

SENATE BILL No. 218

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-20.6; IC 6-2.5-11; IC 6-3.5-12; IC 6-3.6; IC 6-8.1-1-1; IC 6-9.

Synopsis: Circuit breaker credits for homesteads. Authorizes the fiscal body of a county, city, or town (municipality) to reduce its homestead property tax cap. Requires the reduced property tax cap to apply only in determining the net property tax revenue of the municipality that adopted it and not to any other taxing unit within the taxing district. Authorizes a municipality that has adopted a reduced homestead property tax cap to adopt any of the following local option taxes, either singly or in combination, the revenue from which must be used as property tax replacement revenue due to the reduced homestead property tax cap: (1) Local option sales tax. (2) Supplemental local income tax. (3) Supplemental innkeeper's tax. (4) Supplemental food and beverage tax. Makes conforming changes and removes obsolete provisions. Makes an appropriation.

Effective: July 1, 2026.

Buck, Niemeyer

January 8, 2026, read first time and referred to Committee on Tax and Fiscal Policy.



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.

SENATE BILL No. 218

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

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

- 1 SECTION 1. IC 6-1.1-20.6-3, AS AMENDED BY P.L.68-2025,
2 SECTION 73, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2026]: Sec. 3. As used in this chapter, "property tax liability"
4 means, for purposes of:
- 5 (1) this chapter, other than section 7.7 or 8.5 of this chapter,
6 liability for the tax imposed on property under this article
7 determined after application of all credits and deductions under
8 this article or IC 6-3.6, except the credit granted by section 7 ~~or~~
9 7.5 of this chapter, but does not include any interest or penalty
10 imposed under this article;
 - 11 (2) section 8.5 of this chapter, liability for the tax imposed on
12 property under this article determined after application of all
13 credits and deductions under this article or IC 6-3.6, including the
14 credits granted by sections 7, 7.5 and 7.7 of this chapter, but not
15 including the credit granted under section 8.5 of this chapter or
16 any interest or penalty imposed under this article; and
 - 17 (3) section 7.7 of this chapter, liability for the tax imposed on



property under this article determined after application of all credits and deductions under this article or IC 6-3.6, including the credit granted by section 7 or 7.5 of this chapter, but not including the credits granted under section 7.7 or 8.5 of this chapter or any interest or penalty imposed under this article.

SECTION 2. IC 6-1.1-20.6-7 IS REPEALED [EFFECTIVE JULY 1, 2026]. Sec. 7: (a) This subsection applies to property taxes first due and payable in 2009: A person is entitled to a credit against the person's property tax liability for property taxes first due and payable in 2009: The amount of the credit is the amount by which the person's property tax liability attributable to the person's:

- (1) homestead exceeds one and five-tenths percent (1.5%);
- (2) residential property exceeds two and five-tenths percent (2.5%);
- (3) long term care property exceeds two and five-tenths percent (2.5%);
- (4) agricultural land exceeds two and five-tenths percent (2.5%);
- (5) nonresidential real property exceeds three and five-tenths percent (3.5%); or
- (6) personal property exceeds three and five-tenths percent (3.5%);

of the gross assessed value of the property that is the basis for determination of property taxes for that calendar year:

(b) This subsection applies to property taxes first due and payable in 2009: Property taxes imposed after being approved by the voters in a referendum or local public question shall not be considered for purposes of calculating a person's credit under this section:

(c) This subsection applies to property taxes first due and payable in 2009: As used in this subsection, "eligible county" means only a county for which the general assembly determines in 2008 that limits to property tax liability under this chapter are expected to reduce in 2010 the aggregate property tax revenue that would otherwise be collected by all units of local government and school corporations in the county by at least twenty percent (20%): Property taxes imposed in an eligible county to pay debt service or make lease payments for bonds or leases issued or entered into before July 1, 2008; shall not be considered for purposes of calculating a person's credit under this section:

SECTION 3. IC 6-1.1-20.6-7.5, AS AMENDED BY P.L.205-2013, SECTION 77, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 7.5. (a) A person is entitled to a credit against the person's property tax liability. for property taxes first due and payable



1 after 2009: The amount of the credit is the amount by which the
 2 person's property tax liability attributable to the person's:

3 (1) homestead exceeds one percent (1%), **except as provided in**
 4 **subsection (c);**

5 (2) residential property exceeds two percent (2%);

6 (3) long term care property exceeds two percent (2%);

7 (4) agricultural land exceeds two percent (2%);

8 (5) nonresidential real property exceeds three percent (3%); or

9 (6) personal property exceeds three percent (3%);

10 of the gross assessed value of the property that is the basis for
 11 determination of property taxes for that calendar year.

12 (b) ~~This subsection applies to property taxes first due and payable~~
 13 ~~after 2009:~~ Property taxes imposed after being approved by the voters
 14 in a referendum or local public question shall not be considered for
 15 purposes of calculating a person's credit under this section.

16 (c) ~~This subsection applies to property taxes first due and payable~~
 17 ~~after 2009:~~ As used in this subsection, "eligible county" means only a
 18 county for which the general assembly determines in 2008 that limits
 19 to property tax liability under this chapter are expected to reduce in
 20 2010 the aggregate property tax revenue that would otherwise be
 21 collected by all units of local government and school corporations in
 22 the county by at least twenty percent (20%): Property taxes imposed in
 23 an eligible county:

24 (1) to pay debt service:

25 (A) on bonds issued before July 1, 2008; or

26 (B) on bonds that:

27 (i) are issued to refund bonds originally issued before July
 28 1, 2008; and

29 (ii) have a maturity date that is not later than the maturity
 30 date of the bonds refunded;

31 (2) to make lease payments on leases entered into before July 1,
 32 2008; to secure bonds;

33 (3) to make lease payments on leases:

34 (A) that are amended to refund bonds secured by leases
 35 entered into before July 1, 2008; and

36 (B) that have a term that is not longer than the term of the
 37 leases amended; or

38 (4) to make lease payments on leases:

39 (A) that secure bonds:

40 (i) issued to refund bonds originally issued before July 1,
 41 2008; and

42 (ii) that have a maturity date that is not later than the



1 maturity date of the bonds refunded; and
 2 (B) that have a term that ends not later than the maturity date
 3 of the bonds refunded;
 4 shall not be considered for purposes of calculating a person's credit
 5 under this section:

6 (c) The fiscal body of a county, city, or town may adopt an
 7 ordinance to reduce the property tax liability percentage cap set
 8 forth in subsection (a)(1) for homesteads to a percentage that is less
 9 than one percent (1%) but not less than zero percent (0%). The
 10 following apply if a fiscal body adopts an ordinance under this
 11 subsection:

12 (1) For purposes of subsection (a)(1), the property tax liability
 13 percentage cap shall be the percentage adopted by the fiscal
 14 body of the county, city, or town.

