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HOUSE BILL No. 1144

Proposed Changes to introduced printing by AM114401

DIGEST OF PROPOSED AMENDMENT

Tourism improvement districts. Excludes from inclusion within a tourism improvement district (district): (1) property that receives a homestead standard deduction; (2) property used for single family residential housing; and (3) property used for multi-unit residential housing. Requires the county, city, or town legislative body, at the public hearing on the establishment of a district, to hear from each individual business owner that wishes to make a request for exclusion from the district. Provides that a county, city, or town legislative body may adopt the ordinance establishing the district only if it determines that the petition has been signed by: (1) at least 50% of the owners of businesses within the proposed district; and (instead of or) (2) the owners of businesses within the proposed district that constitute more than 50% of the revenue to be collected from the special assessments.

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

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

1 SECTION 1. IC 36-7-42.5 IS ADDED TO THE INDIANA CODE
2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2026]:

4 **Chapter 42.5. Tourism Improvement Districts**

5 **Sec. 1. This chapter applies to all units except townships.**

6 **Sec. 2. As used in this chapter, "activities" means any**
7 **programs or services that promote business activity or tourism**
8 **activity and are provided to confer specific benefits upon the**
9 **businesses that are located in the tourism improvement district.**

10 **Sec. 3. As used in this chapter, "district" means a tourism**
11 **improvement district established by an ordinance adopted under**
12 **section 13 of this chapter.**

13 **Sec. 4. As used in this chapter, "district management**

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1 association" means a private nonprofit entity designated in the
 2 district plan that enters into a contract with a unit to administer
 3 and implement the district's activities and improvements.

4 Sec. 5. As used in this chapter, "district plan" means a
 5 proposal for a district that contains the information described in
 6 section 9(c) of this chapter.

7 Sec. 6. As used in this chapter, "improvements" means the
 8 acquisition, construction, installation, or maintenance of any
 9 tangible property in the district with an estimated useful life of five
 10 (5) years or more.

11 Sec. 7. As used in this chapter, "legislative body" has the
 12 meaning set forth in IC 36-1-2-9.

13 Sec. 8. As used in this chapter, "owner" refers to any person
 14 recognized by the unit as the owner of a business within the
 15 district, without regard to whether the person is the owner of the
 16 real property on which the business is located.

17 Sec. 9. (a) A person that intends to file a petition for the
 18 establishment of a district under this section must first provide
 19 written notice to the clerk (as defined in IC 36-1-2-4) in the case of
 20 a municipality, or the county auditor in the case of a county, of the
 21 person's intent before initiating the petition process.

22 (b) A petition for the establishment of a district may be filed
 23 with the clerk of the municipality or the county auditor not later
 24 than one hundred twenty (120) days after the date on which the
 25 notice of intent for the petition is filed with the clerk of the
 26 municipality or the county auditor under subsection (a). The
 27 petition shall include the name and legal status of the filing party
 28 and the district plan.

29 (c) The district plan shall include at least the following:

30 (1) The name of the proposed district.

31 (2) ~~☞~~[\[Subject to section 9.5 of this chapter, a\]](#) map of the
 32 proposed district, including a description of the boundaries
 33 of the district in a manner sufficient to identify the
 34 businesses included.

35 (3) The proposed source or sources of financing, including:

36 (A) the proposed method and basis of levying the special
 37 assessment in sufficient detail to allow each owner to
 38 calculate the amount of the special assessment that may
 39 be levied against the owner's business; and

40 (B) whether the district may issue bonds to finance
 41 improvements.

42 (4) A list of the businesses to be assessed and a statement of



1 the manner in which the expenses of a district using a
 2 method allowed under section 11 of this chapter will be
 3 imposed upon a benefited business in proportion to the
 4 benefit received by the business, including costs for operation
 5 and maintenance.

6 (5) For purposes of imposing the special assessment and
 7 determining the benefits of the district's activities and
 8 improvements, a classification of the types of businesses
 9 within the proposed district. The classification may include
 10 the following variations in the assessment formula:

- 11 (A) Square footage of the business.
- 12 (B) Number of employees.
- 13 (C) Geography.
- 14 (D) Gross sales.
- 15 (E) Other similar factors that reasonably relate to the
 16 benefit received.

