

# SENATE BILL No. 197

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 24-4.5-5-105; IC 34-55-10-2.

**Synopsis:** Garnishment. Amends the limitation on garnishment provided in the Uniform Consumer Credit Code. Provides that tangible personal property, including choses in action, deposit accounts, and cash (but excluding debts owing and income owing), of \$1,500 is exempt from bankruptcy (current law is \$300).

**Effective:** July 1, 2026.

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January 6, 2026, read first time and referred to Committee on Insurance and Financial Institutions.

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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. 197

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

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

1       SECTION 1. IC 24-4.5-5-105, AS AMENDED BY P.L.78-2014,  
2       SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       JULY 1, 2026]: Sec. 105. (1) For the purposes of IC 24-4.5-5-101  
4       through IC 24-4.5-5-108:

5       (a) "disposable earnings" means that part of the earnings of an  
6       individual, including wages, commissions, income, rents, or  
7       profits remaining after the deduction from those earnings of  
8       amounts required by law to be withheld;

9       (b) "garnishment" means any legal or equitable proceedings  
10      through which the earnings of an individual are required to be  
11      withheld by a garnishee, by the individual debtor, or by any other  
12      person for the payment of a judgment; and

13      (c) "support withholding" means that part of the earnings that are  
14      withheld from an individual for child support in accordance with  
15      the laws of this state.

16      (2) Except as provided in subsection (8), the maximum part of the  
17      aggregate disposable earnings of an individual for any workweek which



is subjected to garnishment to enforce the payment of one (1) or more judgments against the individual may not exceed the lesser of the following amounts:

(a) An amount equal to twenty-five percent (25%) of the individual's disposable earnings for that week or, upon a showing of good cause by the individual why the amount should be reduced, an amount equal to:

(i) less than twenty-five percent (25%); and

(ii) at least ten percent (10%);

of the individual's disposable earnings for that week.

(b) The amount by which the individual's disposable earnings for that week exceed ~~thirty (30) times the federal minimum hourly wage prescribed by 29 U.S.C. 206(a)(1) in effect at the time the earnings are payable: six hundred dollars (\$600). This amount will be adjusted annually by the Consumer Price Index.~~

In the case of earnings for a pay period other than a week, the earnings shall be computed ~~upon a multiple of the federal minimum hourly wage equivalent to thirty (30) times the federal minimum hourly wage by multiplying the number of weeks in the pay period by the amount specified in subdivision (b)~~ as prescribed in this section.

(3) The maximum part of the aggregate disposable earnings of an individual for any workweek which is subject to garnishment or support withholding to enforce any order for the support of any person shall not exceed:

(a) where such individual is supporting the individual's spouse or dependent child (other than a spouse or child with respect to whose support such order is used), fifty percent (50%) of such individual's disposable earnings for that week; and

(b) where such individual is not supporting such a spouse or dependent child described in subdivision (a), sixty percent (60%) of such individual's disposable earnings for that week;

except that, with respect to the disposable earnings of any individual for any workweek, the fifty percent (50%) specified in subdivision (a) shall be deemed to be fifty-five percent (55%) and the sixty percent (60%) specified in subdivision (b) shall be deemed to be sixty-five percent (65%), if and to the extent that such earnings are subject to garnishment or support withholding to enforce a support order with respect to a period which is prior to the twelve (12) week period which ends with the beginning of such workweek.

(4) No court may make, execute, or enforce an order or process in violation of this section.

(5) An employer who is required to make deductions from an



individual's disposable earnings pursuant to a garnishment order or series of orders arising out of the same judgment debt (excluding a judgment for payment of child support) may collect, as a fee to compensate the employer for making these deductions, an amount equal to the greater of twelve dollars (\$12) or three percent (3%) of the total amount required to be deducted by the garnishment order or series of orders arising out of the same judgment debt. If the employer chooses to impose a fee, the fee shall be allocated as follows:

(a) One-half (1/2) of the fee shall be borne by the debtor, and that amount may be deducted by the employer directly from the employee's disposable earnings.

(b) One-half (1/2) of the fee shall be borne by the creditor, and that amount may be retained by the employer from the amount otherwise due the creditor.

The deductions made under this subsection for a collection fee do not increase the amount of the judgment debt for which the fee is collected for the purpose of calculating or collecting judgment interest. This fee may be collected by an employer only once for each garnishment order or series of orders arising out of the same judgment debt. The employer may collect the entire fee from one (1) or more of the initial deductions from the employee's disposable earnings. Alternatively, the employer may collect the fee ratably over the number of pay periods during which deductions from the employee's disposable earnings are required.

(6) The deduction of the garnishment collection fee under subsection (5)(a) or subsection (7) is not an assignment of wages under IC 22-2-6.

(7) An employer who is required to make a deduction from an individual's disposable earnings in accordance with a judgment for payment of child support may collect a fee of two dollars (\$2) each time the employer is required to make the deduction. The fee may be deducted by the employer from the individual's disposable earnings each time the employer makes the deduction for support. If the employer elects to deduct such a fee, the amount to be deducted for the payment of support must be reduced accordingly if necessary to avoid exceeding the maximum amount permitted to be deducted under subsection (3).

(8) A support withholding order takes priority over a garnishment order irrespective of their dates of entry or activation. If a person is subject to a support withholding order and a garnishment order, the garnishment order shall be honored only to the extent that disposable earnings withheld under the support withholding order do not exceed



the maximum amount subject to garnishment as computed under subsection (2).

