SENATE BILL No. 245

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-3-15; IC 6-8.1-9-4; IC 21-9-10-0.5.

Synopsis: College savings program. Establishes a state income tax credit for employers who contribute to employees' 529 education savings accounts. Limits the credit to $100 per employee. Allows taxpayers to designate an income tax refund to a 529 education savings account. Requires the Indiana education savings authority to make a contribution to 529 education savings accounts of lower income account owners in the amount of the lesser of: (1) the amount the account owner contributed minus the amount the account owner withdrew from the account in the previous calendar year; or (2) $250. Makes an annual appropriation from the state general fund to reimburse the Indiana education savings authority for the contributions made.

Effective: July 1, 2018.

Koch

January 3, 2018, read first time and referred to Committee on Tax and Fiscal Policy.

Introduced

Second Regular Session 120th General Assembly (2018)

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 2017 Regular Session of the General Assembly.

SENATE BILL No. 245

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

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

SECTION 1. IC 6-3-3-15 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: **Sec. 15. (a) As used in this section, "account beneficiary" has the meaning set forth in IC 21-9-2-3.**

(b) As used in this section, "contribution" has the meaning set forth in IC 21-9-2-9.5.

(c) As used in this section, "education savings account" means an individual account established by the education savings authority for a particular account beneficiary.

(d) As used in this section, "education savings authority" means the Indiana education savings authority created by IC 21-9-3-1.

(e) As used in this section, "qualified account beneficiary" means an account beneficiary who is:

(1) an employee of a taxpayer claiming a credit under this section; or

(2) a dependent of an employee of the taxpayer.

(f) At the election of the taxpayer, there is allowed as a credit

against the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year, an amount (subject to the applicable limitations provided by this section) equal to fifty percent (50%) of the aggregate amount of contributions made by the taxpayer during the taxable year to education savings accounts established for the benefit of qualified account beneficiaries.

(g) The amount allowable as a credit under this section for any taxable year may not exceed one hundred dollars ($100) per employee for which a contribution is made under this section.

(h) The credit allowed by this section may not exceed the amount of the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year, reduced by the sum of all credits (as determined without regard to this section) allowed by IC 6-3-1 through IC 6-3-7. The amount of any unused credit under this section for a taxable year may not be carried forward to a succeeding taxable year, carried back to a preceding taxable year, or refunded.

SECTION 2. IC 6-8.1-9-4, AS AMENDED BY P.L.99-2016, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 4. (a) Every individual (other than a nonresident) who files an individual income tax return and who is entitled to a refund from the department of state revenue because of the overpayment of income tax for a taxable year may designate on the individual's annual state income tax return that either a specific amount or all of the refund to which the individual is entitled shall be paid over to one (1) or more of the funds **or accounts** described in subsection (c). If the refund to which the individual is entitled is less than the total amount designated to be paid over to one (1) or more of the funds **or accounts** described in subsection (c), all of the refund to which the individual is entitled shall be paid over to the designated funds **or accounts,** but in an amount or amounts reduced proportionately for each designated fund **or account.** If an individual designates all of the refund to which the individual is entitled to be paid over to one (1) or more of the funds **or accounts** described in subsection (c) without designating specific amounts, the refund to which the individual is entitled shall be paid over to each fund **or account** described in subsection (c) in an amount equal to the refund divided by the number of funds **or accounts** described in subsection (c), rounded to the lowest cent, with any part of the refund remaining due to the effects of rounding to be deposited in the nongame fund.

(b) Every husband and wife (other than nonresidents) who file a joint income tax return and who are entitled to a refund from the department of state revenue because of the overpayment of income tax for a taxable year may designate on their annual state income tax return that either a specific amount or all of the refund to which they are entitled shall be paid over to one (1) or more of the funds **or accounts** described in subsection (c). If the refund to which a husband and wife are entitled is less than the total amount designated to be paid over to one (1) or more of the funds **or accounts** described in subsection (c), all of the refund to which the husband and wife are entitled shall be paid over to the designated funds **or accounts,** but in an amount or amounts reduced proportionately for each designated fund **or account.** If a husband and wife designate all of the refund to which the husband and wife are entitled to be paid over to one (1) or more of the funds **or accounts** described in subsection (c) without designating specific amounts, the refund to which the husband and wife are entitled shall be paid over to each fund **or account** described in subsection (c) in an amount equal to the refund divided by the number of funds **or accounts** described in subsection (c), rounded to the lowest cent, with any part of the refund remaining due to the effects of rounding to be deposited in the nongame fund.

(c) Designations under subsection (a) or (b) may be directed only to the following funds **or accounts:**

(1) The nongame fund.

(2) The state general fund for exclusive use in funding public education for kindergarten through grade 12.

(3) The military family relief fund.

(4) A 529 education savings account owned by the taxpayer and established by the education savings authority under IC 21-9.

(d) The instructions for the preparation of individual income tax returns shall contain a description of the purposes of the following:

(1) The nongame and endangered species program. The description of this program shall be written in cooperation with the department of natural resources.

(2) The funding of public education for kindergarten through grade 12. The description of this purpose shall be written in cooperation with the state superintendent of public instruction.

(3) The funding for financial assistance to qualified service members (as defined in IC 10-17-12-7.5) and their families. The description of this purpose shall be written in cooperation with the Indiana department of veterans' affairs.

(4) The education savings program established under IC 21-9.

(e) The department shall interpret a designation on a return under subsection (a) or (b) that is illegible or otherwise not reasonably discernible to the department as if the designation had not been made.

SECTION 3. IC 21-9-10-0.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: **Sec. 0.5. (a) This section applies to an account owner who:**

(1) is an individual; and

(2) has an annual income that is not more than two hundred fifty percent (250%) of the federal poverty level as determined by the federal Office of Management and Budget.

(b) The authority shall make, to the account of an account owner described in subsection (a), a contribution each calendar year in an amount not to exceed the lesser of the following:

(1) An amount equal to:

(A) the total amount of money the account owner contributed to the account in the previous calendar year; minus

(B) any amount the account owner withdrew from the account in the previous calendar year.

(2) Two hundred fifty dollars ($250).

(c) There is annually appropriated to the authority from the state general fund an amount sufficient to cover all contributions to accounts under this section during each calendar year.

SECTION 4. [EFFECTIVE JULY 1, 2018] **(a) IC 6-3-3-15, as added by this act, and IC 6-8.1-9-4, as amended by this act, apply to taxable years beginning after December 31, 2018.**

(b) This SECTION expires June 30, 2020.