

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

LS 6731
BILL NUMBER: HB 1406

NOTE PREPARED: Mar 4, 2026
BILL AMENDED: Feb 27, 2026

SUBJECT: Tax and Fiscal Matters.

FIRST AUTHOR: Rep. Thompson
FIRST SPONSOR: Sen. Holdman

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: *IEDC Reporting on Land Transactions:* The bill requires the Indiana Economic Development Corporation (IEDC) to report to the State Budget Committee concerning any purchase or sale of land.

Budget Committee Review of Tax Credits: The bill amends provisions regarding the State Budget Committee review of tax credits in determining the annual aggregate tax credit cap and specifies allocation of the credits.

Tax Credit Certification: The bill prohibits the IEDC from awarding an applicable tax credit to a taxpayer that is organized under the laws of a country that is a foreign adversary or that is otherwise related under certain circumstances to a country that is a foreign adversary.

Personal Property Assessment Floor: The bill provides that personal property owned by certain entities remains subject to minimum valuation limitations.

Nonprofit Hospital Property Taxes: The bill provides that real property owned by certain Indiana nonprofit hospital systems is not exempt from property taxation under certain circumstances and unmet conditions.

Library Budgets: The bill amends the percentage increase in a public library's proposed budget that determines whether the public library's proposed budget is subject to binding review by the applicable county, city, or town fiscal body.

Property Tax Statements: The bill provides, in a county that uses a property tax statement as the notice of assessment, that the county treasurer must send a property tax statement to all property owners regardless of whether the property has any liability. It also requires the county treasurer to indicate on the property tax statement whether a taxpayer's property tax liability for property taxes first due and payable in 2027 is less than the taxpayer's property tax liability for property taxes first due and payable in 2026.

Sales Tax Exemption for Certain Youth Organizations: The bill adds certain organizations to the list of organizations for which conducted sales are exempt from state gross retail and use tax.

Venture Capital Investment Tax Credit: The bill amends the venture capital investment tax credit (tax credit) to specify: (1) that certain investment policies of funds that qualify as a "qualified Indiana investment fund" apply only to investable capital, excluding management fees, legal fees, and other expenses incurred in the operation of the fund; (2) that a taxpayer is not prevented from combining individual tax credits of less than \$10,000 for assignment; and (3) qualified business eligibility.

Redevelopment Tax Credit: The bill requires the IEDC to award \$35 M to development authorities each fiscal year that may be granted to taxpayers proposing a qualified investment in a qualified redevelopment site pursuant to a development plan.

Small Town Opportunity Initiative: The bill establishes the small town opportunity initiative.

Delaware County Hospitality Tax Board: The bill allows the Delaware County executive to adopt an ordinance to consolidate the functions of a board, bureau, commission, authority, or any other similar entity authorized to administer funds received from the Delaware County: (1) innkeeper's tax; or (2) food and beverage tax; into a single, consolidated entity as designated in the consolidating ordinance.

Bedford Food and Beverage Tax: The bill allows the city of Bedford to impose a food and beverage tax.

Penny Phase-out: The bill amends provisions and revises the effective date for the rounding provisions for cash transactions with regard to the penny phase-out for payments to business entities in ESB 243-2026.

Transfer Fee Covenants: The bill provides that certain transfer fee covenants are limited only to transfers that involve the sale of property and do not include transactions where the property is gifted, donated, or transferred.

Certified Technology Park: The bill provides that if a Level 2 certified technology park: (1) has reached the limit of deposits for a Level 2 park; (2) maintains its certification; and (3) is located within a qualified military base enhancement area; the park shall become a Level 3 park and may receive an additional annual incremental income tax deposit of up to \$250,000 until July 1, 2029.

Supplemental Nutrition Assistance Program (SNAP): The bill requires the Office of the Secretary of Family and Social Services and Division of Family Resources to require a vendor to offer certain technology solutions to prevent theft of SNAP benefits when issuing a request for proposals.

IFA Report on Data Center Tax Incentives: The bill requires the Indiana Finance Authority (IFA) to conduct a study and, not later than November 1, 2026, submit a report evaluating certain information on data centers to the Interim Study Committee on Fiscal Policy at a public meeting.

Grain Buyers and Warehouse Licensing Agency Appropriation: The bill allows the State Budget Agency to augment the appropriation to the Grain Buyers and Warehouse Licensing Agency from the Grain Buyers and Warehouse Licensing Agency License Fee Fund.

Effective Date: Upon passage; January 1, 2025 (retroactive); March 15, 2026; July 1, 2026; January 1, 2027.