15 (2) The reduced property tax liability percentage cap shall
 16 apply to taxes first due and payable in the ensuing year
 17 following the adoption of the ordinance and each year
 18 thereafter that the ordinance remains in effect.

19 (3) The reduced property tax liability percentage cap shall be
 20 applied in determining the net property tax revenue of the
 21 county, city, or town that adopted the ordinance and not any
 22 other taxing unit within the taxing district, which shall be
 23 determined as if the county, city, or town had not adopted an
 24 ordinance under this subsection.

25 (4) If a county fiscal body adopts an ordinance under this
 26 subsection or rescinds an ordinance previously adopted, the
 27 county fiscal body shall, not later than fifteen (15) days after
 28 the adoption of the ordinance, give notice of the adoption of
 29 the ordinance to:

30 (A) the department on the form and in the manner
 31 prescribed by the department; and

32 (B) the county auditor.

33 SECTION 4. IC 6-1.1-20.6-9.8, AS AMENDED BY P.L.9-2024,
 34 SECTION 171, IS AMENDED TO READ AS FOLLOWS
 35 [EFFECTIVE JULY 1, 2026]: Sec. 9.8. (a) This section applies to
 36 property taxes first due and payable after December 31, 2009.

37 (b) The following definitions apply throughout this section:

38 (1) "Debt service obligations of a political subdivision" refers to:

39 (A) the principal and interest payable during a calendar year
 40 on bonds; and

41 (B) lease rental payments payable during a calendar year on
 42 leases;



of a political subdivision payable from ad valorem property taxes.

(2) "Protected taxes" refers to the following:

(A) Property taxes that are exempted from the application of a credit granted under section 7 ~~or~~ 7.5 of this chapter by section 7(b), 7(c), 7.5(b) ~~or~~ 7.5(c) of this chapter or another law.

(B) Property taxes imposed by a political subdivision to pay for debt service obligations of a political subdivision that are not exempted from the application of a credit granted under section 7 ~~or~~ 7.5 of this chapter by section 7(b), 7(c), 7.5(b) ~~or~~ 7.5(c) of this chapter or any other law. Property taxes described in this clause are subject to the credit granted under section 7 ~~or~~ 7.5 of this chapter by section 7(b), 7(c), 7.5(b) ~~or~~ 7.5(c) of this chapter regardless of their designation as protected taxes.

(3) "Unprotected taxes" refers to property taxes that are not protected taxes.

(c) Except as provided in section 9.9 of this chapter, the total amount of revenue to be distributed to the fund for which the protected taxes were imposed shall be determined as if no credit were granted under section 7 ~~or~~ 7.5 of this chapter. The total amount of the loss in revenue resulting from the granting of credits under section 7 ~~or~~ 7.5 of this chapter must reduce only the amount of unprotected taxes distributed to a fund using the following criteria:

(1) The reduction may be allocated in the amounts determined by the political subdivision using a combination of unprotected taxes of the political subdivision in those taxing districts in which the credit caused a reduction in protected taxes.

(2) The tax revenue and each fund of any other political subdivisions must not be affected by the reduction.

(d) When:

(1) the revenue that otherwise would be distributed to a fund receiving only unprotected taxes is reduced entirely under subsection (c) and the remaining revenue is insufficient for a fund receiving protected taxes to receive the revenue specified by subsection (c); or

(2) there is not a fund receiving only unprotected taxes from which to distribute revenue;

the revenue distributed to the fund receiving protected taxes must also be reduced. If the revenue distributed to a fund receiving protected taxes is reduced, the political subdivision may transfer money from one (1) or more of the other funds of the political subdivision to offset the



1 loss in revenue to the fund receiving protected taxes. The transfer is
 2 limited to the amount necessary for the fund receiving protected taxes
 3 to receive the revenue specified under subsection (c). The amount
 4 transferred shall be specifically identified as a debt service obligation
 5 transfer for each affected fund.

6 SECTION 5. IC 6-1.1-20.6-9.9, AS AMENDED BY P.L.236-2023,
 7 SECTION 39, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 8 JULY 1, 2026]: Sec. 9.9. (a) This subsection applies to credits
 9 allocated before January 1, 2024. If:

10 (1) a school corporation after July 1, 2016, issues new bonds or
 11 enters into a new lease rental agreement for which the school
 12 corporation is imposing or will impose a debt service levy other
 13 than:

14 (A) to refinance or renew prior bond or lease rental obligations
 15 existing before January 1, 2017; or

16 (B) indebtedness that is approved in a local public question or
 17 referendum under IC 6-1.1-20 or any other law; and

18 (2) the school corporation's:

19 (A) total debt service levy is greater than the school
 20 corporation's total debt service levy in 2016; and

21 (B) total debt service tax rate is greater than the school
 22 corporation's total debt service tax rate in 2016;

23 the school corporation is not eligible to allocate credits proportionately
 24 under this section.

25 (b) This subsection applies to credits allocated after December 31,
 26 2023. A school corporation is not eligible to allocate credits
 27 proportionately under this section, if a school corporation after July 1,
 28 2023, issues new bonds or enters into a new lease rental agreement for
 29 which the school corporation is imposing or will impose a debt service
 30 levy other than:

31 (1) to refinance or renew prior bond or lease rental obligations
 32 existing before January 1, 2024, but only if the refinancing or
 33 renewal is for a lower interest rate; or

34 (2) indebtedness that is approved in a local public question or
 35 referendum under IC 6-1.1-20 or any other law.

