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## HOUSE BILL No. 1177

Proposed Changes to introduced printing by AM117706

### DIGEST OF PROPOSED AMENDMENT

Employer child care expenditure tax credit. Increases the maximum number of employees for purposes of an employer's eligibility for the employer child care expenditure tax credit (tax credit). Repeals limitations on the maximum tax credit per taxpayer and the maximum aggregate amount of tax credits allowed each state fiscal year.

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)~~  
16 ~~of the Internal Revenue Code with the taxpayer.~~  
17 SECTION 2. IC 6-3.1-39.5-3, AS ADDED BY P.L.201-2023,  
18 SECTION 103, IS AMENDED TO READ AS FOLLOWS  
19 [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 3. As used

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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)]. Sec. 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 employee of the taxpayer.

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



SECTION 4. IC 6-3.1-39.5-7, AS ADDED BY P.L.201-2023, SECTION 103, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 7. As used in this chapter, "taxpayer" means any person, corporation, limited liability company, partnership, or other entity that has any state tax liability and employs ~~one hundred (100)~~ ~~five~~ [seven] hundred [fifty] (~~<500> [750]~~) individuals or less. The term includes a pass through entity. However, the term does not include a taxpayer who is in the business of operating a child care facility prior to making qualified expenditures.

[ SECTION 5. IC 6-3.1-39.5-8, AS ADDED BY P.L.201-2023, SECTION 103, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)]: Sec. 8. (a) A taxpayer that makes a qualified expenditure in a taxable year is entitled to a credit against the taxpayer's state tax liability for the taxable year.

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

(1) fifty percent (50%) of the employer's qualified expenditures in the taxable year. or

(2) one hundred thousand dollars (\$100,000);

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 IC 6-3.1-39.5-12 IS REPEALED [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)].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

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

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

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

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

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

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

(c) A recapture event is not considered to have occurred as a result of a change in ownership of an Indiana qualified child care facility for



which a credit was allowed under this chapter if, before the change in ownership transaction is completed, the person acquiring an interest in the facility agrees in writing to assume the liability of the taxpayer for any recapture amount that becomes owed. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability that becomes owed due to a subsequent recapture event, computed as if there had been no change in ownership, and is responsible for payment to the department of the recapture amount.

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

(b) The department shall record the time of filing of each return claiming a tax credit under this chapter and shall approve the tax credits, if they otherwise qualify for a tax credit under this chapter, in the chronological order in which the returns are filed in the state fiscal year.

] SECTION ~~6~~[8]. IC 36-7-14-39, AS AMENDED BY P.L.181-2025, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 39. (a) As used in this section:

"Allocation area" means that part of a redevelopment project area to which an allocation provision of a declaratory resolution adopted under section 15 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 government finance, as finally determined for the current assessment date.

(3) If:

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

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

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

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

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

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

Except as provided in section 39.3 of this chapter, "property taxes" means taxes imposed under IC 6-1.1 on real property. However, upon approval by a resolution of the redevelopment commission adopted before June 1, 1987, "property taxes" also includes taxes imposed under IC 6-1.1 on depreciable personal property. If a redevelopment



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

9 (b) A declaratory resolution adopted under section 15 of this  
 10 chapter on or before the allocation deadline determined under  
 11 subsection (i) may include a provision with respect to the allocation  
 12 and distribution of property taxes for the purposes and in the manner  
 13 provided in this section. A declaratory resolution previously adopted  
 14 may include an allocation provision by the amendment of that  
 15 declaratory resolution on or before the allocation deadline determined  
 16 under subsection (i) in accordance with the procedures required for its  
 17 original adoption. A declaratory resolution or amendment that  
 18 establishes an allocation provision must include a specific finding of  
 19 fact, supported by evidence, that the adoption of the allocation  
 20 provision will result in new property taxes in the area that would not  
 21 have been generated but for the adoption of the allocation provision.  
 22 For an allocation area established before July 1, 1995, the expiration  
 23 date of any allocation provisions for the allocation area is June 30,  
 24 2025, or the last date of any obligations that are outstanding on July 1,  
 25 2015, whichever is later. A declaratory resolution or an amendment  
 26 that establishes an allocation provision after June 30, 1995, must  
 27 specify an expiration date for the allocation provision. For an allocation  
 28 area established before July 1, 2008, the expiration date may not be  
 29 more than thirty (30) years after the date on which the allocation  
 30 provision is established. For an allocation area established after June  
 31 30, 2008, the expiration date may not be more than twenty-five (25)  
 32 years after the date on which the first obligation was incurred to pay  
 33 principal and interest on bonds or lease rentals on leases payable from  
 34 tax increment revenues. However, with respect to bonds or other  
 35 obligations that were issued before July 1, 2008, if any of the bonds or  
 36 other obligations that were scheduled when issued to mature before the  
 37 specified expiration date and that are payable only from allocated tax  
 38 proceeds with respect to the allocation area remain outstanding as of  
 39 the expiration date, the allocation provision does not expire until all of  
 40 the bonds or other obligations are no longer outstanding.  
 41 Notwithstanding any other law, in the case of an allocation area that is  
 42 established after June 30, 2019, and that is located in a redevelopment



