

HOUSE BILL No. 1177

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-39.5; IC 36-7-14-39; IC 36-7-15.1-26.

Synopsis: Child care assistance. Increases the maximum number of individuals an entity may employ to be eligible for the employer child care expenditure income tax credit. Provides that costs incurred: (1) for the operating costs of a child care facility operated for a taxpayer's employees; or (2) under a contract with a child care facility to provide child care services to employees of the taxpayer, or under a contract with an intermediate entity that contracts with one or more child care facilities for child care services; are qualified expenditures for purposes of the employer child care expenditure income tax credit. Allows a redevelopment commission to use revenue collected in a tax increment financing district to expend money or provide financial assistance to entities for the purpose of encouraging or incentivizing the construction or expansion of child care facilities.

Effective: January 1, 2026 (retroactive); July 1, 2026; July 1, 2027.

Cash, Patterson

January 5, 2026, read first time and referred to Committee on Ways and Means.



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. 1177

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 6-3.1-39.5-1, AS ADDED BY P.L.201-2023,
2 SECTION 103, IS AMENDED TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 1. As used
4 in this chapter, "Indiana qualified child care facility" means a facility
5 that is:

6 (1) a qualified child care facility (as defined in Section 45F of the
7 Internal Revenue Code);
8 (2) located in Indiana; **and**
9 (3) licensed by the division of family resources under IC 12-17.2.
10 **and**
11 **(4) operated:**

12 (A) by a taxpayer;
13 (B) by a taxpayer jointly with one (1) or more other individuals
14 or entities; or
15 (C) under a contract described in Section 45F(c)(1)(A)(iii) of
16 the Internal Revenue Code with the taxpayer.

17 SECTION 2. IC 6-3.1-39.5-3, AS ADDED BY P.L.201-2023,



1 SECTION 103, IS AMENDED TO READ AS FOLLOWS
2 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 3. As used
3 in this chapter, "qualified child care expenditure" means an
4 expenditure:

5 (1) for the acquisition, construction, rehabilitation, or expansion
6 of property used as part of an Indiana qualified child care facility
7 of a taxpayer that is operated for the taxpayer's employees;
8 (2) incurred under a contract between a taxpayer and an Indiana
9 qualified child care facility to provide for the **operating costs**,
10 acquisition, construction, rehabilitation, or expansion of property
11 used as part of the Indiana qualified child care facility; **or**
12 (3) for purposes of complying with the qualified child care facility
13 licensure requirements under IC 12-17.2, as part of the taxpayer
14 acquiring or constructing an Indiana qualified child care facility;
15 (4) incurred for the **operating costs of an Indiana qualified child care facility of a taxpayer that is operated for the taxpayer's employees, including costs related to training of employees, to scholarship programs, and to provide increased compensation to employees with higher levels of child care training**;
16 (5) under a contract with an Indiana qualified child care facility to provide child care services to employees of the taxpayer, or under a contract with an intermediate entity that contracts with one (1) or more Indiana qualified child care facilities for child care services; or
17 (6) under a contract to provide child care resources and
18 referral services to an employee of the taxpayer.

21 SECTION 3. IC 6-3.1-39.5-5 IS REPEALED [EFFECTIVE
22 JANUARY 1, 2026 (RETROACTIVE)]. Sec. 5. As used in this
23 chapter, "recapture event" means:

24 (1) the cessation of the operation of the Indiana qualified child
25 care facility as an Indiana qualified child care facility;
26 (2) subject to section 12(e) of this chapter, a change in ownership
27 of an Indiana qualified child care facility for which a credit was
28 allowed under this chapter, unless the person acquiring an interest
29 agrees to assume the recapture liability of the person disposing of
30 an interest; or
31 (3) the use of an Indiana qualified child care facility for the
32 enrollment of a child from any individual who is not an employee
33 of the taxpayer.

34 The term does not include a cessation of operation or change in
35 ownership due to accident or casualty.



1 SECTION 4. IC 6-3.1-39.5-7, AS ADDED BY P.L.201-2023,
2 SECTION 103, IS AMENDED TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 7. As used
4 in this chapter, "taxpayer" means any person, corporation, limited
5 liability company, partnership, or other entity that has any state tax
6 liability and employs ~~one hundred (100)~~ **five hundred (500)**
7 individuals or less. The term includes a pass through entity. However,
8 the term does not include a taxpayer who is in the business of operating
9 a child care facility prior to making qualified expenditures.

10 SECTION 5. IC 6-3.1-39.5-12 IS REPEALED [EFFECTIVE
11 JANUARY 1, 2026 (RETROACTIVE)]. Sec. 12. (a) If a recapture
12 event occurs with respect to an Indiana qualified child care facility
13 within five (5) years after the end of the taxable year in which a credit
14 was allowed, the taxpayer is responsible for payment to the department
15 of a recapture amount. The recapture amount is equal to the following:

16 (1) One hundred percent (100%) of the credit after the end of the
17 first taxable year in which the credit was allowed.
18 (2) Eighty percent (80%) of the credit after the end of the second
19 taxable year in which the credit was allowed.
20 (3) Sixty percent (60%) of the credit after the end of the third
21 taxable year in which the credit was allowed.
22 (4) Forty percent (40%) of the credit after the end of the fourth
23 taxable year in which the credit was allowed.
24 (5) Twenty percent (20%) of the credit after the end of the fifth
25 taxable year in which the credit was allowed.

26 (b) Any recapture tax liability must be reported by the taxpayer on
27 the taxpayer's annual state income tax return for the taxable year during
28 which the use was converted.

29 (c) A recapture event is not considered to have occurred as a result
30 of a change in ownership of an Indiana qualified child care facility for
31 which a credit was allowed under this chapter if, before the change in
32 ownership transaction is completed, the person acquiring an interest in
33 the facility agrees in writing to assume the liability of the taxpayer for
34 any recapture amount that becomes owed. In the event of such an
35 assumption, the person acquiring the interest in the facility shall be
36 treated as the taxpayer for purposes of assessing any recapture liability
37 that becomes owed due to a subsequent recapture event, computed as
38 if there had been no change in ownership, and is responsible for
39 payment to the department of the recapture amount.

40 SECTION 6. IC 36-7-14-39, AS AMENDED BY P.L.181-2025,
41 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
42 JULY 1, 2026]: Sec. 39. (a) As used in this section:



1 "Allocation area" means that part of a redevelopment project area
2 to which an allocation provision of a declaratory resolution adopted
3 under section 15 of this chapter refers for purposes of distribution and
4 allocation of property taxes.

5 "Base assessed value" means, subject to subsection (j), the
6 following:

7 (1) If an allocation provision is adopted after June 30, 1995, in a
8 declaratory resolution or an amendment to a declaratory
9 resolution establishing an economic development area:

10 (A) the net assessed value of all the property as finally
11 determined for the assessment date immediately preceding the
12 effective date of the allocation provision of the declaratory
13 resolution, as adjusted under subsection (h); plus

14 (B) to the extent that it is not included in clause (A), the net
15 assessed value of property that is assessed as residential
16 property under the rules of the department of local government
17 finance, within the allocation area, as finally determined for
18 the current assessment date.

19 (2) If an allocation provision is adopted after June 30, 1997, in a
20 declaratory resolution or an amendment to a declaratory
21 resolution establishing a redevelopment project area:

22 (A) the net assessed value of all the property as finally
23 determined for the assessment date immediately preceding the
24 effective date of the allocation provision of the declaratory
25 resolution, as adjusted under subsection (h); plus

26 (B) to the extent that it is not included in clause (A), the net
27 assessed value of property that is assessed as residential
28 property under the rules of the department of local government
29 finance, as finally determined for the current assessment date.

