



February 18, 2026

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# ENGROSSED HOUSE BILL No. 1177

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DIGEST OF HB 1177 (Updated February 17, 2026 9:57 am - DI 140)

**Citations Affected:** IC 6-3.1; IC 36-7; noncode.

**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.

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## Cash, Patterson, Porter, Lopez

(SENATE SPONSORS — BUCHANAN, CLARK, GOODE, CHARBONNEAU,  
BECKER)

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

January 27, 2026, reported — Do Pass.

January 29, 2026, read second time, ordered engrossed.

January 30, 2026, engrossed.

February 2, 2026, read third time, passed. Yeas 80, nays 0.

### SENATE ACTION

February 5, 2026, read first time and referred to Committee on Tax and Fiscal Policy.

February 17, 2026, reported favorably — Do Pass.

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EH 1177—LS 6690/DI 125





February 18, 2026

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.

## ENGROSSED 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,

**EH 1177—LS 6690/DI 125**



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**  
 16 **child care facility of a taxpayer that is operated for the**  
 17 **taxpayer's employees, including costs related to training of**  
 18 **employees, to scholarship programs, and to provide increased**  
 19 **compensation to employees with higher levels of child care**  
 20 **training;**

21 **(5) under a contract with an Indiana qualified child care**  
 22 **facility to provide child care services to employees of the**  
 23 **taxpayer, or under a contract with an intermediate entity that**  
 24 **contracts with one (1) or more Indiana qualified child care**  
 25 **facilities for child care services; or**

26 **(6) under a contract to provide child care resources and**  
 27 **referral services to an employee of the taxpayer.**

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 IC 6-3.1-39.5-5 IS REPEALED [EFFECTIVE  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

31 (1) the cessation of the operation of the Indiana qualified child  
 32 care facility as an Indiana qualified child care facility;

33 (2) subject to section 12(e) of this chapter, a change in ownership  
 34 of an Indiana qualified child care facility for which a credit was  
 35 allowed under this chapter, unless the person acquiring an interest  
 36 agrees to assume the recapture liability of the person disposing of  
 37 an interest; **or**

38 (3) the use of an Indiana qualified child care facility for the  
 39 enrollment of a child from any individual who is not an employee  
 40 of the taxpayer.

41 The term does not include a cessation of operation or change in  
 42 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:

2 STEP ONE: Divide the unit's tax rate for fire protection for

3 the year before the establishment of the fire protection

4 territory by the participating unit's tax rate as part of the fire

5 protection territory.

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

7 STEP THREE: Multiply the STEP TWO amount by the

8 allocated property tax attributable to the participating unit of

9 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



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

- (i) Make, when due, any payments required under clauses (A) through (K), including any payments of principal and interest on bonds and other obligations payable under this subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.
- (ii) Make any reimbursements required under this subdivision.
- (iii) Pay any expenses required under this subdivision.
- (iv) Establish, augment, or restore any debt service reserve under this subdivision.

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

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

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

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

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

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

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



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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:
- 2 (A) the amount of allocated tax proceeds necessary to make,  
3 when due, principal and interest payments on bonds described  
4 in subdivision (4) for the project; plus
- 5 (B) the amount necessary for other purposes described in  
6 subdivision (4) for the project;
- 7 the amount of the excess assessed value that generates more than  
8 two hundred percent (200%) of the amounts described in clauses  
9 (A) and (B) shall be allocated to the respective taxing units in the  
10 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.
- 19 (d) Property tax proceeds allocable to the redevelopment district  
20 under subsection (b)(4) may, subject to subsection (b)(5), be  
21 irrevocably pledged by the redevelopment district for payment as set  
22 forth in subsection (b)(4).
- 23 (e) Notwithstanding any other law, each assessor shall, upon  
24 petition of the redevelopment commission, reassess the taxable  
25 property situated upon or in, or added to, the allocation area, effective  
26 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.
- 35 (g) If any part of the allocation area is located in an enterprise zone  
36 created under IC 5-28-15, the unit that designated the allocation area  
37 shall create funds as specified in this subsection. A unit that has  
38 obligations, bonds, or leases payable from allocated tax proceeds under  
39 subsection (b)(4) shall establish an allocation fund for the purposes  
40 specified in subsection (b)(4) and a special zone fund. Such a unit  
41 shall, until the end of the enterprise zone phase out period, deposit each  
42 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