36 (c) Subject to subsection (a) (before January 1, 2024) and
 37 subsection (b) (after December 31, 2023), a school corporation is
 38 eligible to allocate credits proportionately under this section for 2019,
 39 2020, 2021, 2022, 2023, 2024, 2025, or 2026 if the school corporation's
 40 percentage computed under this subsection is at least ten percent (10%)
 41 for its operations fund levy as certified by the department of local
 42 government finance. A school corporation shall compute its percentage



under this subsection as determined under the following formula:

STEP ONE: Determine the amount of credits granted under this chapter against the school corporation's levy for the school corporation's operations fund.

STEP TWO: Determine the amount of the school corporation's levy that is attributable to new debt incurred after June 30, 2019, but is not attributable to the debt service levy described in subsection (a)(1)(B) (before January 1, 2024) or subsection (b)(2) (after December 31, 2023).

STEP THREE: Determine the result of the school corporation's total levy minus any referendum levy.

STEP FOUR: Subtract the STEP TWO amount from the STEP THREE amount.

STEP FIVE: Divide the STEP FOUR amount by the STEP THREE amount expressed as a percentage.

STEP SIX: Multiply the STEP ONE amount by the STEP FIVE percentage.

STEP SEVEN: Determine the school corporation's levy for the school corporation's operations fund.

STEP EIGHT: Divide the STEP SIX amount by the STEP SEVEN amount expressed as a percentage.

The computation must be made by taking into account the requirements of section 9.8 of this chapter regarding protected taxes and the impact of credits granted under this chapter on the revenue to be distributed to the school corporation's operations fund for the particular year.

(d) A school corporation that desires to be an eligible school corporation under this section must, before May 1 of the year for which it wants a determination, submit a written request for a certification by the department of local government finance that the computation of the school corporation's percentage under subsection (c) is correct. The department of local government finance shall, not later than June 1 of that year, determine whether the percentage computed by the school corporation under subsection (c) is accurate and certify whether the school corporation is eligible under this section.

(e) For a school corporation that is certified as eligible under this section, the school corporation may allocate the effect of the credits granted under this chapter proportionately among all the school corporation's property tax funds that are not exempt under section 7.5(b) ~~or 7.5(c)~~ of this chapter, based on the levy for each fund and without taking into account the requirements of section 9.8 of this chapter regarding protected taxes as determined under the following formula:



1 STEP ONE: Determine the product of:

2 (A) the percentage determined under STEP EIGHT of
3 subsection (c); multiplied by

4 (B) five (5).

5 STEP TWO: Determine the lesser of the STEP ONE percentage
6 or one hundred percent (100%).

7 STEP THREE: Determine the product of:

8 (A) the amount determined under STEP SIX of subsection (c);
9 multiplied by

10 (B) the STEP TWO percentage.

11 The school corporation may allocate the amount of credits determined
12 under STEP THREE proportionately under this section. The
13 department of local government finance shall include in its certification
14 of an eligible school corporation under subsection (d) the amount of
15 credits that the school corporation may allocate proportionately as
16 determined under this subsection.

17 (f) This section expires January 1, 2027.

18 SECTION 6. IC 6-1.1-20.6-13, AS ADDED BY P.L.241-2017,
19 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
20 JULY 1, 2026]: Sec. 13. (a) A political subdivision is eligible to
21 allocate credits proportionately under this section if the distressed unit
22 appeal board has approved the waiver request of the emergency
23 manager for the political subdivision under IC 6-1.1-20.3-8.5.

24 (b) For a political subdivision that has been granted a waiver under
25 IC 6-1.1-20.3-8.5, the political subdivision may allocate the effect of
26 the credits granted under this chapter proportionately among all the
27 political subdivision's property tax funds that are not exempt under
28 section 7.5(b) ~~or 7.5(c)~~ of this chapter, based on the levy for each fund
29 and without taking into account the requirements of section 9.8 of this
30 chapter regarding protected taxes.

31 SECTION 7. IC 6-2.5-11-2 IS AMENDED TO READ AS
32 FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 2. As used in this
33 chapter:

34 (1) "Agreement" means the Streamlined Sales and Use Tax
35 Agreement.

36 (2) "Certified automated system" means software certified jointly
37 by the states that are signatories to the agreement to calculate the
38 tax imposed by each jurisdiction on a transaction, to determine
39 the amount of tax to remit to the appropriate state, and to maintain
40 a record of the transaction.

41 (3) "Certified service provider" means an agent certified jointly by
42 the states that are signatories to the agreement to perform all of



the seller's sales tax functions.

(4) "Person" means an individual, a trust, an estate, a fiduciary, a partnership, a limited liability company, a limited liability partnership, a corporation, or any other legal entity.

(5) "Sales tax" means:

(A) the state gross retail tax levied under IC 6-2.5; **and**

(B) **the local option gross retail tax imposed under IC 6-3.5-12.**

(6) "Seller" means any person making sales, leases, or rentals of personal property or services.

(7) "State" means any state of the United States and the District of Columbia.

(8) "Use tax" means the use tax levied under IC 6-2.5.

SECTION 8. IC 6-2.5-11-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 13. (a) As used in this section, "local taxing jurisdiction" means the taxing jurisdiction of a political subdivision.**

(b) As used in this section, "taxing jurisdiction" means the geographical territory of the state or a political subdivision in which a sales or use tax is in effect.

(c) The department shall maintain a data base that describes boundary changes for all local taxing jurisdictions. The data base must include a description of each change and the effective date of the change.

(d) The department shall maintain a data base of all sales and use tax rates for each jurisdiction in Indiana that levies a sales or use tax. The state and each political subdivision in the data base must be identified by codes that conform with Federal Information Processing Standards, as developed by the National Institute of Standards and Technology.

(e) The department shall maintain a data base that assigns to each five (5) digit and nine (9) digit ZIP code in Indiana the taxing jurisdictions within the ZIP code that levy a sales or use tax in the taxing jurisdiction.