30 (3) If:

31 (A) an allocation provision adopted before June 30, 1995, in
32 a declaratory resolution or an amendment to a declaratory
33 resolution establishing a redevelopment project area expires
34 after June 30, 1997; and

35 (B) after June 30, 1997, a new allocation provision is included
36 in an amendment to the declaratory resolution;

37 the net assessed value of all the property as finally determined for
38 the assessment date immediately preceding the effective date of
39 the allocation provision adopted after June 30, 1997, as adjusted
40 under subsection (h).

41 (4) Except as provided in subdivision (5), for all other allocation
42 areas, the net assessed value of all the property as finally



1 determined for the assessment date immediately preceding the
2 effective date of the allocation provision of the declaratory
3 resolution, as adjusted under subsection (h).

4 (5) If an allocation area established in an economic development
5 area before July 1, 1995, is expanded after June 30, 1995, the
6 definition in subdivision (1) applies to the expanded part of the
7 area added after June 30, 1995.

8 (6) If an allocation area established in a redevelopment project
9 area before July 1, 1997, is expanded after June 30, 1997, the
10 definition in subdivision (2) applies to the expanded part of the
11 area added after June 30, 1997.

12 Except as provided in section 39.3 of this chapter, "property taxes"
13 means taxes imposed under IC 6-1.1 on real property. However, upon
14 approval by a resolution of the redevelopment commission adopted
15 before June 1, 1987, "property taxes" also includes taxes imposed
16 under IC 6-1.1 on depreciable personal property. If a redevelopment
17 commission adopted before June 1, 1987, a resolution to include within
18 the definition of property taxes, taxes imposed under IC 6-1.1 on
19 depreciable personal property that has a useful life in excess of eight
20 (8) years, the commission may by resolution determine the percentage
21 of taxes imposed under IC 6-1.1 on all depreciable personal property
22 that will be included within the definition of property taxes. However,
23 the percentage included must not exceed twenty-five percent (25%) of
24 the taxes imposed under IC 6-1.1 on all depreciable personal property.

25 (b) A declaratory resolution adopted under section 15 of this chapter
26 on or before the allocation deadline determined under subsection (i)
27 may include a provision with respect to the allocation and distribution
28 of property taxes for the purposes and in the manner provided in this
29 section. A declaratory resolution previously adopted may include an
30 allocation provision by the amendment of that declaratory resolution on
31 or before the allocation deadline determined under subsection (i) in
32 accordance with the procedures required for its original adoption. A
33 declaratory resolution or amendment that establishes an allocation
34 provision must include a specific finding of fact, supported by
35 evidence, that the adoption of the allocation provision will result in
36 new property taxes in the area that would not have been generated but
37 for the adoption of the allocation provision. For an allocation area
38 established before July 1, 1995, the expiration date of any allocation
39 provisions for the allocation area is June 30, 2025, or the last date of
40 any obligations that are outstanding on July 1, 2015, whichever is later.
41 A declaratory resolution or an amendment that establishes an allocation
42 provision after June 30, 1995, must specify an expiration date for the



1 allocation provision. For an allocation area established before July 1,
2 2008, the expiration date may not be more than thirty (30) years after
3 the date on which the allocation provision is established. For an
4 allocation area established after June 30, 2008, the expiration date may
5 not be more than twenty-five (25) years after the date on which the first
6 obligation was incurred to pay principal and interest on bonds or lease
7 rentals on leases payable from tax increment revenues. However, with
8 respect to bonds or other obligations that were issued before July 1,
9 2008, if any of the bonds or other obligations that were scheduled when
10 issued to mature before the specified expiration date and that are
11 payable only from allocated tax proceeds with respect to the allocation
12 area remain outstanding as of the expiration date, the allocation
13 provision does not expire until all of the bonds or other obligations are
14 no longer outstanding. Notwithstanding any other law, in the case of an
15 allocation area that is established after June 30, 2019, and that is
16 located in a redevelopment project area described in section
17 25.1(c)(3)(C) of this chapter, an economic development area described
18 in section 25.1(c)(3)(C) of this chapter, or an urban renewal project
19 area described in section 25.1(c)(3)(C) of this chapter, the expiration
20 date of the allocation provision may not be more than thirty-five (35)
21 years after the date on which the allocation provision is established.
22 The allocation provision may apply to all or part of the redevelopment
23 project area. The allocation provision must require that any property
24 taxes subsequently levied by or for the benefit of any public body
25 entitled to a distribution of property taxes on taxable property in the
26 allocation area be allocated and distributed as follows:

27 (1) Except as otherwise provided in this section, the proceeds of
28 the taxes attributable to the lesser of:

29 (A) the assessed value of the property for the assessment date
30 with respect to which the allocation and distribution is made;
31 or

32 (B) the base assessed value;
33 shall be allocated to and, when collected, paid into the funds of
34 the respective taxing units.

35 (2) This subdivision applies to a fire protection territory
36 established after December 31, 2022. If a unit becomes a
37 participating unit of a fire protection territory that is established
38 after a declaratory resolution is adopted under section 15 of this
39 chapter, the excess of the proceeds of the property taxes
40 attributable to an increase in the property tax rate for the
41 participating unit of a fire protection territory:

42 (A) except as otherwise provided by this subdivision, shall be



1 determined as follows:

STEP ONE: Divide the unit's tax rate for fire protection for the year before the establishment of the fire protection territory by the participating unit's tax rate as part of the fire protection territory.

STEP TWO: Subtract the STEP ONE amount from one (1).

STEP THREE: Multiply the STEP TWO amount by the allocated property tax attributable to the participating unit of the fire protection territory; and

10 (B) to the extent not otherwise included in subdivisions (1)
11 and (3), the amount determined under STEP THREE of clause
12 (A) shall be allocated to and distributed in the form of an
13 allocated property tax revenue pass back to the participating
14 unit of the fire protection territory for the assessment date with
15 respect to which the allocation is made.

16 However, if the redevelopment commission determines that it is
17 unable to meet its debt service obligations with regards to the
18 allocation area without all or part of the allocated property tax
19 revenue pass back to the participating unit of a fire protection area
20 under this subdivision, then the allocated property tax revenue
21 pass back under this subdivision shall be reduced by the amount
22 necessary for the redevelopment commission to meet its debt
23 service obligations of the allocation area. The calculation under
24 this subdivision must be made by the redevelopment commission
25 in collaboration with the county auditor and the applicable fire
26 protection territory. Any calculation determined according to
27 clause (A) must be submitted to the department of local
28 government finance in the manner prescribed by the department
29 of local government finance. The department of local government
30 finance shall verify the accuracy of each calculation.

31 (3) The excess of the proceeds of the property taxes imposed for
32 the assessment date with respect to which the allocation and
33 distribution is made that are attributable to taxes imposed after
34 being approved by the voters in a referendum or local public
35 question conducted after April 30, 2010, not otherwise included
36 in subdivisions (1) and (2) shall be allocated to and, when
37 collected, paid into the funds of the taxing unit for which the
38 referendum or local public question was conducted.