17 (6) An estimate of the amount of revenue needed to
 18 accomplish or pay for the district's proposed activities and
 19 improvements.

20 (7) ~~leftrightarrow~~[Subject to section 9.5 of this chapter, a\]](#) statement
 21 identifying the district management association, including
 22 the district management association's board of directors and
 23 governance structure and any proposed rules or regulations
 24 that may be applicable to the district.

25 (8) A statement indicating where a complete copy of the
 26 district plan, whether in hard copy or electronic form, may
 27 be obtained or accessed.

28 (9) Any other item or matter required to be incorporated in
 29 the district plan by the unit's legislative body. The legislative
 30 body may require in the district plan that the boundaries of
 31 the district be drawn to:

- 32 (A) exclude businesses; or
- 33 (B) prevent overlap of the district with another district
 34 or area in which a special assessment is imposed.

35 Sec. [1. 9.5. Owners of the following property may not be](#)
 36 [included within the territory of a district and the owners of such](#)
 37 [property shall not be considered in determining whether the](#)
 38 [petition signature requirements under section 13 of this chapter](#)
 39 [are met:](#)

40 (1) [Any property that receives a homestead standard](#)
 41 [deduction under IC 6-1.1-12-37.](#)

42 (2) [Any property that is used for single family residential](#)



housing.

(3) Any property that is used for multi-unit residential housing.

In addition, the property described in this section shall not be subject to a special assessment under this chapter.

Sec. 10. ~~↳~~ [Subject to section 9.5 of this chapter, the] territory of a tourism improvement district:

(1) in the case of a municipality, may include only territory within the municipality; or

(2) in the case of a county, may include only territory of the county that is not within any municipality in the county.

Sec. 11. (a) A special assessment on businesses located within the district shall be levied on the basis of the estimated benefit to the businesses within the district. The unit's legislative body may use the classification of the types of businesses described in section 9(c)(5) of this chapter in determining the benefit to a business provided by the district.

(b) The special assessment that may be levied on businesses located within the district may take any form that confers benefits to the assessed business and may include any combination of the following methods:

(1) A percentage rate per transaction at a business within the district.

(2) A fixed rate per transaction per day at a business within the district.

(3) A percentage of gross sales at a business within the district.

(c) The special assessment may be levied on different types of businesses located within the district and is not required to be levied on the same basis or at the same rate.

Sec. 12. (a) After receipt of a petition under section 9 of this chapter, the clerk of the municipality or the county auditor shall, in the manner provided by IC 5-3-1, publish notice of a hearing on the proposed district. The clerk of the municipality or the county auditor shall mail a copy of the notice to each owner within the proposed district. The notice must include the boundaries of the proposed district, a description of the proposed activities and improvements, the proposed formula for determining the percentage of the total benefit to be received by each business, the method of determining the benefit received by each business, and the hearing date. The date of the hearing may not be more than sixty (60) days after the date on which the notice is mailed.

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(b) At the public hearing under subsection (a), the legislative body shall hear all owners in the proposed district (who appear and request to be heard) upon the questions of:

- (1) the sufficiency of the notice;
- (2) whether the proposed activities and improvements are of public utility and benefit;
- (3) whether the formula or method to be used for the assessment of special benefits is appropriate; **<and>**
- (4) whether the district contains all, or more or less than all, of the territory specially benefited by the activities and improvements **<⇒; and>**

(5) whether each individual business owner:

(A) that did not sign to approve the petition; and
(B) would be subject to the assessment of the district
that has otherwise reached the approval threshold;
hes to make a request for exclusion from the district, to
approved or denied by the legislative body before the final
stage of the ordinance establishing the district.

1 Sec. 13. (a) After conducting a hearing on the proposed
district, the legislative body may adopt an ordinance establishing
the district if it determines that:

- (1) the petition meets the requirements of this section and sections 9 through 11 of this chapter;
- (2) the activities and improvements to be undertaken in the district will provide special benefits to businesses in the district and will be of public utility and benefit;
- (3) the benefits provided by the activities and improvements will be new benefits that do not replace benefits existing before the establishment of the district; and
- (4) the formula or method to be used for the assessment of special benefits is appropriate.

