
HOUSE BILL No. 1177

AM117706 has been incorporated into introduced printing.

Synopsis: Child care assistance.

M
e
r
g
e
d

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

Introduced

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

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2025 Regular Session of the General Assembly.

HOUSE BILL No. 1177

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

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

1 SECTION 1. IC 6-3.1-39.5-1, AS ADDED BY P.L.201-2023,
2 SECTION 103, IS AMENDED TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 1. As used
4 in this chapter, "Indiana qualified child care facility" means a facility
5 that is:
6 (1) a qualified child care facility (as defined in Section 45F of
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)~~

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

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

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

JUARY 1, 2026 (RETROACTIVE)]. Sec. 5. As used in this
Act, "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(c) 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

202

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)~~ **seven hundred fifty (750)**
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 6-3.1-39.5-8, AS ADDED BY P.L.201-2023,
14 SECTION 103, IS AMENDED TO READ AS FOLLOWS
15 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 8. (a) A
16 taxpayer that makes a qualified expenditure in a taxable year is entitled
17 to a credit against the taxpayer's state tax liability for the taxable year.

18 (b) Subject to section 9 of this chapter, the maximum amount of
19 the credit to which a taxpayer is entitled in a particular taxable year is
20 equal to ~~the lesser of~~

21 (1) fifty percent (50%) of the employer's qualified expenditures
22 in the taxable year. ~~or~~
23 (2) ~~one hundred thousand dollars (\$100,000).~~

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

30 (1) One hundred percent (100%) of the credit after the end of the
31 first taxable year in which the credit was allowed.

32 (2) Eighty percent (80%) of the credit after the end of the second
33 taxable year in which the credit was allowed.

34 (3) Sixty percent (60%) of the credit after the end of the third
35 taxable year in which the credit was allowed.

36 (4) Forty percent (40%) of the credit after the end of the fourth
37 taxable year in which the credit was allowed.

38 (5) Twenty percent (20%) of the credit after the end of the fifth
39 taxable year in which the credit was allowed.

40 (b) Any recapture tax liability must be reported by the taxpayer on
41 the taxpayer's annual state income tax return for the taxable year during



1 which the use was converted.

2 (c) A recapture event is not considered to have occurred as a result
3 of a change in ownership of an Indiana qualified child care facility for
4 which a credit was allowed under this chapter if, before the change in
5 ownership transaction is completed, the person acquiring an interest in
6 the facility agrees in writing to assume the liability of the taxpayer for
7 any recapture amount that becomes owed. In the event of such an
8 assumption, the person acquiring the interest in the facility shall be
9 treated as the taxpayer for purposes of assessing any recapture liability
10 that becomes owed due to a subsequent recapture event, computed as
11 if there had been no change in ownership, and is responsible for
12 payment to the department of the recapture amount.

13 SECTION 7. IC 6-3.1-39.5-14 IS REPEALED [EFFECTIVE
14 JANUARY 1, 2026 (RETROACTIVE)]. See: ~~14. (a) The maximum~~
15 ~~aggregate amount of tax credits allowed under this chapter may not~~
16 ~~exceed two million five hundred thousand dollars (\$2,500,000) in each~~
17 ~~state fiscal year.~~

23 SECTION 8. IC 36-7-14-39, AS AMENDED BY P.L.181-2025,
24 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
25 JULY 1, 2026]: Sec. 39. (a) As used in this section:

26 "Allocation area" means that part of a redevelopment project area
27 to which an allocation provision of a declaratory resolution adopted
28 under section 15 of this chapter refers for purposes of distribution and
29 allocation of property taxes.

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

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

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

40 (B) to the extent that it is not included in clause (A), the net
41 assessed value of property that is assessed as residential

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 property under the rules of the department of local
2 government finance, within the allocation area, as finally
3 determined for the current assessment date.