39 (4) Except as otherwise provided in this section, property tax
40 proceeds in excess of those described in subdivisions (1), (2), and
41 (3) shall be allocated to the redevelopment district and, when
42 collected, paid into an allocation fund for that allocation area that



1 may be used by the redevelopment district only to do one (1) or
2 more of the following:

3 (A) Pay the principal of and interest on any obligations
4 payable solely from allocated tax proceeds which are incurred
5 by the redevelopment district for the purpose of financing or
6 refinancing the redevelopment of that allocation area.
7 (B) Establish, augment, or restore the debt service reserve for
8 bonds payable solely or in part from allocated tax proceeds in
9 that allocation area.
10 (C) Pay the principal of and interest on bonds payable from
11 allocated tax proceeds in that allocation area and from the
12 special tax levied under section 27 of this chapter.
13 (D) Pay the principal of and interest on bonds issued by the
14 unit to pay for local public improvements that are physically
15 located in or physically connected to that allocation area.
16 (E) Pay premiums on the redemption before maturity of bonds
17 payable solely or in part from allocated tax proceeds in that
18 allocation area.
19 (F) Make payments on leases payable from allocated tax
20 proceeds in that allocation area under section 25.2 of this
21 chapter.
22 (G) Reimburse the unit for expenditures made by it for local
23 public improvements (which include buildings, parking
24 facilities, and other items described in section 25.1(a) of this
25 chapter) that are physically located in or physically connected
26 to that allocation area.
27 (H) Reimburse the unit for rentals paid by it for a building or
28 parking facility that is physically located in or physically
29 connected to that allocation area under any lease entered into
30 under IC 36-1-10.
31 (I) For property taxes first due and payable before January 1,
32 2009, pay all or a part of a property tax replacement credit to
33 taxpayers in an allocation area as determined by the
34 redevelopment commission. This credit equals the amount
35 determined under the following STEPS for each taxpayer in a
36 taxing district (as defined in IC 6-1.1-1-20) that contains all or
37 part of the allocation area:
38 STEP ONE: Determine that part of the sum of the amounts
39 under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2),
40 IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and
41 IC 6-1.1-21-2(g)(5) (before their repeal) that is attributable to
42 the taxing district.



1 STEP TWO: Divide:

2 (i) that part of each county's eligible property tax

3 replacement amount (as defined in IC 6-1.1-21-2 (before its

4 repeal)) for that year as determined under IC 6-1.1-21-4

5 (before its repeal) that is attributable to the taxing district;

6 by

7 (ii) the STEP ONE sum.

8 STEP THREE: Multiply:

9 (i) the STEP TWO quotient; times

10 (ii) the total amount of the taxpayer's taxes (as defined in

11 IC 6-1.1-21-2 (before its repeal)) levied in the taxing district

12 that have been allocated during that year to an allocation

13 fund under this section.

14 If not all the taxpayers in an allocation area receive the credit

15 in full, each taxpayer in the allocation area is entitled to

16 receive the same proportion of the credit. A taxpayer may not

17 receive a credit under this section and a credit under section

18 39.5 of this chapter (before its repeal) in the same year.

19 (J) Pay expenses incurred by the redevelopment commission

20 for local public improvements that are in the allocation area or

21 serving the allocation area. Public improvements include

22 buildings, parking facilities, and other items described in

23 section 25.1(a) of this chapter.

24 (K) Reimburse public and private entities for expenses

25 incurred in training employees of industrial facilities that are

26 located:

27 (i) in the allocation area; and

28 (ii) on a parcel of real property that has been classified as

29 industrial property under the rules of the department of local

30 government finance.

31 However, the total amount of money spent for this purpose in

32 any year may not exceed the total amount of money in the

33 allocation fund that is attributable to property taxes paid by the

34 industrial facilities described in this clause. The

35 reimbursements under this clause must be made within three

36 (3) years after the date on which the investments that are the

37 basis for the increment financing are made.

38 (L) Pay the costs of carrying out an eligible efficiency project

39 (as defined in IC 36-9-41-1.5) within the unit that established

40 the redevelopment commission. However, property tax

41 proceeds may be used under this clause to pay the costs of

42 carrying out an eligible efficiency project only if those



1 property tax proceeds exceed the amount necessary to do the
 2 following:

3 (i) Make, when due, any payments required under clauses
 4 (A) through (K), including any payments of principal and
 5 interest on bonds and other obligations payable under this
 6 subdivision, any payments of premiums under this
 7 subdivision on the redemption before maturity of bonds, and
 8 any payments on leases payable under this subdivision.

9 (ii) Make any reimbursements required under this
 10 subdivision.

11 (iii) Pay any expenses required under this subdivision.

12 (iv) Establish, augment, or restore any debt service reserve
 13 under this subdivision.

14 (M) Expend money and provide financial assistance as
 15 authorized in section 12.2(a)(27) of this chapter.

16 (N) Expend revenues that are allocated for police and fire
 17 services on both capital expenditures and operating expenses
 18 as authorized in section 12.2(a)(28) of this chapter.

19 (O) **Expend money or provide financial assistance
 20 (including grants and loans) to entities for the purpose of
 21 encouraging or incentivizing the construction, expansion,
 22 or ongoing operation of child care facilities that are in the
 23 allocation area or serving the allocation area.**

24 The allocation fund may not be used for operating expenses of the
 25 commission.

26 (5) Except as provided in subsection (g), before June 15 of each
 27 year, the commission shall do the following:

28 (A) Determine the amount, if any, by which the assessed value
 29 of the taxable property in the allocation area for the most
 30 recent assessment date minus the base assessed value, when
 31 multiplied by the estimated tax rate of the allocation area, will
 32 exceed the amount of assessed value needed to produce the
 33 property taxes necessary to make, when due, principal and
 34 interest payments on bonds described in subdivision (4), plus
 35 the amount necessary for other purposes described in
 36 subdivision (4).

37 (B) Provide a written notice to the county auditor, the fiscal
 38 body of the county or municipality that established the
 39 department of redevelopment, and the officers who are
 40 authorized to fix budgets, tax rates, and tax levies under
 41 IC 6-1.1-17-5 for each of the other taxing units that is wholly
 42 or partly located within the allocation area. The county auditor,



upon receiving the notice, shall forward this notice (in an electronic format) to the department of local government finance not later than June 15 of each year. The notice must:

(i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or

(ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (4) or lessors under section 25.3 of this chapter.

(C) If:

- (i) the amount of excess assessed value determined by the commission is expected to generate more than two hundred percent (200%) of the amount of allocated tax proceeds necessary to make, when due, principal and interest payments on bonds described in subdivision (4); plus
- (ii) the amount necessary for other purposes described in subdivision (4);

the commission shall submit to the legislative body of the unit its determination of the excess assessed value that the commission proposes to allocate to the respective taxing units in the manner prescribed in subdivision (1). The legislative body of the unit may approve the commission's determination or modify the amount of the excess assessed value that will be allocated to the respective taxing units in the manner prescribed in subdivision (1).

(6) Notwithstanding subdivision (5), in the case of an allocation area that is established after June 30, 2019, and that is located in a redevelopment project area described in section 25.1(c)(3)(C) of this chapter, an economic development area described in section 25.1(c)(3)(C) of this chapter, or an urban renewal project area described in section 25.1(c)(3)(C) of this chapter, for each year the allocation provision is in effect, if the amount of excess assessed value determined by the commission under subdivision (5)(A) is expected to generate more than two hundred percent



1 (200%) of:

(A) the amount of allocated tax proceeds necessary to make, when due, principal and interest payments on bonds described in subdivision (4) for the project; plus

(B) the amount necessary for other purposes described in subdivision (4) for the project;

the amount of the excess assessed value that generates more than two hundred percent (200%) of the amounts described in clauses (A) and (B) shall be allocated to the respective taxing units in the manner prescribed by subdivision (1).