(f) The department shall maintain the data bases described in subsections (c) through (e) in accordance with the requirements of the agreement.

(g) The department shall allow sellers and certified service providers access to the data bases described in subsections (c) through (e).

(h) The department may contract with a vendor to maintain the



1 data bases that the department is required to maintain under this
2 section.

3 SECTION 9. IC 6-2.5-11-14 IS ADDED TO THE INDIANA CODE
4 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
5 1, 2026]: Sec. 14. (a) Except as provided in subsection (b), a seller
6 or certified service provider is not liable for the tax, penalties, and
7 interest associated with charging and collecting the incorrect
8 amount of sales or use tax for a retail transaction if:

9 (1) the seller or certified service provider has relied on
10 erroneous data provided by the department in the data base
11 described in section 13(e) of this chapter; and

12 (2) the erroneous data provided by the department in the data
13 base described in section 13(e) of this chapter is the reason
14 that the seller or certified service provider charged and
15 collected the incorrect amount of sales or use tax on the retail
16 transaction.

17 (b) If the department:

18 (1) corrects the errors in the data base described in section
19 13(e) of this chapter; and

20 (2) provides the seller or certified service provider with notice
21 of the corrected data;

22 the relief provided by subsection (a) ceases ten (10) days after the
23 seller or certified service provider receives the department's notice
24 of corrected data.

25 SECTION 10. IC 6-3.5-12 IS ADDED TO THE INDIANA CODE
26 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
27 JULY 1, 2026]:

28 Chapter 12. Local Option Gross Retail Tax

29 Sec. 1. This chapter applies only to a county or municipality that
30 adopts an ordinance to reduce the homestead property tax cap
31 within its taxing jurisdiction under IC 6-1.1-20.6-7.5(c).
32 Notwithstanding any other provision of this chapter, a local option
33 gross retail tax may be imposed by a county or municipality under
34 this chapter only during those calendar years in which the reduced
35 homestead property tax cap is applied under IC 6-1.1-20.6-7.5(c)
36 in the county or municipality for property taxes first due and
37 payable in the year.

38 Sec. 2. Except as otherwise provided in this chapter, the
39 definitions set forth in:

40 (1) IC 6-2.5-1; and

41 (2) IC 36-1-2;

42 apply throughout this chapter.



1 **Sec. 3.** As used in this chapter, "adopting county or
2 municipality" means a county or municipality that has adopted the
3 local option gross retail tax.

4 **Sec. 4.** As used in this chapter, "gross retail income" has the
5 meaning set forth in IC 6-2.5-1-5, except that the term does not
6 include taxes imposed under IC 6-2.5 or IC 6-9.

7 **Sec. 5.** As used in this chapter, "local option gross retail tax
8 district" of an adopting county or municipality means the
9 geographic territory in which the local option gross retail tax
10 adopted by the adopting county or municipality is imposed.

11 **Sec. 6.** As used in this chapter, "municipality" means a city or
12 town.

13 **Sec. 7.** Using procedures described in this chapter, the fiscal
14 body of a county or municipality may adopt an ordinance to
15 impose or rescind the local option gross retail tax in the local
16 option gross retail tax district of the county or municipality.

17 **Sec. 8. (a)** An ordinance imposing the local option gross retail
18 tax under this chapter must specify the tax rate to be imposed
19 under this chapter, not to exceed one percent (1%).

20 **(b)** An ordinance imposing the local option gross retail tax
21 under this chapter must specify the date the local option gross
22 retail tax takes effect. A tax imposed under this chapter must take
23 effect on the first day of a calendar quarter. A tax imposed under
24 this chapter may not take effect until at least sixty (60) days after
25 the date the ordinance imposing the tax is adopted.

26 **(c)** An ordinance to rescind the local option gross retail tax must
27 specify the date the rescission of the tax takes effect.

28 **Sec. 9. (a)** An ordinance imposing the local option gross retail
29 tax under this chapter must specify the boundaries of the county or
30 municipality on the effective date of the local option gross retail
31 tax. The boundaries of the county or municipality on the effective
32 date of the local option gross retail tax are the initial boundaries of
33 the local option gross retail tax district of the county or
34 municipality.

35 **(b)** If at any time the boundaries of an adopting county or
36 municipality do not coincide with the boundaries of the local option
37 gross retail tax district of the adopting county or municipality, the
38 fiscal body of an adopting county or municipality may adopt an
39 ordinance to alter the boundaries of the local option gross retail tax
40 district to coincide with the boundaries of the adopting county or
41 municipality.

42 **(c)** An ordinance adopted under subsection (b) must specify the



1 date on which the altered boundaries of the local option gross retail
 2 tax district take effect. The altered boundaries of the local option
 3 gross retail tax district must take effect on the first day of a
 4 calendar quarter. The altered boundaries of the local option gross
 5 retail tax district may not take effect until at least sixty (60) days
 6 after the date on which the ordinance is adopted.

7 (d) An ordinance adopted under subsection (b) must specify the
 8 changes to the boundaries of the local option gross retail tax
 9 district of the adopting county.

10 Sec. 10. (a) If the fiscal body of a county or municipality adopts
 11 an ordinance under this chapter, the fiscal body of the county or
 12 municipality shall immediately send a certified copy of the
 13 ordinance to the department.

14 (b) If:

15 (1) the fiscal body of a county or municipality adopts an
 16 ordinance to impose the local option gross retail tax under
 17 section 7 of this chapter; or

18 (2) the fiscal body of an adopting county or municipality
 19 adopts an ordinance to change the boundaries of the adopting
 20 municipality's local option gross retail tax district under
 21 section 9 of this chapter;

22 the fiscal body shall immediately transmit information concerning
 23 the boundaries of the local option gross retail tax district to the
 24 department in an electronic format prescribed by the department.

25 Sec. 11. (a) A tax imposed under this chapter by the fiscal body
 26 of an adopting county or municipality applies only to a retail
 27 transaction that:

28 (1) is subject to the state gross retail tax; and

29 (2) is sourced to the local option gross retail tax district of the
 30 adopting county or municipality under the sourcing rules of
 31 IC 6-2.5.