(b) The legislative body may adopt the ordinance only if it determines that the petition has been signed by:

- (1) at least fifty percent (50%) of the owners of businesses within the proposed district; ~~or~~ and
- (2) the owners of businesses within the proposed district that constitute more than fifty percent (50%) of the revenue to be collected from the special assessments.

(c) The ordinance shall:

- (1) incorporate the information set forth in the district plan;
- (2) specify the time and manner in which special assessments levied under this chapter are to be collected and paid to the



For purposes of subdivision (2), the collection of special assessments under this chapter may occur at the same time and in the same manner as for an innkeeper's tax under IC 6-9, including the application of any enforcement mechanisms and interest and penalty attributable to innkeeper's taxes under IC 6-9-29.

15 **Sec. 14. (a) The unit's fiscal officer shall establish a special**
16 **fund, known as the tourism improvement fund, and shall deposit**
17 **in the tourism improvement fund all special assessments received**
18 **under this chapter and any other amounts received by the fiscal**
19 **officer.**

(b) The unit's fiscal officer may transfer money in the tourism improvement fund to the district management association to be used only for the purposes specified in the ordinance establishing the district. Any bonds issued under this chapter are payable solely from special assessments deposited in the tourism improvement fund and other revenues of the district.

26 (c) Any money earned from investment of money in the
27 tourism improvement fund becomes a part of the tourism
28 improvement fund.

29 Sec. 15. (a) The unit shall contract with the district
30 management association designated in the district plan to
31 administer and implement the district's activities and
32 improvements.

(b) The district management association may be either an existing nonprofit corporation or a newly formed nonprofit corporation. If the district management association is a new nonprofit corporation created to manage the district, the certificate of incorporation or bylaws of the district management association shall provide for voting representation of owners within the district. If the district management association is an existing nonprofit corporation, the existing nonprofit corporation may create a committee of district owners or owners' representatives.

42 (c) The district management association may make

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1 recommendations to the unit's legislative body with respect to any
 2 matter involving or relating to the district.

3 (d) The unit's legislative body, for any consideration that it
 4 considers appropriate, may license or grant to the district
 5 management association the right to undertake or permit
 6 commercial activities or other private uses of the streets or other
 7 parts of the district in which the unit has any real property
 8 interest.

9 Sec. 16. (a) A district may issue bonds to provide
 10 improvements. The term of any bonds issued may not exceed ten
 11 (10) years. If a district is renewed under section 17 of this chapter,
 12 the term of any bonds issued may not exceed ten (10) years from
 13 the date of renewal.

14 (b) Bonds issued under this chapter do not constitute an
 15 indebtedness of the unit within the meaning of a constitutional or
 16 statutory debt limitation.

17 Sec. 17. (a) The initial term for a district shall be at least three
 18 (3) years and not more than ten (10) years.

19 (b) A district may be renewed for one (1) additional period of
 20 not more than ten (10) years by following the procedures for the
 21 initial establishment of a district as set forth in sections 9 through
 22 13 of this chapter.

23 (c) If a district is renewed, any remaining revenues derived
 24 from the levy of a special assessment, or any revenues derived from
 25 the sale of assets acquired with the revenues, shall be transferred
 26 to the renewed district. The following apply to the transfer of any
 27 remaining revenues of a renewed district:

28 (1) If the renewed district includes a business not included in
 29 the prior district, the remaining revenues shall be spent to
 30 benefit only the business in the prior district.

31 (2) If the renewed district does not include a business
 32 included in the prior district, the remaining revenues
 33 attributable to the parcel shall be refunded to the owners of
 34 the business by applying the method the district used under
 35 section 11 of this chapter to calculate the special assessment
 36 before the renewal.

37 (d) The boundaries, special assessments, improvements, or
 38 activities of a renewed district are not required to be the same as
 39 the original or prior district.

40 Sec. 18. An ordinance adopted under section 13 of this chapter
 41 may be amended if notice of the proposed amendment is published
 42 and mailed in the manner provided by section 12 of this chapter.

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1 However, if an amendment proposes to:

2 (1) levy a new or increased special assessment;
 3 (2) change the district's boundaries; or
 4 (3) issue a new bond;

5 the unit's legislative body shall require compliance with the
 6 procedures set forth in sections 9 through 13 of this chapter before
 7 amending the ordinance.

