



February 18, 2013

HOUSE BILL No. 1003

DIGEST OF HB 1003 (Updated February 18, 2013 2:00 pm - DI 92)

Citations Affected: IC 6-3-1; IC 12-7; IC 12-17.3; IC 20-51.

Synopsis: School scholarships. Provides that a taxpayer may carry forward a school scholarship income tax credit for a taxable year that begins after December 31, 2012. Provides a preschool education scholarship tax credit equal to 50% of a taxpayer's contribution to a preschool scholarship granting organization. Requires the division of family resources (division) to administer a preschool education scholarship program. Specifies eligibility standards for choice scholarships. Specifies choice scholarship amounts. Increases the choice scholarship cap for students enrolled in grades 1 through 8. Makes various administrative changes to the choice scholarship program. 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. Makes conforming amendments.

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.
February 18, 2013, amended, reported — Do Pass.

HB 1003—LS 7326/DI 116+



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February 18, 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.

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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 6-3.1-30.5-9, AS ADDED BY P.L.182-2009(ss),
2 SECTION 205, IS AMENDED TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2013 (RETROACTIVE)]: Sec. 9. **(a) This**
4 **section applies to a taxpayer that is entitled to a tax credit under**
5 **this chapter for a taxable year beginning before January 1, 2013.**
6 **(b) A taxpayer is not entitled to a carryover, carryback, or refund of**
7 **an unused credit.**
8 **(c) This section expires January 1, 2017.**
9 SECTION 2. IC 6-3.1-30.5-9.5 IS ADDED TO THE INDIANA
10 CODE AS A NEW SECTION TO READ AS FOLLOWS
11 [EFFECTIVE JANUARY 1, 2013 (RETROACTIVE)]: Sec. 9.5. **(a)**
12 **This section applies to a taxpayer that is entitled to a tax credit**
13 **under this chapter for a taxable year beginning after December 31,**
14 **2012.**
15 **(b) If the credit provided by this chapter exceeds the taxpayer's**
16 **state tax liability for the taxable year for which the credit is first**
17 **claimed, the excess may be carried forward to succeeding taxable**

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

8 (c) A taxpayer is not entitled to a carryback or refund of any
 9 unused credit.

10 SECTION 3. IC 6-3.1-30.5-13, AS AMENDED BY P.L.92-2011,
 11 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 12 JULY 1, 2013]: Sec. 13. The total amount of tax credits awarded under
 13 this chapter and IC 6-3.1-34 may not exceed ~~five ten~~ million dollars
 14 (~~\$5,000,000~~) (\$10,000,000) in a state fiscal year.

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

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

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

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

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

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

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

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

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

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

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



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1 contribution.

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

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

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

- 13 (1) the tax credit determined for the pass through entity for
14 the taxable year; multiplied by
15 (2) the percentage of the pass through entity's distributive
16 income to which the shareholder, partner, or member is
17 entitled.

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

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

- 28 (1) the contribution is made directly to a preschool
29 scholarship granting organization; and
30 (2) either:
31 (A) not later than the date of the contribution, the taxpayer
32 designates in writing to the preschool scholarship granting
33 organization that the contribution is to be used only for a
34 preschool scholarship program; or
35 (B) the preschool scholarship granting organization
36 provides the taxpayer with written confirmation that the
37 contribution will be dedicated solely for use in a preschool
38 scholarship program.

39 **Sec. 13.** The total amount of tax credits awarded under this
40 chapter and IC 6-3.1-30.5 may not exceed ten million dollars
41 (\$10,000,000) in a state fiscal year.

42 **Sec. 14.** The department, on an Internet web site used by the

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1 department to provide information to the public, shall provide the
2 following information:

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

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

9 SECTION 5. IC 12-7-2-9.5 IS ADDED TO THE INDIANA CODE
10 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
11 1, 2013]: **Sec. 9.5. "Agreement", for purposes of IC 12-17.3, has the**
12 **meaning set forth in IC 12-17.3-1-2.**

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

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

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

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

29 (b) The term refers to the following:

- 30 (1) For purposes of the following statutes, the division of
31 disability and rehabilitative services established by IC 12-9-1-1:
32 (A) IC 12-9.
33 (B) IC 12-11.
34 (C) IC 12-12.
35 (D) IC 12-12.5.
36 (E) IC 12-12.7.
37 (F) IC 12-15-46-2.
38 (G) IC 12-28-5.

39 (2) For purposes of the following statutes, the division of aging
40 established by IC 12-9.1-1-1:

- 41 (A) IC 12-9.1.
42 (B) IC 12-10.

