

## SENATE BILL No. 263

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-37.

**Synopsis:** Child and dependent care tax credit. Provides a refundable child and dependent care tax credit to taxpayers whose adjusted gross income for the taxable year is not more than 250% of the federal poverty level. Provides that the credit is equal to the lesser of: (1) an amount ranging from \$200 to \$1,000, depending on the extent to which the taxpayer's adjusted gross income exceeds the federal poverty level; or (2) 20% of the taxpayer's employment related expenses.

**Effective:** January 1, 2026 (retroactive).

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### Ford J.D.

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January 8, 2026, read first time and referred to Committee on Tax and Fiscal Policy.

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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. 263

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

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

1 SECTION 1. IC 6-3.1-37 IS ADDED TO THE INDIANA CODE  
2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2026 (RETROACTIVE)]:

4 **Chapter 37. Child and Dependent Care Tax Credit**

5 **Sec. 1. As used in this chapter, "adjusted gross income" has the**  
6 **meaning set forth in IC 6-3-1-3.5.**

7 **Sec. 2. (a) As used in this chapter, "employment related**  
8 **expenses" means amounts that are:**

9 **(1) paid for the care of a qualifying individual; and**

10 **(2) incurred to enable an individual taxpayer, including an**  
11 **individual taxpayer's spouse in the case of a joint return, to be**  
12 **gainfully employed.**

13 **(b) The term does not include an amount paid for services**  
14 **outside the taxpayer's household at a camp where a qualifying**  
15 **individual stays overnight.**

16 **(c) The term does not include amounts paid for services outside**  
17 **the taxpayer's household that are not provided in conformity with**



1                   **applicable state and local laws.**

2                   **Sec. 3. As used in this chapter, "federal poverty level" refers to**  
 3                   **the poverty income guidelines published by the United States**  
 4                   **Department of Health and Human Services.**

5                   **Sec. 4. As used in this chapter, "qualifying individual" has the**  
 6                   **meaning set forth in Section 21(b)(1) of the Internal Revenue Code.**

7                   **Sec. 5. As used in this chapter, "state income tax liability"**  
 8                   **means the total income tax liability incurred under IC 6-3, as**  
 9                   **computed after application of the credits that under IC 6-3.1-1-2**  
 10                  **are to be applied before the credit provided by this chapter.**

11                  **Sec. 6. An individual taxpayer, including an individual**  
 12                  **taxpayer's spouse in the case of a joint return, who has:**

13                  **(1) employment related expenses during the taxable year; and**  
 14                  **(2) adjusted gross income, or combined adjusted gross income**  
 15                  **with the taxpayer's spouse in the case of a joint return, of not**  
 16                  **more than two hundred fifty percent (250%) of the federal**  
 17                  **poverty level for the taxable year;**

18                  **is entitled to a refundable credit against the taxpayer's state**  
 19                  **income tax liability for the taxable year.**

20                  **Sec. 7. The amount of a credit allowed under section 6 of this**  
 21                  **chapter for a taxable year is equal to the following:**

22                  **(1) The lesser of:**

23                  **(A) the amount of employment related expenses incurred**  
 24                  **in the taxable year multiplied by twenty percent (20%); or**  
 25                  **(B) one thousand dollars (\$1,000);**

26                  **if the taxpayer's adjusted gross income, or combined adjusted**  
 27                  **gross income with the taxpayer's spouse in the case of a joint**  
 28                  **return, is not more than one hundred eighty-five percent**  
 29                  **(185%) of the federal poverty level.**

30                  **(2) The lesser of:**

31                  **(A) the amount of employment related expenses incurred**  
 32                  **in the taxable year multiplied by twenty percent (20%); or**  
 33                  **(B) eight hundred dollars (\$800);**

34                  **if the taxpayer's adjusted gross income, or combined adjusted**  
 35                  **gross income with the taxpayer's spouse in the case of a joint**  
 36                  **return, is more than one hundred eighty-five percent (185%)**  
 37                  **but not more than two hundred one percent (201%) of the**  
 38                  **federal poverty level.**

39                  **(3) The lesser of:**

40                  **(A) the amount of employment related expenses incurred**  
 41                  **in the taxable year multiplied by twenty percent (20%); or**  
 42                  **(B) six hundred dollars (\$600);**



1                   **if the taxpayer's adjusted gross income, or combined adjusted**  
2                   **gross income with the taxpayer's spouse in the case of a joint**  
3                   **return, is more than two hundred one percent (201%) but not**  
4                   **more than two hundred seventeen percent (217%) of the**  
5                   **federal poverty level.**

6                   **(4) The lesser of:**

7                   **(A) the amount of employment related expenses incurred**  
8                   **in the taxable year multiplied by twenty percent (20%); or**  
9                   **(B) four hundred dollars (\$400);**

10                  **if the taxpayer's adjusted gross income, or combined adjusted**  
11                  **gross income with the taxpayer's spouse in the case of a joint**  
12                  **return, is more than two hundred seventeen percent (217%)**  
13                  **but not more than two hundred thirty-three percent (233%)**  
14                  **of the federal poverty level.**

15                  **(5) The lesser of:**

16                  **(A) the amount of employment related expenses incurred**  
17                  **in the taxable year multiplied by twenty percent (20%); or**  
18                  **(B) two hundred dollars (\$200);**

19                  **if the taxpayer's adjusted gross income, or combined adjusted**  
20                  **gross income with the taxpayer's spouse in the case of a joint**  
21                  **return, is more than two hundred thirty-three percent (233%)**  
22                  **but not more than two hundred fifty percent (250%) of the**  
23                  **federal poverty level.**

24                  **Sec. 8. If both spouses reside in the same household, the total**  
25                  **amount of the credit computed under section 7 of this chapter may**  
26                  **be claimed only once.**

27                  **Sec. 9. If the credit provided under this chapter exceeds the state**  
28                  **income tax liability due from the taxpayer for the taxable year, the**  
29                  **excess shall be refunded to the taxpayer.**

30                  **Sec. 10. (a) The department may adopt rules under IC 4-22-2 to**  
31                  **implement this chapter.**

32                  **(b) The department may require that a taxpayer apply for a**  
33                  **credit under this chapter on a form designated by the department.**

34                  **SECTION 2. [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]**

35                  **(a) IC 6-3.1-37, as added by this act, applies only to taxable years**  
36                  **beginning after December 31, 2025.**

37                  **(b) This SECTION expires January 1, 2028.**

38                  **SECTION 3. An emergency is declared for this act.**

