

HOUSE BILL No. 1284

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.6.

Synopsis: Local income taxes. Provides that within a county's total expenditure rate, the county may adopt: (1) up to a 0.7% rate (instead of a 1.2% rate) for county general purpose revenue; (2) up to a 0.2% rate (instead of a 0.4% rate) for fire protection and emergency medical services; (3) up to a 0.2% rate for nonmunicipal civil taxing unit general purpose revenue; and (4) up to a 1.9% rate (instead of a 1.2% rate) for certain cities and towns that are not eligible to adopt a municipal LIT rate. Eliminates provisions that expire local income tax rates each year. Authorizes a city or town to impose a municipal LIT rate up to 1.9% (instead of 1.2%). Modifies the population threshold required for a city or town to impose a municipal LIT rate. Modifies the formula used to determine distribution amounts of revenue from a tax rate imposed for fire protection and emergency medical services.

Effective: July 1, 2027.

Zimmerman

January 6, 2026, read first time and referred to Committee on Ways and Means.



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. 1284

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 6-3.6-3-4, AS AMENDED BY P.L.68-2025,
2 SECTION 105, IS REPEALED [EFFECTIVE JULY 1, 2027]. ~~See: 4-~~
3 (a) ~~Except for a tax rate that has an expiration date, and except as~~
4 ~~provided in section 3(f) of this chapter (before its expiration); a tax rate~~
5 ~~remains in effect until the effective date of an ordinance that increases;~~
6 ~~decreases; or rescinds that tax rate.~~
7 (b) ~~A tax rate may not be changed more than once each year under~~
8 ~~this article.~~
9 (c) ~~A local income tax expenditure tax rate that is imposed in a~~
10 ~~county under IC 6-3.6-6 continues in effect after December 31, 2027;~~
11 ~~only if the adopting body adopts an ordinance to renew the expenditure~~
12 ~~tax rate beginning January 1, 2028. An ordinance under this subsection~~
13 ~~must be adopted by the adopting body on or before October 1, 2027; as~~
14 ~~set forth in section 3(b)(1) of this chapter. However, this subsection~~
15 ~~shall not be construed to prohibit an adopting body that fails to adopt~~
16 ~~an ordinance to continue an expenditure tax rate after December 31,~~
17 ~~2027, from adopting an ordinance under this article to impose, renew,~~



or modify an expenditure tax rate under IC 6-3.6-6 beginning January 1, 2029, or any year thereafter.

SECTION 2. IC 6-3.6-6-2, AS AMENDED BY P.L.68-2025, SECTION 118, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: Sec. 2. (a) This section applies to all counties.

(b) The adopting body may by ordinance and subject to subsections (c) through ~~(e)~~ **(d)** impose one (1) or more of the following component rates not to exceed a total expenditure tax rate under this chapter of two and nine-tenths percent (2.9%) on the adjusted gross income of taxpayers who reside in the county:

(1) A tax rate not to exceed ~~one and two-tenths percent (1.2%)~~ **seven-tenths of one percent (0.7%)** for general purpose revenue for county services (as provided in section 4 of this chapter), subject to subsection (c).

(2) A tax rate not to exceed ~~four-tenths of one percent (0.4%)~~ **two-tenths of one percent (0.2%)** for providers of fire protection and emergency medical services located within the county (as provided in section 4.3 of this chapter), subject to subsection (c).

(3) A tax rate not to exceed two-tenths of one percent (0.2%) for general purpose revenue for distribution to nonmunicipal civil taxing units (excluding fire protection districts) located within the county (as provided in section 4.5 of this chapter), subject to subsection (c).

(4) A tax rate not to exceed ~~one and two-tenths percent (1.2%)~~ **one and nine-tenths percent (1.9%)** for general purpose revenue for municipal services for distribution to municipalities located within the county that are not eligible to adopt a municipal tax rate under section 22 of this chapter or that have made an election under section 23(b)(3) of this chapter to be treated as such.

(c) The combined component rates imposed by an adopting body under subsection (b)(1) through (b)(3) shall not exceed ~~one and seven-tenths percent (1.7%)~~ **one percent (1%)**.

