HOUSE BILL No. 1421

DIGEST OF INTRODUCED BILL

Citations Affected: IC 22-5-10.4.

Synopsis: Ban on employer use of automated decision systems. Prohibits an employer from: (1) relying exclusively on an automated decision system in making an employment related decision with respect to a covered individual; (2) using an automated decision system output in making an employment related decision with respect to a covered individual unless certain conditions are met; and (3) discriminating or retaliating against a covered individual for exercising rights under these provisions. Sets forth disclosure requirements for an employer that uses or intends to use an automated decision system output in making an employment related decision. Allows the department of labor to take certain enforcement actions. Allows a covered individual or labor organization to bring a civil action for a violation.

Effective: July 1, 2026.

Harris

January 8, 2026, read first time and referred to Committee on Employment, Labor and Pensions.

Introduced

Second Regular Session of the 124th General Assembly (2026)

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 2025 Regular Session of the General Assembly.

HOUSE BILL No. 1421

A BILL FOR AN ACT to amend the Indiana Code concerning labor and safety.

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

SECTION 1. IC 22-5-10.4 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:

Chapter 10.4. Use of Automated Decision System for Employment Related Decisions

Sec. 1. As used in this chapter, "automated decision system" means a system, software, or process, including a system, software, or process derived from machine learning, statistics, or other data processing or artificial intelligence techniques, that:

(1) uses computation, in whole or in part, to:

(A) determine outcomes;

(B) make or aid decisions, including through evaluations, metrics, or scoring;

(C) inform policy implementation; or

(D) collect data or observations; and

(2) is not passive computing infrastructure.

Sec. 2. As used in this chapter, "automated decision system

output" means any information, assumption, prediction, score, recommendation, decision, evaluation, metric, conclusion, inference, or profile generated by an automated decision system.

Sec. 3. As used in this chapter, "candidate", with respect to an employer, means an individual who applies or has applied to be employed by or otherwise perform work for remuneration for the employer.

Sec. 4. As used in this chapter, "covered individual", with respect to an employer, means an individual who is:

(1) employed by or otherwise performing work for remuneration for the employer; or

(2) a candidate with respect to the employer.

Sec. 5. As used in this chapter, "department" refers to the department of labor created by IC 22-1-1-1.

Sec. 6. As used in this chapter, "employ" has the meaning set forth in Section 203 of the federal Fair Labor Standards Act of 1938, as amended (29 U.S.C. 203).

Sec. 7. (a) As used in this chapter, "employer" means the following:

(1) A sole proprietor, corporation, partnership, limited liability company, or other entity that:

(A) employs; or

(B) otherwise engages for the performance of work for remuneration;

eleven (11) or more covered individuals.

(2) A state agency (as defined in IC 22-2-20-5).

(3) A political subdivision (as defined in IC 36-1-2-13).

(b) The term includes:

(1) any person who acts, directly or indirectly, in the interest of an employer in relation to any covered individual performing work for remuneration for the employer; and

(2) any successor in interest of an employer.

(c) The term does not include a labor organization (as defined in IC 22-6-6-5), other than when the labor organization acts as an employer, or anyone acting in the capacity of an officer or agent of the labor organization.

Sec. 8. As used in this chapter, "employment related decision" means a decision by an employer with regard to:

(1) hiring a covered individual, including any decision with regard to recruiting, screening, interviewing, or selecting a candidate;

(2) firing, retaining, taking a disciplinary action against,

demoting, or reassigning duties of a covered individual; or

(3) any other term, condition, or privilege of employment or work of the covered individual, such as a decision relating to pay, scheduling, health care or long term care coverage, benefits, work hours, or the promotion of a covered individual.

Sec. 9. (a) As used in this chapter, "passive computing infrastructure" means any intermediary technology that does not:

(1) influence or determine the outcome of a decision;

(2) make or aid in a decision, including through evaluations, metrics, or scoring;

(3) inform policy implementation; or

(4) collect data or observations.

(b) The term includes web hosting, domain registration, networking, caching, data storage, or cybersecurity.