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

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

17 (3) If:

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

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

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

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

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

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

41 Except as provided in section 39.3 of this chapter, "property taxes"

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

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



1 proceeds with respect to the allocation area remain outstanding as of
 2 the expiration date, the allocation provision does not expire until all of
 3 the bonds or other obligations are no longer outstanding.
 4 Notwithstanding any other law, in the case of an allocation area that is
 5 established after June 30, 2019, and that is located in a redevelopment
 6 project area described in section 25.1(c)(3)(C) of this chapter, an
 7 economic development area described in section 25.1(c)(3)(C) of this
 8 chapter, or an urban renewal project area described in section
 9 25.1(c)(3)(C) of this chapter, the expiration date of the allocation
 10 provision may not be more than thirty-five (35) years after the date on
 11 which the allocation provision is established. The allocation provision
 12 may apply to all or part of the redevelopment project area. The
 13 allocation provision must require that any property taxes subsequently
 14 levied by or for the benefit of any public body entitled to a distribution
 15 of property taxes on taxable property in the allocation area be allocated
 16 and distributed as follows:

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

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

22 (B) the base assessed value;

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

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

32 (A) except as otherwise provided by this subdivision, shall
 33 be determined as follows:

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

38 STEP TWO: Subtract the STEP ONE amount from one
 39 (1).

40 STEP THREE: Multiply the STEP TWO amount by the
 41 allocated property tax attributable to the participating



unit of the fire protection territory; and

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

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

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

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

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 allocation area.

2 (B) Establish, augment, or restore the debt service reserve

3 for bonds payable solely or in part from allocated tax

4 proceeds in that allocation area.

5 (C) Pay the principal of and interest on bonds payable from

6 allocated tax proceeds in that allocation area and from the

7 special tax levied under section 27 of this chapter.

8 (D) Pay the principal of and interest on bonds issued by the

9 unit to pay for local public improvements that are physically

10 located in or physically connected to that allocation area.

11 (E) Pay premiums on the redemption before maturity of

12 bonds payable solely or in part from allocated tax proceeds

13 in that allocation area.

14 (F) Make payments on leases payable from allocated tax

15 proceeds in that allocation area under section 25.2 of this

16 chapter.

17 (G) Reimburse the unit for expenditures made by it for local

18 public improvements (which include buildings, parking

19 facilities, and other items described in section 25.1(a) of

20 this chapter) that are physically located in or physically

21 connected to that allocation area.

22 (H) Reimburse the unit for rentals paid by it for a building

23 or parking facility that is physically located in or physically

24 connected to that allocation area under any lease entered

25 into under IC 36-1-10.

26 (I) For property taxes first due and payable before January

27 1, 2009, pay all or a part of a property tax replacement

28 credit to taxpayers in an allocation area as determined by

29 the redevelopment commission. This credit equals the

30 amount determined under the following STEPS for each

31 taxpayer in a taxing district (as defined in IC 6-1.1-1-20)

32 that contains all or part of the allocation area:

33 STEP ONE: Determine that part of the sum of the amounts

34 under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2),

35 IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and

36 IC 6-1.1-21-2(g)(5) (before their repeal) that is attributable

37 to the taxing district.

38 STEP TWO: Divide:

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

40 replacement amount (as defined in IC 6-1.1-21-2

41 (before its repeal)) for that year as determined under

M
e
r
g
e
d



1 IC 6-1.1-21-4 (before its repeal) that is attributable to
 2 the taxing district; by
 3 (ii) the STEP ONE sum.

4 STEP THREE: Multiply:

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

10 If not all the taxpayers in an allocation area receive the
 11 credit in full, each taxpayer in the allocation area is entitled
 12 to receive the same proportion of the credit. A taxpayer may
 13 not receive a credit under this section and a credit under
 14 section 39.5 of this chapter (before its repeal) in the same
 15 year.

16 (J) Pay expenses incurred by the redevelopment
 17 commission for local public improvements that are in the
 18 allocation area or serving the allocation area. Public
 19 improvements include buildings, parking facilities, and
 20 other items described in section 25.1(a) of this chapter.