(d) A tax rate adopted under subsection (b)(4) may only be imposed on taxpayers who do not reside in a municipality that is eligible to adopt a municipal tax rate under section 22 of this chapter.

~~(e) Beginning after December 31, 2030, a tax rate imposed under subsection (b) shall expire on December 31 of each calendar year. An adopting body wishing to continue, increase, or decrease a tax rate in the succeeding year must pass an ordinance to readopt a tax rate in accordance with IC 6-3.6-3-3. This subsection applies regardless of whether there is a modification in the tax rate or the component rates~~



or the rates are unchanged from the previous year.

SECTION 3. IC 6-3.6-6-4.3, AS ADDED BY P.L.68-2025, SECTION 127, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: Sec. 4.3. (a) Revenue raised from a tax rate for fire protection and emergency medical services under section 2(b)(2) of this chapter shall be distributed by the county to each fire protection district **and** fire protection territory ~~and municipal fire department~~ located within the county. At the discretion of the county council, the county may distribute revenue raised from a tax rate for fire protection and emergency medical services under section 2(b)(2) of this chapter to **municipal fire departments**, township fire departments, and volunteer fire departments.

(b) Revenue raised from a tax rate for fire protection and emergency medical services under section 2(b)(2) of this chapter shall be allocated to each fire protection district **and** fire protection territory, ~~municipal fire department~~, and, if applicable, **municipal fire departments**, township fire departments, and volunteer fire departments, based on the following formula:

STEP ONE: For each provider of fire protection and emergency medical services located within the county that is eligible to receive revenue under this section, determine the population living within the service boundaries of the provider using the most recent federal decennial census.

STEP TWO: For each provider of fire protection and emergency medical services located within the county that is eligible to receive revenue under this section, determine the number of square miles within the service boundaries of the provider.

~~STEP THREE: For each provider of fire protection and emergency medical services located within the county that is eligible to receive revenue under this section, determine the product of:~~

~~(A) the STEP TWO amount; multiplied by~~

~~(B) twenty (20);~~

~~STEP FOUR: THREE:~~ For each provider of fire protection and emergency medical services located within the county that is eligible to receive revenue under this section, determine the sum of:

~~(A) the STEP ONE result; plus~~

~~(B) the STEP THREE TWO result.~~

~~STEP FIVE: FOUR:~~ Determine the sum total of the ~~STEP FOUR THREE~~ results for each provider of fire protection and emergency medical services located within the county that is



1 eligible to receive revenue under this section.

2 ~~STEP SIX:~~ **FIVE:** The percentage of revenue that shall be
3 distributed to each provider of fire protection and emergency
4 medical services located within the county that is eligible to
5 receive revenue under this section is equal to:

6 (A) the ~~STEP FOUR~~ **THREE** result for the provider; divided
7 by

8 (B) the ~~STEP FIVE~~ **FOUR** result.

9 SECTION 4. IC 6-3.6-6-4.5, AS AMENDED BY THE
10 TECHNICAL CORRECTIONS BILL OF THE 2026 GENERAL
11 ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JULY 1, 2027]: Sec. 4.5. (a) Revenue raised from a tax rate for
13 nonmunicipal civil taxing units under section 2(b)(3) of this chapter
14 may be distributed by the county to nonmunicipal civil taxing units
15 subject to the provisions of this section.

16 (b) Subject to the maximum aggregate tax rate of not more than
17 two-tenths of one percent (0.2%) under section 2(b)(3) of this chapter,
18 the adopting body may adopt a tax rate for each type of nonmunicipal
19 civil taxing unit. ~~which may not exceed more than five-hundredths of~~
20 ~~one percent (0.05%) for any given unit type.~~ The revenue raised from
21 a tax rate for a specific type of nonmunicipal civil taxing unit shall be
22 allocated to all nonmunicipal civil taxing units of that same type
23 located within the county on a pro rata per capita basis, subject to
24 subsection (e).

25 (c) A county solid waste management district (as defined in
26 IC 13-11-2-47) or a joint solid waste management district (as defined
27 in IC 13-11-2-113) is not an eligible nonmunicipal civil taxing unit for
28 the purpose of receiving an allocation of general purpose revenue under
29 this chapter unless a majority of the members of each of the county
30 fiscal bodies of the counties within the district passes a resolution
31 approving the distribution.

