

## SENATE BILL No. 355

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### DIGEST OF INTRODUCED BILL

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

**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, 2021 (retroactive).

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January 11, 2021, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session of the 122nd General Assembly (2021)

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 2020 Regular Session of the General Assembly.

## SENATE BILL No. 355

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, 2021 (RETROACTIVE)]:

4 **Chapter 35. 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, 2021 (RETROACTIVE)]

35 (a) IC 6-3.1-35, as added by this act, applies only to taxable years  
 36 beginning after December 31, 2020.

37 (b) This SECTION expires January 1, 2024.

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