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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, the expiration date of the allocation provision may not be more than thirty-five (35) years after the date on which the allocation provision is established. 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:

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

(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) 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:

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

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

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

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

(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



1 assessment date with respect to which the allocation is  
2 made.

3 However, if the redevelopment commission determines that it is  
4 unable to meet its debt service obligations with regards to the  
5 allocation area without all or part of the allocated property tax  
6 revenue pass back to the participating unit of a fire protection  
7 area under this subdivision, then the allocated property tax  
8 revenue pass back under this subdivision shall be reduced by the  
9 amount necessary for the redevelopment commission to meet its  
10 debt service obligations of the allocation area. The calculation  
11 under this subdivision must be made by the redevelopment  
12 commission in collaboration with the county auditor and the  
13 applicable fire protection territory. Any calculation determined  
14 according to clause (A) must be submitted to the department of  
15 local government finance in the manner prescribed by the  
16 department of local government finance. The department of local  
17 government finance shall verify the accuracy of each calculation.  
18 (3) The excess of the proceeds of the property taxes imposed for  
19 the assessment date with respect to which the allocation and  
20 distribution is made that are attributable to taxes imposed after  
21 being approved by the voters in a referendum or local public  
22 question conducted after April 30, 2010, not otherwise included  
23 in subdivisions (1) and (2) shall be allocated to and, when  
24 collected, paid into the funds of the taxing unit for which the  
25 referendum or local public question was conducted.

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

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

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

40 (C) Pay the principal of and interest on bonds payable from  
41 allocated tax proceeds in that allocation area and from the  
42 special tax levied under section 27 of this chapter.



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(D) Pay the principal of and interest on bonds issued by the unit 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 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) 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) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-20) that contains all or part of the allocation area:

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

STEP TWO: Divide:

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

STEP THREE: Multiply:

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



allocation fund under this section.

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

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

(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.



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



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

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

(C) If:

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

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

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

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



- 1 subdivision (4) for the project;  
 2 the amount of the excess assessed value that generates more than  
 3 two hundred percent (200%) of the amounts described in clauses  
 4 (A) and (B) shall be allocated to the respective taxing units in  
 5 the manner prescribed by subdivision (1).  
 6 (c) For the purpose of allocating taxes levied by or for any taxing  
 7 unit or units, the assessed value of taxable property in a territory in the  
 8 allocation area that is annexed by any taxing unit after the effective  
 9 date of the allocation provision of the declaratory resolution is the  
 10 lesser of:  
 11 (1) the assessed value of the property for the assessment date  
 12 with respect to which the allocation and distribution is made; or  
 13 (2) the base assessed value.  
 14 (d) Property tax proceeds allocable to the redevelopment district  
 15 under subsection (b)(4) may, subject to subsection (b)(5), be  
 16 irrevocably pledged by the redevelopment district for payment as set  
 17 forth in subsection (b)(4).  
 18 (e) Notwithstanding any other law, each assessor shall, upon  
 19 petition of the redevelopment commission, reassess the taxable  
 20 property situated upon or in, or added to, the allocation area, effective  
 21 on the next assessment date after the petition.  
 22 (f) Notwithstanding any other law, the assessed value of all taxable  
 23 property in the allocation area, for purposes of tax limitation, property  
 24 tax replacement, and formulation of the budget, tax rate, and tax levy  
 25 for each political subdivision in which the property is located is the  
 26 lesser of:  
 27 (1) the assessed value of the property as valued without regard  
 28 to this section; or  
 29 (2) the base assessed value.  
 30 (g) If any part of the allocation area is located in an enterprise zone  
 31 created under IC 5-28-15, the unit that designated the allocation area  
 32 shall create funds as specified in this subsection. A unit that has  
 33 obligations, bonds, or leases payable from allocated tax proceeds under  
 34 subsection (b)(4) shall establish an allocation fund for the purposes  
 35 specified in subsection (b)(4) and a special zone fund. Such a unit  
 36 shall, until the end of the enterprise zone phase out period, deposit each  
 37 year in the special zone fund any amount in the allocation fund derived  
 38 from property tax proceeds in excess of those described in subsection  
 39 (b)(1), (b)(2), and (b)(3) from property located in the enterprise zone  
 40 that exceeds the amount sufficient for the purposes specified in  
 41 subsection (b)(4) for the year. The amount sufficient for purposes  
 42 specified in subsection (b)(4) for the year shall be determined based on