32 (d) A resolution passed by a county fiscal body under subsection (c)
33 may:

- 34 (1) expire on a date specified in the resolution; or
- 35 (2) remain in effect until the county fiscal body revokes or
- 36 rescinds the resolution.

37 (e) A nonmunicipal civil taxing unit wishing to receive a share of
38 revenue under this section in a year must adopt a resolution requesting
39 the distribution from the county and must provide a certified copy of
40 the resolution to the adopting body not later than July 1 of the year
41 immediately preceding the distribution year. Not later than August 1 of
42 the year immediately preceding the distribution year, the adopting body



1 shall hold a public hearing on the resolution requesting the distribution
 2 and provide the public with notice of the time and place where the
 3 public hearing will be held. The notice must be given in accordance
 4 with IC 5-3-1 and include a description of the resolution requesting the
 5 distribution from the county.

6 (f) If a nonmunicipal civil taxing unit adopts a resolution under ~~this~~
 7 ~~subsection~~ **subsection (e)** and provides the resolution to the adopting
 8 body as set forth in ~~this~~ **that** subsection, the county shall distribute to
 9 the nonmunicipal civil taxing unit an amount of revenue raised from
 10 the tax rate under section 2(b)(3) of this chapter for the distribution
 11 year as set forth in subsection ~~(f)~~ **(g)**.

12 (g) If one (1) or more, but not all, nonmunicipal civil taxing units
 13 adopt a resolution under subsection (e) requesting a distribution in a
 14 given year, the county may either distribute the total amount of revenue
 15 raised from the tax rate under section 2(b)(3) of this chapter to only
 16 those nonmunicipal civil taxing units that have provided a resolution
 17 request, or the county may distribute the total amount of revenue raised
 18 from a tax rate under section 2(b)(3) of this chapter to all nonmunicipal
 19 civil taxing units as set forth in this section. If no nonmunicipal civil
 20 taxing units adopt a resolution to request a distribution in a given year,
 21 the county may retain the revenue raised from a tax rate for
 22 nonmunicipal civil taxing units for that year and use the revenue as
 23 general purpose revenue for the county under section 4 of this chapter.

24 SECTION 5. IC 6-3.6-6-6.1, AS AMENDED BY THE
 25 TECHNICAL CORRECTIONS BILL OF THE 2026 GENERAL
 26 ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JULY 1, 2027]: Sec. 6.1. (a) Revenue raised from a tax rate for certain
 28 cities and towns under section 2(b)(4) of this chapter may be
 29 distributed by the county to those cities and towns subject to the
 30 provisions of this section.

31 (b) Subject to subsection (g), the revenue raised from a tax rate
 32 under section 2(b)(4) of this chapter shall be allocated to the cities and
 33 towns based on the population of the city or the population of the town,
 34 whichever is applicable, compared to the population of all the cities or
 35 the population of all the towns, whichever is applicable, that are
 36 eligible for a distribution, subject to subsection (d). For purposes of this
 37 determination, if the boundaries of a city or town are located in more
 38 than one (1) county, only the portion of the population of the city or
 39 town that is located within the county imposing the tax rate under
 40 section 2(b)(4) of this chapter shall be considered.

41 (c) The money may be used by the city or town fiscal body for any
 42 of the purposes of the city or town, including public safety (as defined



in IC 6-3.6-2-14) and economic development purposes described in IC 6-3.6-10. The city or town fiscal body may pledge its general purpose revenue to the payment of bonds or to lease payments as set forth in this chapter.

(d) An eligible city or town wishing to receive a share of revenue under this section in a year must adopt a resolution requesting the distribution from the county and must provide a certified copy of the resolution to the adopting body not later than July 1 of the year immediately preceding the distribution year. Not later than August 1 of the year immediately preceding the distribution year, the adopting body shall hold a public hearing on the resolution requesting the distribution and provide the public with notice of the time and place where the public hearing will be held. The notice must be given in accordance with IC 5-3-1 and include a description of the resolution requesting the distribution from the county.