- 1           respect to which the allocation and distribution is made; or  
 2           (2) the base assessed value.
- 3           (d) Property tax proceeds allocable to the redevelopment district  
 4 under subsection (b)(3) may, subject to subsection (b)(4), be  
 5 irrevocably pledged by the redevelopment district for payment as set  
 6 forth in subsection (b)(3).
- 7           (e) Notwithstanding any other law, each assessor shall, upon  
 8 petition of the commission, reassess the taxable property situated upon  
 9 or in, or added to, the allocation area, effective on the next assessment  
 10 date after the petition.
- 11           (f) Notwithstanding any other law, the assessed value of all taxable  
 12 property in the allocation area, for purposes of tax limitation, property  
 13 tax replacement, and formulation of the budget, tax rate, and tax levy  
 14 for each political subdivision in which the property is located is the  
 15 lesser of:
- 16           (1) the assessed value of the property as valued without regard to  
 17 this section; or  
 18           (2) the base assessed value.
- 19           (g) If any part of the allocation area is located in an enterprise zone  
 20 created under IC 5-28-15, the unit that designated the allocation area  
 21 shall create funds as specified in this subsection. A unit that has  
 22 obligations, bonds, or leases payable from allocated tax proceeds under  
 23 subsection (b)(3) shall establish an allocation fund for the purposes  
 24 specified in subsection (b)(3) and a special zone fund. Such a unit  
 25 shall, until the end of the enterprise zone phase out period, deposit each  
 26 year in the special zone fund the amount in the allocation fund derived  
 27 from property tax proceeds in excess of those described in subsection  
 28 (b)(1) and (b)(2) from property located in the enterprise zone that  
 29 exceeds the amount sufficient for the purposes specified in subsection  
 30 (b)(3) for the year. A unit that has no obligations, bonds, or leases  
 31 payable from allocated tax proceeds under subsection (b)(3) shall  
 32 establish a special zone fund and deposit all the property tax proceeds  
 33 in excess of those described in subsection (b)(1) and (b)(2) in the fund  
 34 derived from property tax proceeds in excess of those described in  
 35 subsection (b)(1) and (b)(2) from property located in the enterprise  
 36 zone. The unit that creates the special zone fund shall use the fund,  
 37 based on the recommendations of the urban enterprise association, for  
 38 one (1) or more of the following purposes:
- 39           (1) To pay for programs in job training, job enrichment, and basic  
 40 skill development designed to benefit residents and employers in  
 41 the enterprise zone. The programs must reserve at least one-half  
 42 (1/2) of the enrollment in any session for residents of the



- 1 enterprise zone.
- 2 (2) To make loans and grants for the purpose of stimulating
- 3 business activity in the enterprise zone or providing employment
- 4 for enterprise zone residents in the enterprise zone. These loans
- 5 and grants may be made to the following:
- 6 (A) Businesses operating in the enterprise zone.
- 7 (B) Businesses that will move their operations to the enterprise
- 8 zone if such a loan or grant is made.
- 9 (3) To provide funds to carry out other purposes specified in
- 10 subsection (b)(3). However, where reference is made in
- 11 subsection (b)(3) to the allocation area, the reference refers for
- 12 purposes of payments from the special zone fund only to that part
- 13 of the allocation area that is also located in the enterprise zone.
- 14 (h) The state board of accounts and department of local government
- 15 finance shall make the rules and prescribe the forms and procedures
- 16 that they consider expedient for the implementation of this chapter.
- 17 After each reassessment under a reassessment plan prepared under
- 18 IC 6-1.1-4-4.2, the department of local government finance shall adjust
- 19 the base assessed value one (1) time to neutralize any effect of the
- 20 reassessment of the real property in the area on the property tax
- 21 proceeds allocated to the redevelopment district under this section.
- 22 After each annual adjustment under IC 6-1.1-4-4.5, the department of
- 23 local government finance shall adjust the base assessed value to
- 24 neutralize any effect of the annual adjustment on the property tax
- 25 proceeds allocated to the redevelopment district under this section.
- 26 However, the adjustments under this subsection may not include the
- 27 effect of property tax abatements under IC 6-1.1-12.1, and these
- 28 adjustments may not produce less property tax proceeds allocable to
- 29 the redevelopment district under subsection (b)(3) than would
- 30 otherwise have been received if the reassessment under the
- 31 reassessment plan or annual adjustment had not occurred. The
- 32 department of local government finance may prescribe procedures for
- 33 county and township officials to follow to assist the department in
- 34 making the adjustments.
- 35 (i) The allocation deadline referred to in subsection (b) is
- 36 determined in the following manner:
- 37 (1) The initial allocation deadline is December 31, 2011.
- 38 (2) Subject to subdivision (3), the initial allocation deadline and
- 39 subsequent allocation deadlines are automatically extended in
- 40 increments of five (5) years, so that allocation deadlines
- 41 subsequent to the initial allocation deadline fall on December 31,
- 42 2016, and December 31 of each fifth year thereafter.