Explanation of State Expenditures: *State Agency Workload:* The following sections in the bill contain provisions that may increase the workload for the various state agencies as noted but should be able to

implemented within existing resources:

- *IEDC Reporting on Land Transactions* - IEDC
- *Budget Committee Review of Tax Credits* - IEDC and State Budget Committee
- *Tax Credit Certification* - IEDC
- *Sales Tax Exemption for Certain Youth Organizations* - Department of State Revenue (DOR)
- *Venture Capital Investment Tax Credit* - DOR and IEDC
- *Redevelopment Tax Credit* - DOR and IEDC
- *Small Town Opportunity Initiative* - DOR and IEDC
- *Bedford Food and Beverage Tax* - DOR
- *Certified Technology Park* - DOR and Office of Entrepreneurship and Innovation
- *IFA Report on Data Center Tax Incentives* - Indiana Finance Authority (IFA) and IEDC

Supplemental Nutrition Assistance Program (SNAP): The bill's provision regarding required SNAP theft prevention elements could increase resulting contract costs for administering the SNAP electronic benefits transfer (EBT) program in Indiana. The state share of SNAP administrative costs, such as the EBT contract, is 50% but will increase to 75% in FFY 2027 per federal Public Law 119-21.

Grain Buyers and Warehouse Licensing Agency Appropriation: The bill allows the State Budget Agency (SBA) to augment the appropriation to the Grain Buyers and Warehouse Licensing Agency from the Grain Buyers and Warehouse Licensing Agency License Fee Fund for FY 2027. The SBA may augment up to \$300,000, subject to Budget Committee review.

[HEA 1001-2025 appropriated \$675,768 in FY 2026 and FY 2027 from the Grain Buyers and Warehouse Licensing Agency License Fee Fund to the Grain Buyers and Warehouse Licensing Agency. It stated that augmentation was allowed from the fund in FY 2026 only.]

Explanation of State Revenues: *Certified Technology Park*: The bill may decrease General Fund revenue by an estimated maximum of \$590,000 annually in FY 2027 through FY 2029. The bill provides that if a Level 2 CTP meets certain criteria, it will become a Level 3 CTP. Level 3 CTPs may receive an additional annual deposit equal to the lesser of the following:

1. The aggregate income tax incremental amount, which includes only wages attributable to new employees hired on or after the date of the Level 3 certification.
2. \$250,000 multiplied by the number of redevelopment commissions that operate the CTP.

LSA identified one CTP that could meet the Level 3 criteria. This CTP spans three counties and could capture up to \$750,000 in additional state and local revenue each year.

Redevelopment Tax Credit: The proposal would have an indeterminate impact on state General Fund revenue. The \$35 M in annual redevelopment tax credits required to go to development authorities or qualified nonprofit organizations must come from the \$300 M in 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 bill, the tax credits awarded to development authorities or other organizations would then be granted to taxpayers proposing qualified investment in a qualified redevelopment site.

Venture Capital Investment Tax Credit: The changes to the venture capital investment tax credit may increase claims for the credit, thus reducing state General Fund revenue beginning in FY 2027. The bill

allows taxpayers to combine individual credits in order to meet minimum threshold requirements to assign the credit. It also expands the definition of qualified businesses eligible for investment. The cap on the total amount of credits awarded annually remains at \$20 M, with no more than \$7.5 M being awarded for proposed investments of qualified investment capital in a qualified Indiana investment fund.

Small Town Opportunity Initiative: The proposal would have an indeterminate impact on state General Fund revenue. The \$15 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 tax credit equal to 20% of the taxpayer's cost of the project, or 30% of the cost of the project for nonprofit taxpayers. Redevelopment tax 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 the cost of the project for the calculation of the credit if certain conditions are met.

Tax Credit Certification: The bill could have an indeterminate impact on tax credits that the IEDC certifies. It provides that the IEDC may not certify the following tax credits if the taxpayer is organized under or headquartered in a country that is a foreign adversary:

- Economic development for a growing economy tax credit
- Historic rehabilitation tax credit
- Community revitalization enhancement district tax credit
- Hoosier business investment tax credit
- Headquarters relocation tax credit
- Redevelopment tax credit
- Film and media production tax credit
- Mine reclamation tax credit

[These tax credits are subject to an annual aggregate certification limit of \$300 M.]

Sales Tax Exemption for Certain Youth Organizations: The bill exempts certain youth organizations from sales tax if the organization has an educational purpose and promotes patriotism and civic involvement, or if the organization is exempt from the federal income tax under 501(c)(3) of the Internal Revenue Code and promotes youth shooting sports. This requirement could result in an indeterminate decrease in sales tax revenue. [In FY 2025, the state received \$10.6 B in total sales tax revenue.]

