

## SENATE BILL No. 9

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-35.2.

**Synopsis:** Worker career enhancement tax credit. Provides a credit against state tax liability to an eligible employer of an employee who earns the federal or state minimum wage, completes a career enhancement training program, receives a wage increase following completion of the program, and remains employed for at least a year after receiving the wage increase. Provides that the amount of the credit is 50% of the difference between the employee's compensation before and after the employee receives the wage increase.

**Effective:** January 1, 2020.

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## Ruckelshaus

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January 14, 2019, read first time and referred to Committee on Pensions and Labor.

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First Regular Session of the 121st General Assembly (2019)

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 *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2018 Regular and Special Session of the General Assembly.

# SENATE BILL No. 9



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

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

1 SECTION 1. IC 6-3.1-35.2 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2020]:  
4 **Chapter 35.2. Worker Career Enhancement Tax Credit**  
5 **Sec. 1. The following definitions apply throughout this chapter:**  
6 (1) "Career enhancement training program" means:  
7 (A) an Indiana high school equivalency diploma awarded  
8 under IC 22-4.1-18; or  
9 (B) a degree, certificate, credential, or certification  
10 awarded for:  
11 (i) a workforce related program (as defined in  
12 IC 22-4.1-1-7); or  
13 (ii) a postsecondary career and technical program  
14 developed under IC 22-4.1-19.  
15 (2) "Credit validation period" of a qualified employee means  
16 the period described in section 2(b) of this chapter.  
17 (3) "Eligible employer" means an individual or business



1 organization that:

2 (A) is legally doing business in Indiana; and

3 (B) is certified by the Indiana department of workforce  
4 development under section 3 of this chapter to receive the  
5 credit provided by this chapter.

6 (4) "Qualified employee" means an employee described in  
7 section 2(c) of this chapter.

8 (5) "State tax liability" means the taxpayer's total tax liability  
9 that is incurred under:

10 (A) IC 6-3-1 through IC 6-3-7 (the adjusted gross income  
11 tax);

12 (B) IC 6-5.5 (the financial institutions tax); and

13 (C) IC 27-1-18-2 (the insurance premiums tax);

14 as computed after the application of the credits that under  
15 IC 6-3.1-1-2 are to be applied before the credit provided  
16 under this chapter.

17 (6) "Student" means an individual who is enrolled:

18 (A) in a:

19 (i) public school (as defined in IC 20-18-2-15(1));

20 (ii) nonpublic school (as defined in IC 20-18-2-12); or

21 (iii) charter school (as defined in IC 20-18-2-2.5); or

22 (B) as a full-time student at an approved postsecondary  
23 educational institution (as defined in IC 21-7-13-6).

24 (7) "Taxpayer" means an individual or entity that has state  
25 tax liability.

26 **Sec. 2. (a)** Each taxable year, an eligible employer is entitled to  
27 a credit against the eligible employer's state tax liability in an  
28 amount equal to the lesser of:

29 (1) the amount certified to the eligible employer for the  
30 taxable year under section 3 of this chapter; or

31 (2) for all qualified employees of the eligible employer who  
32 complete a credit validation period that ends during the  
33 taxable year, the product of:

34 (A) fifty percent (50%); multiplied by

35 (B) the difference of:

36 (i) the qualified employee's earnings during the qualified  
37 employee's credit validation period; minus

38 (ii) the qualified employee's earnings during the three  
39 hundred sixty-five (365) day period ending on the day  
40 immediately preceding the date on which the qualified  
41 employee's credit validation period begins.

42 (b) A qualified employee's credit validation period is a period of



1 continuous employment with an eligible employer that:

2 (1) begins on the date that the qualified employee receives the  
3 qualified employee's first hourly wage increase after the  
4 qualified employee completes career enhancement training;  
5 and

6 (2) ends on the first anniversary of the date specified in  
7 subdivision (1).

8 (c) An employee of an eligible employer is a qualified employee  
9 if:

10 (1) the employee is domiciled in Indiana;

11 (2) at the time the employee begins a career enhancement  
12 training program, the employee:

13 (A) has been employed at least twelve (12) consecutive  
14 months by the eligible employer;

15 (B) is being compensated at the federal or state minimum  
16 hourly wage rate; and

17 (C) is not a student;

18 (3) the employee receives a grant, subsidy, or other assistance  
19 from the state or the eligible employer to pay for the costs of  
20 a career enhancement training program in which the  
21 employee is enrolled; and

22 (4) the employee completes career enhancement training.