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

- 4 (A) terminates the automatic extension of allocation deadlines  
 5 under subdivision (2); and  
 6 (B) specifically designates a particular date as the final  
 7 allocation deadline.

8 (j) If the commission adopts a declaratory resolution or an  
 9 amendment to a declaratory resolution that contains an allocation  
 10 provision and the commission makes either of the filings required  
 11 under section 10(e) of this chapter after the first anniversary of the  
 12 effective date of the allocation provision, the auditor of the county in  
 13 which the unit is located shall compute the base assessed value for the  
 14 allocation area using the assessment date immediately preceding the  
 15 later of:

- 16 (1) the date on which the documents are filed with the county  
 17 auditor; or  
 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



- 1 (B) to the extent that it is not included in clause (A), the net  
 2 assessed value of property that is assessed as residential  
 3 property under the rules of the department of local government  
 4 finance, within the allocation area, as finally determined for  
 5 the current assessment date.
- 6 (2) If an allocation provision is adopted after June 30, 1997, in a  
 7 declaratory resolution or an amendment to a declaratory  
 8 resolution establishing a redevelopment project area:
- 9 (A) the net assessed value of all the property as finally  
 10 determined for the assessment date immediately preceding the  
 11 effective date of the allocation provision of the declaratory  
 12 resolution, as adjusted under subsection (h); plus
- 13 (B) to the extent that it is not included in clause (A), the net  
 14 assessed value of property that is assessed as residential  
 15 property under the rules of the department of local government  
 16 finance, within the allocation area, as finally determined for  
 17 the current assessment date.
- 18 (3) If:
- 19 (A) an allocation provision adopted before June 30, 1995, in  
 20 a declaratory resolution or an amendment to a declaratory  
 21 resolution establishing a redevelopment project area expires  
 22 after June 30, 1997; and
- 23 (B) after June 30, 1997, a new allocation provision is included  
 24 in an amendment to the declaratory resolution;
- 25 the net assessed value of all the property as finally determined for  
 26 the assessment date immediately preceding the effective date of  
 27 the allocation provision adopted after June 30, 1997, as adjusted  
 28 under subsection (h).
- 29 (4) Except as provided in subdivision (5), for all other allocation  
 30 areas, the net assessed value of all the property as finally  
 31 determined for the assessment date immediately preceding the  
 32 effective date of the allocation provision of the declaratory  
 33 resolution, as adjusted under subsection (h).
- 34 (5) If an allocation area established in an economic development  
 35 area before July 1, 1995, is expanded after June 30, 1995, the  
 36 definition in subdivision (1) applies to the expanded part of the  
 37 area added after June 30, 1995.
- 38 (6) If an allocation area established in a redevelopment project  
 39 area before July 1, 1997, is expanded after June 30, 1997, the  
 40 definition in subdivision (2) applies to the expanded part of the  
 41 area added after June 30, 1997.
- 42 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.