Sales tax is distributed as follows:

- 99.838% to the General Fund
- 0.131% to the Commuter Rail Service Fund
- 0.031% to the Industrial Rail Service Fund

Penny Phase-out: The bill changes the effective dates for provisions in SEA 243-2026 related to the rounding of certain business transactions. This bill is not expected to affect state or local revenue.

Explanation of Local Expenditures: *Nonprofit Hospital Property Taxes:* This bill's requirements may

result in an increase in the workload for county auditors. The county auditor would be given the option to establish an installment plan for the repayment of property taxes due (for a specified period of time) related to a nonprofit hospital system selling, leasing, or transferring land that had previously been exempted from property taxation.

Library Budgets: This bill may decrease the workload for public library governing bodies and may increase the workload for county councils and city/town councils. The review and approval of a public library's proposed budget and property tax levies will shift from the library's governing body to the city, town, or county council if the library's proposed budget for the upcoming calendar year has a percentage increase that is equal to or more than 50% of the maximum levy growth quotient (MLGQ) for the upcoming calendar year.

[For CY 2025, there are 236 public library districts statewide. They have a total of \$634 M in certified appropriations and \$435 M in certified property tax levy. Preliminary estimates project a 6.0% MLGQ for CY 2027.]

Property Tax Statements: This provision will increase both the workload and potentially the costs for county treasurers. County treasurers will be required to indicate on property tax statements if a taxpayer's homestead tax liability in Pay 2027 is less than their homestead tax liability in Pay 2026. Additionally, county treasurers will be required to send a property tax statement to all property owners if their respective county assessors do not currently send out a separate notice of assessments (i.e., Form 11) to property owners. The actual impact will vary from county to county and will depend on whether the county sends out Form 11s to property owners.

[For CY 2025, out of 92 counties, 9 counties used the property tax statement as the official notice of assessment rather than sending out Form 11s to property owners: Gibson, Lake, Lawrence, Marion, Martin, Orange, Perry, Pike, and Warren.]

Redevelopment Tax Credit: Regional development authorities would have additional workload to create development plans and to request awards for the redevelopment tax credit from the IEDC for taxpayers proposing qualified investment in a qualified redevelopment site.

Delaware County Hospitality Tax Board: Delaware County should be able to consolidate the former entities into a single entity within existing resources. The county executive would determine the number of members to serve on the consolidated entity. These members would not receive a salary or benefits, but the county would reimburse them for expenses they incur in the performance of their duties.

Under current law, the convention and tourism commission administers innkeeper's tax funds, and the civic center authority administers food and beverage tax funds.

[The bill does not expand the eligible uses of the county innkeeper's tax or food and beverage tax. The consolidation would not affect obligations entered into by the former entities.]

Bedford Food and Beverage Tax: The city of Bedford could potentially incur a one-time increase in costs if it holds additional public hearings to discuss a proposed ordinance to impose a food and beverage tax.

If the city imposes a food and beverage tax, the fiscal officer would establish a food and beverage tax receipts fund. All revenue from the city's tax would be deposited in this fund. Money in the fund may only be used for the following purposes:

1. Economic development and tourism related purposes or facilities, including the purchase of land for economic development or tourism purposes.
2. The pledge of money under IC 5-1-14-4 for bonds, leases, or other obligations incurred for the purposes listed above.

Explanation of Local Revenues: *Bedford Food and Beverage Tax:* The bill authorizes the city of Bedford to impose up to a 1% food and beverage tax rate. If the city adopts an ordinance to impose the tax in July 2026, the tax could go into effect as early as September 1, 2026. The following table shows the estimated potential revenue for CY 2027 and CY 2028.

Estimated Potential Bedford Food and Beverage Tax Revenue at 1%	
CY 2027	CY 2028
\$570,000	\$562,000

These estimates are based on data for the food services industry in Lawrence County and revenue of counties that currently collect food and beverage taxes. A portion of the county total was allocated to Bedford based on the city's estimated share of the food and beverage industry in the county. The tax will expire on January 1, 2049.

Certified Technology Park: Establishing a Level 3 CTP will increase the amount of local income tax revenue distributed to the CTP. The estimated increase in local income tax captured by the qualified CTP is up to \$160,000 each year in FY 2027 through FY 2029. However, the actual amount could be lower depending on the aggregate income tax incremental amounts.

The CTP that could meet the Level 3 criteria spans portions of Daviess, Greene, and Martin counties.