(e) Subject to subsection (g), if an eligible city or town adopts a resolution under ~~this subsection~~ **subsection (d)** and provides the resolution to the adopting body as set forth in ~~this that~~ subsection, the county shall distribute to the eligible city or town unit an amount of revenue raised from the tax rate under section 2(b)(4) of this chapter for the distribution year as set forth in subsection (f).

(f) Subject to subsection (g), if one (1) or more, but not all, eligible cities or towns adopt a resolution under subsection (d) requesting a distribution in a given year, the county may either distribute the total amount of revenue raised from the tax rate under section 2(b)(4) of this chapter to only those eligible cities or towns that have provided a resolution request, or the county may distribute the total amount of revenue raised from a tax rate under section 2(b)(4) of this chapter to all eligible cities or towns as set forth in this section. If no eligible city or town adopts a resolution to request a distribution in a given year, the county may retain the revenue raised from a tax rate for the eligible city or town for that year and use the revenue as general purpose revenue for the county under section 4 of this chapter.

(g) Notwithstanding any provision to the contrary in this section, if an adopting body that imposes a tax rate of ~~one and two-tenths percent (1.2%)~~ **seven-tenths of one percent (0.7%)** under section 2(b)(1) of this chapter subsequently adopts an ordinance to concurrently impose a tax rate under section 2(b)(4) of this chapter:

(1) seventy-five percent (75%) of the revenue received from the tax rate imposed under section 2(b)(4) of this chapter shall be retained by the county and may be used for the purposes described in section 4 of this chapter; and



(2) twenty-five percent (25%) of the revenue received from the tax rate imposed under section 2(b)(4) of this chapter shall be distributed among the eligible cities and towns as set forth in this section and may be used for the purposes set forth in this section. However, the adopting body may, by ordinance, determine to allocate any percentage of the revenue that would otherwise be retained by the county under subdivision (1) to instead be allocated among the eligible cities and towns under subdivision (2).

SECTION 6. IC 6-3.6-6-22, AS ADDED BY P.L.68-2025, SECTION 147, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: Sec. 22. (a) As used in this section, "municipality" means only a city or town that:

(1) has a population of ~~three thousand five hundred (3,500)~~ **two thousand (2,000)** or more; and

(2) in the case of a city or town whose population decreased in the most recent federal decennial census from ~~three thousand five hundred (3,500)~~ **two thousand (2,000)** or more to less than ~~three thousand five hundred (3,500)~~ **two thousand (2,000)**, has elected by ordinance to continue to use its previous population of ~~three thousand five hundred (3,500)~~ **two thousand (2,000)** or more as set forth in section 23(b)(2) of this chapter for purposes of the allocation determination under section 6.1 of this chapter.

The term does not include a city or town that has made an election under section 23(b)(3) of this chapter.

(b) Beginning after December 31, 2027, the fiscal body of a municipality may by ordinance ~~and subject to subsection (e);~~ impose a local income tax rate on the adjusted gross income of local taxpayers in the municipality that does not exceed ~~one and two-tenths percent (1.2%);~~ **one and nine-tenths percent (1.9%).**

(c) The following apply if a municipality imposes a local income tax rate under this section:

(1) A local income tax rate imposed by a municipality under this section applies only to local taxpayers within the territory of the municipality.

(2) The local income tax is imposed in addition to a tax imposed by the county in which the municipality is located in accordance with IC 6-3.6-4-1(a) and IC 6-3.6-4-1(c).

(3) The following provisions of this article apply to a local income tax rate imposed by a municipality under subsection (b):

(A) IC 6-3.6-3 (adoption of the tax), including the effective date of an ordinance under IC 6-3.6-3-3.

(B) IC 6-3.6-4 (imposition of the tax), except that IC 6-3.6-4-2



and IC 6-3.6-4-3 do not apply.

(C) IC 6-3.6-8 (administration of the tax).

(4) A local income tax rate imposed by a municipality shall apply to professional athletes who compete in the municipality, unless exempted under IC 6-3-2-27.5 or other provision of law.

(d) The amount of the tax revenue that is from the local income tax rate imposed under this section and that is collected for a calendar year shall be treated as general purpose revenue and must be distributed to the fiscal officer of the municipality that imposed the tax before July 1 of the next calendar year.