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

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1 CODE AS A NEW SECTION TO READ AS FOLLOWS
 2 [EFFECTIVE JULY 1, 2013]: **Sec. 144.1. "Preschool education**
 3 **scholarship", for purposes of IC 12-17.3, has the meaning set forth**
 4 **in IC 12-17.3-1-8.**

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

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

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

15 **Chapter 1. Definitions**

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

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

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

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

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



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(6) submits to the division data required by the division.

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

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

(4) meets at least one (1) of the following conditions:

(A) The individual is enrolling in an eligible preschool for the first time.

(B) The individual received a preschool education scholarship in the previous year from a nonprofit preschool scholarship granting organization that qualifies for certification as a preschool scholarship program.

Sec. 6. "Participating preschool" refers to an eligible preschool that:

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

Sec. 7. "Paths to QUALITY program" refers to a voluntary quality rating and improvement system for child care administered:

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

Sec. 8. "Preschool education scholarship" refers to a grant to pay only the cost of preschool education for an eligible preschool student as determined for the school year for which the preschool education scholarship will be granted.

Sec. 9. "Preschool scholarship granting organization" refers to an organization that:

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

Chapter 2. Administrative Provisions

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

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

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

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

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

13 (1) if:

14 (A) the program:

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

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

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

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

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

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

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

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

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



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- 1 (2) Allow a taxpayer to designate a participating preschool for
 2 which the taxpayer's contribution must be used as
 3 scholarships.
- 4 (3) Use not more than ten percent (10%) of the total amount
 5 of contributions for administrative costs.
- 6 (4) Conduct criminal background checks on all the preschool
 7 scholarship granting organization's employees and board
 8 members and exclude from employment or governance any
 9 individual who might reasonably pose a risk to the
 10 appropriate use of contributed funds.
- 11 (5) Make the reports required by this chapter.
- 12 **Sec. 4.** An agreement entered into under section 1 of this chapter
 13 may not prohibit a preschool scholarship granting organization
 14 from receiving contributions other than contributions used in a
 15 preschool scholarship program.
- 16 **Sec. 5.** (a) An agreement entered into under section 1 of this
 17 chapter must prohibit a preschool scholarship granting
 18 organization from distributing preschool education scholarships
 19 for use by an eligible preschool student to:
- 20 (1) enroll in a preschool that has:
- 21 (A) paid staff or board members; or
- 22 (B) relatives of paid staff or board members;
 23 in common with the preschool scholarship granting
 24 organization; or
- 25 (2) enroll in a preschool that the preschool scholarship
 26 granting organization knows does not qualify as a
 27 participating preschool.
- 28 (b) An agreement entered into under section 1 of this chapter
 29 must prohibit a preschool scholarship granting organization from
 30 limiting the availability of preschool education scholarships to
 31 students of only one (1) participating preschool.
- 32 **Sec. 6.** (a) A preschool scholarship granting organization
 33 certified under this chapter must report publicly to the division by
 34 August 1 of each year the following information regarding the
 35 organization's preschool education scholarships that were awarded
 36 in the previous school year:
- 37 (1) The name and address of the preschool scholarship
 38 granting organization.
- 39 (2) The total number and total dollar amount of contributions
 40 received during the previous school year.
- 41 (3) The total number and total dollar amount of preschool
 42 education scholarships awarded during the previous school

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year.
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:

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- (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; and**
- (3) meets at least one (1) of the following conditions:**
 - (A) The individual is:**
 - (i) a child with a disability who requires special education under IC 20-35; and**
 - (ii) a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program.**
 - (B) The individual is:**
 - (i) in foster care (as defined in IC 31-9-2-46.7); and**
 - (ii) a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program.**
 - (C) The individual:**
 - (i) is a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program;**
 - (ii) 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**
 - (iii) has a parent who has served in the armed forces of the United States or national guard and has received an honorable discharge, or 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 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.**

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- (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:**
 - (i) is enrolling in kindergarten; 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

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1 organization under IC 20-51-3 or a choice scholarship under
2 IC 20-51-4.

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

- 7 (1) is located in Indiana;
- 8 (2) requires an eligible ~~individual~~ **choice scholarship student** to
9 pay tuition or transfer tuition to attend;
- 10 (3) voluntarily agrees to enroll an eligible ~~individual~~; **choice**
11 **scholarship student**;
- 12 (4) is accredited by either the state board or a national or regional
13 accreditation agency that is recognized by the state board;
- 14 (5) administers the Indiana statewide testing for educational
15 progress (ISTEP) program under IC 20-32-5;
- 16 (6) is not a charter school or the school corporation in which an
17 eligible ~~individual~~ **choice scholarship student** has legal
18 settlement under IC 20-26-11; and
- 19 (7) submits to the department **only the student performance** data
20 required for a category designation under IC 20-31-8-3.