32 (b) Subsection (a) applies to a local option gross retail tax
 33 throughout the period an ordinance imposing the local option gross
 34 retail tax is in effect. An amendment of the state gross retail tax
 35 applies also to the local option gross retail tax in effect in an
 36 adopting county or municipality on the date the amendment to the
 37 state gross retail tax becomes effective.

38 Sec. 12. (a) This section applies to a retail transaction that is
 39 subject to the local option gross retail tax.

40 (b) The local option gross retail tax is measured by the gross
 41 retail income received by a retail merchant in a retail unitary
 42 transaction and is imposed at the rate set forth in the ordinance



1 imposing the tax. The rate must be stated as a whole percentage
2 point.

3 (c) A retail merchant may apply the rounding rule of
4 IC 6-2.5-2-2(b) to the unrounded total of:

5 (1) the state gross retail tax; plus

6 (2) the local option gross retail tax;

7 that is imposed on a retail transaction.

8 Sec. 13. (a) A person who receives goods or services in a retail
9 transaction that is taxed under this chapter is liable for the tax.
10 The person shall pay the tax to the retail merchant as a separate
11 amount added to the consideration for the goods or services. The
12 retail merchant shall collect the tax as an agent for the state and
13 the county. The tax imposed under this chapter shall be imposed,
14 paid, and collected in the same manner in which the state gross
15 retail tax is imposed, paid, and collected under IC 6-2.5.

16 (b) A county or municipality that imposes the local option gross
17 retail tax under this chapter is prohibited from conducting an audit
18 of any retail merchant or purchaser for the purpose of determining
19 whether the proper amount of local option gross retail tax has been
20 collected or paid.

21 Sec. 14. (a) A special account within the state general fund shall
22 be established for each adopting county or municipality that
23 imposes the local option gross retail tax. Revenue collected under
24 this chapter within an adopting county or municipality shall be
25 deposited in that adopting county's or municipality's account in the
26 state general fund.

27 (b) Income earned on money held in an account under
28 subsection (a) becomes a part of that account.

29 (c) Revenue remaining in an account established under
30 subsection (a) at the end of a fiscal year does not revert to the state
31 general fund.

32 Sec. 15. (a) Revenue derived from the imposition of the local
33 option gross retail tax shall, in the manner prescribed by this
34 section, be distributed to the adopting county or municipality that
35 imposed it. Revenue in a county's or municipality's special account
36 is appropriated to make the distributions required by this chapter.

37 (b) Before the fifteenth business day of each month, the state
38 comptroller shall distribute the amount specified in subsection (c)
39 to the fiscal officer of each adopting county or municipality.

40 (c) The amount to be distributed each month to an adopting
41 county or municipality under this section is the amount
42 accumulated at the end of the previous month in the adopting



1 county's or municipality's special account established under section
2 14 of this chapter.

3 (d) The state comptroller may adjust the amount specified in
4 subsection (c) to account for mathematical or clerical errors
5 involving a previous distribution under this section. At the
6 discretion of the state comptroller, an adjustment under this
7 section may be prorated over two (2) or more future distributions
8 under this section.

9 Sec. 16. An adopting county or municipality may use local
10 option gross retail tax revenue received in a distribution under
11 section 15 of this chapter only to fund replacement of the county's
12 or municipality's property tax levy loss due to the adoption of a
13 reduced homestead property tax cap.

14 SECTION 11. IC 6-3.6-2-2, AS AMENDED BY P.L.239-2017,
15 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
16 JULY 1, 2026]: Sec. 2. "Adjusted gross income" has the meaning set
17 forth in IC 6-3-1-3.5. However:

18 (1) except as provided in subdivision (3), in the case of a local
19 taxpayer who is not treated as a resident local taxpayer of a
20 county, the term includes only adjusted gross income derived
21 from the taxpayer's principal place of business or employment;

22 (2) in the case of a resident local taxpayer of Perry County, the
23 term does not include adjusted gross income described in
24 IC 6-3.6-8-7; and

25 (3) in the case of a local taxpayer described in section 13(3) of
26 this chapter, the term includes only that part of the individual's
27 total income that:

28 (A) is apportioned to Indiana under IC 6-3-2-2.7 or
29 IC 6-3-2-3.2; and

30 (B) is paid to the individual as compensation for services
31 rendered in the county **(or municipality in the case of a**
32 **special rate under IC 6-3.6-7-29)** as a team member or race
33 team member.

34 SECTION 12. IC 6-3.6-2-2, AS AMENDED BY P.L.68-2025,
35 SECTION 95, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
36 JANUARY 1, 2028]: Sec. 2. "Adjusted gross income" has the meaning
37 set forth in IC 6-3-1-3.5. However:

38 (1) in the case of a resident local taxpayer of Perry County, the
39 term does not include adjusted gross income described in
40 IC 6-3.6-8-7; and

41 (2) in the case of a local taxpayer described in section 13(3) of
42 this chapter, the term includes only that part of the individual's



total income that:

(A) is apportioned to Indiana under IC 6-3-2-2.7 or IC 6-3-2-3.2; and

(B) is paid to the individual as compensation for services rendered in the county (or municipality in the case of a local income tax imposed under ~~IC 6-3.6-6-22~~) **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29**) as a team member or race team member.

SECTION 13. IC 6-3.6-2-13, AS AMENDED BY P.L.239-2017, SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 13. "Local taxpayer", as it relates to a particular county **(or municipality in the case of a special rate under IC 6-3.6-7-29)** means any of the following:

(1) An individual who resides in that county **(or municipality in the case of a special rate under IC 6-3.6-7-29)** on the date specified in IC 6-3.6-8-3.

(2) An individual who maintains the taxpayer's principal place of business or employment in that county on the date specified in IC 6-3.6-8-3 and who does not reside on that same date in another county in Indiana in which a tax under this article is in effect. **However, for purposes of a special rate under IC 6-3.6-7-29, the term does not include an individual described in this subdivision.**

(3) An individual who:

(A) has income apportioned to Indiana as:

(i) a team member under IC 6-3-2-2.7; or

(ii) a race team member under IC 6-3-2-3.2;

for services rendered in the county; and

(B) is not described in subdivision (1) or (2).