(e) ~~Beginning after December 31, 2030, a tax rate imposed under subsection (b) shall expire on December 31 of each calendar year. A municipality wishing to continue, increase, or decrease a tax rate in the succeeding year must pass an ordinance to readopt a tax rate in accordance with IC 6-3.6-3-3.3. This subsection applies regardless of whether there is a modification in the tax rate or the rate is unchanged from the previous year.~~

SECTION 7. IC 6-3.6-6-23, AS ADDED BY P.L.68-2025, SECTION 148, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: Sec. 23. (a) This section applies in determining the population of a city or town for the purposes of this chapter.

(b) The following apply:

(1) Except as provided in subdivisions (2) and (3), the population of a city or town is the population of the city or town that is reported by the ~~2020 federal decennial census~~; **most recent distribution factors report prepared by the state comptroller.**

(2) Beginning after 2030, if the population of a city or town:

(A) increases from a population of less than ~~three thousand five hundred (3,500)~~; **two thousand (2,000)**, as reported by the **distribution factors report prepared by the state comptroller** for the immediately preceding ~~federal decennial census, year~~, to a population of ~~three thousand five hundred (3,500)~~ **two thousand (2,000)** or more, as reported by the most recent ~~federal decennial census~~; **distribution factors report prepared by the state comptroller**, or, if applicable, any corrected population count (as defined in IC 1-1-3.5-1.5) issued for the city or town in the year succeeding the most recent ~~federal decennial census~~; **distribution factors report prepared by the state comptroller**; or

(B) decreases from a population of ~~three thousand five hundred (3,500)~~ **two thousand (2,000)** or more, as reported by



1 the **distribution factors report prepared by the state**
 2 **comptroller for the** immediately preceding ~~federal decennial~~
 3 ~~census, year~~, to a population of less than ~~three thousand five~~
 4 ~~hundred (3,500); two thousand (2,000)~~, as reported by the
 5 most recent ~~federal decennial census~~; **distribution factors**
 6 **report prepared by the state comptroller**, or, if applicable,
 7 any corrected population count (as defined in IC 1-1-3.5-1.5)
 8 issued for the city or town in the year succeeding the most
 9 recent ~~federal decennial census~~; **distribution factors report**
 10 **prepared by the state comptroller;**
 11 the fiscal body of the city or town may adopt an ordinance on or
 12 before September 1 of the calendar year immediately succeeding
 13 the most recent ~~federal decennial census~~ **distribution factors**
 14 **report prepared by the state comptroller** to continue to use the
 15 population of the city or town as reported by the **distribution**
 16 **factors report prepared by the state comptroller for the**
 17 immediately preceding ~~federal decennial census year~~ and the
 18 resulting determination for the city or town under section 22 of
 19 this chapter, notwithstanding the increase or decrease in its
 20 population as reported by the most recent ~~federal decennial~~
 21 ~~census~~ **distribution factors report prepared by the state**
 22 **comptroller** as described in this subdivision. An ordinance
 23 adopted under this subdivision shall take effect on January 1 of
 24 the calendar year that immediately succeeds the year in which the
 25 ordinance is adopted. The fiscal officer of the city or town shall
 26 provide a certified copy of an ordinance adopted under this
 27 subdivision to the department of local government finance.
 28 (3) This subdivision applies only to cities and towns with a
 29 population of more than ~~three thousand five hundred (3,500)~~ **two**
 30 **thousand (2,000)** but less than ~~seven thousand (7,000);~~
 31 **thirty-four thousand (34,000)**. Notwithstanding any other
 32 provision, a fiscal body of a city or town may adopt an ordinance
 33 to elect to be treated as if the city's or town's population is less
 34 than ~~three thousand five hundred (3,500)~~ **two thousand (2,000)**
 35 for purposes of a county local income tax rate and distribution
 36 under this chapter. An ordinance adopted under this subdivision
 37 shall take effect on January 1 of the calendar year that
 38 immediately succeeds the year in which the ordinance is adopted.
 39 The fiscal officer of the city or town shall provide a certified copy
 40 of an ordinance adopted under this subdivision to the department
 41 of local government finance. An ordinance adopted by a city or
 42 town under this subdivision ~~is not revocable and shall not expire~~



1 following the next federal decennial census. **distribution factors**
2 **report prepared by the state comptroller.**