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the pro rata portion of such current property tax proceeds from the part of the enterprise zone that is within the allocation area as compared to all such current property tax proceeds derived from the allocation area. A unit that has no obligations, bonds, or leases payable from allocated tax proceeds under subsection (b)(4) shall establish a special zone fund and deposit all the property tax proceeds in excess of those described in subsection (b)(1), (b)(2), and (b)(3) in the fund derived from property tax proceeds in excess of those described in subsection (b)(1), (b)(2), and (b)(3) 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 programs in job training, job enrichment, and basic skill development that are designed to benefit residents and employers in the enterprise zone or other purposes specified in subsection (b)(4), except that where reference is made in subsection (b)(4) to allocation area it shall refer 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. Those programs shall reserve at least one-half (1/2) of their enrollment in any session for residents of the enterprise zone.

(h) The state board of accounts and department of local government finance shall make the rules and prescribe the forms and procedures that they consider expedient for the implementation of this chapter. After each reassessment in an area 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 one (1) time 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:

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

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

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



- 1 reassessment plan.
- 2 Assessed value increases attributable to the application of an abatement
- 3 schedule under IC 6-1.1-12.1 may not be included in the base assessed
- 4 value of an allocation area. The department of local government
- 5 finance may prescribe procedures for county and township officials to
- 6 follow to assist the department in making the adjustments.
- 7 (i) The allocation deadline referred to in subsection (b) is
- 8 determined in the following manner:
- 9 (1) The initial allocation deadline is December 31, 2011.
- 10 (2) Subject to subdivision (3), the initial allocation deadline and
- 11 subsequent allocation deadlines are automatically extended in
- 12 increments of five (5) years, so that allocation deadlines
- 13 subsequent to the initial allocation deadline fall on December 31,
- 14 2016, and December 31 of each fifth year thereafter.
- 15 (3) At least one (1) year before the date of an allocation deadline
- 16 determined under subdivision (2), the general assembly may
- 17 enact a law that:
- 18 (A) terminates the automatic extension of allocation
- 19 deadlines under subdivision (2); and
- 20 (B) specifically designates a particular date as the final
- 21 allocation deadline.
- 22 (j) If a redevelopment commission adopts a declaratory resolution
- 23 or an amendment to a declaratory resolution that contains an allocation
- 24 provision and the redevelopment commission makes either of the
- 25 filings required under section 17(e) of this chapter after the first
- 26 anniversary of the effective date of the allocation provision, the auditor
- 27 of the county in which the unit is located shall compute the base
- 28 assessed value for the allocation area using the assessment date
- 29 immediately preceding the later of:
- 30 (1) the date on which the documents are filed with the county
- 31 auditor; or
- 32 (2) the date on which the documents are filed with the
- 33 department of local government finance.
- 34 (k) For an allocation area established after June 30, 2025,
- 35 "residential property" refers to the assessed value of property that is
- 36 allocated to the one percent (1%) homestead land and improvement
- 37 categories in the county tax and billing software system.
- 38 SECTION ~~66~~<sup>9</sup>. IC 36-7-15.1-26, AS AMENDED BY
- 39 P.L.174-2022, SECTION 72, IS AMENDED TO READ AS
- 40 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 26. (a) As used in this
- 41 section:
- 42 "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 government finance, within the allocation area, as finally determined for the current assessment date.

(3) If:

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

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

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





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

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

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

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

(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:

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

(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, 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



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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 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 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).



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(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 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



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



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

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

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

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

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

(j) If the commission adopts a declaratory resolution or an amendment to a declaratory resolution that contains an allocation provision and the commission makes either of the filings required under section 10(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, 2024, "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, along with the residential assessed value as defined for purposes of calculating the rate for the local income tax property tax relief credit designated for residential property under IC 6-3.6-5-6(d)(3).

SECTION ~~8~~ [\[10\]](#). IC 36-7-15.1-26, AS AMENDED BY P.L.68-2025, SECTION 235, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: 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 government finance, within the allocation area, as finally determined for the current assessment date.

