
SENATE BILL No. 436

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-31.

Synopsis: Income tax credit for tuition costs. Provides an individual who is an eligible graduate of an Indiana institution of higher learning with a tax credit against the individual's adjusted gross income tax liability in the amount of 5% of the individual's qualified educational investment. Defines "qualified educational investment" as: (1) the sum of expenditures made by an eligible graduate for tuition and required instructional materials in the course of obtaining a degree from an institution of higher learning; multiplied by (2) a percentage, the magnitude of which varies with the academic accomplishments of the eligible graduate and different types of career service.

Effective: January 1, 2008.

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January 16, 2007, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 115th General Assembly (2007)

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 2006 Regular Session of the General Assembly.

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SENATE BILL No. 436



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

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

1 SECTION 1. IC 6-3.1-31 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2008]:

4 **Chapter 31. Indiana College and Service Incentive Credit**

5 **Sec. 1. As used in this chapter, "adjusted educational**
6 **investment" means the qualified educational investment of an**
7 **eligible graduate adjusted by subtracting the sum of credits**
8 **claimed by the eligible graduate under section 8(a) of this chapter**
9 **for all taxable years.**

10 **Sec. 2. As used in this chapter, "eligible graduate" means an**
11 **individual who has been awarded one (1) or more of the following**
12 **degrees from an institution of higher learning:**

- 13 (1) An associate's degree.
- 14 (2) A bachelor's degree.
- 15 (3) A master's degree.
- 16 (4) A doctoral degree.

17 **Sec. 3. As used in this chapter, "institution of higher learning"**



1 means a public or private educational institution located within
2 Indiana that:

- 3 (1) normally maintains a regular faculty and curriculum and
- 4 normally has a regularly organized body of students in
- 5 attendance at the location where the institution's educational
- 6 activities are carried on;
- 7 (2) regularly offers education at a level above grade 12;
- 8 (3) regularly awards associate, bachelor's, master's, or
- 9 doctoral degrees or any combination of those degrees; and
- 10 (4) is accredited by the North Central Association of Colleges
- 11 and Schools, the Indiana state board of education, or the
- 12 Association of Theological Schools in the United States and
- 13 Canada.

14 Sec. 4. As used in this chapter, "instructional materials" means
15 tangible personal property used to promote the learning goals of an
16 individual undertaking a structured course of study. The term
17 includes the following:

- 18 (1) Textbooks.
- 19 (2) Prewritten computer software.

20 Sec. 5. As used in this chapter, "qualified educational
21 investment" with respect to an eligible graduate means the amount
22 determined in STEP FOUR of the following formula:

23 **STEP ONE:** For each degree awarded to the eligible graduate
24 by an institution of higher learning, determine the sum of
25 expenditures made by the eligible graduate for tuition and
26 required instructional materials in the course of obtaining
27 that degree. Under this STEP, an expenditure for tuition or
28 required instructional materials may not be included in the
29 sum computed for more than one (1) degree awarded to the
30 eligible graduate.

31 **STEP TWO:** Determine the sum of the STEP ONE results.

32 **STEP THREE:** Determine the percentage applicable to the
33 eligible graduate under section 9 of this chapter.

34 **STEP FOUR:** Multiply:

- 35 (A) the STEP TWO result; by
- 36 (B) the STEP THREE result.

37 Sec. 6. As used in this chapter, "state tax liability" means a
38 taxpayer's total tax liability incurred under IC 6-3-1 through
39 IC 6-3-7 (the adjusted gross income tax) as computed after the
40 application of all credits that under IC 6-3.1-1-2 are to be applied
41 before the credit provided by this chapter.

42 Sec. 7. As used in this chapter, "taxpayer" means any individual

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1 that has any state tax liability.

2 **Sec. 8. (a) Each taxable year, an eligible graduate is entitled to**
 3 **a credit against the eligible graduate's state tax liability in an**
 4 **amount equal to the lesser of:**

5 (1) the eligible graduate's adjusted educational investment; or

6 (2) the product of:

7 (A) the eligible graduate's qualified educational
 8 investment; multiplied by

9 (B) five percent (5%).