23 Sec. 3. (a) A taxpayer that wishes to claim the credit provided by  
24 this chapter for a taxable year must submit an application to the  
25 department of workforce development before the end of the  
26 taxable year that includes the following information for each  
27 qualified employee who the employer expects to complete a credit  
28 validation period that ends during the taxable year:

29 (1) Proof of the employer's employment of the employee for  
30 at least twelve (12) consecutive months immediately before  
31 the date the employee began the career enhancement training  
32 program, including the employee's hourly wage rate.

33 (2) Proof of the grant, subsidy, or other assistance from the  
34 state or the employee's employer that the employee received  
35 to pay for the costs of the career enhancement training  
36 program in which the employee enrolled.

37 (3) Proof of the employee's completion of the career  
38 enhancement training program.

39 (4) Proof of the date and amount of an increase in the  
40 employee's hourly wage rate after the date the employee  
41 completed the career enhancement training program.

42 (5) All other information that the department of workforce



- 1           development determines is necessary to determine the  
2           eligibility for and the calculation of the credit provided by this  
3           chapter.
- 4           (b) The department of workforce development shall make  
5           determinations on the applications submitted under subsection (a)  
6           in the order in which the applications are received.
- 7           (c) The department of workforce development may request  
8           additional information from an applicant before making a  
9           determination on an application.
- 10          (d) If the department of workforce development reasonably  
11          believes that an applicant has demonstrated that at least one (1) of  
12          the applicant's qualified employees is expected to complete a credit  
13          validation period that ends during the taxable year for which the  
14          application was submitted, the department of workforce  
15          development shall, subject to section 4 of this chapter, issue a  
16          certification to the applicant for the taxable year in an amount  
17          equal to the lesser of:
- 18               (1) ten thousand dollars (\$10,000); or
- 19               (2) the estimated amount of the tax credit that the applicant  
20               is expected to be able to claim under section 2(a)(2) of this  
21               chapter for the taxable year for all the qualified employees of  
22               the applicant who the applicant has demonstrated are  
23               expected to complete a credit validation period that ends  
24               during the taxable year.
- 25          (e) If the department of workforce development does not  
26          reasonably believe that an applicant has demonstrated that at least  
27          one (1) of the applicant's qualified employees is expected to  
28          complete a credit validation period that ends during the taxable  
29          year for which the application was submitted, the department of  
30          workforce development shall deny the application.
- 31          Sec. 4. (a) The aggregate amount of tax credits approved by the  
32          department of workforce development under this chapter during  
33          any state fiscal year may not exceed one million dollars  
34          (\$1,000,000).
- 35          (b) The department of workforce development may not approve  
36          an application that is submitted under section 3 of this chapter for  
37          a taxable year that begins after December 31, 2024.
- 38          Sec. 5. (a) If the credit provided by this chapter exceeds the  
39          taxpayer's state tax liability for the taxable year for which the  
40          credit is first claimed, the excess may be carried forward to  
41          succeeding taxable years and used as a credit against the  
42          taxpayer's state tax liability during those taxable years. Each time



1 that the credit is carried forward to a succeeding taxable year, the  
 2 credit is to be reduced by the amount that was used as a credit  
 3 during the immediately preceding taxable year. The credit  
 4 provided by this chapter may be carried forward and applied to  
 5 succeeding taxable years for nine (9) consecutive taxable years  
 6 following the unused credit year.

7 (b) A taxpayer is not entitled to any carryback or refund of any  
 8 unused credit.

9 Sec. 6. If a pass through entity is entitled to a credit under  
 10 section 2 of this chapter but does not have state tax liability against  
 11 which the tax credit may be applied, a shareholder, partner, or  
 12 member of the pass through entity is entitled to a tax credit equal  
 13 to:

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

19 Sec. 7. To receive the credit provided by this chapter, a taxpayer  
 20 must claim the credit on the taxpayer's state tax return or returns  
 21 in the manner prescribed by the department. The department may  
 22 require the taxpayer to submit:

- 23 (1) the certification that was issued by the department of  
 24 workforce development for the taxable year;
- 25 (2) proof that any qualified employee for whom the taxpayer  
 26 is claiming the credit did in fact complete a credit validation  
 27 period that ended during the taxable year; and
- 28 (3) any other information that the department reasonably  
 29 requires to verify the taxpayer's eligibility to claim the credit.

30 Sec. 8. This chapter expires January 1, 2035.

31 SECTION 2. [EFFECTIVE JANUARY 1, 2020] (a) IC 6-3.1-35.2,  
 32 as added by this act, applies only to taxable years beginning after  
 33 December 31, 2019.

34 (b) This SECTION expires January 1, 2021.

