member is**
 33 **entitled.**

34 **Sec. 14. To apply a credit against the taxpayer's state tax**
 35 **liability, a taxpayer must claim the credit on the taxpayer's annual**
 36 **state tax return or returns in the manner prescribed by the**
 37 **department. The taxpayer shall submit to the department the**
 38 **information that the department determines is necessary for the**
 39 **department to determine whether the taxpayer is eligible for the**
 40 **credit.**

41 **Sec. 15. A contribution to an early childhood scholarship**
 42 **granting organization shall be treated as having been made for use**



in an early childhood scholarship program if:

- (1) the contribution is made directly to an early childhood scholarship granting organization; and
- (2) either:

- (A) not later than the date of the contribution, the taxpayer designates in writing to the early childhood scholarship granting organization that the contribution is to be used only for an early childhood scholarship program; or

- (B) the early childhood scholarship granting organization provides the taxpayer with written confirmation that the contribution will be dedicated solely for use in an early childhood scholarship program.

Sec. 16. The total amount of tax credits awarded under this chapter in a state fiscal year may not exceed one hundred million dollars (\$100,000,000).

Sec. 17. The department, on a website used by the department to provide information to the public, shall provide the following information:

- (1) The application for the credit provided in this chapter.
- (2) A timeline for receiving the credit provided in this chapter.
- (3) The total amount of credits awarded under this chapter during the current state fiscal year.

Sec. 18. The department shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 2. IC 20-20-28-5.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 5.5.** A school corporation that operates an early childhood education program may not limit consideration for participation in the program solely to those residing within the school district.

SECTION 3. IC 20-51-1-4.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 4.1.** "Early childhood scholarship" refers to a grant to pay only the cost of child care tuition or expenses for a qualified child as determined for the fiscal year for which the scholarship will be granted.

SECTION 4. IC 20-51-1-4.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 4.2.** "Early childhood scholarship



granting organization" refers to an organization that:

- (1) is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code; and
- (2) is organized at least in part to grant early childhood education scholarships without limiting the availability of early childhood scholarships to students of only one (1) qualified early child care provider.

SECTION 5. IC 20-51-1-6.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 6.2. "Qualified child" refers to a child who:

- (1) resides in Indiana; and
- (2) is not more than six (6) years of age.

SECTION 6. IC 20-51-1-6.4 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 6.4. "Qualified early child care provider" refers to a child care provider that:

- (1) is:
 - (A) a licensed child care center under IC 12-17.2-4;
 - (B) a licensed child care home under IC 12-17.2-5; or
 - (C) a licensed child care ministry under IC 12-17.2-6;
 that meets the standards of quality recognized by a Level 3 or Level 4 Paths to QUALITY program rating under IC 12-17.2-2-14.2 or has a comparable rating from a nationally recognized accrediting body;
- (2) is a state accredited school as described in IC 20-18-2-18.8;
- (3) is a state accredited nonpublic school as described in IC 20-18-2-18.7; or
- (4) is a school that is accredited by or obtains provisional accreditation from a national or regional accreditation agency that is recognized by the state board.

SECTION 7. IC 20-51-5 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:

Chapter 5. Early Childhood Scholarship Granting Organizations; Certification; Administration of Contributions

Sec. 1. A program qualifies for certification as an early childhood scholarship program if:

- (1) the program:
 - (A) is administered by an early childhood scholarship granting organization; and



- (B) has the primary purpose of providing early childhood scholarships to qualified children; and
- (2) the early childhood scholarship granting organization administering the program:
- (A) applies to the department on the form and in the manner prescribed by the department; and
- (B) enters into an agreement with the department to comply with this article.

Sec. 2. The department shall certify all programs that meet the qualifications under section 1 of this chapter as school scholarship programs.

Sec. 3. An agreement entered into under section 1 of this chapter between the department and an early childhood scholarship granting organization must require the early childhood scholarship granting organization to do the following:

- (1) Provide a receipt to taxpayers for contributions made to the early childhood scholarship granting organization that will be used in an early childhood scholarship program. The department of state revenue shall prescribe a standardized form for the receipt issued under this subdivision. The receipt must indicate the value of the contribution and the part of the contribution being designated for use in an early childhood scholarship program.
- (2) Allow a taxpayer to designate a qualified early child care provider for which the taxpayer's contribution must be used as scholarships.
- (3) Use not more than ten percent (10%) of the total amount of contributions for administrative costs.
- (4) Distribute one hundred percent (100%) of any income earned on contributions as early childhood scholarships to qualified children.
- (5) Conduct criminal background checks on all the early childhood scholarship granting organization's employees and board members and exclude from employment or governance any individual who might reasonably pose a risk to the appropriate use of contributed funds.
- (6) Make the reports required by this chapter.