10 (b) If a husband and wife file a joint income tax return and each
 11 spouse is eligible for the credit provided by this section during a
 12 taxable year, the amount of the credit that may be claimed on the
 13 joint return is equal to the amount of the credit the husband is
 14 entitled to claim under this section plus the amount of the credit
 15 the wife is entitled to claim under this section.

16 (c) A taxpayer is first entitled to the credit provided by this
 17 chapter in the taxable year in which the taxpayer becomes an
 18 eligible graduate.

19 **Sec. 9. (a) Subject to subsection (b), an eligible graduate is**
 20 **entitled to a percentage in determining the eligible graduate's**
 21 **qualified educational investment that is the sum of all the following**
 22 **percentages that apply to the eligible graduate:**

23 (1) Ten percent (10%) if the eligible graduate:

24 (A) was awarded a high school diploma from an Indiana
 25 high school;

26 (B) completed:

27 (i) the Core 40 curriculum established under
 28 IC 20-30-10; or

29 (ii) a curriculum equivalent to the Core 40 curriculum;
 30 and

31 (C) maintained a grade point average of at least three (3)
 32 on a scale of four (4) in earning the high school diploma.

33 (2) Ten percent (10%) if the eligible graduate:

34 (A) was awarded an associate's degree from an institution
 35 of higher learning;

36 (B) maintained a grade point average of at least three (3)
 37 on a scale of four (4) in earning the associate's degree; and

38 (C) has not been awarded a bachelor's degree or a more
 39 advanced degree from an institution of higher learning.

40 (3) Twenty-five percent (25%) if the eligible graduate:

41 (A) was awarded a bachelor's degree from an institution of
 42 higher learning; and

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- 1 **(B) maintained a grade point average of at least three (3)**
 2 **on a scale of four (4) in earning the bachelor's degree.**
 3 **(4) Twenty-five percent (25%) if the eligible graduate has**
 4 **served in:**
 5 **(A) the Indiana National Guard; or**
 6 **(B) a reserve component of the armed forces of the United**
 7 **States;**
 8 **for at least eight (8) years.**
 9 **(5) Twenty-five percent (25%) if the eligible graduate is a**
 10 **physician or nurse who has served in a medically underserved**
 11 **area of Indiana, as determined by the state department of**
 12 **health, for at least ten (10) years.**
 13 **(6) Twenty-five (25%) if the eligible graduate has served as a**
 14 **teacher of math or science in Indiana for at least ten (10)**
 15 **years.**
 16 **(b) The percentage determined under this section may not**
 17 **exceed one hundred percent (100%).**
 18 **Sec. 10. (a) If the credit provided by this chapter exceeds the**
 19 **taxpayer's state tax liability for the taxable year for which the**
 20 **credit is first claimed, the excess may be carried forward to**
 21 **succeeding taxable years and used as a credit against the**
 22 **taxpayer's state tax liability during those taxable years. Each time**
 23 **that the credit is carried forward to a succeeding taxable year, the**
 24 **credit is to be reduced by the amount that was used as a credit**
 25 **during the immediately preceding taxable year. The credit**
 26 **provided by this chapter may be carried forward and applied to**
 27 **succeeding taxable years without limitation.**
 28 **(b) A taxpayer is not entitled to a carryback or a refund of any**
 29 **unused credit.**
 30 **Sec. 11. To receive the credit provided under this chapter, a**
 31 **taxpayer must claim the credit on the taxpayer's state tax return**
 32 **or returns in the manner prescribed by the department. The**
 33 **taxpayer shall submit to the department all information that the**
 34 **department determines is necessary for the calculation of the credit**
 35 **provided by this chapter.**
 36 **SECTION 2. [EFFECTIVE JANUARY 1, 2008] IC 6-3.1-31, as**
 37 **added by this act, applies only to taxable years beginning after**
 38 **December 31, 2007.**

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