
HOUSE BILL No. 1177

AM117704 has been incorporated into introduced printing.

Synopsis: Child care assistance.

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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 and to make an appropriation.

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
7 the Internal Revenue Code);
8 (2) located in Indiana; **and**
9 (3) licensed by the division of family resources under
10 IC 12-17.2.~~and~~
11 (4) ~~operated~~:
12 (A) ~~by a taxpayer~~;
13 (B) ~~by a taxpayer jointly with one (1) or more other~~
14 ~~individuals or entities; or~~
15 (C) ~~under a contract described in Section 45F(c)(1)(A)(iii)~~

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of the Internal Revenue Code with the taxpayer.

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

(1) for the acquisition, construction, rehabilitation, or expansion of property used as part of an Indiana qualified child care facility of a taxpayer that is operated for the taxpayer's employees;

(2) incurred under a contract between a taxpayer and an Indiana qualified child care facility to provide for the **operating costs**, acquisition, construction, rehabilitation, or expansion of property used as part of the Indiana qualified child care facility; or

(3) for purposes of complying with the qualified child care facility licensure requirements under IC 12-17.2, as part of the taxpayer acquiring or constructing an Indiana qualified child care facility;

(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;

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

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 IC 6-3.1-39.5-5 IS REPEALED [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)].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

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

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

(3) the use of an Indiana qualified child care facility for the enrollment of a child from any individual who is not an



1 employee of the taxpayer.

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

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

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

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

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

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



1 payment to the department of the recapture amount.

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

5 "Allocation area" means that part of a redevelopment project area
 6 to which an allocation provision of a declaratory resolution adopted
 7 under section 15 of this chapter refers for purposes of distribution and
 8 allocation of property taxes.

9 "Base assessed value" means, subject to subsection (j), the
 10 following:

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

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

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

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

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

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

37 (3) If:

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



1 (B) after June 30, 1997, a new allocation provision is
2 included in an amendment to the declaratory resolution;
3 the net assessed value of all the property as finally determined
4 for the assessment date immediately preceding the effective date
5 of the allocation provision adopted after June 30, 1997, as
6 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).

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

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

(b) A declaratory resolution adopted under section 15 of this chapter on or before the allocation deadline determined under subsection (i) may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section. A declaratory resolution previously adopted may include an allocation provision by the amendment of that declaratory resolution on or before the allocation deadline determined under subsection (i) in accordance with the procedures required for its original adoption. A declaratory resolution or amendment that

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1 establishes an allocation provision must include a specific finding of
2 fact, supported by evidence, that the adoption of the allocation
3 provision will result in new property taxes in the area that would not
4 have been generated but for the adoption of the allocation provision.
5 For an allocation area established before July 1, 1995, the expiration
6 date of any allocation provisions for the allocation area is June 30,
7 2025, or the last date of any obligations that are outstanding on July 1,
8 2015, whichever is later. A declaratory resolution or an amendment
9 that establishes an allocation provision after June 30, 1995, must
10 specify an expiration date for the allocation provision. For an allocation
11 area established before July 1, 2008, the expiration date may not be
12 more than thirty (30) years after the date on which the allocation
13 provision is established. For an allocation area established after June
14 30, 2008, the expiration date may not be more than twenty-five (25)
15 years after the date on which the first obligation was incurred to pay
16 principal and interest on bonds or lease rentals on leases payable from
17 tax increment revenues. However, with respect to bonds or other
18 obligations that were issued before July 1, 2008, if any of the bonds or
19 other obligations that were scheduled when issued to mature before the
20 specified expiration date and that are payable only from allocated tax
21 proceeds with respect to the allocation area remain outstanding as of
22 the expiration date, the allocation provision does not expire until all of
23 the bonds or other obligations are no longer outstanding.
24 Notwithstanding any other law, in the case of an allocation area that is
25 established after June 30, 2019, and that is located in a redevelopment
26 project area described in section 25.1(c)(3)(C) of this chapter, an
27 economic development area described in section 25.1(c)(3)(C) of this
28 chapter, or an urban renewal project area described in section
29 25.1(c)(3)(C) of this chapter, the expiration date of the allocation
30 provision may not be more than thirty-five (35) years after the date on
31 which the allocation provision is established. The allocation provision
32 may apply to all or part of the redevelopment project area. The
33 allocation provision must require that any property taxes subsequently
34 levied by or for the benefit of any public body entitled to a distribution
35 of property taxes on taxable property in the allocation area be allocated
36 and distributed as follows:

