

PRINTING CODE. Deletions appear in ~~this style type~~. Insertions appear in this style type. Typeface changes are shown in ~~this~~ ~~style~~ ~~type~~ or in this style type.

SENATE BILL No. 161

Proposed Changes to introduced printing by AM016103

DIGEST OF PROPOSED AMENDMENT

Scholarship tax credit. Removes provisions requiring the Indiana department of education (department) 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) and related conforming changes. Establishes an early childhood scholarship tax credit for contributions made to a scholarship granting organization that conducts a program to provide scholarships for children who attend a qualified early child care provider. Provides that the amount of the credit is equal to 50% of the amount of the contribution. Limits the total amount of tax credits awarded in a state fiscal year to not more than \$100,000,000. Requires the department to certify early childhood scholarship granting organizations that meet certain criteria. Requires qualified early childhood scholarship granting organizations to enter into an agreement with the department. Specifies conditions that must be included in the agreement. Provides that 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.

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) is exempt from federal income taxation under~~
- 7 ~~Section 501(c)(3) of the Internal Revenue Code; and~~
- 8 ~~—— (2) (B) conducts a school scholarship program without~~

2026

IN 161—LS 6719/DI 143



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

M
a
r
k
u
p

limiting the availability of scholarships to students of only
one (1) participating school (as defined in IC 20-51-1-6);
and

~~(2) an organization that:~~

~~(A) meets the requirements described in subdivision (1);
and~~

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

~~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>[\[1\]](#). <IC 20-53>[\[IC 6-3.1-31.6\]](#) IS ADDED TO
THE INDIANA CODE AS A NEW <ARTICLE>[\[CHAPTER\]](#) 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~~ [JANUARY 1, 2027]:

Chapter 31.6. Early Childhood Scholarship Tax Credit

Sec. 1. As used in this chapter, "credit" refers to a credit granted under this chapter.

Sec. 2. As used in this chapter, "early childhood scholarship" refers to a grant to pay only the cost of attendance for a qualified child at a qualified early child care provider for which the scholarship will be granted.

Sec. 3. As used in this chapter, "early childhood" 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 identified as a qualified~~ [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) conducts an early childhood scholarship program.

Sec. 4. As used in this chapter, "early childhood scholarship program" refers to a program conducted by an early childhood scholarship granting organization ~~<under subsection (a):~~

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

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

~~Sec. 4. (a) A~~ [to provide early childhood scholarships to qualified children in which not more than twenty five percent (25%) of the early childhood] scholarship granting ~~<organization is eligible to be included on the list of qualified scholarship granting organizations submitted by the department to the Secretary of the Treasury of the United States under this chapter;~~



M
a
r
k
u
p

1 ~~if the organization:~~

2 ~~— (1) is a nonprofit organization with the primary purpose of~~
 3 ~~providing~~ [organization's total contributions for the
 4 program in a taxable year are used to provide early
 5 childhood] scholarships to ~~students; and~~

6 ~~— (2) meets the requirements described in Section 25F(c)(5) of~~
 7 ~~the Internal Revenue Code;~~

8 ~~— (b) A scholarship granting organization (as defined in~~
 9 ~~IC 6-3-1-30.5-3(1)) for purposes of the tax credit~~ [attend a
 10 particular qualified early child care provider.

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

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

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

17 (1) is:

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

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

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

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

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

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

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

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

34 (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income
 35 tax);

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

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

40 as computed after the application of the credits that ~~under~~
 41 ~~IC 6-3. <1-30.5 is eligible to be included on the list of qualified~~
 42 ~~scholarship granting organizations under this chapter, if the~~



~~scholarship granting organization meets the requirements under subsection (a). Each year the department shall provide to the department of state revenue a list of the scholarship granting organizations (as defined in IC 6-3.1-30.5-3(1)) that are also included on the list of qualified scholarship granting organizations submitted by the department to the Secretary of the Treasury of the United States under~~ [1-1-2 are to be applied before the credit provided by] this chapter.

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

~~— (1) the administration process; and~~

~~— (2) the documentation necessary;~~

~~for an entity to be listed as a qualified~~ [9. As used in this chapter, "taxpayer" means an individual or entity that has any state tax liability.

Sec. 10. A taxpayer that makes a contribution to an early childhood] scholarship granting organization <under> [for use by the early childhood scholarship granting organization for an early childhood scholarship program is entitled to a credit against the taxpayer's state tax liability in the taxable year in which the taxpayer makes the contribution.

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

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

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

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



credit equal to:

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

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

Sec. 14. 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.

Sec. 15. A contribution to an early childhood scholarship 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 ~~4~~ 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 ~~8~~ [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:

(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.



M
a
r
k
u
p

- 1 (c) The department shall ensure that the implementation of
2 this section is consistent with any applicable federal rules
3 governing the workforce Pell grant program.
4 ~~← SECTION 6. An emergency is declared for this act. →~~

M
a
r
k
u
p

2026

IN 161—LS 6719/DI 143



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY