



February 12, 2013

HOUSE BILL No. 1003

DIGEST OF HB 1003 (Updated February 8, 2013 8:56 am - DI 116)

Citations Affected: IC 6-3; IC 6-3.1; IC 12-7; IC 12-17.3; IC 20-51; noncode.

Synopsis: School scholarships. Increases the amount, from \$1,000 to \$3,000, that a taxpayer may deduct for certain unreimbursed education expenditures. Provides that a taxpayer may carry forward a school scholarship income tax credit for a taxable year that begins after December 31, 2012. Establishes a preschool education scholarship and tax credit program. Provides a 50% state income tax credit to a taxpayer that makes a contribution to a preschool scholarship granting organization for use by the organization in an eligible preschool education scholarship program for eligible preschool students. Provides that the program is administered by the division of family resources (division). Requires the division to determine whether a preschool scholarship program meets the standards for certification and to enter into an agreement with a preschool scholarship granting organization that offers a certified program. Removes a requirement, for purposes of receiving a scholarship from a scholarship granting organization, that the individual either: (1) is entering kindergarten or attended a public school the previous year; or (2) received a scholarship in a previous year from a scholarship granting organization. Provides that a taxpayer making a contribution to a scholarship granting organization may designate a participating school for which the taxpayer's contribution must be used as scholarships. Requires a scholarship granting organization to use not more than 10% of total contributions received for administrative expenses. Provides that a student may be eligible for a choice scholarship if the student: (1) was enrolled in
(Continued next page)

C
O
P
Y

Effective: January 1, 2013 (retroactive); July 1, 2013.

Behning, Huston

January 15, 2013, read first time and referred to Committee on Education.
February 11, 2013, amended, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.

HB 1003—LS 7326/DI 116+



grade 1 through grade 12 in a public school within or outside Indiana before the first semester for which the individual receives a choice scholarship; (2) is in foster care; (3) is a child with a disability who requires special education; (4) is a sibling of an individual who previously received a choice scholarship or a scholarship from a scholarship granting organization; (5) has a parent who has received an honorable discharge from the armed forces of the United States or national guard or is currently serving in the armed forces of the United States or national guard and is a member of household whose income is not more than 300% of the amount required to qualify for the free and reduced lunch program; or (6) is an individual who is enrolled in an eligible school at the time the individual first meets income requirements. Provides that an eligible choice scholarship student who is initially required to meet an income requirement of being a member of a household with an income that does not exceed 150% of the amount required to qualify for the free and reduced lunch program continues to qualify for the choice scholarship as long as the individual is a member of a household with an income that does not exceed 300% of the amount required to qualify for the free and reduced lunch program. Provides that an individual who: (1) is in foster care; (2) attended a public school the previous year and is a member of a household with an annual income not exceeding the amount necessary to qualify for the free or reduced lunch program; (3) attended an eligible school at the time the individual first met the income requirements and is a member of a household with an annual income not exceeding the amount necessary to qualify for the free or reduced lunch program; (4) is a child with a disability who requires special education; (5) is a sibling of an individual who previously received a choice scholarship or a scholarship from a scholarship granting organization; or (6) has a parent who has received an honorable discharge from the armed forces of the United States or national guard or is currently serving in the armed forces of the United States or national guard; may receive up to 90% of the amount that the state tuition support that the public school in the student's legal settlement would receive for the student if the student attended the public school. Provides that an eligible student who is subject to certain income requirements may receive up to 50% of the amount of state tuition support a public school would receive for the student if the student attended the public school and the student's household has an annual income of not more than 300% of the amount required to qualify for the free or reduced lunch program. Increases the choice scholarship cap for students enrolled in grades 1 through 8. Requires the department to process an application for an eligible school and choice scholarship student within 15 days. Provides that the department must accept applications for choice scholarship students and eligible schools, at a minimum, from March 1 through September 1 for the upcoming school year. Provides that in calculating the amount of a choice scholarship, in addition to a certain percent of state tuition support, the scholarship would include any applicable amount that a school corporation (in which the student has legal settlement) would receive for the student as part of a special education grant. Removes a provision that allows the department to make only a partial choice scholarship grant. Make conforming amendments. Makes technical amendment.

C
O
P
Y



February 12, 2013

First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

HOUSE BILL No. 1003

A BILL FOR AN ACT to amend the Indiana Code concerning education and tax.

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

1 SECTION 1. IC 6-3-2-22, AS ADDED BY P.L.229-2011,
2 SECTION 85, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2013 (RETROACTIVE)]: Sec. 22. (a) The following
4 definitions apply throughout this section:

5 (1) "Dependent child" means an individual who:

6 (A) is eligible to receive a free elementary or high school
7 education in an Indiana school corporation;

8 (B) qualifies as a dependent (as defined in Section 152 of the
9 Internal Revenue Code) of the taxpayer; and

10 (C) is the natural or adopted child of the taxpayer or, if custody
11 of the child has been awarded in a court proceeding to
12 someone other than the mother or father, the court appointed
13 guardian or custodian of the child.

14 If the parents of a child are divorced, the term refers to the parent
15 who is eligible to take the exemption for the child under Section
16 151 of the Internal Revenue Code.

17 (2) "Education expenditure" refers to any expenditures made in

HB 1003—LS 7326/DI 116+



C
O
P
Y

1 connection with enrollment, attendance, or participation of the
 2 taxpayer's dependent child in a private elementary or high school
 3 education program. The term includes tuition, fees, computer
 4 software, textbooks, workbooks, curricula, school supplies (other
 5 than personal computers), and other written materials used
 6 primarily for academic instruction or for academic tutoring, or
 7 both.

8 (3) "Private elementary or high school education program" means
 9 attendance at:

10 (A) a nonpublic school (as defined in IC 20-18-2-12); or

11 (B) an accredited nonpublic school;

12 in Indiana that satisfies a child's obligation under IC 20-33-2 for
 13 compulsory attendance at a school. The term does not include the
 14 delivery of instructional service in a home setting to a dependent
 15 child who is enrolled in a school corporation or a charter school.

16 (b) This section applies to taxable years beginning after December
 17 31, 2010.

18 (c) A taxpayer who makes an unreimbursed education expenditure
 19 during the taxpayer's taxable year is entitled to a deduction against the
 20 taxpayer's adjusted gross income in the taxable year.

21 (d) The amount of the deduction is:

22 (1) ~~one three~~ thousand dollars (~~\$1,000~~); **(\$3,000)**; multiplied by

23 (2) the number of the taxpayer's dependent children for whom the
 24 taxpayer made education expenditures in the taxable year.

25 A husband and wife are entitled to only one (1) deduction under this
 26 section.

27 (e) To receive the deduction provided by this section, a taxpayer
 28 must claim the deduction on the taxpayer's annual state tax return or
 29 returns in the manner prescribed by the department.

30 SECTION 2. IC 6-3.1-30.5-9, AS ADDED BY P.L.182-2009(ss),
 31 SECTION 205, IS AMENDED TO READ AS FOLLOWS
 32 [EFFECTIVE JANUARY 1, 2013 (RETROACTIVE)]: Sec. 9. **(a) This**
 33 **section applies to a taxpayer that is entitled to a tax credit under**
 34 **this chapter for a taxable year beginning before January 1, 2013.**

35 **(b) A taxpayer is not entitled to a carryover, carryback, or refund of**
 36 **an unused credit.**

37 **(c) This section expires January 1, 2017.**

38 SECTION 3. IC 6-3.1-30.5-9.5 IS ADDED TO THE INDIANA
 39 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 40 [EFFECTIVE JANUARY 1, 2013 (RETROACTIVE)]: **Sec. 9.5. (a)**
 41 **This section applies to a taxpayer that is entitled to a tax credit**
 42 **under this chapter for a taxable year beginning after December 31,**



C
o
p
y

1 **2012.**
 2 **(b) If the credit provided by this chapter exceeds the taxpayer's**
 3 **state tax liability for the taxable year for which the credit is first**
 4 **claimed, the excess may be carried forward to succeeding taxable**
 5 **years and used as a credit against the taxpayer's state tax liability**
 6 **during those taxable years. Each time the credit is carried forward**
 7 **to a succeeding taxable year, the credit is reduced by the amount**
 8 **that was used as a credit during the immediately preceding taxable**
 9 **year. The credit provided by this chapter may be carried forward**
 10 **and applied to succeeding taxable years for nine (9) taxable years**
 11 **following the unused credit year.**

12 **(c) A taxpayer is not entitled to a carryback or refund of any**
 13 **unused credit.**

14 SECTION 4. IC 6-3.1-34 IS ADDED TO THE INDIANA CODE
 15 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 16 JULY 1, 2013]:

17 **Chapter 34. Preschool Education Scholarship Tax Credit**

18 **Sec. 1. As used in this chapter, "credit" refers to a credit**
 19 **granted under this chapter.**

20 **Sec. 2. As used in this chapter, "pass through entity" has the**
 21 **meaning set forth in IC 6-3-1-35.**

22 **Sec. 3. As used in this chapter, "preschool scholarship granting**
 23 **organization" has the meaning set forth in IC 12-17.3-1-9.**

24 **Sec. 4. As used in this chapter, "preschool scholarship program"**
 25 **refers to a preschool scholarship program certified by the division**
 26 **of family resources under IC 12-17.3.**

27 **Sec. 5. As used in this chapter, "state tax liability" means a**
 28 **taxpayer's total tax liability that is incurred under:**

- 29 **(1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);**
 30 **(2) IC 6-5.5 (the financial institutions tax); and**
 31 **(3) IC 27-1-18-2 (the insurance premiums tax);**

32 **as computed after the application of the credits that under**
 33 **IC 6-3.1-1-2 are to be applied before the credit provided by this**
 34 **chapter.**

35 **Sec. 6. As used in this chapter, "taxpayer" means an individual**
 36 **or entity that has any state tax liability.**

37 **Sec. 7. A taxpayer that makes a contribution to a preschool**
 38 **scholarship granting organization for use by the preschool**
 39 **scholarship granting organization in a preschool scholarship**
 40 **program is entitled to a credit against the taxpayer's state tax**
 41 **liability in the taxable year in which the taxpayer makes the**
 42 **contribution.**



C
 o
 p
 y

1 **Sec. 8. The amount of a taxpayer's credit is equal to fifty percent**
 2 **(50%) of the amount of the contribution made to the preschool**
 3 **scholarship granting organization for a preschool scholarship**
 4 **program.**

5 **Sec. 9. A taxpayer is not entitled to a carryover, carryback, or**
 6 **refund of an unused credit.**

7 **Sec. 10. If a pass through entity is entitled to a credit under**
 8 **section 7 of this chapter but does not have state tax liability against**
 9 **which the tax credit may be applied, a shareholder, partner, or**
 10 **member of the pass through entity is entitled to a tax credit equal**
 11 **to:**

12 **(1) the tax credit determined for the pass through entity for**
 13 **the taxable year; multiplied by**

14 **(2) the percentage of the pass through entity's distributive**
 15 **income to which the shareholder, partner, or member is**
 16 **entitled.**

17 **Sec. 11. To apply a credit against the taxpayer's state tax**
 18 **liability, a taxpayer must claim the credit on the taxpayer's annual**
 19 **state tax return or returns in the manner prescribed by the**
 20 **department. The taxpayer shall submit to the department the**
 21 **information that the department determines is necessary for the**
 22 **department to determine whether the taxpayer is eligible for the**
 23 **credit.**

24 **Sec. 12. A contribution to a preschool scholarship granting**
 25 **organization shall be treated as having been made for use in a**
 26 **preschool scholarship program if:**

27 **(1) the contribution is made directly to a preschool**
 28 **scholarship granting organization; and**

29 **(2) either:**

30 **(A) not later than the date of the contribution, the taxpayer**
 31 **designates in writing to the preschool scholarship granting**
 32 **organization that the contribution is to be used only for a**
 33 **preschool scholarship program; or**

34 **(B) the preschool scholarship granting organization**
 35 **provides the taxpayer with written confirmation that the**
 36 **contribution will be dedicated solely for use in a preschool**
 37 **scholarship program.**

38 **Sec. 13. The total amount of tax credits awarded under this**
 39 **chapter may not exceed five million dollars (\$5,000,000) in a state**
 40 **fiscal year.**

41 **Sec. 14. The department, on an Internet web site used by the**
 42 **department to provide information to the public, shall provide the**

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

following information:

- (1) The application for the credit provided in this chapter.**
- (2) A timeline for receiving the credit provided in this chapter.**
- (3) The total amount of credits awarded under this chapter during the current state fiscal year.**

Sec. 15. The department shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 5. IC 12-7-2-9.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 9.5. "Agreement", for purposes of IC 12-17.3, has the meaning set forth in IC 12-17.3-1-2.**

SECTION 6. IC 12-7-2-42 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 42. "Contribution":

- (1) for purposes of IC 12-17-12, has the meaning set forth in IC 12-17-12-2; and**
- (2) for purposes of IC 12-17.3, has the meaning set forth in IC 12-17.3-1-3.**

SECTION 7. IC 12-7-2-69, AS AMENDED BY P.L.6-2012, SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 69. (a) "Division", except as provided in subsections (b) and (c), refers to any of the following:

- (1) The division of disability and rehabilitative services established by IC 12-9-1-1.
- (2) The division of aging established by IC 12-9.1-1-1.
- (3) The division of family resources established by IC 12-13-1-1.
- (4) The division of mental health and addiction established by IC 12-21-1-1.

(b) The term refers to the following:

- (1) For purposes of the following statutes, the division of disability and rehabilitative services established by IC 12-9-1-1:
 - (A) IC 12-9.
 - (B) IC 12-11.
 - (C) IC 12-12.
 - (D) IC 12-12.5.
 - (E) IC 12-12.7.
 - (F) IC 12-15-46-2.
 - (G) IC 12-28-5.
- (2) For purposes of the following statutes, the division of aging established by IC 12-9.1-1-1:
 - (A) IC 12-9.1.
 - (B) IC 12-10.
- (3) For purposes of the following statutes, the division of family

C
o
p
y



- 1 resources established by IC 12-13-1-1:
 2 (A) IC 12-13.
 3 (B) IC 12-14.
 4 (C) IC 12-15.
 5 (D) IC 12-16.
 6 (E) IC 12-17.2.
 7 **(E) IC 12-17.3.**
 8 ~~(F)~~ **(F)** IC 12-18.
 9 ~~(G)~~ **(G)** IC 12-19.
 10 ~~(H)~~ **(H)** IC 12-20.
 11 (4) For purposes of the following statutes, the division of mental
 12 health and addiction established by IC 12-21-1-1:
 13 (A) IC 12-21.
 14 (B) IC 12-22.
 15 (C) IC 12-23.
 16 (D) IC 12-25.
 17 (c) With respect to a particular state institution, the term refers to
 18 the division whose director has administrative control of and
 19 responsibility for the state institution.
 20 (d) For purposes of IC 12-24, IC 12-26, and IC 12-27, the term
 21 refers to the division whose director has administrative control of and
 22 responsibility for the appropriate state institution.
 23 SECTION 8. IC 12-7-2-76.2 IS ADDED TO THE INDIANA CODE
 24 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
 25 **1, 2013]: Sec. 76.2. "Eligible preschool", for purposes of IC 12-17.3,**
 26 **has the meaning set forth in IC 12-17.3-1-4.**
 27 SECTION 9. IC 12-7-2-76.3 IS ADDED TO THE INDIANA CODE
 28 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
 29 **1, 2013]: Sec. 76.3. "Eligible preschool student", for purposes of**
 30 **IC 12-17.3, has the meaning set forth in IC 12-17.3-1-5.**
 31 SECTION 10. IC 12-7-2-135.7 IS ADDED TO THE INDIANA
 32 CODE AS A **NEW SECTION TO READ AS FOLLOWS**
 33 **[EFFECTIVE JULY 1, 2013]: Sec. 135.7. "Participating preschool",**
 34 **for purposes of IC 12-17.3, has the meaning set forth in**
 35 **IC 12-17.3-1-6.**
 36 SECTION 11. IC 12-7-2-135.8 IS ADDED TO THE INDIANA
 37 CODE AS A **NEW SECTION TO READ AS FOLLOWS**
 38 **[EFFECTIVE JULY 1, 2013]: Sec. 135.8. "Paths to QUALITY**
 39 **program", for purposes of IC 12-17.3, has the meaning set forth in**
 40 **IC 12-17.3-1-7.**
 41 SECTION 12. IC 12-7-2-144.1 IS ADDED TO THE INDIANA
 42 CODE AS A **NEW SECTION TO READ AS FOLLOWS**

C
o
p
y

1 [EFFECTIVE JULY 1, 2013]: **Sec. 144.1. "Preschool education**
 2 **scholarship", for purposes of IC 12-17.3, has the meaning set forth**
 3 **in IC 12-17.3-1-8.**

4 SECTION 13. IC 12-7-2-144.2 IS ADDED TO THE INDIANA
 5 CODE AS A NEW SECTION TO READ AS FOLLOWS
 6 [EFFECTIVE JULY 1, 2013]: **Sec. 144.2. "Preschool scholarship**
 7 **granting organization", for purposes of IC 12-17.3, has the**
 8 **meaning set forth in IC 12-17.3-1-9.**

9 SECTION 14. IC 12-17.3 IS ADDED TO THE INDIANA CODE
 10 AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY
 11 1, 2013]:

12 **ARTICLE 17.3. PRESCHOOL EDUCATION**
 13 **SCHOLARSHIPS**

14 **Chapter 1. Definitions**

15 **Sec. 1. The definitions in this chapter apply throughout this**
 16 **article.**

17 **Sec. 2. "Agreement" refers to an agreement between the**
 18 **division and an applicant that applies for certification of a**
 19 **preschool scholarship program.**

20 **Sec. 3. "Contribution" refers to a contribution to a preschool**
 21 **scholarship granting organization for use in a preschool**
 22 **scholarship program.**

23 **Sec. 4. "Eligible preschool" refers to a preschool, including a**
 24 **preschool operated or administered by a school corporation, a**
 25 **charter school, or an accredited nonpublic school, that:**

- 26 (1) is located in Indiana;
- 27 (2) is a program of early education services that:
- 28 (A) meets the standards of quality recognized by a Level 3
- 29 or Level 4 Paths to QUALITY program rating;
- 30 (B) is nationally accredited by an accrediting body
- 31 recognized by the division or the state board of education;
- 32 (C) is accredited by the state board of education;
- 33 (D) is provided, before July 1, 2014, by an eligible school
- 34 (as defined in IC 20-51-1-4.7); or
- 35 (E) is provided, before July 1, 2014, by a participating
- 36 school (as defined in IC 20-51-1-6);
- 37 (3) requires an eligible individual to pay tuition or fees to
- 38 attend;
- 39 (4) voluntarily agrees to enroll an eligible preschool student;
- 40 (5) administers a test that measures each eligible preschool
- 41 student's progress toward kindergarten readiness; and
- 42 (6) submits to the division data required by the division.



C
O
P
Y

1 **Sec. 5. "Eligible preschool student" refers to an individual who:**

- 2 (1) is a legal resident of Indiana;
- 3 (2) is at least three (3) years of age and less than five (5) years
- 4 of age on the date in the school year specified in IC 20-33-2-7;
- 5 (3) is a member of a household with an annual income of not
- 6 more than two hundred percent (200%) of the household
- 7 income required for the individual to qualify for a free or
- 8 reduced price lunch under the household income guidelines
- 9 established under 42 U.S.C. 1758(b) for a child who is school
- 10 age; and
- 11 (4) meets at least one (1) of the following conditions:

12 (A) The individual is enrolling in an eligible preschool for

13 the first time.

14 (B) The individual received a preschool education

15 scholarship in the previous year from a nonprofit

16 preschool scholarship granting organization that qualifies

17 for certification as a preschool scholarship program.

18 **Sec. 6. "Participating preschool" refers to an eligible preschool**

19 **that:**

- 20 (1) an eligible preschool student is required to pay tuition or
- 21 fees to attend; and
- 22 (2) voluntarily agrees to enroll an eligible preschool student.

23 **Sec. 7. "Paths to QUALITY program" refers to a voluntary**

24 **quality rating and improvement system for child care**

25 **administered:**

- 26 (1) statewide by the division; and
- 27 (2) under the trademark "Paths to QUALITY".

28 **Sec. 8. "Preschool education scholarship" refers to a grant to**

29 **pay only the cost of preschool education for an eligible preschool**

30 **student as determined for the school year for which the preschool**

31 **education scholarship will be granted.**

32 **Sec. 9. "Preschool scholarship granting organization" refers to**

33 **an organization that:**

- 34 (1) is exempt from federal income taxation under Section
- 35 501(c)(3) of the Internal Revenue Code; and
- 36 (2) is organized at least in part to grant preschool education
- 37 scholarships without limiting the availability of preschool
- 38 education scholarships to students of only one (1)
- 39 participating preschool.

40 **Chapter 2. Administrative Provisions**

41 **Sec. 1. The division shall maintain a publicly available list of the**

42 **preschool scholarship programs certified by the division. The list**

C
O
P
Y



1 must contain names, addresses, and any other information that the
2 division determines is necessary for the public to determine which
3 preschool scholarship granting organizations conduct preschool
4 scholarship programs. A current list must be posted on an Internet
5 web site used by the division to provide information to the public.

6 Sec. 2. The division shall adopt rules under IC 4-22-2 to
7 implement this article.

8 Chapter 3. Preschool Scholarship Granting Organizations;
9 Certification; Administration of Contributions

10 Sec. 1. A program qualifies for certification as a preschool
11 scholarship program:

12 (1) if:

13 (A) the program:

14 (i) is administered by a preschool scholarship granting
15 organization; and

16 (ii) has the primary purpose of providing preschool
17 education scholarships to eligible preschool students;
18 and

19 (B) the preschool scholarship granting organization
20 administering the program:

21 (i) applies to the division on the form and in the manner
22 prescribed by the division; and

23 (ii) enters into an agreement with the division to comply
24 with this article; or

25 (2) if the program is certified by the department of education
26 under IC 20-51-3-2 on July 1, 2013.

27 Sec. 2. The division shall certify all programs that meet the
28 qualifications under section 1 of this chapter as preschool
29 scholarship programs.

30 Sec. 3. An agreement entered into under section 1 of this chapter
31 between the division and a preschool scholarship granting
32 organization must require the preschool scholarship granting
33 organization to do the following:

34 (1) Provide a receipt to taxpayers for contributions made to
35 the preschool scholarship granting organization that will be
36 used in a preschool scholarship program. The department of
37 state revenue shall prescribe a standardized form for the
38 receipt issued under this subdivision. The receipt must
39 indicate the value of the contribution and the part of the
40 contribution being designated for use in a preschool
41 scholarship program.

42 (2) Allow a taxpayer to designate a participating preschool for

C
O
P
Y



- 1 which the taxpayer's contribution must be used as
- 2 scholarships.
- 3 (3) Use not more than ten percent (10%) of the total amount
- 4 of contributions for administrative costs.
- 5 (4) Conduct criminal background checks on all the preschool
- 6 scholarship granting organization's employees and board
- 7 members and exclude from employment or governance any
- 8 individual who might reasonably pose a risk to the
- 9 appropriate use of contributed funds.
- 10 (5) Make the reports required by this chapter.

11 **Sec. 4. An agreement entered into under section 1 of this chapter**
 12 **may not prohibit a preschool scholarship granting organization**
 13 **from receiving contributions other than contributions used in a**
 14 **preschool scholarship program.**

15 **Sec. 5. (a) An agreement entered into under section 1 of this**
 16 **chapter must prohibit a preschool scholarship granting**
 17 **organization from distributing preschool education scholarships**
 18 **for use by an eligible preschool student to:**

- 19 (1) enroll in a preschool that has:
- 20 (A) paid staff or board members; or
- 21 (B) relatives of paid staff or board members;
- 22 in common with the preschool scholarship granting
- 23 organization; or
- 24 (2) enroll in a preschool that the preschool scholarship
- 25 granting organization knows does not qualify as a
- 26 participating preschool.

27 (b) An agreement entered into under section 1 of this chapter
 28 must prohibit a preschool scholarship granting organization from
 29 limiting the availability of preschool education scholarships to
 30 students of only one (1) participating preschool.

31 **Sec. 6. (a) A preschool scholarship granting organization**
 32 **certified under this chapter must report publicly to the division by**
 33 **August 1 of each year the following information regarding the**
 34 **organization's preschool education scholarships that were awarded**
 35 **in the previous school year:**

- 36 (1) The name and address of the preschool scholarship
- 37 granting organization.
- 38 (2) The total number and total dollar amount of contributions
- 39 received during the previous school year.
- 40 (3) The total number and total dollar amount of preschool
- 41 education scholarships awarded during the previous school
- 42 year.

C
O
P
Y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

The report must be certified under penalties of perjury by the chief executive officer of the preschool scholarship granting organization.

(b) A preschool scholarship granting organization certified under this chapter shall contract with an independent certified public accountant for an annual financial audit of the preschool scholarship granting organization. The preschool scholarship granting organization shall provide a copy of the annual financial audit to the division and shall make the annual financial audit available to a member of the public upon request.

Sec. 7. The division shall prescribe a standardized form for preschool scholarship granting organizations to report information required under this chapter.

Sec. 8. The division may, in a proceeding under IC 4-21.5, suspend or terminate the certification of an organization as a preschool scholarship granting organization if the division establishes that the preschool scholarship granting organization has intentionally and substantially failed to comply with the requirements of this article or an agreement entered into under this article.

Sec. 9. If the division suspends or terminates the certification of an organization as a preschool scholarship granting organization, the division shall notify affected eligible preschool students and their parents of the decision as quickly as possible. An eligible preschool student affected by a suspension or termination of a preschool scholarship granting organization's certification remains an eligible preschool student under this article until the end of the school year in which the preschool scholarship granting organization's certification is suspended or terminated, regardless of whether the preschool scholarship student meets the definition of an eligible preschool student at the time the preschool scholarship granting organization's certification was suspended or terminated.

Sec. 10. The division may conduct either a financial review or an audit of a preschool scholarship granting organization certified under this chapter if the department of state revenue has evidence of fraud.

SECTION 15. IC 20-51-1-4.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4.3. "Eligible choice scholarship student" refers to an individual who:

- (1) has legal settlement in Indiana;

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

- (2) is at least five (5) years of age and less than twenty-two (22) years of age on the date in the school year specified in IC 20-33-2-7; and**
- (3) meets at least one (1) of the following conditions:**
 - (A) The individual is a child with a disability who requires special education under IC 20-35.**
 - (B) The individual is in foster care (as defined in IC 31-9-2-46.7).**
 - (C) The individual is a member of a household with an annual income of not more than three hundred percent (300%) of the amount required for the individual to qualify for the federal free or reduced lunch program, and the individual's parent:**
 - (i) has served in the armed forces of the United States or national guard and has received an honorable discharge;**
 - or**
 - (ii) is currently serving on active duty service in the armed forces of the United States or national guard.**
 - (D) The individual:**
 - (i) was enrolled in grade 1 through grade 12 in a public school within or outside Indiana before the first semester for which the individual receives a choice scholarship under IC 20-51-4; and**
 - (ii) except as provided in IC 20-51-4-2.5, is a member of a household with an annual income of not more than one hundred fifty percent (150%) of the amount required for the individual to qualify for the federal free or reduced price lunch program.**
 - (E) The individual or a sibling of the individual:**
 - (i) received a scholarship from a scholarship granting organization under IC 20-51-3 or a choice scholarship under IC 20-51-4 in a preceding school year, including a school year that does not immediately precede a school year in which the individual receives a scholarship from a scholarship granting organization under IC 20-51-3 or a choice scholarship under IC 20-51-4; and**
 - (ii) except as provided in IC 20-51-4-2.5, is a member of a household with an annual income of not more than one hundred fifty percent (150%) of the amount required for the individual to qualify for the federal free or reduced price lunch program.**
 - (F) The individual:**

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

(i) is enrolled in an eligible school at the time the individual first meets the income requirements set forth in item (ii); and
(ii) except as provided in IC 20-51-4-2.5, is a member of a household with an annual income of not more than one hundred fifty percent (150%) of the amount required for the individual to qualify for the federal free or reduced price lunch program.

SECTION 16. IC 20-51-1-4.5 IS REPEALED [EFFECTIVE JULY 1, 2013]. Sec. 4.5. "Eligible individual" refers to an individual who:

- (1) has legal settlement in Indiana;
- (2) is at least five (5) years of age and less than twenty-two (22) years of age on the date in the school year specified in IC 20-33-2-7;
- (3) either has been or is currently enrolled in an accredited school;
- (4) is a member of a household with an annual income of not more than one hundred fifty percent (150%) of the amount required for the individual to qualify for the federal free or reduced price lunch program; and
- (5) either:
 - (A) was enrolled in grade 1 through 12 in a school corporation that did not charge the individual transfer tuition for at least two (2) semesters immediately preceding the first semester for which the individual receives a choice scholarship under IC 20-51-4; or
 - (B) received a scholarship from a scholarship granting organization under IC 20-51-3 or a choice scholarship under IC 20-51-4 in a preceding school year, including a school year that does not immediately precede a school year in which the individual receives a scholarship from a scholarship granting organization under IC 20-51-3 or a choice scholarship under IC 20-51-4.

SECTION 17. IC 20-51-1-4.7, AS ADDED BY P.L.92-2011, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4.7. "Eligible school" refers to a public or nonpublic elementary school or high school that:

- (1) is located in Indiana;
- (2) requires an eligible individual **choice scholarship student** to pay tuition or transfer tuition to attend;
- (3) voluntarily agrees to enroll an eligible individual; **choice scholarship student**;
- (4) is accredited by either the state board or a national or regional

C
O
P
Y



- 1 accreditation agency that is recognized by the state board;
- 2 (5) administers the Indiana statewide testing for educational
- 3 progress (ISTEP) program under IC 20-32-5;
- 4 (6) is not a charter school or the school corporation in which an
- 5 eligible ~~individual~~ **choice scholarship student** has legal
- 6 settlement under IC 20-26-11; and
- 7 (7) submits to the department **only the student performance** data
- 8 required for a category designation under IC 20-31-8-3.

9 SECTION 18. IC 20-51-1-5, AS AMENDED BY P.L.129-2012,
 10 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2013]: Sec. 5. "Eligible student" refers to an individual who:

- 12 (1) has legal settlement in Indiana;
- 13 (2) is at least five (5) years of age and less than twenty-two (22)
- 14 years of age on the date in the school year specified in
- 15 IC 20-33-2-7;
- 16 (3) either has been or is currently enrolled in a participating
- 17 school; **and**
- 18 (4) is a member of a household with an annual income of not
- 19 more than two hundred percent (200%) of the amount required for
- 20 the individual to qualify for the federal free or reduced price
- 21 lunch program. **and**
- 22 (5) **meets at least one (1) of the following conditions:**
- 23 (A) ~~The individual is enrolling in kindergarten.~~
- 24 (B) ~~The individual was enrolled in a public school during the~~
- 25 ~~school year preceding the first school year for which a~~
- 26 ~~scholarship granting organization provides a scholarship to the~~
- 27 ~~individual.~~
- 28 (C) ~~The individual received a scholarship in the previous year~~
- 29 ~~from a nonprofit scholarship granting organization that~~
- 30 ~~qualifies for certification as a school scholarship program.~~
- 31 (D) ~~The individual received a school scholarship from a~~
- 32 ~~scholarship granting organization in a preceding year;~~
- 33 ~~including a school year that does not immediately precede a~~
- 34 ~~school year in which the individual receives a scholarship~~
- 35 ~~from a scholarship granting organization.~~

36 SECTION 19. IC 20-51-3-3, AS ADDED BY P.L.182-2009(ss),
 37 SECTION 364, IS AMENDED TO READ AS FOLLOWS
 38 [EFFECTIVE JULY 1, 2013]: Sec. 3. An agreement entered into under
 39 section 1 of this chapter between the department and a scholarship
 40 granting organization must require the scholarship granting
 41 organization to do the following:

- 42 (1) Provide a receipt to taxpayers for contributions made to the

C
o
p
y



1 scholarship granting organization that will be used in a school
 2 scholarship program. The department of state revenue shall
 3 prescribe a standardized form for the receipt issued under this
 4 subdivision. The receipt must indicate the value of the
 5 contribution and part of the contribution being designated for use
 6 in a school scholarship program.

7 **(2) Allow a taxpayer to designate a participating school for**
 8 **which the taxpayer's contribution must be used as**
 9 **scholarships.**

10 ~~(2) Distribute at least ninety percent (90%) of the total amount of~~
 11 ~~contributions as school scholarships to eligible students.~~

12 **(3) Use not more than ten percent (10%) of the total amount**
 13 **of contributions for administrative costs.**

14 ~~(3) (4) Distribute one hundred percent (100%) of any income~~
 15 ~~earned on contributions as school scholarships to eligible~~
 16 ~~students.~~

17 ~~(4) (5) Conduct criminal background checks on all the scholarship~~
 18 ~~granting organization's employees and board members and~~
 19 ~~exclude from employment or governance any individual who~~
 20 ~~might reasonably pose a risk to the appropriate use of contributed~~
 21 ~~funds.~~

22 ~~(5) (6) Make the reports required by this chapter.~~

23 SECTION 20. IC 20-51-4-2, AS ADDED BY P.L.92-2011,
 24 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 25 JULY 1, 2013]: Sec. 2. (a) Subject to subsection (b), an eligible
 26 ~~individual~~ **choice scholarship student** is entitled to a choice
 27 scholarship under this chapter for each school year beginning after
 28 June 30, 2011, that the eligible **choice scholarship** student enrolls in
 29 an eligible school.

30 (b) The department may not award more than:

31 (1) seven thousand five hundred (7,500) choice scholarships for
 32 the school year beginning July 1, 2011, and ending June 30, 2012;
 33 and

34 (2) fifteen thousand (15,000) choice scholarships for the school
 35 year beginning July 1, 2012, and ending June 30, 2013.

36 The department shall establish the standards used to allocate choice
 37 scholarships among eligible **choice scholarship** students.

38 SECTION 21. IC 20-51-4-2.5 IS ADDED TO THE INDIANA
 39 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
 40 [EFFECTIVE JULY 1, 2013]: **Sec. 2.5. Notwithstanding**
 41 **IC 20-51-1-4.3(3)(D)(ii), IC 20-51-1-4.3(3)(E)(ii), or**
 42 **IC 20-51-1-4.3(3)(F)(ii), an individual who initially meets the**



C
o
p
y

1 income requirements under IC 20-51-1-4.3(3)(D)(ii),
 2 IC 20-51-1-4.3(3)(E)(ii), or IC 20-51-1-4.3(3)(F)(ii) and is a member
 3 of a household whose income subsequently increases is considered
 4 to meet the income requirements for as long as the individual is
 5 enrolled in a participating school and is a member of a household
 6 with an annual income of not more than three hundred percent
 7 (300%) of the amount required for the individual to qualify for the
 8 federal free or reduced price lunch program.

9 SECTION 22. IC 20-51-4-4, AS ADDED BY P.L.92-2011,
 10 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 11 JULY 1, 2013]: Sec. 4. The ~~maximum~~ amount to which an eligible
 12 individual choice scholarship student is entitled to receive under this
 13 chapter for a school year is equal to the least of the following:

14 (1) The sum of the tuition, transfer tuition, and fees required for
 15 enrollment or attendance of the eligible choice scholarship
 16 student at the eligible school selected by the eligible individual
 17 choice scholarship student for a school year that the eligible
 18 individual (or the parent of the eligible individual) choice
 19 scholarship student (or the parent of the eligible choice
 20 scholarship student) would otherwise be obligated to pay to the
 21 eligible school.

22 (2) An amount equal to:

23 (A) ninety percent (90%) of the state tuition support amount
 24 determined under section 5 of this chapter and, if applicable,
 25 any amount that a school corporation in which the student
 26 has legal settlement would receive under IC 20-43-7 for the
 27 student if the student attended the school corporation if the
 28 eligible individual choice scholarship student is:

29 (i) an eligible choice scholarship student described in
 30 IC 20-51-1-4.3(3)(A) through IC 20-51-1-4.3(3)(C); or

31 (ii) for an individual described in IC 20-51-1-4.3(3)(D)
 32 through IC 20-51-1-4.3(3)(F), a member of a household
 33 with an annual income of not more than the amount required
 34 for the individual eligible choice scholarship student to
 35 qualify for the federal free or reduced price lunch program;
 36 and

37 (B) for an eligible choice scholarship student described in
 38 IC 20-51-1-4.3(3)(D) through IC 20-51-1-4.3(3)(F), fifty
 39 percent (50%) of the state tuition support amount determined
 40 under section 5 of this chapter and, if applicable, any amount
 41 that a school corporation in which the student has legal
 42 settlement would receive under IC 20-43-7 for the student



C
O
P
Y

1 **if the student attended the school corporation** if the eligible
2 ~~individual choice scholarship student~~ **individual choice scholarship student** is a member of a
3 household with an annual income of not more than ~~one~~
4 ~~hundred fifty percent (150%)~~ **three hundred percent (300%)**
5 of the amount required for the ~~individual eligible choice~~
6 ~~scholarship student~~ **scholarship student** to qualify for the federal free or reduced
7 price lunch program.

8 (3) If the eligible ~~individual choice scholarship student~~ **individual choice scholarship student** is
9 enrolled in grade 1 through 8, the maximum choice scholarship
10 that the eligible ~~individual choice scholarship student~~ **individual choice scholarship student** may
11 receive for a school year:

12 **(A) for a school year beginning before July 1, 2013, is four**
13 **thousand five hundred dollars (\$4,500);**

14 **(B) for a school year beginning after June 30, 2013, and**
15 **before July 1, 2014, five thousand five hundred dollars**
16 **(\$5,500); or**

17 **(C) for a school year beginning after June 30, 2014, six**
18 **thousand five hundred dollars (\$6,500).**

19 SECTION 23. IC 20-51-4-5, AS AMENDED BY P.L.6-2012,
20 SECTION 145, IS AMENDED TO READ AS FOLLOWS
21 [EFFECTIVE JULY 1, 2013]: Sec. 5. The state tuition support amount
22 to be used in section 4(2) of this chapter for an eligible ~~individual~~
23 ~~choice scholarship student~~ **choice scholarship student** is the amount determined under the last
24 STEP of the following formula:

25 STEP ONE: Determine the school corporation in which the
26 eligible ~~individual choice scholarship student~~ **individual choice scholarship student** has legal
27 settlement.

28 STEP TWO: Determine the amount of state tuition support that
29 the school corporation identified under STEP ONE is eligible to
30 receive under IC 20-43 for the calendar year in which the current
31 school year begins, excluding amounts provided for special
32 education grants under IC 20-43-7 and career and technical
33 education grants under IC 20-43-8.

34 STEP THREE: Determine the result of:
35 (A) the STEP TWO amount; divided by
36 (B) the current ADM (as defined in IC 20-43-1-10) for the
37 school corporation identified under STEP ONE for the
38 calendar year used in STEP TWO.

39 SECTION 24. IC 20-51-4-6, AS ADDED BY P.L.92-2011,
40 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
41 JULY 1, 2013]: Sec. 6. (a) If an eligible ~~individual choice scholarship~~
42 ~~student~~ **student** enrolls in an eligible school for less than an entire school year,

C
o
p
y



1 the choice scholarship provided under this chapter for that school year
2 shall be reduced on a prorated basis to reflect the shorter school term.

3 (b) An eligible ~~individual~~ **choice scholarship student** is entitled to
4 only one (1) choice scholarship for each school year. If the eligible
5 ~~individual~~ **choice scholarship student** leaves the eligible school for
6 which the eligible ~~individual~~ **choice scholarship student** was awarded
7 a choice scholarship and enrolls in another eligible school, the eligible
8 ~~individual~~ **choice scholarship student** is responsible for the payment
9 of any tuition required for the remainder of that school year.

