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# HOUSE BILL No. 1003

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-2-22; IC 6-3.1; IC 12-7-2; IC 12-17.3; IC 20-51.

**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. Provides that a student may be eligible for a choice scholarship if the student: (1) 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; (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; 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

(Continued next page)

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

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## Behning, Huston

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January 15, 2013, read first time and referred to Committee on Education.

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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. 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. Removes a provision that allows the department to make only a partial choice scholarship grant. Make conforming amendments. Makes technical amendment.

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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 6-3-2-22, 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



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,**



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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.



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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**

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1 following information:

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

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

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

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

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

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

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

28 (b) The term refers to the following:

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

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

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

42 (3) For purposes of the following statutes, the division of family

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- 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**

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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; or
  - 30 (B) is nationally accredited by an accrediting body
  - 31 recognized by the division;
- 32 (3) requires an eligible individual to pay tuition or fees to
- 33 attend;
- 34 (4) voluntarily agrees to enroll an eligible individual;
- 35 (5) administers a test that measures each eligible preschool
- 36 student's progress toward kindergarten readiness; and
- 37 (6) submits to the division data required by the division.

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

- 39 (1) is a legal resident of Indiana;
- 40 (2) is at least three (3) years of age and less than five (5) years
- 41 of age on the date in the school year specified in IC 20-33-2-7;
- 42 (3) is a member of a household with an annual income of not

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1 more than two hundred percent (200%) of the household  
 2 income required for the individual to qualify for a free or  
 3 reduced price lunch under the household income guidelines  
 4 established under 42 U.S.C. 1758(b) for a child who is school  
 5 age; and

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

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

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

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

15 (1) an eligible preschool student is required to pay tuition or  
 16 fees to attend; and

17 (2) voluntarily agrees to enroll an eligible preschool student.

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

21 (1) statewide by the division; and

22 (2) under the trademark "Paths to QUALITY".

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

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

29 (1) is exempt from federal income taxation under Section  
 30 501(c)(3) of the Internal Revenue Code; and

31 (2) is organized at least in part to grant preschool education  
 32 scholarships without limiting the availability of preschool  
 33 education scholarships to students of only one (1)  
 34 participating preschool.

35 **Chapter 2. Administrative Provisions**

36 Sec. 1. The division shall maintain a publicly available list of the  
 37 preschool scholarship programs certified by the division. The list  
 38 must contain names, addresses, and any other information that the  
 39 department determines is necessary for the public to determine  
 40 which preschool scholarship granting organizations conduct  
 41 preschool scholarship programs. A current list must be posted on  
 42 an Internet web site used by the division to provide information to

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the public.

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

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

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

(1) if:

(A) the program:

- (i) is administered by a preschool scholarship granting organization; and
- (ii) has the primary purpose of providing preschool education scholarships to eligible students; and

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

- (i) applies to the division on the form and in the manner prescribed by the division; and
- (ii) enters into an agreement with the division to comply with this article; or

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

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

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

- (1) Provide a receipt to taxpayers for contributions made to the preschool scholarship granting organization that will be used in a preschool scholarship program. The department of state revenue shall prescribe a standardized form for the receipt issued under this subdivision. The receipt must indicate the value of the contribution and the part of the contribution being designated for use in a preschool scholarship program.
- (2) Allow a taxpayer to designate a participating preschool for which the taxpayer's contribution must be used as scholarships.
- (3) Use not more than ten percent (10%) of the total amount of contributions for administrative costs.
- (4) Conduct criminal background checks on all the preschool

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1 scholarship granting organization's employees and board  
2 members and exclude from employment or governance any  
3 individual who might reasonably pose a risk to the  
4 appropriate use of contributed funds.

5 (5) Make the reports required by this chapter.

6 Sec. 4. An agreement entered into under section 1 of this chapter  
7 may not prohibit a preschool scholarship granting organization  
8 from receiving contributions other than contributions used in a  
9 preschool scholarship program.

10 Sec. 5. (a) An agreement entered into under section 1 of this  
11 chapter must prohibit a preschool scholarship granting  
12 organization from distributing preschool education scholarships  
13 for use by an eligible preschool student to:

- 14 (1) enroll in a preschool that has:
  - 15 (A) paid staff or board members; or
  - 16 (B) relatives of paid staff or board members;
 in common with the preschool scholarship granting  
17 organization; or
- 18 (2) enroll in a preschool that the preschool scholarship  
19 granting organization knows does not qualify as a  
20 participating preschool.

