

# EY Payroll NewsFlash

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## Indiana law lowers personal income tax rates gradually starting in 2024; exemption for dependent children is modified retroactive to January 1, 2023

On May 4, 2023, Indiana Governor Eric Holcomb signed into law [HB 1001](#), which, starting in 2024, accelerates the personal income tax cuts passed in 2022 under [HB 1002](#) and eliminates the contingency of meeting state budget thresholds for those tax cuts to apply.

### Current law

HB 1002, enacted in 2022, lowered the personal income tax rate from 3.23% to 3.15% for tax years 2023 and 2024. For tax years beginning after December 31, 2024, additional reductions in the tax rate would have gradually applied if budget conditions were met until the rate potentially reached 2.9% by 2029. (See *EY Tax Alert* [2022-0497](#).)

For 2023, taxpayers could claim a \$1,500 exemption per year for each dependent child.

### New law under HB 1001

Under HB 1001, the personal income tax rates will decrease according to the schedule below. These rate cuts are not contingent on meeting state budget thresholds.

- Effective January 1, 2024: 3.05%
- Effective January 1, 2025: 3.00%
- Effective January 1, 2026: 2.95%
- Effective January 1, 2027: 2.90%

Effective retroactive to January 1, 2023, taxpayers may claim a \$3,000 exemption for each dependent child in the first year of eligibility for the exemption.

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