37 (1) Except as otherwise provided in this section, the proceeds of
38 the taxes attributable to the lesser of:
39 (A) the assessed value of the property for the assessment
40 date with respect to which the allocation and distribution is
41 made; or



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

17 STEP TWO: Subtract the STEP ONE amount from one
18 (1).

21 unit of the fire protection territory, and
22 (B) to the extent not otherwise included in subdivisions (1)
23 and (3), the amount determined under STEP THREE of
24 clause (A) shall be allocated to and distributed in the form
25 of an allocated property tax revenue pass back to the
26 participating unit of the fire protection territory for the
27 assessment date with respect to which the allocation is
28 made

29 However, if the redevelopment commission determines that it is
30 unable to meet its debt service obligations with regards to the
31 allocation area without all or part of the allocated property tax
32 revenue pass back to the participating unit of a fire protection
33 area under this subdivision, then the allocated property tax
34 revenue pass back under this subdivision shall be reduced by the
35 amount necessary for the redevelopment commission to meet its
36 debt service obligations of the allocation area. The calculation
37 under this subdivision must be made by the redevelopment
38 commission in collaboration with the county auditor and the
39 applicable fire protection territory. Any calculation determined
40 according to clause (A) must be submitted to the department of
41 local government finance in the manner prescribed by the

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1 department of local government finance. The department of local
2 government finance shall verify the accuracy of each calculation.
3 (3) The excess of the proceeds of the property taxes imposed for
4 the assessment date with respect to which the allocation and
5 distribution is made that are attributable to taxes imposed after
6 being approved by the voters in a referendum or local public
7 question conducted after April 30, 2010, not otherwise included
8 in subdivisions (1) and (2) shall be allocated to and, when
9 collected, paid into the funds of the taxing unit for which the
10 referendum or local public question was conducted.
11 (4) Except as otherwise provided in this section, property tax
12 proceeds in excess of those described in subdivisions (1), (2),
13 and (3) shall be allocated to the redevelopment district and,
14 when collected, paid into an allocation fund for that allocation
15 area that may be used by the redevelopment district only to do
16 one (1) or more of the following:
17 (A) Pay the principal of and interest on any obligations
18 payable solely from allocated tax proceeds which are
19 incurred by the redevelopment district for the purpose of
20 financing or refinancing the redevelopment of that
21 allocation area.
22 (B) Establish, augment, or restore the debt service reserve
23 for bonds payable solely or in part from allocated tax
24 proceeds in that allocation area.
25 (C) Pay the principal of and interest on bonds payable from
26 allocated tax proceeds in that allocation area and from the
27 special tax levied under section 27 of this chapter.
28 (D) Pay the principal of and interest on bonds issued by the
29 unit to pay for local public improvements that are physically
30 located in or physically connected to that allocation area.
31 (E) Pay premiums on the redemption before maturity of
32 bonds payable solely or in part from allocated tax proceeds
33 in that allocation area.
34 (F) Make payments on leases payable from allocated tax
35 proceeds in that allocation area under section 25.2 of this
36 chapter.
37 (G) Reimburse the unit for expenditures made by it for local
38 public improvements (which include buildings, parking
39 facilities, and other items described in section 25.1(a) of
40 this chapter) that are physically located in or physically
41 connected to that allocation area.

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

5 (I) For property taxes first due and payable before January
 6 1, 2009, pay all or a part of a property tax replacement
 7 credit to taxpayers in an allocation area as determined by
 8 the redevelopment commission. This credit equals the
 9 amount determined under the following STEPS for each
 10 taxpayer in a taxing district (as defined in IC 6-1.1-1-20)
 11 that contains all or part of the allocation area:

12 STEP ONE: Determine that part of the sum of the amounts
 13 under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2),
 14 IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and
 15 IC 6-1.1-21-2(g)(5) (before their repeal) that is attributable
 16 to the taxing district.

