

# HOUSE BILL No. 1261

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-35.

**Synopsis:** Education expense tax credits. Provides a refundable tax credit for certain education expenses incurred by a qualified employee. Provides that the credit is equal to the lesser of 1/3 of the education expenses incurred or \$10,000.

**Effective:** January 1, 2015.

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January 14, 2014, read first time and referred to Committee on Ways and Means.

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Second Regular Session 118th General Assembly (2014)

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 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

# HOUSE BILL No. 1261

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 6-3.1-35 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2015]:  
4 **Chapter 35. Employee Education Expense Tax Credits**  
5 **Sec. 1. This chapter applies to taxable years beginning after**  
6 **December 31, 2014.**  
7 **Sec. 2. As used in this chapter, "approved education agreement"**  
8 **means an agreement:**  
9 (1) **made between a qualified employee and the qualified**  
10 **employee's employer under which the employee agrees to**  
11 **complete the course work for a degree or certification**  
12 **approved by the employer; and**  
13 (2) **approved by the department of workforce development.**  
14 **Sec. 3. As used in this chapter, "qualified employee" means an**  
15 **individual who is:**  
16 (1) **a full-time employee (as defined in IC 6-3.1-13-4);**



1           (2) a resident of Indiana; and

2           (3) not more than a five percent (5%) shareholder, partner,  
3           member, or owner of the individual's employer.

4           Sec. 4. As used in this chapter, "qualified education expense"  
5           means the amount of tuition and mandatory fees paid by a  
6           qualified employee for classes taken in accordance with an  
7           approved education agreement.

8           Sec. 5. As used in this chapter, "state tax liability" means a  
9           taxpayer's total tax liability that is incurred under IC 6-3-1  
10          through IC 6-3-7 (the adjusted gross income tax), as computed  
11          before the application of any other credit against state tax liability  
12          to which the taxpayer is entitled, including any credit described in  
13          IC 6-3.1-1-2.

14          Sec. 6. As used in this chapter, "taxpayer" means an individual  
15          who is a qualified employee.

16          Sec. 7. The following conditions and requirements apply to an  
17          approved education agreement:

18           (1) A qualified employee may not enter into an agreement  
19           unless the qualified employee has completed at least fifty  
20           percent (50%) of the classes necessary to obtain the degree or  
21           certification approved by the employer.

22           (2) The employer must approve the degree or certification  
23           that the qualified employee will pursue under the agreement.

24           (3) The degree or certification subject to the agreement must  
25           be nationally accredited.

26           (4) The qualified employee must pursue the degree or  
27           certification at a state educational institution (as defined in  
28           IC 21-7-13-32).

29           (5) Tuition and other fees for the classes necessary to obtain  
30           the degree or certification are the responsibility of the  
31           qualified employee.

32           (6) A qualified employee must work the same number of  
33           hours per week while pursuing the degree or certification that  
34           the qualified employee worked before entering into the  
35           agreement.

36           (7) The employer must agree to reimburse a qualified  
37           employee who obtains the approved degree or certification for  
38           qualified education expenses incurred by the qualified  
39           employee.

40           (8) The agreement must require the employer to reimburse  
41           the qualified employee for at least the lesser of the following  
42           amounts:



1           **(A) One-third (1/3) of the qualified education expenses**  
 2           **incurred by the qualified employee under the agreement.**

3           **(B) Ten thousand dollars (\$10,000).**

4           **Sec. 8. Except as provided by section 9 of this chapter, a**  
 5           **taxpayer is entitled to a tax credit against the taxpayer's state tax**  
 6           **liability for the taxable year in which the taxpayer receives a**  
 7           **degree or certification in compliance with an approved education**  
 8           **agreement. The amount of the credit is equal to the lesser of the**  
 9           **following amounts:**

10           **(1) One-third (1/3) of the qualified education expenses**  
 11           **incurred in obtaining the degree or certification under the**  
 12           **approved education agreement.**

13           **(2) Ten thousand dollars (\$10,000).**

14           **Sec. 9. A taxpayer who is reimbursed for at least two-thirds**  
 15           **(2/3) of the qualified education expenses incurred by the taxpayer**  
 16           **under an approved education agreement is not eligible for a tax**  
 17           **credit under this chapter.**

18           **Sec. 10. (a) If the credit provided by this chapter exceeds the**  
 19           **taxpayer's state tax liability for the taxable year for which the**  
 20           **credit is claimed, the excess is refundable.**

21           **(b) A taxpayer is not entitled to any carryback or carry forward**  
 22           **of any unused credit.**

23           **Sec. 11. To receive a tax credit under this chapter, a taxpayer**  
 24           **must claim the tax credit on the taxpayer's annual state tax return**  
 25           **in the manner prescribed by the department of state revenue. The**  
 26           **taxpayer shall maintain the records required by the department of**  
 27           **state revenue for the period specified by the department of state**  
 28           **revenue to substantiate the taxpayer's eligibility for the credit.**

29           **Sec. 12. The employer of a qualified employee shall submit an**  
 30           **agreement described in section 7 of this chapter to the department**  
 31           **of workforce development for approval in the manner prescribed**  
 32           **by the department of workforce development.**

33           **Sec. 13. The following agencies may adopt rules to implement**  
 34           **this chapter:**

35           **(1) The department of state revenue.**

36           **(2) The department of workforce development.**