SECTION 2. IC 34-55-10-2, AS AMENDED BY P.L.160-2012, SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2. (a) This section does not apply to judgments obtained before October 1, 1977.

(b) The amount of each exemption under subsection (c) applies until a rule is adopted by the department of financial institutions under section 2.5 of this chapter.

(c) The following property of a debtor domiciled in Indiana is exempt:

(1) Real estate or personal property constituting the personal or family residence of the debtor or a dependent of the debtor, or estates or rights in that real estate or personal property, of not more than fifteen thousand dollars (\$15,000). The exemption under this subdivision is individually available to joint debtors concerning property held by them as tenants by the entireties.

(2) Other real estate or tangible personal property of eight thousand dollars (\$8,000).

(3) Intangible personal property, including choses in action, deposit accounts, and cash (but excluding debts owing and income owing), of ~~three hundred dollars (\$300)~~ **one thousand five hundred dollars (\$1,500)**.

(4) Professionally prescribed health aids for the debtor or a dependent of the debtor.

(5) Any interest that the debtor has in real estate held as a tenant by the entireties. The exemption under this subdivision does not apply to a debt for which the debtor and the debtor's spouse are jointly liable.

(6) An interest, whether vested or not, that the debtor has in a retirement plan or fund to the extent of:

(A) contributions, or portions of contributions, that were made to the retirement plan or fund by or on behalf of the debtor or the debtor's spouse:

(i) which were not subject to federal income taxation to the debtor at the time of the contribution; or

(ii) which are made to an individual retirement account in the manner prescribed by Section 408A of the Internal Revenue Code of 1986;

(B) earnings on contributions made under clause (A) that are not subject to federal income taxation at the time of the levy; and



- 1 (C) roll-overs of contributions made under clause (A) that are
- 2 not subject to federal income taxation at the time of the levy.
- 3 (7) Money that is in a medical care savings account established
- 4 under IC 6-8-11.
- 5 (8) Money that is in a health savings account established under
- 6 Section 223 of the Internal Revenue Code of 1986.
- 7 (9) Any interest the debtor has in a qualified tuition program, as
- 8 defined in Section 529(b) of the Internal Revenue Code of 1986,
- 9 but only to the extent funds in the program are not attributable to:
- 10 (A) excess contributions, as described in Section 529(b)(6) of
- 11 the Internal Revenue Code of 1986, and earnings on the excess
- 12 contributions;
- 13 (B) contributions made by the debtor within one (1) year
- 14 before the date of the levy or the date a bankruptcy petition is
- 15 filed by or against the debtor, and earnings on the
- 16 contributions; or
- 17 (C) the excess over five thousand dollars (\$5,000) of aggregate
- 18 contributions made by the debtor for all programs under this
- 19 subdivision and education savings accounts under subdivision
- 20 (10) having the same designated beneficiary:
- 21 (i) not later than one (1) year before; and
- 22 (ii) not earlier than two (2) years before;
- 23 the date of the levy or the date a bankruptcy petition is filed by
- 24 or against the debtor, and earnings on the aggregate
- 25 contributions.
- 26 (10) Any interest the debtor has in an education savings account,
- 27 as defined in Section 530(b) of the Internal Revenue Code of
- 28 1986, but only to the extent funds in the account are not
- 29 attributable to:
- 30 (A) excess contributions, as described in Section 4973(e) of
- 31 the Internal Revenue Code of 1986, and earnings on the excess
- 32 contributions;
- 33 (B) contributions made by the debtor within one (1) year
- 34 before the date of the levy or the date a bankruptcy petition is
- 35 filed by or against the debtor, and earnings on the
- 36 contributions; or
- 37 (C) the excess over five thousand dollars (\$5,000) of aggregate
- 38 contributions made by the debtor for all accounts under this
- 39 subdivision and qualified tuition programs under subdivision
- 40 (9) having the same designated beneficiary:
- 41 (i) not later than one (1) year before; and
- 42 (ii) not earlier than two (2) years before;



- 1 the date of the levy or the date a bankruptcy petition is filed by  
 2 or against the debtor, and earnings on the excess contributions.  
 3 (11) The debtor's interest in a refund or a credit received or to be  
 4 received under the following:  
 5 (A) Section 32 of the Internal Revenue Code of 1986 (the  
 6 federal earned income tax credit).  
 7 (B) IC 6-3.1-21-6 (the Indiana earned income tax credit).  
 8 (12) A disability benefit awarded to a veteran for a service  
 9 connected disability under 38 U.S.C. 1101 et seq. This  
 10 subdivision does not apply to a service connected disability  
 11 benefit that is subject to child and spousal support enforcement  
 12 under 42 U.S.C. 659(h)(1)(A)(ii)(V).  
 13 (13) Compensation distributed from the supplemental state fair  
 14 relief fund under IC 34-13-8 to an eligible person (as defined in  
 15 IC 34-13-8-1) for an occurrence (as defined in IC 34-13-8-2). This  
 16 subdivision applies even if a debtor is not domiciled in Indiana.  
 17 (d) A bankruptcy proceeding that results in the ownership by the  
 18 bankruptcy estate of a debtor's interest in property held in a tenancy by  
 19 the entireties does not result in a severance of the tenancy by the  
 20 entireties.  
 21 (e) Real estate or personal property upon which a debtor has  
 22 voluntarily granted a lien is not, to the extent of the balance due on the  
 23 debt secured by the lien:  
 24 (1) subject to this chapter; or  
 25 (2) exempt from levy or sale on execution or any other final  
 26 process from a court.