17 STEP TWO: Divide:

18 (i) that part of each county's eligible property tax
 19 replacement amount (as defined in IC 6-1.1-21-2
 20 (before its repeal)) for that year as determined under
 21 IC 6-1.1-21-4 (before its repeal) that is attributable to
 22 the taxing district; by
 23 (ii) the STEP ONE sum.

24 STEP THREE: Multiply:

25 (i) the STEP TWO quotient; times
 26 (ii) the total amount of the taxpayer's taxes (as defined
 27 in IC 6-1.1-21-2 (before its repeal)) levied in the taxing
 28 district that have been allocated during that year to an
 29 allocation fund under this section.

30 If not all the taxpayers in an allocation area receive the
 31 credit in full, each taxpayer in the allocation area is entitled
 32 to receive the same proportion of the credit. A taxpayer may
 33 not receive a credit under this section and a credit under
 34 section 39.5 of this chapter (before its repeal) in the same
 35 year.

36 (J) Pay expenses incurred by the redevelopment
 37 commission for local public improvements that are in the
 38 allocation area or serving the allocation area. Public
 39 improvements include buildings, parking facilities, and
 40 other items described in section 25.1(a) of this chapter.

41 (K) 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.

(L) 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 (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

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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, 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:

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(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 (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).

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

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

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1 with 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)(4) may, subject to subsection (b)(5), be
 5 irrevocably pledged by the redevelopment district for payment as set
 6 forth in subsection (b)(4).

7 (e) Notwithstanding any other law, each assessor shall, upon
 8 petition of the redevelopment commission, reassess the taxable
 9 property situated upon or in, or added to, the allocation area, effective
 10 on the next assessment 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
 17 to 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)(4) shall establish an allocation fund for the purposes
 24 specified in subsection (b)(4) 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 any amount in the allocation fund derived
 27 from property tax proceeds in excess of those described in subsection
 28 (b)(1), (b)(2), and (b)(3) from property located in the enterprise zone
 29 that exceeds the amount sufficient for the purposes specified in
 30 subsection (b)(4) for the year. The amount sufficient for purposes
 31 specified in subsection (b)(4) for the year shall be determined based on
 32 the pro rata portion of such current property tax proceeds from the part
 33 of the enterprise zone that is within the allocation area as compared to
 34 all such current property tax proceeds derived from the allocation area.
 35 A unit that has no obligations, bonds, or leases payable from allocated
 36 tax proceeds under subsection (b)(4) shall establish a special zone fund
 37 and deposit all the property tax proceeds in excess of those described
 38 in subsection (b)(1), (b)(2), and (b)(3) in the fund derived from
 39 property tax proceeds in excess of those described in subsection (b)(1),
 40 (b)(2), and (b)(3) from property located in the enterprise zone. The unit
 41 that creates the special zone fund shall use the fund (based on the



1 recommendations of the urban enterprise association) for programs in
 2 job training, job enrichment, and basic skill development that are
 3 designed to benefit residents and employers in the enterprise zone or
 4 other purposes specified in subsection (b)(4), except that where
 5 reference is made in subsection (b)(4) to allocation area it shall refer
 6 for purposes of payments from the special zone fund only to that part
 7 of the allocation area that is also located in the enterprise zone. Those
 8 programs shall reserve at least one-half (1/2) of their enrollment in any
 9 session for residents of the enterprise zone.

10 (h) The state board of accounts and department of local
 11 government finance shall make the rules and prescribe the forms and
 12 procedures that they consider expedient for the implementation of this
 13 chapter. After each reassessment in an area under a reassessment plan
 14 prepared under IC 6-1.1-4-4.2, the department of local government
 15 finance shall adjust the base assessed value one (1) time to neutralize
 16 any effect of the reassessment of the real property in the area on the
 17 property tax proceeds allocated to the redevelopment district under this
 18 section. After each annual adjustment under IC 6-1.1-4-4.5, the
 19 department of local government finance shall adjust the base assessed
 20 value one (1) time to neutralize any effect of the annual adjustment on
 21 the property tax proceeds allocated to the redevelopment district under
 22 this section. However, the adjustments under this subsection:

23 (1) may not include the effect of phasing in assessed value due
 24 to property tax abatements under IC 6-1.1-12.1;

25 (2) may not produce less property tax proceeds allocable to the
 26 redevelopment district under subsection (b)(4) than would
 27 otherwise have been received if the reassessment under the
 28 reassessment plan or the annual adjustment had not occurred;
 29 and

30 (3) may decrease base assessed value only to the extent that
 31 assessed values in the allocation area have been decreased due
 32 to annual adjustments or the reassessment under the
 33 reassessment plan.