8 **Sec. 19. (a) During the operation of the district, there shall be**
 9 **a thirty (30) day period, beginning one (1) year after the date of the**
 10 **district's establishment and in each year thereafter, in which the**
 11 **owners may request dissolution of the district in accordance with**
 12 **this section.**

13 **(b) After a public hearing before the unit's legislative body, the**
 14 **legislative body may dissolve a district by ordinance in either of the**
 15 **following circumstances:**

16 (1) If the legislative body finds there has been
 17 misappropriation of funds, malfeasance, or a violation of law
 18 in connection with the management of the district.
 19 (2) At any time during the annual thirty (30) day period
 20 described in subsection (a).

21 **(c) Upon the written petitions of the owners or authorized**
 22 **representatives of businesses in the district that pay fifty percent**
 23 **(50%) or more of the special assessments levied, the unit's**
 24 **legislative body shall pass a resolution of intention to dissolve the**
 25 **district.**

26 **(d) The unit's legislative body shall first adopt a resolution of**
 27 **intention to dissolve the district before the public hearing to**
 28 **dissolve a district under this section. The resolution of intention**
 29 **must include each of the following items:**

30 (1) The reason for the dissolution.
 31 (2) The time and place of the public hearing.
 32 (3) A proposal to dispose of any assets acquired with the
 33 revenues of the special assessments levied within the district.

34 The notice of the hearing on the resolution of intent to dissolve the
 35 district shall be published in the manner provided by IC 5-3-1 and
 36 must also be given by mail to the owner of each business subject to
 37 a special assessment in the district. The legislative body shall
 38 conduct the public hearing on the resolution of intention to dissolve
 39 the district not later than thirty (30) days after the date the notice
 40 is mailed to the assessed owners.

41 **(e) The public hearing to dissolve the district shall be held not**
 42 **more than sixty (60) days after the date of the adoption of the**



1 resolution of intention.

2 (f) A dissolution of a district under this section has the effect
 3 of repealing the ordinance adopted under section 13 of this chapter
 4 that established the district.

5 Sec. 20. (a) The district management association shall submit
 6 an annual report to the legislative body and the fiscal body before
 7 January 1 of each year, beginning in the year after the first year of
 8 the district's establishment.

9 (b) The report shall contain the following information:

10 (1) The use of revenue collected from special assessments
 11 levied under this chapter for that year.

12 (2) The activities and improvements to be provided for the
 13 ensuing year and an estimate of the cost of providing the
 14 activities and improvements for the ensuing year.

15 (3) The estimated amount of any surplus or deficit revenues
 16 to be carried over from the prior year.

17 Sec. 21. (a) Upon the dissolution or expiration without renewal
 18 of a district, any remaining revenues, after all outstanding debts
 19 are paid, derived from the:

20 (1) levy of special assessments; or

21 (2) sale of assets acquired with the revenues of the district or
 22 from bond reserve funds or construction funds;

23 shall be refunded to the owners located within the district on or
 24 before the date of the district's dissolution or expiration without
 25 renewal.

26 (b) The amount of the refund provided under subsection (a) to
 27 an owner shall be determined by applying the method the district
 28 used under section 11 of this chapter to calculate the special
 29 assessment in the year:

30 (1) in which the district was dissolved or allowed to expire
 31 without renewal; or

32 (2) before the district was dissolved or allowed to expire
 33 without renewal if a special assessment had not been levied.

34 However, in lieu of providing a refund, the unit's legislative body
 35 may instead elect to spend any remaining revenues on activities
 36 and improvements specified in the ordinance that established the
 37 district before its dissolution or expiration without renewal.

38 (c) Any liabilities incurred by the district are not an obligation
 39 of the unit and are payable solely from the collection of special
 40 assessments deposited in the special fund under section 14 of this
 41 chapter and other revenues of the district.

42 Sec. 22. Notwithstanding any other provision of this chapter,



1 **special assessments levied to pay the principal and interest on any**
2 **bonds issued under this chapter may not be reduced or terminated**
3 **if doing so would interfere with the timely retirement of the debt.**[\[1\]](#)

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