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

25 Sec. 6. (a) A preschool scholarship granting organization  
26 certified under this chapter must report publicly to the department  
27 by August 1 of each year the following information regarding the  
28 organization's preschool education scholarships that were awarded  
29 in the previous school year:

- 30 (1) The name and address of the preschool scholarship  
31 granting organization.
- 32 (2) The total number and total dollar amount of contributions  
33 received during the previous school year.
- 34 (3) The:
  - 35 (A) total number and total dollar amount of preschool  
36 education scholarships awarded during the previous school  
37 year; and
  - 38 (B) total number and total dollar amount of preschool  
39 education scholarships awarded during the previous school  
40 year.

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

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

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

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

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

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

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

- 41 (1) has legal settlement in Indiana;
- 42 (2) is at least five (5) years of age and less than twenty-two

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- (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.**
  - (C) 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:**
    - (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**

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**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 accreditation agency that is recognized by the state board;
- (5) administers the Indiana statewide testing for educational progress (ISTEP) program under IC 20-32-5;
- (6) is not a charter school or the school corporation in which an eligible ~~individual~~ **choice scholarship student** has legal settlement under IC 20-26-11; and

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- 1 (7) submits to the department data required for a category  
 2 designation under IC 20-31-8-3.
- 3 SECTION 18. IC 20-51-1-5, AS AMENDED BY P.L.129-2012,  
 4 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 5 JULY 1, 2013]: Sec. 5. "Eligible student" refers to an individual who:  
 6 (1) has legal settlement in Indiana;  
 7 (2) is at least five (5) years of age and less than twenty-two (22)  
 8 years of age on the date in the school year specified in  
 9 IC 20-33-2-7;  
 10 (3) either has been or is currently enrolled in a participating  
 11 school; **and**  
 12 (4) is a member of a household with an annual income of not  
 13 more than two hundred percent (200%) of the amount required for  
 14 the individual to qualify for the federal free or reduced price  
 15 lunch program. **and**  
 16 (5) meets at least one (1) of the following conditions:  
 17 (A) The individual is enrolling in kindergarten.  
 18 (B) The individual was enrolled in a public school during the  
 19 school year preceding the first school year for which a  
 20 scholarship granting organization provides a scholarship to the  
 21 individual.  
 22 (C) The individual received a scholarship in the previous year  
 23 from a nonprofit scholarship granting organization that  
 24 qualifies for certification as a school scholarship program.  
 25 (D) The individual received a school scholarship from a  
 26 scholarship granting organization in a preceding year,  
 27 including a school year that does not immediately precede a  
 28 school year in which the individual receives a scholarship  
 29 from a scholarship granting organization.
- 30 SECTION 19. IC 20-51-3-3, AS ADDED BY P.L.182-2009(ss),  
 31 SECTION 364, IS AMENDED TO READ AS FOLLOWS  
 32 [EFFECTIVE JULY 1, 2013]: Sec. 3. An agreement entered into under  
 33 section 1 of this chapter between the department and a scholarship  
 34 granting organization must require the scholarship granting  
 35 organization to do the following:  
 36 (1) Provide a receipt to taxpayers for contributions made to the  
 37 scholarship granting organization that will be used in a school  
 38 scholarship program. The department of state revenue shall  
 39 prescribe a standardized form for the receipt issued under this  
 40 subdivision. The receipt must indicate the value of the  
 41 contribution and part of the contribution being designated for use  
 42 in a school scholarship program.