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

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

41 (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.

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

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

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

SECTION 7. IC 36-7-15.1-26, AS AMENDED BY P.L.174-2022, SECTION 72, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 26. (a) As used in this section:

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

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

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

(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.

23 (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:

introduced in an amendment to the Supplementary Allocation, 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



1 area added after June 30, 1995.

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

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

19 (b) A resolution adopted under section 8 of this chapter on or
 20 before the allocation deadline determined under subsection (i) may
 21 include a provision with respect to the allocation and distribution of
 22 property taxes for the purposes and in the manner provided in this
 23 section. A resolution previously adopted may include an allocation
 24 provision by the amendment of that resolution on or before the
 25 allocation deadline determined under subsection (i) in accordance with
 26 the procedures required for its original adoption. A declaratory
 27 resolution or amendment that establishes an allocation provision must
 28 include a specific finding of fact, supported by evidence, that the
 29 adoption of the allocation provision will result in new property taxes in
 30 the area that would not have been generated but for the adoption of the
 31 allocation provision. For an allocation area established before July 1,
 32 1995, the expiration date of any allocation provisions for the allocation
 33 area is June 30, 2025, or the last date of any obligations that are
 34 outstanding on July 1, 2015, whichever is later. However, for an
 35 allocation area identified as the Consolidated Allocation Area in the
 36 report submitted in 2013 to the fiscal body under section 36.3 of this
 37 chapter, the expiration date of any allocation provisions for the
 38 allocation area is January 1, 2051. A declaratory resolution or an
 39 amendment that establishes an allocation provision after June 30, 1995,
 40 must specify an expiration date for the allocation provision. For an
 41 allocation area established before July 1, 2008, the expiration date may



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

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

20 (A) the assessed value of the property for the assessment
21 date with respect to which the allocation and distribution is
22 made; or

23 (B) the base assessed value;

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

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

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

40 (A) Pay the principal of and interest on any obligations
41 payable solely from allocated tax proceeds that are incurred



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

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(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 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.

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

(L) 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 special fund may not be used for operating expenses of the commission.

(4) 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 provide the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (3) plus the amount necessary for other purposes described in subdivision (3) and subsection (g).

(B) Provide a written notice to the county auditor, the legislative body of the consolidated city, the officers who

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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, and (in an electronic format) the department of local government finance. 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 to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (3).

(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 (3); plus
- (ii) the amount necessary for other purposes described in subdivision (3) and subsection (g);

the commission shall submit to the legislative body of the unit the commission's 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).

or the purpose of allocating taxes levied by or for any taxing units, the assessed value of taxable property in a territory in the area that is annexed by any taxing unit after the effective allocation provision of the resolution is the lesser of:

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

17 (1) the assessed value of the property as valued without regard
18 to this section; or
19 (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:

40 (1) To pay for programs in job training, job enrichment, and
41 basic skill development designed to benefit residents and

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1 employers in the enterprise zone. The programs must reserve at
 2 least one-half (1/2) of the enrollment in any session for residents
 3 of the enterprise zone.

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

8 (A) Businesses operating in the enterprise zone.
 9 (B) Businesses that will move their operations to the
 10 enterprise zone if such a loan or grant is made.

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

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

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

40 (1) The initial allocation deadline is December 31, 2011.
 41 (2) Subject to subdivision (3), the initial allocation deadline and



1 subsequent allocation deadlines are automatically extended in
 2 increments of five (5) years, so that allocation deadlines
 3 subsequent to the initial allocation deadline fall on December 31,
 4 2016, and December 31 of each fifth year thereafter.