Sec. 10. An employer may not:

(1) rely exclusively on an automated decision system in making an employment related decision with respect to a covered individual; and

(2) use an automated decision system output in making an employment related decision with respect to a covered individual unless:

(A) the automated decision system used to generate the automated decision system output has had predeployment testing and validation with respect to:

(i) the efficacy of the system;

(ii) the compliance of the system with applicable employment discrimination laws, including Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.), the Age Discrimination in Employment Act of 1967 (29 U.S.C. 621 et seq.), Title I of the Americans with Disabilities Act of 1990 (42 U.S.C. 12111 et seq.), Title II of the Genetic Information Nondiscrimination Act of 2008 (42 U.S.C. 2000ff et seq.), Section 6(d) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(d)), Sections 501 and 505 of the Rehabilitation Act of 1973 (29 U.S.C. 791 and 29 U.S.C. 793), and the Pregnant Workers Fairness Act (42 U.S.C. 2000gg);

(iii) the lack of any potential discriminatory impact of the system, including discriminatory impact based on race, color, religion, sex (including pregnancy, sexual orientation, or gender identity), national origin, age, or

disability, and genetic information (including family medical history); and

(iv) the compliance of the system with the Artificial Intelligence Risk Management Framework released by the National Institute of Standards and Technology on January 26, 2023, or a successor framework;

(B) the automated decision system is, not less than annually, independently tested for discriminatory impact described in clause (A)(iii) or potential biases and the results of the test are made publicly available;

(C) the employer has provided the disclosures required under section 11 of this chapter with respect to the use of the automated decision system output;

(D) the use is designed for purposes of making the employment related decision;

(E) the employer independently corroborates, via meaningful oversight by a human with appropriate and relevant experience, the automated decision system output;

(F) not later than seven (7) days after making the employment related decision, the employer provides full, accessible, and meaningful documentation in plain language and at no cost to the covered individual on the automated decision system output, including:

(i) a description of the automated decision system used to generate the automated decision system output;

(ii) a description and explanation, in plain language, of the input date to the automated decision system used to generate the automated decision system output and a machine readable copy of the data;

(iii) a description and explanation of how the automated decision system output was used in making the employment related decision; and

(iv) the reasoning for the use of the automated decision system output in the employment related decision; and

(G) the employer allows the covered individual to, after receiving the documentation described in clause (F):

(i) dispute, in a manner that is accessible, equitable, and does not pose an unreasonable burden on the covered individual, the automated decision system output to a human with appropriate and relevant experience; and

(ii) appeal the employment related decision to a human with appropriate and relevant experience who is not the

human for purposes of the corroboration under clause (E).

Sec. 11. (a) An employer that uses or intends to use an automated decision system output in making an employment related decision with respect to a covered individual shall, in accordance with subsections (b) and (c), disclose to the covered individual:

(1) that the employer uses or intends to use an automated decision system output in making an employment related decision;

(2) a description and explanation of the automated decision system used or intended to be used to generate the automated decision system output, including:

(A) the types of data collected or intended to be collected as inputs to the automated decision system and the circumstances of the collection;

(B) the characteristics that the automated decision system measures or is intended to measure, such as the knowledge, skills, or abilities of the covered individual;

(C) how the characteristics relate or would relate to any function required for the work or potential work of the covered individual;

(D) how the system measures or is intended to measure the characteristics; and

(E) how the covered individual can interpret the automated decision system output in plain language;

(3) the identity of the covered individual or entity that operates the automated decision system that provides the automated decision system output;

(4) how the employer uses or intends to use the automated decision system output in making the employment related decision; and

(5) how the covered individual may dispute or appeal an employment related decision made with respect to the covered individual using an automated decision system output.

(b) An employer shall provide the disclosures required by subsection (a) to a covered individual as follows:

(1) In the case of a covered individual who was hired on or before July 1, 2026, the disclosure must be provided to the covered individual not later than August 1, 2026.

(2) In the case of a covered individual who is hired after July 1, 2026, the disclosure must be provided to the covered

individual before hiring.

(c) Not later than thirty (30) days after:

(1) any information provided by an employer to a covered individual through a disclosure required by subsection (a) significantly changes; or

(2) any significant new information required to be provided in the disclosure becomes available;

the employer shall provide the covered individual with an updated disclosure.

Sec. 12. An employer that uses or intends to use an automated decision system output in making an employment related decision with respect to a covered individual shall train any individual or entity that operates the automated decision system or uses the automated decision system output on:

(1) the input information used by the automated decision system;

(2) the appeals process for the automated decision system output;

(3) potential biases in automated decision systems;

(4) any limitations of the automated decision system;

(5) any potential adverse effects to covered individuals due to the automated decision system;

(6) any potential adverse effects to covered individuals due to the automated decision system;

(7) any potential errors or problems related to the automated decision system; and

(8) examples of inappropriate uses of the automated decision system.