- 1 (D) Pay the principal of and interest on bonds issued by the  
 2 consolidated city to pay for local public improvements that are  
 3 physically located in or physically connected to that allocation  
 4 area.
- 5 (E) Pay premiums on the redemption before maturity of bonds  
 6 payable solely or in part from allocated tax proceeds in that  
 7 allocation area.
- 8 (F) Make payments on leases payable from allocated tax  
 9 proceeds in that allocation area under section 17.1 of this  
 10 chapter.
- 11 (G) Reimburse the consolidated city for expenditures for local  
 12 public improvements (which include buildings, parking  
 13 facilities, and other items set forth in section 17 of this  
 14 chapter) that are physically located in or physically connected  
 15 to that allocation area.
- 16 (H) Reimburse the unit for rentals paid by it for a building or  
 17 parking facility that is physically located in or physically  
 18 connected to that allocation area under any lease entered into  
 19 under IC 36-1-10.
- 20 (I) Reimburse public and private entities for expenses incurred  
 21 in training employees of industrial facilities that are located:  
 22 (i) in the allocation area; and  
 23 (ii) on a parcel of real property that has been classified as  
 24 industrial property under the rules of the department of local  
 25 government finance.
- 26 However, the total amount of money spent for this purpose in  
 27 any year may not exceed the total amount of money in the  
 28 allocation fund that is attributable to property taxes paid by the  
 29 industrial facilities described in this clause. The  
 30 reimbursements under this clause must be made within three  
 31 (3) years after the date on which the investments that are the  
 32 basis for the increment financing are made.
- 33 (J) Pay the costs of carrying out an eligible efficiency project  
 34 (as defined in IC 36-9-41-1.5) within the unit that established  
 35 the redevelopment commission. However, property tax  
 36 proceeds may be used under this clause to pay the costs of  
 37 carrying out an eligible efficiency project only if those  
 38 property tax proceeds exceed the amount necessary to do the  
 39 following:  
 40 (i) Make, when due, any payments required under clauses  
 41 (A) through (I), including any payments of principal and  
 42 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:



- 1 (1) the assessed value of the property as valued without regard to  
 2 this section; or  
 3 (2) the base assessed value.
- 4 (g) If any part of the allocation area is located in an enterprise zone  
 5 created under IC 5-28-15, the unit that designated the allocation area  
 6 shall create funds as specified in this subsection. A unit that has  
 7 obligations, bonds, or leases payable from allocated tax proceeds under  
 8 subsection (b)(3) shall establish an allocation fund for the purposes  
 9 specified in subsection (b)(3) and a special zone fund. Such a unit  
 10 shall, until the end of the enterprise zone phase out period, deposit each  
 11 year in the special zone fund the amount in the allocation fund derived  
 12 from property tax proceeds in excess of those described in subsection  
 13 (b)(1) and (b)(2) from property located in the enterprise zone that  
 14 exceeds the amount sufficient for the purposes specified in subsection  
 15 (b)(3) for the year. A unit that has no obligations, bonds, or leases  
 16 payable from allocated tax proceeds under subsection (b)(3) shall  
 17 establish a special zone fund and deposit all the property tax proceeds  
 18 in excess of those described in subsection (b)(1) and (b)(2) in the fund  
 19 derived from property tax proceeds in excess of those described in  
 20 subsection (b)(1) and (b)(2) from property located in the enterprise  
 21 zone. The unit that creates the special zone fund shall use the fund,  
 22 based on the recommendations of the urban enterprise association, for  
 23 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.
- 41 (h) The state board of accounts and department of local government  
 42 finance shall make the rules and prescribe the forms and procedures



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:



1 (1) the date on which the documents are filed with the county  
2 auditor; or  
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.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1177, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1177 as introduced.)

THOMPSON

Committee Vote: Yeas 19, Nays 0

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COMMITTEE REPORT

Mr. President: The Senate Committee on Tax and Fiscal Policy, to which was referred House Bill No. 1177, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is to HB 1177 as printed January 27, 2026.)

HOLDMAN, Chairperson

Committee Vote: Yeas 12, Nays 0