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

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

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1 ~~(D)~~ The individual received a school scholarship from a
2 scholarship granting organization in a preceding year;
3 including a school year that does not immediately precede a
4 school year in which the individual receives a scholarship
5 from a scholarship granting organization.

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

12 (1) Provide a receipt to taxpayers for contributions made to the
13 scholarship granting organization that will be used in a school
14 scholarship program. The department of state revenue shall
15 prescribe a standardized form for the receipt issued under this
16 subdivision. The receipt must indicate the value of the
17 contribution and part of the contribution being designated for use
18 in a school scholarship program.

19 **(2) Allow a taxpayer to designate a participating school for
20 which the taxpayer's contribution must be used as
21 scholarships.**

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

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

26 ~~(3) (4) Distribute one hundred percent (100%) of any income
27 earned on contributions as school scholarships to eligible
28 students.~~

29 ~~(4) (5) Conduct criminal background checks on all the scholarship
30 granting organization's employees and board members and
31 exclude from employment or governance any individual who
32 might reasonably pose a risk to the appropriate use of contributed
33 funds.~~

34 ~~(5) (6) Make the reports required by this chapter.~~

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

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

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- 1 (1) seven thousand five hundred (7,500) choice scholarships for
- 2 the school year beginning July 1, 2011, and ending June 30, 2012;
- 3 and
- 4 (2) fifteen thousand (15,000) choice scholarships for the school
- 5 year beginning July 1, 2012, and ending June 30, 2013.

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

8 SECTION 21. IC 20-51-4-2.5 IS ADDED TO THE INDIANA
9 CODE AS A **NEW SECTION TO READ AS FOLLOWS**
10 [EFFECTIVE JULY 1, 2013]: **Sec. 2.5. Notwithstanding**
11 **IC 20-51-1-4.3(3)(D)(ii), IC 20-51-1-4.3(3)(E)(ii), or**
12 **IC 20-51-1-4.3(3)(F)(ii), an individual who initially meets the**
13 **income requirements under IC 20-51-1-4.3(3)(D)(ii),**
14 **IC 20-51-1-4.3(3)(E)(ii), or IC 20-51-1-4.3(3)(F)(ii) and is a member**
15 **of a household whose income subsequently increases is considered**
16 **to meet the income requirements for as long as the individual is**
17 **enrolled in a participating school and is a member of a household**
18 **with an annual income of not more than two hundred percent**
19 **(200%) of the amount required for the individual to qualify for the**
20 **federal free or reduced price lunch program.**

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

- 26 (1) The sum of the tuition, transfer tuition, and fees required for
- 27 enrollment or attendance of the eligible **choice scholarship**
- 28 student at the eligible school selected by the eligible ~~individual~~
- 29 **choice scholarship student** for a school year that the eligible
- 30 ~~individual (or the parent of the eligible individual)~~ **choice**
- 31 **scholarship student (or the parent of the eligible choice**
- 32 **scholarship student)** would otherwise be obligated to pay to the
- 33 eligible school.
- 34 (2) An amount equal to:
 - 35 (A) ninety percent (90%) of the state tuition support amount
 - 36 determined under section 5 of this chapter **and, if applicable,**
 - 37 **any amount that a school corporation in which the student**
 - 38 **has legal settlement would receive under IC 20-43-7 for the**
 - 39 **student if the student attended the school corporation if the**
 - 40 **eligible individual choice scholarship student is:**
 - 41 **(i) an eligible choice scholarship student described in**
 - 42 **IC 20-51-1-4.3(3)(A) through IC 20-51-1-4.3(3)(C); or**

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

(B) for an eligible choice scholarship student described in IC 20-51-1-4.3(3)(D) through IC 20-51-1-4.3(3)(F), fifty percent (50%) of the state tuition support amount determined under section 5 of this chapter 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 if the eligible ~~individual~~ choice scholarship student is a member of a household with an annual income of not more than ~~one hundred fifty percent (150%)~~ two hundred percent (200%) of the amount required for the ~~individual~~ eligible choice scholarship student to qualify for the federal free or reduced price lunch program.

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

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

(B) for a school year beginning after June 30, 2013, and before July 1, 2014, five thousand dollars (\$5,000); or

(C) for a school year beginning after June 30, 2014, five thousand five hundred dollars (\$5,500).

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

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

STEP TWO: Determine the amount of state tuition support that the school corporation identified under STEP ONE is eligible to receive under IC 20-43 for the calendar year in which the current school year begins, excluding amounts provided for special

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1 education grants under IC 20-43-7 and career and technical
2 education grants under IC 20-43-8.