11 (c) For the purpose of allocating taxes levied by or for any taxing
12 unit or units, the assessed value of taxable property in a territory in the
13 allocation area that is annexed by any taxing unit after the effective
14 date of the allocation provision of the declaratory resolution is the
15 lesser of:

16 (1) the assessed value of the property for the assessment date with
17 respect to which the allocation and distribution is made; or
18 (2) the base assessed value.

(e) Notwithstanding any other law, each assessor shall, upon petition of the redevelopment commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

27 (f) Notwithstanding any other law, the assessed value of all taxable
28 property in the allocation area, for purposes of tax limitation, property
29 tax replacement, and formulation of the budget, tax rate, and tax levy
30 for each political subdivision in which the property is located is the
31 lesser of:

32 (1) the assessed value of the property as valued without regard to
33 this section; or
34 (2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 5-28-15, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(4) shall establish an allocation fund for the purposes specified in subsection (b)(4) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund any amount in the allocation fund derived



1 from property tax proceeds in excess of those described in subsection
2 (b)(1), (b)(2), and (b)(3) from property located in the enterprise zone
3 that exceeds the amount sufficient for the purposes specified in
4 subsection (b)(4) for the year. The amount sufficient for purposes
5 specified in subsection (b)(4) for the year shall be determined based on
6 the pro rata portion of such current property tax proceeds from the part
7 of the enterprise zone that is within the allocation area as compared to
8 all such current property tax proceeds derived from the allocation area.
9 A unit that has no obligations, bonds, or leases payable from allocated
10 tax proceeds under subsection (b)(4) shall establish a special zone fund
11 and deposit all the property tax proceeds in excess of those described
12 in subsection (b)(1), (b)(2), and (b)(3) in the fund derived from
13 property tax proceeds in excess of those described in subsection (b)(1),
14 (b)(2), and (b)(3) from property located in the enterprise zone. The unit
15 that creates the special zone fund shall use the fund (based on the
16 recommendations of the urban enterprise association) for programs in
17 job training, job enrichment, and basic skill development that are
18 designed to benefit residents and employers in the enterprise zone or
19 other purposes specified in subsection (b)(4), except that where
20 reference is made in subsection (b)(4) to allocation area it shall refer
21 for purposes of payments from the special zone fund only to that part
22 of the allocation area that is also located in the enterprise zone. Those
23 programs shall reserve at least one-half (1/2) of their enrollment in any
24 session for residents of the enterprise zone.

25 (h) The state board of accounts and department of local government
26 finance shall make the rules and prescribe the forms and procedures
27 that they consider expedient for the implementation of this chapter.
28 After each reassessment in an area under a reassessment plan prepared
29 under IC 6-1.1-4-4.2, the department of local government finance shall
30 adjust the base assessed value one (1) time to neutralize any effect of
31 the reassessment of the real property in the area on the property tax
32 proceeds allocated to the redevelopment district under this section.
33 After each annual adjustment under IC 6-1.1-4-4.5, the department of
34 local government finance shall adjust the base assessed value one (1)
35 time to neutralize any effect of the annual adjustment on the property
36 tax proceeds allocated to the redevelopment district under this section.
37 However, the adjustments under this subsection:

38 (1) may not include the effect of phasing in assessed value due to
39 property tax abatements under IC 6-1.1-12.1;
40 (2) may not produce less property tax proceeds allocable to the
41 redevelopment district under subsection (b)(4) than would
42 otherwise have been received if the reassessment under the



1 reassessment plan or the annual adjustment had not occurred; and
 2 (3) may decrease base assessed value only to the extent that
 3 assessed values in the allocation area have been decreased due to
 4 annual adjustments or the reassessment under the reassessment
 5 plan.

6 Assessed value increases attributable to the application of an abatement
 7 schedule under IC 6-1.1-12.1 may not be included in the base assessed
 8 value of an allocation area. The department of local government
 9 finance may prescribe procedures for county and township officials to
 10 follow to assist the department in making the adjustments.

11 (i) The allocation deadline referred to in subsection (b) is
 12 determined in the following manner:

13 (1) The initial allocation deadline is December 31, 2011.
 14 (2) Subject to subdivision (3), the initial allocation deadline and
 15 subsequent allocation deadlines are automatically extended in
 16 increments of five (5) years, so that allocation deadlines
 17 subsequent to the initial allocation deadline fall on December 31,
 18 2016, and December 31 of each fifth year thereafter.

19 (3) At least one (1) year before the date of an allocation deadline
 20 determined under subdivision (2), the general assembly may enact
 21 a law that:

22 (A) terminates the automatic extension of allocation deadlines
 23 under subdivision (2); and
 24 (B) specifically designates a particular date as the final
 25 allocation deadline.

26 (j) If a redevelopment commission adopts a declaratory resolution
 27 or an amendment to a declaratory resolution that contains an allocation
 28 provision and the redevelopment commission makes either of the
 29 filings required under section 17(e) of this chapter after the first
 30 anniversary of the effective date of the allocation provision, the auditor
 31 of the county in which the unit is located shall compute the base
 32 assessed value for the allocation area using the assessment date
 33 immediately preceding the later of:

34 (1) the date on which the documents are filed with the county
 35 auditor; or
 36 (2) the date on which the documents are filed with the department
 37 of local government finance.

38 (k) For an allocation area established after June 30, 2025,
 39 "residential property" refers to the assessed value of property that is
 40 allocated to the one percent (1%) homestead land and improvement
 41 categories in the county tax and billing software system.

42 SECTION 7. IC 36-7-15.1-26, AS AMENDED BY P.L.174-2022,



1 SECTION 72, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
2 JULY 1, 2026]: Sec. 26. (a) As used in this section:

3 "Allocation area" means that part of a redevelopment project area
4 to which an allocation provision of a resolution adopted under section
5 8 of this chapter refers for purposes of distribution and allocation of
6 property taxes.

7 "Base assessed value" means, subject to subsection (j), the
8 following:

9 (1) If an allocation provision is adopted after June 30, 1995, in a
10 declaratory resolution or an amendment to a declaratory
11 resolution establishing an economic development area:

12 (A) the net assessed value of all the property as finally
13 determined for the assessment date immediately preceding the
14 effective date of the allocation provision of the declaratory
15 resolution, as adjusted under subsection (h); plus

16 (B) to the extent that it is not included in clause (A), the net
17 assessed value of property that is assessed as residential
18 property under the rules of the department of local government
19 finance, within the allocation area, as finally determined for
20 the current assessment date.

21 (2) If an allocation provision is adopted after June 30, 1997, in a
22 declaratory resolution or an amendment to a declaratory
23 resolution establishing a redevelopment project area:

24 (A) the net assessed value of all the property as finally
25 determined for the assessment date immediately preceding the
26 effective date of the allocation provision of the declaratory
27 resolution, as adjusted under subsection (h); plus

28 (B) to the extent that it is not included in clause (A), the net
29 assessed value of property that is assessed as residential
30 property under the rules of the department of local government
31 finance, within the allocation area, as finally determined for
32 the current assessment date.

33 (3) If:

34 (A) an allocation provision adopted before June 30, 1995, in
35 a declaratory resolution or an amendment to a declaratory
36 resolution establishing a redevelopment project area expires
37 after June 30, 1997; and

38 (B) after June 30, 1997, a new allocation provision is included
39 in an amendment to the declaratory resolution;

40 the net assessed value of all the property as finally determined for
41 the assessment date immediately preceding the effective date of
42 the allocation provision adopted after June 30, 1997, as adjusted



1 under subsection (h).