SECTION 14. IC 6-3.6-2-13, AS AMENDED BY P.L.68-2025, SECTION 100, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2028]: Sec. 13. "Local taxpayer" means any of the following:

(1) As it relates to a particular county (or municipality in the case of a local income tax imposed under ~~IC 6-3.6-6-22~~), **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29**, an individual who resides in that county (or municipality in the case of a local income tax imposed under ~~IC 6-3.6-6-22~~) **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29**) on the date specified in IC 6-3.6-8-3.

(2) As it relates to a particular county, an individual who maintains the taxpayer's principal place of business or



employment in that county on the date specified in IC 6-3.6-8-3 and who does not reside on that same date in another county in Indiana in which a tax under this article is in effect. However, for purposes of a local income tax imposed by a municipality under IC 6-3.6-6-22 **or a special rate under IC 6-3.6-7-29**, the term does not include an individual described in this subdivision.

(3) As it relates to a particular county, and only for purposes of a rate imposed by a county under 6-3.6-6-2(b)(3), the term includes an individual who:

(A) has income apportioned to Indiana as:

(i) a team member under IC 6-3-2-2.7; or

(ii) a race team member under IC 6-3-2-3.2;

for services rendered in the county; and

(B) is not described in subdivision (1) or (2).

SECTION 15. IC 6-3.6-2-15, AS ADDED BY P.L.243-2015, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 15. "Resident local taxpayer", as it relates to a particular county **(or municipality in the case of a special rate under IC 6-3.6-7-29)**, means any local taxpayer who resides in that county **(or municipality in the case of a special rate under IC 6-3.6-7-29)**, on the date specified in IC 6-3.6-8-3.

SECTION 16. IC 6-3.6-2-15, AS AMENDED BY P.L.68-2025, SECTION 101, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2028]: Sec. 15. "Resident local taxpayer", as it relates to a particular county (or municipality in the case of a local income tax imposed under ~~IC 6-3.6-6-22~~) **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29**, means any local taxpayer who resides in that county (or municipality in the case of a local income tax imposed under ~~IC 6-3.6-6-22~~) **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29**, on the date specified in IC 6-3.6-8-3.

SECTION 17. IC 6-3.6-3-1, AS AMENDED BY P.L.137-2024, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 1. (a) The following is the adopting body for a county:

(1) The local income tax council in a county in which the county income tax council adopted either:

(A) a county option income tax under IC 6-3.5-6 (repealed) that was in effect on January 1, 2015; or

(B) a county economic development income tax for the county under IC 6-3.5-7 (repealed) that was in effect on January 1, 2015.

(2) The county fiscal body in any other county.



(3) The county fiscal body for purposes of adopting a rate dedicated to paying for a PSAP in the county as permitted by IC 6-3.6-6-2.5.

(4) The county fiscal body for purposes of adopting a rate dedicated to paying for acute care hospitals in the county as permitted by IC 6-3.6-6-2.6.

(5) The county fiscal body for purposes of adopting a rate dedicated to paying for correctional facilities and rehabilitation facilities in the county as permitted by IC 6-3.6-6-2.7.

(b) A local income tax council is established for each county. The membership of each county's local income tax council consists of the fiscal body of the county and the fiscal body of each city or town that lies either partially or entirely within that county.

(c) The fiscal body of the city or town is the adopting body for a city or town for purposes of adopting a special rate under IC 6-3.6-7-29.

SECTION 18. IC 6-3.6-3-1, AS AMENDED BY P.L.68-2025, SECTION 102, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]: Sec. 1. (a) The fiscal body of the county is the adopting body for a county.

(b) The fiscal body of the city or town is the adopting body for a city or town for purposes of adopting a municipal rate under IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29.

SECTION 19. IC 6-3.6-3-3.2 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 3.2. **(a) This section applies to an ordinance adopted by a city or town that adopts, increases, decreases, or rescinds a special rate under IC 6-3.6-7-29.**

(b) An ordinance adopted by a city or town on or before October 1 of a calendar year shall take effect on January 1 of the calendar year that immediately succeeds the year in which the ordinance is adopted.

(c) An ordinance adopted by a city or town after October 1 of a calendar year shall take effect on January 1 of the second succeeding calendar year following the year the ordinance is adopted.

SECTION 20. IC 6-3.6-3-5, AS AMENDED BY P.L.223-2025, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 5. (a) The auditor of a county **(or the fiscal officer of a municipality in the case of a special rate under IC 6-3.6-7-29)** shall record all votes taken on ordinances presented for a vote under this article and not more than ten (10) days after the vote,



1 send a certified copy of the results to:

- 2 (1) the commissioner of the department of state revenue; and
 3 (2) the commissioner of the department of local government
 4 finance;

5 in an electronic format approved by the commissioner of the
 6 department of local government finance.

7 (b) Except as provided in subsection (c), this subsection applies only
 8 to a county that has a local income tax council. The county auditor may
 9 cease sending certified copies after the county auditor sends a certified
 10 copy of results showing that members of the local income tax council
 11 have cast a majority of the votes on the local income tax council for or
 12 against the proposed ordinance.

13 (c) This subsection applies only to a county with a single voting bloc
 14 that proposes to increase (but not decrease) a tax rate in the county. The
 15 county auditor may cease sending certified copies of the votes on the
 16 local income tax council voting as a whole under section 9.5 of this
 17 chapter after the county auditor sends a certified copy of results
 18 showing that the individuals who sit on the fiscal bodies of the county,
 19 cities, and towns that are members of the local income tax council have
 20 cast a majority of the votes on the local income tax council voting as a
 21 whole under section 9.5 of this chapter for or against the proposed
 22 ordinance. This subsection expires May 31, 2027.