10 SECTION 25. IC 20-51-4-7, AS ADDED BY P.L.92-2011,
11 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JULY 1, 2013]: Sec. 7. (a) The department shall administer this
13 chapter.

14 (b) **The department shall approve an application for an eligible
15 school within fifteen (15) days after the date the school requests to
16 participate in the choice scholarship program.**

17 (c) **The department shall approve an application for a choice
18 scholarship student within fifteen (15) days after the date the
19 student requests to participate in the choice scholarship program.**

20 (d) **Each year, at a minimum, the department shall accept
21 applications from March 1 through September 1 for:**

22 (1) **choice scholarship students; or**

23 (2) **eligible schools;**

24 **for the upcoming school year.**

25 (b) (e) The department shall adopt rules under IC 4-22-2 to
26 implement this chapter.

27 (c) (f) The department may adopt emergency rules under
28 IC 4-22-2-37.1 to implement this chapter.

29 SECTION 26. IC 20-51-4-10, AS ADDED BY P.L.92-2011,
30 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
31 JULY 1, 2013]: Sec. 10. The department may distribute ~~any part of a~~
32 **the choice scholarship to the eligible individual (or the parent of the**
33 **eligible individual) choice scholarship student (or the parent of the**
34 **eligible choice scholarship student) for the purpose of paying the**
35 **educational costs described in section 4(1) of this chapter. For the**
36 **distribution to be valid, the distribution must be endorsed by both the**
37 **eligible individual (or the parent of the eligible individual) choice**
38 **scholarship student (or the parent of the eligible choice scholarship**
39 **student) and the eligible school providing educational services to the**
40 **eligible individual: choice scholarship student. The choice**
41 **scholarship shall be distributed in the same manner that state**
42 **tuition support is distributed under IC 20-43-2-1.**



C
O
P
Y

1 SECTION 27. IC 20-51-4-11, AS ADDED BY P.L.92-2011,
2 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2013]: Sec. 11. The amount of a choice scholarship provided
4 to an eligible ~~individual~~ **choice scholarship student** shall not be
5 treated as income or a resource for the purposes of qualifying for any
6 other federal or state grant or program administered by the state or a
7 political subdivision.

8 SECTION 28. [EFFECTIVE JANUARY 1, 2013
9 (RETROACTIVE)] **(a) IC 6-3-2-22, as amended by this act, applies
10 to a taxable year beginning after December 31, 2013.**

11 **(b) This SECTION expires January 1, 2015.**

12 SECTION 29. **An emergency is declared for this act.**

C
o
p
y



COMMITTEE REPORT

Mr. Speaker: Your Committee on Education, to which was referred House Bill 1003, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 5, line 13, after ""Contribution"" delete ";" and insert ":".

Page 5, line 15, delete "or" and insert "**and**".

Page 7, between lines 26 and 27, begin a new line block indented and insert:

"(2) is a program of early education services that:

(A) meets the standards of quality recognized by a Level 3 or Level 4 Paths to QUALITY program rating;

(B) is nationally accredited by an accrediting body recognized by the division or the state board of education;

(C) is accredited by the state board of education;

(D) is provided, before July 1, 2014, by an eligible school (as defined in IC 20-51-1-4.7); or

(E) is provided, before July 1, 2014, by a participating school (as defined in IC 20-51-1-6);"

Page 7, delete lines 27 through 31.

Page 7, line 34, delete "individual;" and insert "**preschool student;**".

Page 8, line 39, delete "department" and insert "**division**".

Page 9, line 13, after "eligible" insert "**preschool**".

Page 10, line 27, delete "department" and insert "**division**".

Page 10, delete lines 35 through 41, begin a new line block indented and insert:

"(3) The total number and total dollar amount of preschool education scholarships awarded during the previous school year."

Page 12, line 6, delete "care." and insert "**care (as defined in IC 31-9-2-46.7).**".

Page 12, line 7, after "The" insert "**individual is a member of a household with an annual income of not more than three hundred percent (300%) of the amount required for the individual to qualify for the federal free or reduced lunch program, and the**".

Page 14, line 1, after "department" insert "**only the student performance**".

Page 15, line 38, after "IC 20-51-1-4.3(3)(F)(ii)" delete ",".

Page 16, line 18, after "chapter" insert "**and, if applicable, any amount that a school corporation in which the student has legal**

C
O
P
Y



settlement would receive under IC 20-43-7 for the student if the student attended the school corporation".

Page 16, line 28, after "(B)" insert "for".

Page 16, line 31, after "chapter" insert "and, if applicable, any amount that a school corporation in which the student has legal settlement would receive under IC 20-43-7 for the student if the student attended the school corporation".

Page 16, line 38, strike "individual" and insert "choice scholarship student".

Page 16, line 39, strike "individual" and insert "choice scholarship student".

Page 17, between lines 38 and 39, begin a new paragraph and insert: "SECTION 25. IC 20-51-4-7, AS ADDED BY P.L.92-2011, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) The department shall administer this chapter.

(b) The department shall approve an application for an eligible school within fifteen (15) days after the date the school requests to participate in the choice scholarship program.

(c) The department shall approve an application for a choice scholarship student within fifteen (15) days after the date the student requests to participate in the choice scholarship program.

(d) Each year, at a minimum, the department shall accept applications from March 1 through September 1 for:

- (1) choice scholarship students; or
- (2) eligible schools;

for the upcoming school year.

~~(b)~~ (e) The department shall adopt rules under IC 4-22-2 to implement this chapter.

~~(c)~~ (f) The department may adopt emergency rules under IC 4-22-2-37.1 to implement this chapter."

Page 18, line 8, after "student." insert "The choice scholarship shall be distributed in the same manner that state tuition support is distributed under IC 20-43-2-1."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1003 as introduced.)

BEHNING, Chair

Committee Vote: yeas 9, nays 3.



COPY