2 (4) Except as provided in subdivision (5), for all other allocation
3 areas, the net assessed value of all the property as finally
4 determined for the assessment date immediately preceding the
5 effective date of the allocation provision of the declaratory
6 resolution, as adjusted under subsection (h).

7 (5) If an allocation area established in an economic development
8 area before July 1, 1995, is expanded after June 30, 1995, the
9 definition in subdivision (1) applies to the expanded part of the
10 area added after June 30, 1995.

11 (6) If an allocation area established in a redevelopment project
12 area before July 1, 1997, is expanded after June 30, 1997, the
13 definition in subdivision (2) applies to the expanded part of the
14 area added after June 30, 1997.

15 Except as provided in section 26.2 of this chapter, "property taxes"
16 means taxes imposed under IC 6-1.1 on real property. However, upon
17 approval by a resolution of the redevelopment commission adopted
18 before June 1, 1987, "property taxes" also includes taxes imposed
19 under IC 6-1.1 on depreciable personal property. If a redevelopment
20 commission adopted before June 1, 1987, a resolution to include within
21 the definition of property taxes, taxes imposed under IC 6-1.1 on
22 depreciable personal property that has a useful life in excess of eight
23 (8) years, the commission may by resolution determine the percentage
24 of taxes imposed under IC 6-1.1 on all depreciable personal property
25 that will be included within the definition of property taxes. However,
26 the percentage included must not exceed twenty-five percent (25%) of
27 the taxes imposed under IC 6-1.1 on all depreciable personal property.

28 (b) A resolution adopted under section 8 of this chapter on or before
29 the allocation deadline determined under subsection (i) may include a
30 provision with respect to the allocation and distribution of property
31 taxes for the purposes and in the manner provided in this section. A
32 resolution previously adopted may include an allocation provision by
33 the amendment of that resolution on or before the allocation deadline
34 determined under subsection (i) in accordance with the procedures
35 required for its original adoption. A declaratory resolution or
36 amendment that establishes an allocation provision must include a
37 specific finding of fact, supported by evidence, that the adoption of the
38 allocation provision will result in new property taxes in the area that
39 would not have been generated but for the adoption of the allocation
40 provision. For an allocation area established before July 1, 1995, the
41 expiration date of any allocation provisions for the allocation area is
42 June 30, 2025, or the last date of any obligations that are outstanding



1 on July 1, 2015, whichever is later. However, for an allocation area
2 identified as the Consolidated Allocation Area in the report submitted
3 in 2013 to the fiscal body under section 36.3 of this chapter, the
4 expiration date of any allocation provisions for the allocation area is
5 January 1, 2051. A declaratory resolution or an amendment that
6 establishes an allocation provision after June 30, 1995, must specify an
7 expiration date for the allocation provision. For an allocation area
8 established before July 1, 2008, the expiration date may not be more
9 than thirty (30) years after the date on which the allocation provision
10 is established. For an allocation area established after June 30, 2008,
11 the expiration date may not be more than twenty-five (25) years after
12 the date on which the first obligation was incurred to pay principal and
13 interest on bonds or lease rentals on leases payable from tax increment
14 revenues. However, with respect to bonds or other obligations that were
15 issued before July 1, 2008, if any of the bonds or other obligations that
16 were scheduled when issued to mature before the specified expiration
17 date and that are payable only from allocated tax proceeds with respect
18 to the allocation area remain outstanding as of the expiration date, the
19 allocation provision does not expire until all of the bonds or other
20 obligations are no longer outstanding. The allocation provision may
21 apply to all or part of the redevelopment project area. The allocation
22 provision must require that any property taxes subsequently levied by
23 or for the benefit of any public body entitled to a distribution of
24 property taxes on taxable property in the allocation area be allocated
25 and distributed as follows:

26 (1) Except as otherwise provided in this section, the proceeds of
27 the taxes attributable to the lesser of:
28 (A) the assessed value of the property for the assessment date
29 with respect to which the allocation and distribution is made;
30 or
31 (B) the base assessed value;
32 shall be allocated to and, when collected, paid into the funds of
33 the respective taxing units.
34 (2) The excess of the proceeds of the property taxes imposed for
35 the assessment date with respect to which the allocation and
36 distribution is made that are attributable to taxes imposed after
37 being approved by the voters in a referendum or local public
38 question conducted after April 30, 2010, not otherwise included
39 in subdivision (1) shall be allocated to and, when collected, paid
40 into the funds of the taxing unit for which the referendum or local
41 public question was conducted.
42 (3) Except as otherwise provided in this section, property tax



1 proceeds in excess of those described in subdivisions (1) and (2)
2 shall be allocated to the redevelopment district and, when
3 collected, paid into a special fund for that allocation area that may
4 be used by the redevelopment district only to do one (1) or more
5 of the following:

6 (A) Pay the principal of and interest on any obligations
7 payable solely from allocated tax proceeds that are incurred by
8 the redevelopment district for the purpose of financing or
9 refinancing the redevelopment of that allocation area.

10 (B) Establish, augment, or restore the debt service reserve for
11 bonds payable solely or in part from allocated tax proceeds in
12 that allocation area.

13 (C) Pay the principal of and interest on bonds payable from
14 allocated tax proceeds in that allocation area and from the
15 special tax levied under section 19 of this chapter.

16 (D) Pay the principal of and interest on bonds issued by the
17 consolidated city to pay for local public improvements that are
18 physically located in or physically connected to that allocation
19 area.

20 (E) Pay premiums on the redemption before maturity of bonds
21 payable solely or in part from allocated tax proceeds in that
22 allocation area.

23 (F) Make payments on leases payable from allocated tax
24 proceeds in that allocation area under section 17.1 of this
25 chapter.

26 (G) Reimburse the consolidated city for expenditures for local
27 public improvements (which include buildings, parking
28 facilities, and other items set forth in section 17 of this
29 chapter) that are physically located in or physically connected
30 to that allocation area.

31 (H) Reimburse the unit for rentals paid by it for a building or
32 parking facility that is physically located in or physically
33 connected to that allocation area under any lease entered into
34 under IC 36-1-10.

35 (I) Reimburse public and private entities for expenses incurred
36 in training employees of industrial facilities that are located:

37 (i) in the allocation area; and

38 (ii) on a parcel of real property that has been classified as
39 industrial property under the rules of the department of local
40 government finance.

41 However, the total amount of money spent for this purpose in
42 any year may not exceed the total amount of money in the



1 allocation fund that is attributable to property taxes paid by the
 2 industrial facilities described in this clause. The
 3 reimbursements under this clause must be made within three
 4 (3) years after the date on which the investments that are the
 5 basis for the increment financing are made.

6 (J) Pay the costs of carrying out an eligible efficiency project
 7 (as defined in IC 36-9-41-1.5) within the unit that established
 8 the redevelopment commission. However, property tax
 9 proceeds may be used under this clause to pay the costs of
 10 carrying out an eligible efficiency project only if those
 11 property tax proceeds exceed the amount necessary to do the
 12 following:

13 (i) Make, when due, any payments required under clauses
 14 (A) through (I), including any payments of principal and
 15 interest on bonds and other obligations payable under this
 16 subdivision, any payments of premiums under this
 17 subdivision on the redemption before maturity of bonds, and
 18 any payments on leases payable under this subdivision.