Sec. 13. An employer that manages a covered individual through an automated decision system shall allow the covered individual to:

(1) opt out of the management through the automated decision system; and

(2) be managed through a human manager who is able to make employment related decisions with respect to the covered individual.

Sec. 14. An employer may not discriminate or retaliate, including through intimidation, threats, coercion, or harassment, against any covered individual:

(1) for exercising or attempting to exercise any right provided under this chapter; or

(2) because the covered individual or another individual acting at the request of the covered individual has:

(A) filed a written or oral complaint to the employer or a federal, state, or local government entity of a violation of this chapter;

(B) sought assistance or intervention with respect to a worker privacy related concern from the employer, a federal, state, or local government, or a worker representative;

(C) instituted, caused to be instituted, or otherwise participated in any inquiry or proceeding under this chapter;

(D) given, or is about to give, any information in connection with any inquiry or proceeding relating to any right provided under this chapter; or

(E) testified, or is about to testify, in any inquiry or proceeding relating to any right provided under this chapter.

Sec. 15. (a) The department may do the following:

(1) Receive complaints regarding alleged violations of this chapter.

(2) Investigate any facts, conditions, practices, or matters as the department deems necessary or appropriate to determine whether an employer has violated this chapter.

(3) Require an employer to file with the department, on a form prescribed by the department, annual or special reports or answers in writing to specific questions relating to the use of an automated decision system for employment related decisions.

(b) If the department requires an employer to file a report or answers under subsection (a)(3), the employer shall file the report or answers in the manner and time period required by the department.

(c) An employer shall maintain, keep, preserve, and make available to the department records pertaining to compliance with this chapter.

Sec. 16. (a) Regardless of whether any action is taken by the department under section 15 of this chapter, a:

(1) covered individual; or

(2) labor organization;

that is adversely affected by an alleged violation of this chapter may bring a civil action against any person that violates this chapter.

(b) In a civil action brought under subsection (a) in which the

covered individual or labor organization prevails, the court may award any of the following to the covered individual or labor organization:

(1) Damages of:

(A) an amount equal to the sum of any actual damages sustained by the covered individual or labor organization; or

(B) not more than treble damages.

(2) Statutory damages described in subsection (d).

(3) Injunctive relief.

(4) Equitable relief.

(5) For a civil action regarding a violation of section 14 of this chapter, temporary relief while the case is pending, including reinstatement.

(c) In a civil action brought under subsection (a) in which the covered individual or labor organization prevails, the court shall award the covered individual or labor organization reasonable attorney's fees and costs.

(d) The court may, in accordance with subsection (b)(2) and subject to subsections (e) and (f), award statutory damages against a person in the following amounts:

(1) For each violation of sections 10 through 13 of this chapter, the court may award:

(A) damages of at least five thousand dollars ($5,000) and not more than twenty thousand dollars ($20,000); or

(B) for any willful or repeated violation by an employer, damages of at least ten thousand dollars ($10,000) and not more than forty thousand dollars ($40,000).

(2) For each violation of section 14 of this chapter, the court may award:

(A) damages of at least five thousand dollars ($5,000) and not more than fifty thousand dollars ($50,000); or

(B) for any willful or repeated violation, damages of at least ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000).

(e) In determining the amount of statutory damages assessed under subsection (d), the court shall consider any relevant circumstances presented by the parties to the action, including:

(1) the nature and seriousness of the violation;

(2) the number of violations;

(3) the persistence of the misconduct;

(4) the length of time over which the misconduct occurred;

(5) the willfulness of the misconduct; and

(6) the assets, liabilities, and net worth of the employer.

(f) The amounts referred to in subsection (d) must be increased annually, for fiscal year 2027 and every fiscal year thereafter, by the percent increase, if any, in the Consumer Price Index for All Urban Consumers for the most recent twelve (12) month period for which applicable data is available.

Sec. 17. (a) Before a covered individual or labor organization brings an action under section 16 of this chapter, the covered individual or labor organization shall, in writing, notify the department of the intent to commence the civil action.

(b) Upon receiving notice under subsection (a), the department shall, not later than sixty (60) days after receiving the notice:

(1) decide whether to intervene in the action; and

(2) notify the covered individual or labor organization of the department's decision under subdivision (1).

(c) If the department decides to intervene in an action, the court shall allow the department to do the following upon intervening:

(1) Be heard on all matters arising in the action.

(2) File petitions for appeal of a decision in the action.

Sec. 18. The department may adopt rules under IC 4-22-2 to implement this chapter.