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

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

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

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



1 (i) Make, when due, any payments required under
2 clauses (A) through (K), including any payments of
3 principal and interest on bonds and other obligations
4 payable under this subdivision, any payments of
5 premiums under this subdivision on the redemption
6 before maturity of bonds, and any payments on leases
7 payable under this subdivision.
8 (ii) Make any reimbursements required under this
9 subdivision.
10 (iii) Pay any expenses required under this subdivision.
11 (iv) Establish, augment, or restore any debt service
12 reserve under this subdivision.
13 (M) Expend money and provide financial assistance as
14 authorized in section 12.2(a)(27) of this chapter.
15 (N) Expend revenues that are allocated for police and fire
16 services on both capital expenditures and operating
17 expenses as authorized in section 12.2(a)(28) of this
18 chapter.
19 (O) **Expend money or provide financial assistance
20 (including grants and loans) to entities for the purpose
21 of encouraging or incentivizing the construction,
22 expansion, or ongoing operation of child care facilities
23 that are in the allocation area or serving the allocation
24 area.**
25 The allocation fund may not be used for operating expenses of
26 the commission.
27 (5) Except as provided in subsection (g), before June 15 of each
28 year, the commission shall do the following:
29 (A) Determine the amount, if any, by which the assessed
30 value of the taxable property in the allocation area for the
31 most recent assessment date minus the base assessed value,
32 when multiplied by the estimated tax rate of the allocation
33 area, will exceed the amount of assessed value needed to
34 produce the property taxes necessary to make, when due,
35 principal and interest payments on bonds described in
36 subdivision (4), plus the amount necessary for other
37 purposes described in subdivision (4).
38 (B) Provide a written notice to the county auditor, the fiscal
39 body of the county or municipality that established the
40 department of redevelopment, and the officers who are
41 authorized to fix budgets, tax rates, and tax levies under
42 IC 6-1.1-17-5 for each of the other taxing units that is

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 wholly or partly located within the allocation area. The
 2 county auditor, upon receiving the notice, shall forward this
 3 notice (in an electronic format) to the department of local
 4 government finance not later than June 15 of each year. The
 5 notice must:

6 (i) state the amount, if any, of excess assessed value
 7 that the commission has determined may be allocated
 8 to the respective taxing units in the manner prescribed
 9 in subdivision (1); or
 10 (ii) state that the commission has determined that there
 11 is no excess assessed value that may be allocated to the
 12 respective taxing units in the manner prescribed in
 13 subdivision (1).

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

21 (C) If:

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

30 the commission shall submit to the legislative body of the
 31 unit its determination of the excess assessed value that the
 32 commission proposes to allocate to the respective taxing
 33 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
 37 the manner prescribed in subdivision (1).

38 (6) Notwithstanding subdivision (5), in the case of an allocation
 39 area that is established after June 30, 2019, and that is located in
 40 a redevelopment project area described in section 25.1(c)(3)(C)
 41 of this chapter, an economic development area described in



1 section 25.1(c)(3)(C) of this chapter, or an urban renewal project
 2 area described in section 25.1(c)(3)(C) of this chapter, for each
 3 year the allocation provision is in effect, if the amount of excess
 4 assessed value determined by the commission under subdivision
 5 (5)(A) is expected to generate more than two hundred percent
 6 (200%) of:

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

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

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

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

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

24 (d) Property tax proceeds allocable to the redevelopment district
 25 under subsection (b)(4) may, subject to subsection (b)(5), be
 26 irrevocably pledged by the redevelopment district for payment as set
 27 forth in subsection (b)(4).

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

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

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

39 (2) the base assessed value.

40 (g) If any part of the allocation area is located in an enterprise zone
 41 created under IC 5-28-15, the unit that designated the allocation area



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

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

M

e

r

g

e

d



1 the property tax proceeds allocated to the redevelopment district under
 2 this section. However, the adjustments under this subsection:

- 3 (1) may not include the effect of phasing in assessed value due
 to property tax abatements under IC 6-1.1-12.1;
- 5 (2) may not produce less property tax proceeds allocable to the
 6 redevelopment district under subsection (b)(4) than would
 7 otherwise have been received if the reassessment under the
 8 reassessment plan or the annual adjustment had not occurred;
 9 and
- 10 (3) may decrease base assessed value only to the extent that
 11 assessed values in the allocation area have been decreased due
 12 to annual adjustments or the reassessment under the
 13 reassessment plan.