19 (ii) Make any reimbursements required under this
 20 subdivision.

21 (iii) Pay any expenses required under this subdivision.

22 (iv) Establish, augment, or restore any debt service reserve
 23 under this subdivision.

24 (K) Expend money and provide financial assistance as
 25 authorized in section 7(a)(21) of this chapter.

26 (L) **Expend money or provide financial assistance**
 27 **(including grants and loans) to entities for the purpose of**
 28 **encouraging or incentivizing the construction, expansion,**
 29 **or ongoing operation of child care facilities that are in the**
 30 **allocation area or serving the allocation area.**

31 The special fund may not be used for operating expenses of the
 32 commission.

33 (4) Before June 15 of each year, the commission shall do the
 34 following:

35 (A) Determine the amount, if any, by which the assessed value
 36 of the taxable property in the allocation area for the most
 37 recent assessment date minus the base assessed value, when
 38 multiplied by the estimated tax rate of the allocation area will
 39 exceed the amount of assessed value needed to provide the
 40 property taxes necessary to make, when due, principal and
 41 interest payments on bonds described in subdivision (3) plus
 42 the amount necessary for other purposes described in



1 subdivision (3) and subsection (g).

2 (B) Provide a written notice to the county auditor, the
 3 legislative body of the consolidated city, the officers who are
 4 authorized to fix budgets, tax rates, and tax levies under
 5 IC 6-1.1-17-5 for each of the other taxing units that is wholly
 6 or partly located within the allocation area, and (in an
 7 electronic format) the department of local government finance.
 8 The notice must:

9 (i) state the amount, if any, of excess assessed value that the
 10 commission has determined may be allocated to the
 11 respective taxing units in the manner prescribed in
 12 subdivision (1); or

13 (ii) state that the commission has determined that there is no
 14 excess assessed value that may be allocated to the respective
 15 taxing units in the manner prescribed in subdivision (1).

16 The county auditor shall allocate to the respective taxing units
 17 the amount, if any, of excess assessed value determined by the
 18 commission. The commission may not authorize an allocation
 19 to the respective taxing units under this subdivision if to do so
 20 would endanger the interests of the holders of bonds described
 21 in subdivision (3).

22 (C) If:

23 (i) the amount of excess assessed value determined by the
 24 commission is expected to generate more than two hundred
 25 percent (200%) of the amount of allocated tax proceeds
 26 necessary to make, when due, principal and interest
 27 payments on bonds described in subdivision (3); plus
 28 (ii) the amount necessary for other purposes described in
 29 subdivision (3) and subsection (g);

30 the commission shall submit to the legislative body of the unit
 31 the commission's determination of the excess assessed value
 32 that the commission proposes to allocate to the respective
 33 taxing units in the manner prescribed in subdivision (1). The
 34 legislative body of the unit may approve the commission's
 35 determination or modify the amount of the excess assessed
 36 value that will be allocated to the respective taxing units in the
 37 manner prescribed in subdivision (1).

38 (c) For the purpose of allocating taxes levied by or for any taxing
 39 unit or units, the assessed value of taxable property in a territory in the
 40 allocation area that is annexed by any taxing unit after the effective
 41 date of the allocation provision of the resolution is the lesser of:

42 (1) the assessed value of the property for the assessment date with



respect to which the allocation and distribution is made; or (2) the base assessed value.

(d) Property tax proceeds allocable to the redevelopment district under subsection (b)(3) may, subject to subsection (b)(4), be irrevocably pledged by the redevelopment district for payment as set forth in subsection (b)(3).

(e) Notwithstanding any other law, each assessor shall, upon petition of the commission, reassess the taxable property situated upon or in, or added to, the allocation area, effective on the next assessment date after the petition.

(f) Notwithstanding any other law, the assessed value of all taxable property in the allocation area, for purposes of tax limitation, property tax replacement, and formulation of the budget, tax rate, and tax levy for each political subdivision in which the property is located is the lesser of:

- (1) the assessed value of the property as valued without regard to this section; or
- (2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone created under IC 5-28-15, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(3) shall establish an allocation fund for the purposes specified in subsection (b)(3) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund the amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(3) for the year. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(3) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund, based on the recommendations of the urban enterprise association, for one (1) or more of the following purposes:

(1) To pay for programs in job training, job enrichment, and basic skill development designed to benefit residents and employers in the enterprise zone. The programs must reserve at least one-half (1/2) of the enrollment in any session for residents of the



enterprise zone.

(2) To make loans and grants for the purpose of stimulating business activity in the enterprise zone or providing employment for enterprise zone residents in the enterprise zone. These loans and grants may be made to the following:

(A) Businesses operating in the enterprise zone.

(B) Businesses that will move their operations to the enterprise zone if such a loan or grant is made.

(3) To provide funds to carry out other purposes specified in subsection (b)(3). However, where reference is made in subsection (b)(3) to the allocation area, the reference refers for purposes of payments from the special zone fund only to that part of the allocation area that is also located in the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each reassessment under a reassessment plan prepared under IC 6-1.1-4-4.2, the department of local government finance shall adjust the base assessed value one (1) time to neutralize any effect of the reassessment of the real property in the area on the property tax proceeds allocated to the redevelopment district under this section. After each annual adjustment under IC 6-1.1-4-4.5, the department of local government finance shall adjust the base assessed value to neutralize any effect of the annual adjustment on the property tax proceeds allocated to the redevelopment district under this section. However, the adjustments under this subsection may not include the effect of property tax abatements under IC 6-1.1-12.1, and these adjustments may not produce less property tax proceeds allocable to the redevelopment district under subsection (b)(3) than would otherwise have been received if the reassessment under the reassessment plan or annual adjustment had not occurred. The department of local government finance may prescribe procedures for county and township officials to follow to assist the department in making the adjustments.

(i) The allocation deadline referred to in subsection (b) is determined in the following manner:

(1) The initial allocation deadline is December 31, 2011.

(2) Subject to subdivision (3), the initial allocation deadline and subsequent allocation deadlines are automatically extended in increments of five (5) years, so that allocation deadlines subsequent to the initial allocation deadline fall on December 31, 2016, and December 31 of each fifth year thereafter.



(3) At least one (1) year before the date of an allocation deadline determined under subdivision (2), the general assembly may enact a law that:

(A) terminates the automatic extension of allocation deadlines under subdivision (2); and

(B) specifically designates a particular date as the final allocation deadline.

18 (2) the date on which the documents are filed with the department
19 of local government finance.

20 (k) For an allocation area established after June 30, 2024,
21 "residential property" refers to the assessed value of property that is
22 allocated to the one percent (1%) homestead land and improvement
23 categories in the county tax and billing software system, along with the
24 residential assessed value as defined for purposes of calculating the
25 rate for the local income tax property tax relief credit designated for
26 residential property under IC 6-3.6-5-6(d)(3).

27 SECTION 8. IC 36-7-15.1-26, AS AMENDED BY P.L.68-2025,
28 SECTION 235, IS AMENDED TO READ AS FOLLOWS
29 [EFFECTIVE JULY 1, 2027]: Sec. 26. (a) As used in this section:

30 "Allocation area" means that part of a redevelopment project area
31 to which an allocation provision of a resolution adopted under section
32 8 of this chapter refers for purposes of distribution and allocation of
33 property taxes.