Sec. 4. An agreement entered into under section 1 of this chapter may not prohibit an early childhood scholarship granting organization from receiving contributions other than contributions described in section 3(1) of this chapter.

Sec. 5. (a) An agreement entered into under section 1 of this



chapter must prohibit an early childhood scholarship granting organization from distributing scholarships for use by a qualified child to:

(1) enroll in a qualified early child care provider that has:

(A) paid staff or board members; or

(B) relatives of paid staff or board members;

in common with the early childhood scholarship granting organization;

(2) enroll in a qualified early child care provider that the early childhood scholarship granting organization knows does not qualify as a qualified early child care provider; or

(3) pay for the cost of child care for a qualified early child care provider where the qualified child is entitled to enroll without the payment of tuition.

(b) An agreement entered into under section 1 of this chapter must prohibit an early childhood scholarship granting organization from limiting the availability of scholarships to children of only one (1) qualified early child care provider. An agreement entered into under section 1 of this chapter before July 1, 2026, must be amended to include the requirement specified in this subsection.

Sec. 6. (a) An early childhood scholarship granting organization certified under this chapter must publicly report to the department by December 1 of each year the following information regarding the organization's scholarships awarded in the previous school year:

(1) The name and address of the early childhood scholarship granting organization.

(2) The total number and total dollar amount of contributions received during the previous fiscal year.

(3) The:

(A) total number and total dollar amount of all scholarships awarded during the previous fiscal year; and

(B) total number and total dollar amount of early childhood scholarships awarded during the previous fiscal year.

The report must be certified under penalties of perjury by the chief executive officer of the early childhood scholarship granting organization.

(b) An early childhood scholarship granting organization certified under this chapter shall contract with an independent certified public accountant for an annual financial audit of the



early childhood scholarship granting organization. The early childhood scholarship granting organization must provide a copy of the annual financial audit to the department and must make the annual financial audit available to a member of the public upon request.

Sec. 7. The department shall prescribe a standardized form for early childhood scholarship granting organizations to report information required under this chapter.

Sec. 8. The department may, in a proceeding under IC 4-21.5, suspend or terminate the certification of an organization as an early childhood scholarship granting organization if the department establishes that the early childhood scholarship granting organization:

(1) has intentionally and substantially failed to comply with the requirements of this chapter or an agreement entered into under this chapter; or

(2) has not granted an early childhood scholarship, as defined in IC 20-51-1-4.1, for either:

(A) three (3) consecutive years; or

(B) within the first two (2) years of operation as a certified early childhood scholarship granting organization.

Sec. 9. If the department suspends or terminates the certification of an organization as an early childhood scholarship granting organization, the department shall notify all affected eligible students and their parents of the decision as quickly as possible. An eligible student affected by a suspension or termination of an early childhood scholarship granting organization's certification remains an eligible student under this chapter until the end of the school year after the school year in which the early childhood scholarship granting organization's certification is suspended or terminated, regardless of whether the scholarship student currently meets the definition of an eligible student.

Sec. 10. The department may conduct either a financial review or an audit of an early childhood scholarship granting organization certified under this chapter if the department of state revenue has evidence of fraud.

Sec. 11. The department may adopt rules under IC 4-22-2 to implement this chapter.

SECTION 8. IC 21-18-9-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS



[EFFECTIVE JULY 1, 2026]: Sec. 12. (a) As used in this section, "low earning outcome degree program" refers to the term as described in Section 84001(c)(2) of the One Big Beautiful Bill Act of 2025 (Public Law 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 9. 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:



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- 1 (A) in state, regional, or local workforce development or
 2 labor market projections;
 3 (B) as growing or emerging sectors or occupations; or
 4 (C) as having projected shortages or hiring demand.
 5 (b) The department shall do the following:
 6 (1) Establish a process to identify and approve eligible
 7 workforce training programs that prepare students for:
 8 (A) high skill industry sectors or occupations;
 9 (B) high wage industry sectors or occupations; and
 10 (C) in demand industry sectors or occupations;
 11 for workforce Pell grants.
 12 (2) Establish a process for institutions and programs to:
 13 (A) apply for recognition as an eligible workforce
 14 training program;
 15 (B) be approved for workforce Pell grants; and
 16 (C) appeal denials of workforce Pell grants.
 17 (3) Coordinate the approval of eligible workforce training
 18 programs with:
 19 (A) workforce focused agencies;
 20 (B) workforce related programs; and
 21 (C) state and federal programs.
 22 (4) Require eligible workforce training programs to provide
 23 data to demonstrate program outcomes, as determined by
 24 the department, including:
 25 (A) program completion rates;
 26 (B) job placement rates; and
 27 (C) graduate earnings.
 28 (c) The department shall ensure that the implementation of
 29 this section is consistent with any applicable federal rules
 30 governing the workforce Pell grant program.

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