3 STEP THREE: Determine the result of:

4 (A) the STEP TWO amount; divided by

5 (B) the current ADM (as defined in IC 20-43-1-10) for the
6 school corporation identified under STEP ONE for the
7 calendar year used in STEP TWO.

8 SECTION 24. IC 20-51-4-6, AS ADDED BY P.L.92-2011,
9 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
10 JULY 1, 2013]: Sec. 6. (a) If an eligible ~~individual~~ **choice scholarship**
11 **student** enrolls in an eligible school for less than an entire school year,
12 the choice scholarship provided under this chapter for that school year
13 shall be reduced on a prorated basis to reflect the shorter school term.

14 (b) An eligible ~~individual~~ **choice scholarship student** is entitled to
15 only one (1) choice scholarship for each school year. If the eligible
16 ~~individual~~ **choice scholarship student** leaves the eligible school for
17 which the eligible ~~individual~~ **choice scholarship student** was awarded
18 a choice scholarship and enrolls in another eligible school, the eligible
19 ~~individual~~ **choice scholarship student** is responsible for the payment
20 of any tuition required for the remainder of that school year.

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

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

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

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

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

34 (2) **eligible schools;**

35 **for the upcoming school year.**

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

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

40 SECTION 26. IC 20-51-4-10, AS ADDED BY P.L.92-2011,
41 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
42 JULY 1, 2013]: Sec. 10. The department may distribute ~~any part of a~~

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1 **the choice scholarship to the eligible individual (or the parent of the**
 2 **eligible individual) choice scholarship student (or the parent of the**
 3 **eligible choice scholarship student) for the purpose of paying the**
 4 **educational costs described in section 4(1) of this chapter. For the**
 5 **distribution to be valid, the distribution must be endorsed by both the**
 6 **eligible individual (or the parent of the eligible individual) choice**
 7 **scholarship student (or the parent of the eligible choice scholarship**
 8 **student) and the eligible school providing educational services to the**
 9 **eligible individual. choice scholarship student. The choice**
 10 **scholarship shall be distributed in the same manner that state**
 11 **tuition support is distributed under IC 20-43-2-1.**

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

19 SECTION 28. **An emergency is declared for this act.**

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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 settlement would receive under IC 20-43-7 for the student if the**

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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.



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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, 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 1, delete lines 1 through 17.

Page 2, delete lines 1 through 29.

Page 3, between lines 13 and 14, begin a new paragraph and insert:

"SECTION 1. IC 6-3.1-30.5-13, AS AMENDED BY P.L.92-2011, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 13. The total amount of tax credits awarded under this chapter **and IC 6-3.1-34** may not exceed ~~five ten~~ million dollars (~~\$5,000,000~~) **(\$10,000,000)** in a state fiscal year."

Page 4, line 39, after "chapter" insert "**and IC 6-3.1-30.5**".

Page 4, line 39, delete "**five million dollars (\$5,000,000)**" and insert "**ten million dollars (\$10,000,000)**".

Page 12, delete lines 4 through 18, begin a new line block indented and insert:

"(3) meets at least one (1) of the following conditions:

(A) The individual is:

- (i) a child with a disability who requires special education under IC 20-35; and**
- (ii) a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program.**

(B) The individual is:

- (i) in foster care (as defined in IC 31-9-2-46.7); and**
- (ii) a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program.**

(C) The individual:

- (i) is a member of a household with an annual income of not more than two hundred percent (200%) of the amount required for the individual to qualify for the federal free or reduced lunch program;**
- (ii) 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**
- (iii) has a parent who has served in the armed forces of**



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the United States or national guard and has received an honorable discharge, or is currently serving on active duty service in the armed forces of the United States or national guard."

Page 12, line 21, delete "or outside".

Page 12, delete line 42, begin a new line double block indented and insert:

"(F) The individual:

(i) is enrolling in kindergarten; 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."

Page 13, delete lines 1 through 8.

Page 16, line 6, delete "three" and insert "two".

Page 16, line 7, delete "(300%)" and insert "(200%)".

Page 17, line 4, delete "three" and insert "two".

Page 17, line 4, delete "(300%)" and insert "(200%)".

Page 17, line 15, delete "five hundred".

Page 17, line 16, delete "(\$5,500);" and insert "(\$5,000);".

Page 17, line 17, delete "six" and insert "five".

Page 17, line 18, delete "(\$6,500)." and insert "(\$5,500).".

Page 19, delete lines 8 through 11.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1003 as printed February 12, 2013.)

BROWN T, Chair

Committee Vote: yeas 14, nays 7.

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