34 "Base assessed value" means, subject to subsection (j), the
35 following:

36 (1) If an allocation provision is adopted after June 30, 1995, in a
37 declaratory resolution or an amendment to a declaratory
38 resolution establishing an economic development area:

39 (A) the net assessed value of all the property as finally
40 determined for the assessment date immediately preceding the
41 effective date of the allocation provision of the declaratory
42 resolution, as adjusted under subsection (h); plus



(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, within the allocation area, as finally determined for the current assessment date.

(2) If an allocation provision is adopted after June 30, 1997, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area:

(A) the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h); plus

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local government finance, within the allocation area, as finally determined for the current assessment date.

(3) If:

(A) an allocation provision adopted before June 30, 1995, in a declaratory resolution or an amendment to a declaratory resolution establishing a redevelopment project area expires after June 30, 1997; and

(B) after June 30, 1997, a new allocation provision is included in an amendment to the declaratory resolution;

the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision adopted after June 30, 1997, as adjusted under subsection (h).

(4) Except as provided in subdivision (5), for all other allocation areas, the net assessed value of all the property as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the declaratory resolution, as adjusted under subsection (h).

(5) If an allocation area established in an economic development area before July 1, 1995, is expanded after June 30, 1995, the definition in subdivision (1) applies to the expanded part of the area added after June 30, 1995.

(6) If an allocation area established in a redevelopment project area before July 1, 1997, is expanded after June 30, 1997, the definition in subdivision (2) applies to the expanded part of the area added after June 30, 1997.

Except as provided in section 26.2 of this chapter, "property taxes"



1 means taxes imposed under IC 6-1.1 on real property. However, upon
2 approval by a resolution of the redevelopment commission adopted
3 before June 1, 1987, "property taxes" also includes taxes imposed
4 under IC 6-1.1 on depreciable personal property. If a redevelopment
5 commission adopted before June 1, 1987, a resolution to include within
6 the definition of property taxes, taxes imposed under IC 6-1.1 on
7 depreciable personal property that has a useful life in excess of eight
8 (8) years, the commission may by resolution determine the percentage
9 of taxes imposed under IC 6-1.1 on all depreciable personal property
10 that will be included within the definition of property taxes. However,
11 the percentage included must not exceed twenty-five percent (25%) of
12 the taxes imposed under IC 6-1.1 on all depreciable personal property.

13 (b) A resolution adopted under section 8 of this chapter on or before
14 the allocation deadline determined under subsection (i) may include a
15 provision with respect to the allocation and distribution of property
16 taxes for the purposes and in the manner provided in this section. A
17 resolution previously adopted may include an allocation provision by
18 the amendment of that resolution on or before the allocation deadline
19 determined under subsection (i) in accordance with the procedures
20 required for its original adoption. A declaratory resolution or
21 amendment that establishes an allocation provision must include a
22 specific finding of fact, supported by evidence, that the adoption of the
23 allocation provision will result in new property taxes in the area that
24 would not have been generated but for the adoption of the allocation
25 provision. For an allocation area established before July 1, 1995, the
26 expiration date of any allocation provisions for the allocation area is
27 June 30, 2025, or the last date of any obligations that are outstanding
28 on July 1, 2015, whichever is later. However, for an allocation area
29 identified as the Consolidated Allocation Area in the report submitted
30 in 2013 to the fiscal body under section 36.3 of this chapter, the
31 expiration date of any allocation provisions for the allocation area is
32 January 1, 2051. A declaratory resolution or an amendment that
33 establishes an allocation provision after June 30, 1995, must specify an
34 expiration date for the allocation provision. For an allocation area
35 established before July 1, 2008, the expiration date may not be more
36 than thirty (30) years after the date on which the allocation provision
37 is established. For an allocation area established after June 30, 2008,
38 the expiration date may not be more than twenty-five (25) years after
39 the date on which the first obligation was incurred to pay principal and
40 interest on bonds or lease rentals on leases payable from tax increment
41 revenues. However, with respect to bonds or other obligations that were
42 issued before July 1, 2008, if any of the bonds or other obligations that



1 were scheduled when issued to mature before the specified expiration
2 date and that are payable only from allocated tax proceeds with respect
3 to the allocation area remain outstanding as of the expiration date, the
4 allocation provision does not expire until all of the bonds or other
5 obligations are no longer outstanding. The allocation provision may
6 apply to all or part of the redevelopment project area. The allocation
7 provision must require that any property taxes subsequently levied by
8 or for the benefit of any public body entitled to a distribution of
9 property taxes on taxable property in the allocation area be allocated
10 and distributed as follows:

11 (1) Except as otherwise provided in this section, the proceeds of
12 the taxes attributable to the lesser of:

13 (A) the assessed value of the property for the assessment date
14 with respect to which the allocation and distribution is made;
15 or
16 (B) the base assessed value;

17 shall be allocated to and, when collected, paid into the funds of
18 the respective taxing units.

19 (2) The excess of the proceeds of the property taxes imposed for
20 the assessment date with respect to which the allocation and
21 distribution is made that are attributable to taxes imposed after
22 being approved by the voters in a referendum or local public
23 question conducted after April 30, 2010, not otherwise included
24 in subdivision (1) shall be allocated to and, when collected, paid
25 into the funds of the taxing unit for which the referendum or local
26 public question was conducted.

27 (3) Except as otherwise provided in this section, property tax
28 proceeds in excess of those described in subdivisions (1) and (2)
29 shall be allocated to the redevelopment district and, when
30 collected, paid into a special fund for that allocation area that may
31 be used by the redevelopment district only to do one (1) or more
32 of the following:

33 (A) Pay the principal of and interest on any obligations
34 payable solely from allocated tax proceeds that are incurred by
35 the redevelopment district for the purpose of financing or
36 refinancing the redevelopment of that allocation area.

37 (B) Establish, augment, or restore the debt service reserve for
38 bonds payable solely or in part from allocated tax proceeds in
39 that allocation area.

40 (C) Pay the principal of and interest on bonds payable from
41 allocated tax proceeds in that allocation area and from the
42 special tax levied under section 19 of this chapter.



(D) Pay the principal of and interest on bonds issued by the consolidated city to pay for local public improvements that are physically located in or physically connected to that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 17.1 of this chapter.

(G) Reimburse the consolidated city for expenditures for local public improvements (which include buildings, parking facilities, and other items set forth in section 17 of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:

- (i) in the allocation area; and
- (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

(J) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following:

- (i) Make, when due, any payments required under clauses (A) through (I), including any payments of principal and interest on bonds and other obligations payable under this



1 subdivision, any payments of premiums under this
 2 subdivision on the redemption before maturity of bonds, and
 3 any payments on leases payable under this subdivision.

4 (ii) Make any reimbursements required under this
 5 subdivision.

6 (iii) Pay any expenses required under this subdivision.

7 (iv) Establish, augment, or restore any debt service reserve
 8 under this subdivision.

9 (K) Expend money and provide financial assistance as
 10 authorized in section 7(a)(21) of this chapter.

11 (L) **Expend money or provide financial assistance
 12 (including grants and loans) to entities for the purpose of
 13 encouraging or incentivizing the construction, expansion,
 14 or ongoing operation of child care facilities that are in the
 15 allocation area or serving the allocation area.**

16 The special fund may not be used for operating expenses of the
 17 commission.

18 (4) Before June 15 of each year, the commission shall do the
 19 following:

20 (A) Determine the amount, if any, by which the assessed value
 21 of the taxable property in the allocation area for the most
 22 recent assessment date minus the base assessed value, when
 23 multiplied by the estimated tax rate of the allocation area will
 24 exceed the amount of assessed value needed to provide the
 25 property taxes necessary to make, when due, principal and
 26 interest payments on bonds described in subdivision (3) plus
 27 the amount necessary for other purposes described in
 28 subdivision (3) and subsection (g).