23 SECTION 21. IC 6-3.6-3-5, AS AMENDED BY P.L.223-2025,
 24 SECTION 5, AND AS AMENDED BY P.L.68-2025, SECTION 106,
 25 AND AS AMENDED BY THE TECHNICAL CORRECTIONS BILL
 26 OF THE 2026 GENERAL ASSEMBLY, IS CORRECTED AND
 27 AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2027]:
 28 Sec. 5. ~~(a)~~ The auditor of a county *(or the fiscal officer of a*
 29 *municipality in the case of a local income tax imposed under*
 30 ~~IC 6-3.6-6-22)~~ **IC 6-3.6-6-22 or a special rate under IC 6-3.6-7-29)**
 31 shall record all votes taken on ordinances presented for a vote under
 32 this article and not more than ten (10) days after the vote, send a
 33 certified copy of the results to:

- 34 (1) the commissioner of the department of state revenue; and
 35 (2) the commissioner of the department of local government
 36 finance;

37 in an electronic format approved by the commissioner of the
 38 department of local government finance.

39 *(b) Except as provided in subsection (c), this subsection applies*
 40 *only to a county that has a local income tax council. The county*
 41 *auditor may cease sending certified copies after the county auditor*
 42 *sends a certified copy of results showing that members of the local*



1 *income tax council have cast a majority of the votes on the local*
 2 *income tax council for or against the proposed ordinance.*

3 *(c) This subsection applies only to a county with a single voting*
 4 *bloc that proposes to increase (but not decrease) a tax rate in the*
 5 *county. The county auditor may cease sending certified copies of the*
 6 *votes on the local income tax council voting as a whole under section*
 7 *9.5 of this chapter after the county auditor sends a certified copy of*
 8 *results showing that the individuals who sit on the fiscal bodies of the*
 9 *county, cities, and towns that are members of the local income tax*
 10 *council have cast a majority of the votes on the local income tax*
 11 *council voting as a whole under section 9.5 of this chapter for or*
 12 *against the proposed ordinance. This subsection expires May 31, 2027.*

13 SECTION 22. IC 6-3.6-7-29 IS ADDED TO THE INDIANA CODE
 14 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 15 1, 2026]: Sec. 29. (a) This section applies only to a county or
 16 municipality that adopts an ordinance to reduce the homestead
 17 property tax cap within its taxing jurisdiction under
 18 IC 6-1.1-20.6-7.5(c). Notwithstanding any other provision of this
 19 section, an additional rate may be imposed by a county or
 20 municipality under this section only during those calendar years in
 21 which the reduced homestead property tax cap is applied under
 22 IC 6-1.1-20.6-7.5(c) in the county or municipality for property
 23 taxes first due in payable in the year.

24 (b) As used in this section, "municipality" means a city or town.

25 (c) The fiscal body of a county or municipality may impose a tax
 26 on the adjusted gross income of local taxpayers at a tax rate that
 27 does not exceed five-tenths percent (0.5%).

28 (d) Tax revenue derived from a tax this section shall be
 29 distributed directly to the fiscal officer of the county or
 30 municipality that adopted an ordinance to impose the tax under
 31 subsection (c).

32 (e) Revenues raised from a tax rate imposed under this section
 33 may be used only to fund replacement of the county's or
 34 municipality's property tax levy loss due to the adoption of a
 35 reduced homestead property tax cap.

36 (f) The tax rate under this section is in addition to the tax rate
 37 under IC 6-3.6-6 and any other tax rate adopted by the county or
 38 municipality under this chapter.

39 SECTION 23. IC 6-8.1-1-1, AS AMENDED BY P.L.1-2023,
 40 SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 41 JULY 1, 2026]: Sec. 1. "Listed taxes" or "taxes" includes only the
 42 pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the supplemental



wagering tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the slot machine wagering tax (IC 4-35-8); the type II gambling game excise tax (IC 4-36-9); the gross income tax (IC 6-2.1) (repealed); the utility receipts and utility services use taxes (IC 6-2.3) (repealed); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the pass through entity tax (IC 6-3-2.1); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted gross income tax (IC 6-3.5-1.1) (repealed); the county option income tax (IC 6-3.5-6) (repealed); the county economic development income tax (IC 6-3.5-7) (repealed); **the local option gross retail tax (IC 6-3.5-12)**; the local income tax (IC 6-3.6); the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the vehicle excise tax (IC 6-6-5); the aviation fuel excise tax (IC 6-6-13); the commercial vehicle excise tax (IC 6-6-5.5); the excise tax imposed on recreational vehicles and truck campers (IC 6-6-5.1); the hazardous waste disposal tax (IC 6-6-6.6) (repealed); the heavy equipment rental excise tax (IC 6-6-15); the vehicle sharing excise tax (IC 6-6-16); the cigarette tax (IC 6-7-1); the closed system cartridge tax (IC 6-7-2-7.5); the electronic cigarette tax (IC 6-7-4); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-20-18); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-20-18); and any other tax or fee that the department is required to collect or administer.

SECTION 24. IC 6-9-80 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:

Chapter 80. Supplemental Innkeeper's Tax

Sec. 1. This chapter applies only to a county or municipality that adopts an ordinance to reduce the homestead property tax cap within its taxing jurisdiction under IC 6-1.1-20.6-7.5(c). Notwithstanding any other provision of this chapter, a supplemental innkeeper's tax may be imposed by a county or municipality under this chapter only during those calendar years in which the reduced homestead property tax cap is applied under IC 6-1.1-20.6-7.5(c) in the county or municipality for property



1 taxes first due in payable in the year.

2 **Sec. 2. As used in this chapter:**

3 (1) "gross retail income" and "person" have the same
4 meanings that are prescribed by IC 6-2.5-1; and

5 (2) "municipality" means a city or town.

6 **Sec. 3. (a) The fiscal body of a county or municipality may adopt**
7 **an ordinance to levy a tax on every person engaged in the business**
8 **of renting or furnishing, for periods of less than thirty (30) days,**
9 **any room or rooms, lodgings, or accommodations in any:**

10 (1) hotel;

11 (2) motel;

12 (3) boat motel;

13 (4) inn;

14 (5) college or university memorial union;

15 (6) college or university residence hall or dormitory; or

16 (7) tourist cabin;

17 located within the county or municipality, whichever is applicable.