(3) If:

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

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

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

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



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

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

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

(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:

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

(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, 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 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



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 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



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)(3) may, subject to subsection (b)(4), be  
 5 irrevocably pledged by the redevelopment district for payment as set  
 6 forth in subsection (b)(3).

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

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

16 (1) the assessed value of the property as valued without regard  
 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)(3) shall establish an allocation fund for the purposes  
 24 specified in subsection (b)(3) and a special zone fund. Such a unit  
 25 shall, until the end of the enterprise zone phase out period, deposit each  
 26 year in the special zone fund the amount in the allocation fund derived  
 27 from property tax proceeds in excess of those described in subsection  
 28 (b)(1) and (b)(2) from property located in the enterprise zone that  
 29 exceeds the amount sufficient for the purposes specified in subsection  
 30 (b)(3) for the year. A unit that has no obligations, bonds, or leases  
 31 payable from allocated tax proceeds under subsection (b)(3) shall  
 32 establish a special zone fund and deposit all the property tax proceeds  
 33 in excess of those described in subsection (b)(1) and (b)(2) in the fund  
 34 derived from property tax proceeds in excess of those described in  
 35 subsection (b)(1) and (b)(2) from property located in the enterprise  
 36 zone. The unit that creates the special zone fund shall use the fund,  
 37 based on the recommendations of the urban enterprise association, for  
 38 one (1) or more of the following purposes:

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



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- 1 of the enterprise zone.
- 2 (2) To make loans and grants for the purpose of stimulating
- 3 business activity in the enterprise zone or providing employment
- 4 for enterprise zone residents in the enterprise zone. These loans
- 5 and grants may be made to the following:
- 6 (A) Businesses operating in the enterprise zone.
- 7 (B) Businesses that will move their operations to the
- 8 enterprise zone if such a loan or grant is made.
- 9 (3) To provide funds to carry out other purposes specified in
- 10 subsection (b)(3). However, where reference is made in
- 11 subsection (b)(3) to the allocation area, the reference refers for
- 12 purposes of payments from the special zone fund only to that
- 13 part of the allocation area that is also located in the enterprise
- 14 zone.
- 15 (h) The state board of accounts and department of local
- 16 government finance shall make the rules and prescribe the forms and
- 17 procedures that they consider expedient for the implementation of this
- 18 chapter. After each reassessment under a reassessment plan prepared
- 19 under IC 6-1.1-4-4.2, the department of local government finance shall
- 20 adjust the base assessed value one (1) time to neutralize any effect of
- 21 the reassessment of the real property in the area on the property tax
- 22 proceeds allocated to the redevelopment district under this section.
- 23 After each annual adjustment under IC 6-1.1-4-4.5, the department of
- 24 local government finance shall adjust the base assessed value to
- 25 neutralize any effect of the annual adjustment on the property tax
- 26 proceeds allocated to the redevelopment district under this section.
- 27 However, the adjustments under this subsection may not include the
- 28 effect of property tax abatements under IC 6-1.1-12.1, and these
- 29 adjustments may not produce less property tax proceeds allocable to
- 30 the redevelopment district under subsection (b)(3) than would
- 31 otherwise have been received if the reassessment under the
- 32 reassessment plan or annual adjustment had not occurred. The
- 33 department of local government finance may prescribe procedures for
- 34 county and township officials to follow to assist the department in
- 35 making the adjustments.
- 36 (i) The allocation deadline referred to in subsection (b) is
- 37 determined in the following manner:
- 38 (1) The initial allocation deadline is December 31, 2011.
- 39 (2) Subject to subdivision (3), the initial allocation deadline and
- 40 subsequent allocation deadlines are automatically extended in
- 41 increments of five (5) years, so that allocation deadlines
- 42 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 the commission adopts a declaratory resolution or an amendment to a declaratory resolution that contains an allocation provision and the commission makes either of the filings required under section 10(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, 2024, "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, along with the residential assessed value as defined for purposes of calculating the rate for the local income tax property tax relief credit designated for residential property under IC 6-3.6-5-6(d)(3) (before its expiration).

SECTION ~~9~~ [\[11\]](#). [EFFECTIVE JANUARY 1, 2026 (RETROACTIVE)] (a) IC 6-3.1-39.5-1, IC 6-3.1-39.5-3, and IC 6-3.1-39.5-7, all as amended by this act, apply to taxable years beginning after December 31, 2025.

(b) This SECTION expires June 30, 2028.

SECTION 1 ~~9~~ [\[2\]](#). An emergency is declared for this act.

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