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

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

- 21 (1) The initial allocation deadline is December 31, 2011.
- 22 (2) Subject to subdivision (3), the initial allocation deadline and
 23 subsequent allocation deadlines are automatically extended in
 24 increments of five (5) years, so that allocation deadlines
 25 subsequent to the initial allocation deadline fall on December 31,
 26 2016, and December 31 of each fifth year thereafter.
- 27 (3) At least one (1) year before the date of an allocation deadline
 28 determined under subdivision (2), the general assembly may
 29 enact a law that:

- 30 (A) terminates the automatic extension of allocation
 31 deadlines under subdivision (2); and
- 32 (B) specifically designates a particular date as the final
 33 allocation deadline.

34 (j) If a redevelopment commission adopts a declaratory resolution
 35 or an amendment to a declaratory resolution that contains an allocation
 36 provision and the redevelopment commission makes either of the
 37 filings required under section 17(e) of this chapter after the first
 38 anniversary of the effective date of the allocation provision, the auditor
 39 of the county in which the unit is located shall compute the base
 40 assessed value for the allocation area using the assessment date
 41 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 9. 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.

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

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

(B) to the extent that it is not included in clause (A), the net assessed value of property that is assessed as residential property under the rules of the department of local



1 government finance, within the allocation area, as finally
 2 determined for the current assessment date.

3 (3) If:

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

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

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

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

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

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

26 Except as provided in section 26.2 of this chapter, "property taxes"
 27 means taxes imposed under IC 6-1.1 on real property. However, upon
 28 approval by a resolution of the redevelopment commission adopted
 29 before June 1, 1987, "property taxes" also includes taxes imposed
 30 under IC 6-1.1 on depreciable personal property. If a redevelopment
 31 commission adopted before June 1, 1987, a resolution to include within
 32 the definition of property taxes, taxes imposed under IC 6-1.1 on
 33 depreciable personal property that has a useful life in excess of eight
 34 (8) years, the commission may by resolution determine the percentage
 35 of taxes imposed under IC 6-1.1 on all depreciable personal property
 36 that will be included within the definition of property taxes. However,
 37 the percentage included must not exceed twenty-five percent (25%) of
 38 the taxes imposed under IC 6-1.1 on all depreciable personal property.
 39

40 (b) A resolution adopted under section 8 of this chapter on or
 41 before the allocation deadline determined under subsection (i) may



1 include a provision with respect to the allocation and distribution of
2 property taxes for the purposes and in the manner provided in this
3 section. A resolution previously adopted may include an allocation
4 provision by the amendment of that resolution on or before the
5 allocation deadline determined under subsection (i) in accordance with
6 the procedures required for its original adoption. A declaratory
7 resolution or amendment that establishes an allocation provision must
8 include a specific finding of fact, supported by evidence, that the
9 adoption of the allocation provision will result in new property taxes in
10 the area that would not have been generated but for the adoption of the
11 allocation provision. For an allocation area established before July 1,
12 1995, the expiration date of any allocation provisions for the allocation
13 area is June 30, 2025, or the last date of any obligations that are
14 outstanding on July 1, 2015, whichever is later. However, for an
15 allocation area identified as the Consolidated Allocation Area in the
16 report submitted in 2013 to the fiscal body under section 36.3 of this
17 chapter, the expiration date of any allocation provisions for the
18 allocation area is January 1, 2051. A declaratory resolution or an
19 amendment that establishes an allocation provision after June 30, 1995,
20 must specify an expiration date for the allocation provision. For an
21 allocation area established before July 1, 2008, the expiration date may
22 not be more than thirty (30) years after the date on which the allocation
23 provision is established. For an allocation area established after June
24 30, 2008, the expiration date may not be more than twenty-five (25)
25 years after the date on which the first obligation was incurred to pay
26 principal and interest on bonds or lease rentals on leases payable from
27 tax increment revenues. However, with respect to bonds or other
28 obligations that were issued before July 1, 2008, if any of the bonds or
29 other obligations that were scheduled when issued to mature before the
30 specified expiration date and that are payable only from allocated tax
31 proceeds with respect to the allocation area remain outstanding as of
32 the expiration date, the allocation provision does not expire until all of
33 the bonds or other obligations are no longer outstanding. The allocation
34 provision may apply to all or part of the redevelopment project area.
35 The allocation provision must require that any property taxes
36 subsequently levied by or for the benefit of any public body entitled to
37 a distribution of property taxes on taxable property in the allocation
38 area be allocated and distributed as follows:

39 (1) Except as otherwise provided in this section, the proceeds of
40 the taxes attributable to the lesser of:
41 (A) the assessed value of the property for the assessment



date with respect to which the allocation and distribution is made; or

(B) the base assessed value;

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

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

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

2026

IN 1177—LS 6690/DJ 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 parking facilities, and other items set forth in section 17 of
 2 this chapter) that are physically located in or physically
 3 connected to that allocation area.

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

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

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

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

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

29 (i) Make, when due, any payments required under
 30 clauses (A) through (I), including any payments of
 31 principal and interest on bonds and other obligations
 32 payable under this subdivision, any payments of
 33 premiums under this subdivision on the redemption
 34 before maturity of bonds, and any payments on leases
 35 payable under this subdivision.

36 (ii) Make any reimbursements required under this
 37 subdivision.

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

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

41 (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 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:

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

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

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

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

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

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

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

(2) the base assessed value.

(g) If any part of the allocation area is located in an enterprise zone

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

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

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

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

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

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

38 (h) The state board of accounts and department of local
 39 government finance shall make the rules and prescribe the forms and
 40 procedures that they consider expedient for the implementation of this
 41 chapter. After each reassessment under a reassessment plan prepared

M
e
r
g
e
d



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

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

20 (1) The initial allocation deadline is December 31, 2011.
 21 (2) Subject to subdivision (3), the initial allocation deadline and
 22 subsequent allocation deadlines are automatically extended in
 23 increments of five (5) years, so that allocation deadlines
 24 subsequent to the initial allocation deadline fall on December 31,
 25 2016, and December 31 of each fifth year thereafter.

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

29 (A) terminates the automatic extension of allocation
 30 deadlines under subdivision (2); and
 31 (B) specifically designates a particular date as the final
 32 allocation deadline.

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

41 (1) the date on which the documents are filed with the county



1 auditor; or
2 (2) the date on which the documents are filed with the
3 department of local government finance.
4 (k) For an allocation area established after June 30, 2024,
5 "residential property" refers to the assessed value of property that is
6 allocated to the one percent (1%) homestead land and improvement
7 categories in the county tax and billing software system, along with the
8 residential assessed value as defined for purposes of calculating the
9 rate for the local income tax property tax relief credit designated for
10 residential property under IC 6-3.6-5-6(d)(3).

11 SECTION 10. IC 36-7-15.1-26, AS AMENDED BY P.L.68-2025,
12 SECTION 235, IS AMENDED TO READ AS FOLLOWS
13 [EFFECTIVE JULY 1, 2027]: Sec. 26. (a) As used in this section:

14 "Allocation area" means that part of a redevelopment project area
15 to which an allocation provision of a resolution adopted under section
16 8 of this chapter refers for purposes of distribution and allocation of
17 property taxes.

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

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

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

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

41 (B) to the extent that it is not included in clause (A), the net

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

assessed value of property that is assessed as residential property under the rules of the department of local government finance, within the allocation area, as finally determined for the current assessment date.