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

- 8 (A) terminates the automatic extension of allocation
 9 deadlines under subdivision (2); and
- 10 (B) specifically designates a particular date as the final
 11 allocation deadline.

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

- 20 (1) the date on which the documents are filed with the county
 21 auditor; or
- 22 (2) the date on which the documents are filed with the
 23 department of local government finance.

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

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

34 "Allocation area" means that part of a redevelopment project area
 35 to which an allocation provision of a resolution adopted under section
 36 8 of this chapter refers for purposes of distribution and allocation of
 37 property taxes.

38 "Base assessed value" means, subject to subsection (j), the
 39 following:

- 40 (1) If an allocation provision is adopted after June 30, 1995, in
 41 a declaratory resolution or an amendment to a declaratory



1 resolution establishing an economic development area:

2 (A) the net assessed value of all the property as finally
 3 determined for the assessment date immediately preceding
 4 the effective date of the allocation provision of the
 5 declaratory resolution, as adjusted under subsection (h);
 6 plus
 7 (B) to the extent that it is not included in clause (A), the net
 8 assessed value of property that is assessed as residential
 9 property under the rules of the department of local
 10 government finance, within the allocation area, as finally
 11 determined for the current assessment date.

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

15 (A) the net assessed value of all the property as finally
 16 determined for the assessment date immediately preceding
 17 the effective date of the allocation provision of the
 18 declaratory resolution, as adjusted under subsection (h);
 19 plus
 20 (B) to the extent that it is not included in clause (A), the net
 21 assessed value of property that is assessed as residential
 22 property under the rules of the department of local
 23 government finance, within the allocation area, as finally
 24 determined for the current assessment date.

25 (3) If:

26 (A) an allocation provision adopted before June 30, 1995,
 27 in a declaratory resolution or an amendment to a declaratory
 28 resolution establishing a redevelopment project area expires
 29 after June 30, 1997; and
 30 (B) after June 30, 1997, a new allocation provision is
 31 included in an amendment to the declaratory resolution;
 32 the net assessed value of all the property as finally determined
 33 for the assessment date immediately preceding the effective date
 34 of the allocation provision adopted after June 30, 1997, as
 35 adjusted under subsection (h).

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

41 (5) If an allocation area established in an economic development

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1 area before July 1, 1995, is expanded after June 30, 1995, the
 2 definition in subdivision (1) applies to the expanded part of the
 3 area added after June 30, 1995.

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

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

21 (b) A resolution adopted under section 8 of this chapter on or
 22 before the allocation deadline determined under subsection (i) may
 23 include a provision with respect to the allocation and distribution of
 24 property taxes for the purposes and in the manner provided in this
 25 section. A resolution previously adopted may include an allocation
 26 provision by the amendment of that resolution on or before the
 27 allocation deadline determined under subsection (i) in accordance with
 28 the procedures required for its original adoption. A declaratory
 29 resolution or amendment that establishes an allocation provision must
 30 include a specific finding of fact, supported by evidence, that the
 31 adoption of the allocation provision will result in new property taxes in
 32 the area that would not have been generated but for the adoption of the
 33 allocation provision. For an allocation area established before July 1,
 34 1995, the expiration date of any allocation provisions for the allocation
 35 area is June 30, 2025, or the last date of any obligations that are
 36 outstanding on July 1, 2015, whichever is later. However, for an
 37 allocation area identified as the Consolidated Allocation Area in the
 38 report submitted in 2013 to the fiscal body under section 36.3 of this
 39 chapter, the expiration date of any allocation provisions for the
 40 allocation area is January 1, 2051. A declaratory resolution or an
 41 amendment that establishes an allocation provision after June 30, 1995,

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

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



- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds that are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the 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.

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1 three (3) years after the date on which the investments that
 2 are the basis for the increment financing are made.

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

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

17 (ii) Make any reimbursements required under this
 18 subdivision.
 19 (iii) Pay any expenses required under this subdivision.
 20 (iv) Establish, augment, or restore any debt service
 21 reserve under this subdivision.