18 (b) The tax does not apply to gross income received in a
19 transaction in which:

20 (1) a student rents lodgings in a college or university residence
21 hall while that student participates in a course of study for
22 which the student receives college credit from a college or
23 university located in the county; or

24 (2) a person rents a room, lodging, or accommodations for a
25 period of thirty (30) days or more.

26 (c) The tax is imposed on the gross retail income derived from
27 lodging income only and is in addition to:

28 (1) the state gross retail tax imposed under IC 6-2.5; and

29 (2) any other innkeeper's tax imposed on the same
30 transactions under another chapter of this article.

31 (d) The tax may not exceed the rate of five percent (5%).

32 (e) All of the provisions of IC 6-2.5 relating to rights, duties,
33 liabilities, procedures, penalties, definitions, exemptions, and
34 administration are applicable to the imposition and administration
35 of the tax imposed under this section except to the extent those
36 provisions are in conflict or inconsistent with the specific
37 provisions of this chapter or the requirements of the fiscal officer
38 of the county or municipality.

39 **Sec. 4. (a) If the fiscal body of a county or municipality adopts**
40 **an ordinance under this chapter, the fiscal body of the county or**
41 **municipality shall:**

42 (1) specify the effective date of the ordinance; and



(2) immediately send a certified copy of the ordinance to the commissioner of the department of state revenue.

(b) If an ordinance does not specify an effective date, the ordinance shall be considered effective on the earliest date allowable under this section.

Sec. 5. (a) Tax revenue collected under this chapter shall be paid on a monthly basis directly to the fiscal officer of the county or municipality that adopted an ordinance to impose the tax under section 3 of this chapter.

(b) Amounts received under this chapter may be used only to fund replacement of the county's or municipality's property tax levy loss due to the adoption of a reduced homestead property tax cap.

SECTION 25. IC 6-9-81 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]:

Chapter 81. Supplemental Food and Beverage Tax

Sec. 1. This chapter applies only to a county or municipality that adopts an ordinance to reduce the homestead property tax cap within its taxing jurisdiction under IC 6-1.1-20.6-7.5(c). Notwithstanding any other provision of this chapter, a supplemental food and beverage tax may be imposed by a county or municipality under this chapter only during those calendar years in which the reduced homestead property tax cap is applied under IC 6-1.1-20.6-7.5(c) in the county or municipality for property taxes first due in payable in the year.

Sec. 2. As used in this chapter:

(1) "beverage" includes, but is not limited to, any alcoholic beverage;

(2) "food" includes, but is not limited to, any food product;

(3) "gross retail income" has the same meaning as the definition of that term contained in IC 6-2.5-1-5;

(4) "municipality" means a city or town;

(5) "person" has the same meaning as the definition of that term contained in IC 6-2.5-1-3; and

(6) "retail merchant" has the same meaning as the definition of that term contained in IC 6-2.5-1-8.

Sec. 3. (a) The fiscal body of a county or municipality may adopt an ordinance to impose an excise tax, known as the supplemental food and beverage tax, on transactions described in section 4 of this chapter.

(b) The supplemental food and beverage tax imposed under this



chapter is in addition to any other food and beverage tax imposed on the same transactions under another chapter of this article.

(c) If the fiscal body of a county or municipality adopts an ordinance under subsection (a), the fiscal body of a county or municipality shall immediately send a certified copy of the ordinance to the department of state revenue.

(d) If the fiscal body of a county or municipality adopts an ordinance under subsection (a), the supplemental food and beverage tax applies to transactions that occur after the last day of the month following the month in which the ordinance is adopted.

Sec. 4. (a) Except as provided in subsection (c), a tax imposed under section 3 of this chapter applies to a transaction in which food or beverage is furnished, prepared, or served:

- (1) for consumption at a location or on equipment provided by a retail merchant;
- (2) in the county or municipality, as applicable; and
- (3) by a retail merchant for consideration.

(b) Transactions described in subsection (a)(1) include transactions in which food or beverage is:

- (1) served by a retail merchant off the merchant's premises;
- (2) sold in a heated state or heated by a retail merchant;
- (3) made of two (2) or more food ingredients, mixed or combined by a retail merchant for sale as a single item (other than food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer as recommended by the federal Food and Drug Administration in chapter 3, subpart 3-401.11 of its Food Code so as to prevent food borne illnesses); or
- (4) sold with eating utensils provided by a retail merchant, including plates, knives, forks, spoons, glasses, cups, napkins, or straws (for purposes of this subdivision, a plate does not include a container or package used to transport food).

(c) The supplemental food and beverage tax does not apply to the furnishing, preparing, or serving of a food or beverage in a transaction that is exempt, or to the extent the transaction is exempt, from the state gross retail tax imposed by IC 6-2.5.

Sec. 5. The supplemental food and beverage tax rate:

- (1) must be imposed in an increment of twenty-five hundredths percent (0.25%); and
 - (2) may not exceed one percent (1%);
- of the gross retail income received by the merchant from the food



1 or beverage transaction described in section 4 of this chapter. For
2 purposes of this chapter, the gross retail income received by the
3 retail merchant from a transaction does not include the amount of
4 tax imposed on the transaction under IC 6-2.5.

5 Sec. 6. A tax imposed under this chapter shall be imposed, paid,
6 and collected in the same manner that the state gross retail tax is
7 imposed, paid, and collected under IC 6-2.5. However, the return
8 to be filed with the payment of the tax imposed under this chapter
9 may be made on a separate return or may be combined with the
10 return filed for the payment of the state gross retail tax, as
11 prescribed by the department of state revenue.

12 Sec. 7. (a) Tax revenue collected under this chapter shall be paid
13 on a monthly basis directly to the fiscal officer of the county or
14 municipality that adopted the ordinance to impose the
15 supplemental food and beverage tax under section 3 of this
16 chapter.

17 (b) Amounts received under this chapter may be used only to
18 fund replacement of the county's or municipality's property tax
19 levy loss due to the adoption of a reduced homestead property tax
20 cap.