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

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

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

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

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

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

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

(b) The department may not award more than:

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

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

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

SECTION 21. IC 20-51-4-2.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 2.5. Notwithstanding IC 20-51-1-4.3(3)(D)(ii), IC 20-51-1-4.3(3)(E)(ii), or IC 20-51-1-4.3(3)(F)(ii), an individual who initially meets the income requirements under IC 20-51-1-4.3(3)(D)(ii), IC 20-51-1-4.3(3)(E)(ii), or IC 20-51-1-4.3(3)(F)(ii), and is a member of a household whose income subsequently increases is considered to meet the income requirements for as long as the individual is enrolled in a participating school and is a member of a household with an annual income of not more than three hundred**

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1 **percent (300%) of the amount required for the individual to**  
 2 **qualify for the federal free or reduced price lunch program.**

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

8 (1) The sum of the tuition, transfer tuition, and fees required for  
 9 enrollment or attendance of the eligible **choice scholarship**  
 10 student at the eligible school selected by the eligible ~~individual~~  
 11 **choice scholarship student** for a school year that the eligible  
 12 ~~individual (or the parent of the eligible individual)~~ **choice**  
 13 **scholarship student (or the parent of the eligible choice**  
 14 **scholarship student)** would otherwise be obligated to pay to the  
 15 eligible school.

16 (2) An amount equal to:

17 (A) ninety percent (90%) of the state tuition support amount  
 18 determined under section 5 of this chapter if the eligible  
 19 ~~individual~~ **choice scholarship student** is:

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

28 (B) **an eligible choice scholarship student described in**  
 29 **IC 20-51-1-4.3(3)(D) through IC 20-51-1-4.3(3)(F), fifty**  
 30 percent (50%) of the state tuition support amount determined  
 31 under section 5 of this chapter if the eligible ~~individual~~ **choice**  
 32 **scholarship student** is a member of a household with an  
 33 annual income of not more than ~~one hundred fifty percent~~  
 34 ~~(+50%)~~ **three hundred percent (300%)** of the amount  
 35 required for the ~~individual~~ **eligible choice scholarship**  
 36 **student** to qualify for the federal free or reduced price lunch  
 37 program.

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

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

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- 1           **(B) for a school year beginning after June 30, 2013, and**
- 2           **before July 1, 2014, five thousand five hundred dollars**
- 3           **(\$5,500); or**
- 4           **(C) for a school year beginning after June 30, 2014, six**
- 5           **thousand five hundred dollars (\$6,500).**

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

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

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

21           STEP THREE: Determine the result of:  
 22           (A) the STEP TWO amount; divided by  
 23           (B) the current ADM (as defined in IC 20-43-1-10) for the  
 24           school corporation identified under STEP ONE for the  
 25           calendar year used in STEP TWO.

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

32           (b) An eligible ~~individual~~ **choice scholarship student** is entitled to  
 33           only one (1) choice scholarship for each school year. If the eligible  
 34           **individual choice scholarship student** leaves the eligible school for  
 35           which the eligible ~~individual~~ **choice scholarship student** was awarded  
 36           a choice scholarship and enrolls in another eligible school, the eligible  
 37           **individual choice scholarship student** is responsible for the payment  
 38           of any tuition required for the remainder of that school year.

39           SECTION 25. IC 20-51-4-10, AS ADDED BY P.L.92-2011,  
 40           SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 41           JULY 1, 2013]: Sec. 10. The department may distribute ~~any part of a~~  
 42           **the choice scholarship** to the eligible ~~individual~~ **(or the parent of the**

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1 ~~eligible individual~~ **choice scholarship student (or the parent of the**  
 2 **eligible choice scholarship student)** for the purpose of paying the  
 3 educational costs described in section 4(1) of this chapter. For the  
 4 distribution to be valid, the distribution must be endorsed by both the  
 5 eligible ~~individual (or the parent of the eligible individual)~~ **choice**  
 6 **scholarship student (or the parent of the eligible choice scholarship**  
 7 **student)** and the eligible school providing educational services to the  
 8 eligible ~~individual~~ **choice scholarship student.**

9 SECTION 26. IC 20-51-4-11, AS ADDED BY P.L.92-2011,  
 10 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 11 JULY 1, 2013]: Sec. 11. The amount of a choice scholarship provided  
 12 to an eligible ~~individual~~ **choice scholarship student** shall not be  
 13 treated as income or a resource for the purposes of qualifying for any  
 14 other federal or state grant or program administered by the state or a  
 15 political subdivision.

16 SECTION 27. [EFFECTIVE JANUARY 1, 2013  
 17 (RETROACTIVE)] **(a) IC 6-3-2-22, as amended by this act, applies**  
 18 **to a taxable year beginning after December 31, 2013.**

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

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

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