(3) If:

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

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

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

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

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

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

29 Except as provided in section 26.2 of this chapter, "property taxes"
30 means taxes imposed under IC 6-1.1 on real property. However, upon
31 approval by a resolution of the redevelopment commission adopted
32 before June 1, 1987, "property taxes" also includes taxes imposed
33 under IC 6-1.1 on depreciable personal property. If a redevelopment
34 commission adopted before June 1, 1987, a resolution to include within
35 the definition of property taxes, taxes imposed under IC 6-1.1 on
36 depreciable personal property that has a useful life in excess of eight
37 (8) years, the commission may by resolution determine the percentage
38 of taxes imposed under IC 6-1.1 on all depreciable personal property
39 that will be included within the definition of property taxes. However,
40 the percentage included must not exceed twenty-five percent (25%) of
41 the taxes imposed under IC 6-1.1 on all depreciable personal property.

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

(b) A resolution adopted under section 8 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 resolution previously adopted may include an allocation provision by the amendment of that 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 establishes an allocation provision must include a specific finding of fact, supported by evidence, that the adoption of the allocation provision will result in new property taxes in the area that would not have been generated but for the adoption of the allocation provision. For an allocation area established before July 1, 1995, the expiration date of any allocation provisions for the allocation area is June 30, 2025, or the last date of any obligations that are outstanding on July 1, 2015, whichever is later. However, for an allocation area identified as the Consolidated Allocation Area in the report submitted in 2013 to the fiscal body under section 36.3 of this chapter, the expiration date of any allocation provisions for the allocation area is January 1, 2051. A declaratory resolution or an amendment that establishes an allocation provision after June 30, 1995, must specify an expiration date for the allocation provision. For an allocation area established before July 1, 2008, the expiration date may not be more than thirty (30) years after the date on which the allocation provision is established. For an allocation area established after June 30, 2008, the expiration date may not be more than twenty-five (25) years after the date on which the first obligation was incurred to pay principal and interest on bonds or lease rentals on leases payable from tax increment revenues. However, with respect to bonds or other obligations that were issued before July 1, 2008, if any of the bonds or other obligations that were scheduled when issued to mature before the specified expiration date and that are payable only from allocated tax proceeds with respect to the allocation area remain outstanding as of the expiration date, the allocation provision does not expire until all of the bonds or other obligations are no longer outstanding. The allocation provision may apply to all or part of the redevelopment project area. The allocation provision must require that any property taxes subsequently levied by or for the benefit of any public body entitled to a distribution of property taxes on taxable property in the allocation area be allocated and distributed as follows:

area be allocated and distributed as follows.

(1) Except as otherwise provided in this section, the proceeds of

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 the taxes attributable to the lesser of:

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

5 (B) the base assessed value;

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

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

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

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

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

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

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

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

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

M

e

r

g

e

d



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

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

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

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

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

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

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



1 reserve under this subdivision.

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

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

10 The special fund may not be used for operating expenses of the
11 commission.

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

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

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

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

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

38 The county auditor shall allocate to the respective taxing
39 units the amount, if any, of excess assessed value
40 determined by the commission. The commission may not
41 authorize an allocation to the respective taxing units under
42 this subdivision if to do so would endanger the interests of

M

e

r

g

e

d



1 the holders of bonds described in subdivision (3).

2 (C) If:

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

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

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

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

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

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

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

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

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



(2) the base assessed value.

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

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

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

(A) Businesses operating in the enterprise zone.

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

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

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and

2026

IN 1177—LS 6690/DI 125



DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY

1 procedures that they consider expedient for the implementation of this
 2 chapter. After each reassessment under a reassessment plan prepared
 3 under IC 6-1.1-4-4.2, the department of local government finance shall
 4 adjust the base assessed value one (1) time to neutralize any effect of
 5 the 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
 30 enact a law that:
 - 31 (A) terminates the automatic extension of allocation
 32 deadlines 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



1 later of:

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

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

13 SECTION 11. [EFFECTIVE JANUARY 1, 2026
14 (RETROACTIVE)] (a) **IC 6-3.1-39.5-1, IC 6-3.1-39.5-3, and
15 IC 6-3.1-39.5-7, all as amended by this act, apply to taxable years
16 beginning after December 31, 2025.**

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

18 SECTION 12. **An emergency is declared for this act.**



2026

IN 1177—LS 6690/DI 125

DOCUMENT HAS NOT BEEN CHECKED FOR ACCURACY