22 (K) Expend money and provide financial assistance as
 23 authorized in section 7(a)(21) of this chapter.
 24 (L) **Expend money or provide financial assistance
 25 (including grants and loans) to entities for the purpose
 26 of encouraging or incentivizing the construction,
 27 expansion, or ongoing operation of child care facilities
 28 that are in the allocation area or serving the allocation
 29 area.**

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

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

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



(B) Provide a written notice to the county auditor, the legislative body of the consolidated city, 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, and (in an electronic format) the department of local government finance. 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 to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (3).

(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

(3); plus
(ii) the amount necessary for other purposes described in subdivision (3) and subsection (g):

the commission shall submit to the legislative body of the unit the commission's 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).

(c) For the purpose of allocating taxes levied by or for any taxing unit or units, the assessed value of taxable property in a territory in the

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1 allocation area that is annexed by any taxing unit after the effective
 2 date of the allocation provision of the resolution is the lesser of:

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

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

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

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

19 (1) the assessed value of the property as valued without regard
 20 to this section; or

21 (2) the base assessed value.

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



(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:

10 (A) Businesses operating in the enterprise zone.

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

13 (3) To provide funds to carry out other purposes specified in
14 subsection (b)(3). However, where reference is made in
15 subsection (b)(3) to the allocation area, the reference refers for
16 purposes of payments from the special zone fund only to that
17 part of the allocation area that is also located in the enterprise
18 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.

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

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1 (1) The initial allocation deadline is December 31, 2011.
2 (2) Subject to subdivision (3), the initial allocation deadline and
3 subsequent allocation deadlines are automatically extended in
4 increments of five (5) years, so that allocation deadlines
5 subsequent to the initial allocation deadline fall on December 31,
6 2016, and December 31 of each fifth year thereafter.
7 (3) At least one (1) year before the date of an allocation deadline
8 determined under subdivision (2), the general assembly may
9 enact a law that:
10 (A) terminates the automatic extension of allocation
11 deadlines under subdivision (2); and
12 (B) specifically designates a particular date as the final
13 allocation deadline.
14 (j) If the commission adopts a declaratory resolution or an
15 amendment to a declaratory resolution that contains an allocation
16 provision and the commission makes either of the filings required
17 under section 10(e) of this chapter after the first anniversary of the
18 effective date of the allocation provision, the auditor of the county in
19 which the unit is located shall compute the base assessed value for the
20 allocation area using the assessment date immediately preceding the
21 later of:
22 (1) the date on which the documents are filed with the county
23 auditor; or
24 (2) the date on which the documents are filed with the
25 department of local government finance.
26 (k) For an allocation area established after June 30, 2024,
27 "residential property" refers to the assessed value of property that is
28 allocated to the one percent (1%) homestead land and improvement
29 categories in the county tax and billing software system, along with the
30 residential assessed value as defined for purposes of calculating the
31 rate for the local income tax property tax relief credit designated for
32 residential property under IC 6-3.6-5-6(d)(3) (before its expiration).
33 SECTION 9. [EFFECTIVE JULY 1, 2026] (a) There is
34 appropriated from the state general fund for the state fiscal year
35 beginning July 1, 2026, and ending June 30, 2027, the following:
36 (1) Fifty million six hundred sixty-eight thousand three
37 hundred seventy-two dollars (\$50,668,372) to the
38 prekindergarten program fund established by
39 IC 12-17.2-7.2-13.5 for the prekindergarten program.
40 (2) One hundred ninety-six million two hundred seventeen
41 thousand six hundred eighty-nine dollars (\$196,217,689) to
42 the family and social services administration for early

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1 **childhood learning.**

2 **(3) Two million dollars (\$2,000,000) to the family and social**
3 **services administration to be used for providing counties**
4 **with assistance in expanding the availability of child care.**

5 **(b) This SECTION expires July 1, 2028.**

6 SECTION 10. [EFFECTIVE JANUARY 1, 2026
7 (RETROACTIVE)] (a) IC 6-3.1-39.5-1, IC 6-3.1-39.5-3, and
8 IC 6-3.1-39.5-7, all as amended by this act, apply to taxable years
9 beginning after December 31, 2025.

10 **(b) This SECTION expires June 30, 2028.**

11 SECTION 11. An emergency is declared for this act.

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