

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6495
BILL NUMBER: HB 1397

NOTE PREPARED: Dec 8, 2025
BILL AMENDED:

SUBJECT: Redevelopment Tax Credits.

FIRST AUTHOR: Rep. Lopez
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that \$50 M of the \$300 M of the Indiana Economic Development Corporation's (IEDC) annual certifiable tax credit amount must be allocated to the small town opportunity initiative (initiative). This bill also establishes the initiative.

The bill provides that the purpose of the initiative is to undertake qualified community projects within local government units that have a project budget of at least \$15 M per project to do the following:

- (1) Advance historic preservation.
- (2) Redevelop or rehabilitate distressed buildings or underutilized property.
- (3) Redevelop or rehabilitate sites where distressed buildings once stood.

The bill allows a redevelopment tax credit for:

- (1) a for-profit taxpayer undertaking a qualified community project under the initiative equal to 20% of the taxpayer's cost of the project; and
- (2) a nonprofit taxpayer undertaking a qualified community project under the initiative equal to 30% of the taxpayer's cost of the project.

It provides that initiative projects are not subject to any statutory or administrative repayment obligation. It also provides for certain items that are included in a nonprofit taxpayer's qualified investment.

Effective Date: July 1, 2026.

Explanation of State Expenditures: The Department of State Revenue (DOR) and the IEDC will experience additional workload and expenses to implement the bill's provisions. The DOR and the IEDC should be able to make these changes within current resource levels.

Explanation of State Revenues: The proposal would have an indeterminate impact on state General Fund revenue. The \$50 M in annual credit awards for the initiative must come from the total allowable credits that the IEDC may certify annually. So, the IEDC may reduce credit awards for other redevelopment projects or other tax credits.

Under the proposal, a qualified community project under the initiative would receive a redevelopment credit equal to 20% of the taxpayer's cost of the project, or 30% of the cost of the project for nonprofit taxpayers. Redevelopment credits awarded to qualified community projects are not subject to repayment obligations. For nonprofit taxpayers, expenditures incurred to acquire, hold, or prepare the property for redevelopment prior to applying for the credit may be included in cost of the project for the calculation of the credit if certain conditions are met.

Additional Information - The IEDC must first award redevelopment tax credits as a percentage of the expected qualifying investment for a project. The IEDC later certifies credits after the taxpayer makes qualified investments. After credits are certified, credit holders may claim the credit against their tax liability for the following taxes:

- Individual income tax,
- Corporate income tax,
- Insurance premiums tax,
- Nonprofit agricultural organization health coverage tax,
- Financial institutions tax.

The redevelopment tax credit may be carried forward for nine taxable years. Credits awarded prior to July 1, 2029, may be assigned to another taxpayer.

The redevelopment tax credit reduces state General Fund revenue when it is claimed. From the establishment of the credit in 2020 through November 21, 2025, the IEDC has awarded \$942.8 M in redevelopment tax credits. To date, the IEDC has certified \$431.9 M of the awarded credits. In tax years 2020 through 2023, \$45.5 M of the certified credits have been claimed.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources: IEDC Transparency Portal.

<https://transparencyportal.iedc.in.gov/searchtaxgrantloancontracts>

Accessed on November 21, 2025; LSA Income Tax Database; LSA. 2024 Indiana Tax Incentive Review. Redevelopment Tax Credit.

https://iga.in.gov/publications/tax_incentive_review/2024%20Tax%20Incentive%20Evaluation_FINAL.pdf

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