29 (B) Provide a written notice to the county auditor, the
 30 legislative body of the consolidated city, the officers who are
 31 authorized to fix budgets, tax rates, and tax levies under
 32 IC 6-1.1-17-5 for each of the other taxing units that is wholly
 33 or partly located within the allocation area, and (in an
 34 electronic format) the department of local government finance.
 35 The notice must:

36 (i) state the amount, if any, of excess assessed value that the
 37 commission has determined may be allocated to the
 38 respective taxing units in the manner prescribed in
 39 subdivision (1); or

40 (ii) state that the commission has determined that there is no
 41 excess assessed value that may be allocated to the respective
 42 taxing units in the manner prescribed in subdivision (1).



1 The county auditor shall allocate to the respective taxing units
2 the amount, if any, of excess assessed value determined by the
3 commission. The commission may not authorize an allocation
4 to the respective taxing units under this subdivision if to do so
5 would endanger the interests of the holders of bonds described
6 in subdivision (3).

7 (C) If:

8 (i) the amount of excess assessed value determined by the
9 commission is expected to generate more than two hundred
10 percent (200%) of the amount of allocated tax proceeds
11 necessary to make, when due, principal and interest
12 payments on bonds described in subdivision (3); plus
13 (ii) the amount necessary for other purposes described in
14 subdivision (3) and subsection (g);

15 the commission shall submit to the legislative body of the unit
16 the commission's determination of the excess assessed value
17 that the commission proposes to allocate to the respective
18 taxing units in the manner prescribed in subdivision (1). The
19 legislative body of the unit may approve the commission's
20 determination or modify the amount of the excess assessed
21 value that will be allocated to the respective taxing units in the
22 manner prescribed in subdivision (1).

23 (c) For the purpose of allocating taxes levied by or for any taxing
24 unit or units, the assessed value of taxable property in a territory in the
25 allocation area that is annexed by any taxing unit after the effective
26 date of the allocation provision of the resolution is the lesser of:

27 (1) the assessed value of the property for the assessment date with
28 respect to which the allocation and distribution is made; or
29 (2) the base assessed value.

30 (d) Property tax proceeds allocable to the redevelopment district
31 under subsection (b)(3) may, subject to subsection (b)(4), be
32 irrevocably pledged by the redevelopment district for payment as set
33 forth in subsection (b)(3).

34 (e) Notwithstanding any other law, each assessor shall, upon
35 petition of the commission, reassess the taxable property situated upon
36 or in, or added to, the allocation area, effective on the next assessment
37 date after the petition.

38 (f) Notwithstanding any other law, the assessed value of all taxable
39 property in the allocation area, for purposes of tax limitation, property
40 tax replacement, and formulation of the budget, tax rate, and tax levy
41 for each political subdivision in which the property is located is the
42 lesser of:



(g) If any part of the allocation area is located in an enterprise zone created under IC 5-28-15, the unit that designated the allocation area shall create funds as specified in this subsection. A unit that has obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(3) shall establish an allocation fund for the purposes specified in subsection (b)(3) and a special zone fund. Such a unit shall, until the end of the enterprise zone phase out period, deposit each year in the special zone fund the amount in the allocation fund derived from property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) from property located in the enterprise zone that exceeds the amount sufficient for the purposes specified in subsection (b)(3) for the year. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(3) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1) and (b)(2) from property located in the enterprise zone. The unit that creates the special zone fund shall use the fund, based on the recommendations of the urban enterprise association, for one (1) or more of the following purposes:

24 (1) To pay for programs in job training, job enrichment, and basic
25 skill development designed to benefit residents and employers in
26 the enterprise zone. The programs must reserve at least one-half
27 (1/2) of the enrollment in any session for residents of the
28 enterprise zone.

29 (2) To make loans and grants for the purpose of stimulating
30 business activity in the enterprise zone or providing employment
31 for enterprise zone residents in the enterprise zone. These loans
32 and grants may be made to the following:

33 (A) Businesses operating in the enterprise zone.

34 (B) Businesses that will move their operations to the enterprise
35 zone if such a loan or grant is made.

36 (3) To provide funds to carry out other purposes specified in
37 subsection (b)(3). However, where reference is made in
38 subsection (b)(3) to the allocation area, the reference refers for
39 purposes of payments from the special zone fund only to that part
40 of the allocation area that is also located in the enterprise zone.



1 that they consider expedient for the implementation of this chapter.
2 After each reassessment under a reassessment plan prepared under
3 IC 6-1.1-4-4.2, the department of local government finance shall adjust
4 the base assessed value one (1) time to neutralize any effect of the
5 reassessment of the real property in the area on the property tax
6 proceeds allocated to the redevelopment district under this section.
7 After each annual adjustment under IC 6-1.1-4-4.5, the department of
8 local government finance shall adjust the base assessed value to
9 neutralize any effect of the annual adjustment on the property tax
10 proceeds allocated to the redevelopment district under this section.
11 However, the adjustments under this subsection may not include the
12 effect of property tax abatements under IC 6-1.1-12.1, and these
13 adjustments may not produce less property tax proceeds allocable to
14 the redevelopment district under subsection (b)(3) than would
15 otherwise have been received if the reassessment under the
16 reassessment plan or annual adjustment had not occurred. The
17 department of local government finance may prescribe procedures for
18 county and township officials to follow to assist the department in
19 making the adjustments.

20 (i) The allocation deadline referred to in subsection (b) is
21 determined in the following manner:

22 (1) The initial allocation deadline is December 31, 2011.

23 (2) Subject to subdivision (3), the initial allocation deadline and
24 subsequent allocation deadlines are automatically extended in
25 increments of five (5) years, so that allocation deadlines
26 subsequent to the initial allocation deadline fall on December 31,
27 2016, and December 31 of each fifth year thereafter.

28 (3) At least one (1) year before the date of an allocation deadline
29 determined under subdivision (2), the general assembly may enact
30 a law that:

31 (A) terminates the automatic extension of allocation deadlines
32 under subdivision (2); and

33 (B) specifically designates a particular date as the final
34 allocation deadline.

35 (j) If the commission adopts a declaratory resolution or an
36 amendment to a declaratory resolution that contains an allocation
37 provision and the commission makes either of the filings required
38 under section 10(e) of this chapter after the first anniversary of the
39 effective date of the allocation provision, the auditor of the county in
40 which the unit is located shall compute the base assessed value for the
41 allocation area using the assessment date immediately preceding the
42 later of:



3 (2) the date on which the documents are filed with the department
4 of local government finance.

5 (k) For an allocation area established after June 30, 2024,
6 "residential property" refers to the assessed value of property that is
7 allocated to the one percent (1%) homestead land and improvement
8 categories in the county tax and billing software system, along with the
9 residential assessed value as defined for purposes of calculating the
10 rate for the local income tax property tax relief credit designated for
11 residential property under IC 6-3.6-5-6(d)(3) (before its expiration).

12 SECTION 9. [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]

13 (a) IC 6-3.1-39.5-1, IC 6-3.1-39.5-3, and IC 6-3.1-39.5-7, all as
14 amended by this act, apply to taxable years beginning after
15 December 31, 2025.

16 (b) This SECTION expires June 30, 2028.

17 SECTION 10. An emergency is declared for this act.