Nonprofit Hospital Property Taxes: This provision in the bill may result in more assessed value (AV) being added back to the AV base for taxing districts where nonprofit hospitals are currently receiving a property tax exemption. By adding AV back into the AV base, the tax rates for these tax districts will decrease, assuming that the property tax levies do not change. Lower tax rates will result in a decrease of property tax cap losses, meaning local units will receive a greater percentage of their certified property tax levies.

Additionally, this provision may result in greater property tax revenue for the underlying local units where a nonprofit hospital (that had been receiving an exemption) is located, assuming that the nonprofit hospital sells, leases, or transfers the land that was exempted. The nonprofit hospital would be liable for property taxes not imposed on the land during a certain period of time.

The actual fiscal impact will vary from county to county. The impact will depend on the number and value of exemptions that could potentially be removed from nonprofit hospitals currently receiving an exemption, as well as the amount of property taxes not imposed during the specified period of time.

[According to the Pay 2025 county property tax data, there are 1,663 property records statewide that have a hospital property tax exemption, totaling in \$3.3 B of AV.]

Personal Property Assessment Floor: Under current law, personal property acquired after January 1, 2025, is not subject to the 30% valuation floor. This bill will restore the assessment floor for the utility company

controlled by the city of Indianapolis. In the short term, utility assessments may be reduced before increasing over the long term. In CY 2027 and CY 2028, the estimated reduction in assessed valuation (AV) will cause tax rates to increase, shifting taxes from the utility to all other property types and increasing tax cap losses for taxing units. Beginning in CY 2029, the fiscal impact will be reversed.

Compared to current law, taxing unit revenues in Marion County will be lower under this bill by an estimated \$30,000 in CY 2027 and \$35,000 in CY 2028. Revenues are estimated to be \$30,000 larger in CY 2029. Following are net tax change and revenue summaries by property type and unit type.

Estimated Net Tax Change and Percent Change from Current Law						
Property Type	CY 2027		CY 2028		CY 2029	
Homesteads	4,000	0.0%	5,000	0.0%	50,000	0.0%
Farmland	0	0.0%	0	0.0%	1,000	0.0%
Other Residential	1,000	0.0%	3,000	0.0%	40,000	0.0%
Apartments	1,000	0.0%	2,000	0.0%	25,000	0.0%
Ag Business	0	0.0%	0	0.0%	0	0.0%
Other Real	6,000	0.0%	5,000	0.0%	82,000	0.0%
Personal Property	-42,000	0.0%	-49,000	0.0%	-168,000	0.0%
Total	-30,000	0.0%	-34,000	0.0%	30,000	0.0%

Note: Totals may not sum due to rounding.

Estimated Net Revenue Change and Percent Change from Current Law						
Unit Type	CY 2027		CY 2028		CY 2029	
Counties	-2,000	0.0%	-2,000	0.0%	-35,000	0.0%
Townships	-4,000	0.0%	-2,000	0.0%	-5,000	0.0%
Cities and Towns	1,000	0.0%	-2,000	0.0%	-2,000	0.0%
School Corporations	-16,000	0.0%	-12,000	0.0%	-34,000	0.0%
Libraries	-2,000	0.0%	-1,000	0.0%	-12,000	0.0%
Special Units	-8,000	0.0%	-21,000	0.0%	97,000	0.0%
TIF	1,000	0.0%	5,000	0.0%	21,000	0.0%
Total	-30,000	0.0%	-35,000	0.0%	30,000	0.0%
Total Without TIF	-31,000	0.0%	-40,000	0.0%	9,000	0.0%

Note: Totals may not sum due to rounding.

Library Budgets: This provision may result in a greater reduction of property tax revenue for a public library should the library fail to submit its proposed budget and property tax levy for the ensuing calendar year to the applicable governing body in a timely manner. Under current law, public libraries that are non-compliant with the submission deadline are subject to a cap of 80% of the maximum levy growth quotient for the ensuing calendar year. This provision would reduce the percentage to 49% of the maximum levy growth quotient.

State Agencies Affected: Indiana Economic Development Corporation; Family and Social Services Administration; Budget Committee; Department of State Revenue; Office of Entrepreneurship and Innovation; Indiana Finance Authority.

Local Agencies Affected: City of Bedford; Delaware County; Delaware County Convention and Tourism Commission; Delaware County Civic Center Authority; Regional development authorities; Taxing units in

Marion County; Public library governing bodies; County and municipal legislative bodies; County treasurers.

Information Sources: U.S. Census Bureau; 2017 Economic Census. Legislative Services Agency, Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2025; OFMA Quarterly Census of Employment and Wages Data; Local Government Database; LSA Property Tax Database; Pay 2025 county property tax data; Department of Local Government Finance; Department of State Revenue.

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