

SENATE BILL No. 197

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.

Walker G

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



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. 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



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

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

8 (i) less than twenty-five percent (25%); and
 9 (ii) at least ten percent (10%);

10 of the individual's disposable earnings for that week.

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

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

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

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

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

32 except that, with respect to the disposable earnings of any individual
 33 for any workweek, the fifty percent (50%) specified in subdivision (a)
 34 shall be deemed to be fifty-five percent (55%) and the sixty percent
 35 (60%) specified in subdivision (b) shall be deemed to be sixty-five
 36 percent (65%), if and to the extent that such earnings are subject to
 37 garnishment or support withholding to enforce a support order with
 38 respect to a period which is prior to the twelve (12) week period which
 39 ends with the beginning of such workweek.

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

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



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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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



(C) roll-overs of contributions made under clause (A) that are not subject to federal income taxation at the time of the levy.

(7) Money that is in a medical care savings account established under IC 6-8-11.

(8) Money that is in a health savings account established under Section 223 of the Internal Revenue Code of 1986.

(9) Any interest the debtor has in a qualified tuition program, as defined in Section 529(b) of the Internal Revenue Code of 1986, but only to the extent funds in the program are not attributable to:

(A) excess contributions, as described in Section 529(b)(6) of the Internal Revenue Code of 1986, and earnings on the excess contributions;

(B) contributions made by the debtor within one (1) year before the date of the levy or the date a bankruptcy petition is filed by or against the debtor, and earnings on the contributions; or

(C) the excess over five thousand dollars (\$5,000) of aggregate contributions made by the debtor for all programs under this subdivision and education savings accounts under subdivision (10) having the same designated beneficiary;

(i) not later than one (1) year before; and

- (i) not later than one (1) year before, and
- (ii) not earlier than two (2) years before;

(ii) not earlier than two (2) years before, the date of the levy or the date a bankruptcy petition is filed by or against the debtor, and earnings on the aggregate contributions.

(10) Any interest the debtor has in an education savings account, as defined in Section 530(b) of the Internal Revenue Code of 1986, but only to the extent funds in the account are not attributable to:

(A) excess contributions, as described in Section 4973(e) of the Internal Revenue Code of 1986, and earnings on the excess contributions;

(B) contributions made by the debtor within one (1) year before the date of the levy or the date a bankruptcy petition is filed by or against the debtor, and earnings on the contributions; or

(C) the excess over five thousand dollars (\$5,000) of aggregate contributions made by the debtor for all accounts under this subdivision and qualified tuition programs under subdivision (D) in section 111 of this title.

(9) having the same designated beneficiary:

- (i) not later than one (1) year before; and
- (ii) not earlier than two (2) years before;

(ii) not earlier than two (2) years before;



the date of the levy or the date a bankruptcy petition is filed by or against the debtor, and earnings on the excess contributions.

(11) The debtor's interest in a refund or a credit received or to be received under the following:

(A) Section 32 of the Internal Revenue Code of 1986 (the federal earned income tax credit).

(B) IC 6-3.1-21-6 (the Indiana earned income tax credit).

(12) A disability benefit awarded to a veteran for a service connected disability under 38 U.S.C. 1101 et seq. This subdivision does not apply to a service connected disability benefit that is subject to child and spousal support enforcement under 42 U.S.C. 659(h)(1)(A)(ii)(V).

(13) Compensation distributed from the supplemental state fair relief fund under IC 34-13-8 to an eligible person (as defined in IC 34-13-8-1) for an occurrence (as defined in IC 34-13-8-2). This subdivision applies even if a debtor is not domiciled in Indiana.

(d) A bankruptcy proceeding that results in the ownership by the bankruptcy estate of a debtor's interest in property held in a tenancy by the entireties does not result in a severance of the tenancy by the entireties.

(e) Real estate or personal property upon which a debtor has voluntarily granted a lien is not, to the extent of the balance due on the debt secured by the lien:

(1) subject to this chapter; or

(2) exempt from levy or sale on execution or any other final process from a court.

