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

LS 6974 | **NOTE PREPARED:** Jan 7, 2026
BILL NUMBER: SB 281 | **BILL AMENDED:**

SUBJECT: Income Tax Credits.

FIRST AUTHOR: Sen. Goode | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: *Endowment Pool:* The bill establishes a regional economic development initiative endowment pool (endowment pool). It authorizes regional development authorities to enter into an agreement with the Treasurer of State to establish an operating account or a capital account within the endowment pool. It specifies the provisions that apply to endowment pool funds and account distributions. The bill also establishes the Indiana regional economic development investment pool board (board). It requires the board to establish policies regarding the administration and investment of funds in the endowment pool.

Redevelopment Tax Credit: The bill amends and adds provisions regarding the Redevelopment Tax Credit.

IEDC Tax Credit Certification Limit: It amends provisions that limit the aggregate amount of applicable tax credits that the Indiana Economic Development Corporation (IEDC) may certify each state fiscal year.

Regional Development Advisory Council: It also authorizes a regional development authority to establish a regional development advisory council.

Trump Account Tax Credit: This bill establishes a state income tax credit for qualified contributions to a Trump account. It defines "qualified contribution" for purposes of the credit. It also specifies the amount of the credit.

Effective Date: January 1, 2026 (retroactive); July 1, 2026.

Explanation of State Expenditures: *Endowment Pool:* The Treasurer of State may incur additional workload and expense associated with the administration of the endowment pool. The additional administrative costs would be paid from the endowment pool's interest earnings. The endowment pool would also cover per diem, mileage, and travel expenses, and other expenses incurred for board members for the newly established Indiana regional economic development investment pool board; the cost of independent audits; and the cost of contracts with third parties to make investments or distributions, and to provide for public accounting and legal compliance.

Redevelopment Tax Credit–Workload: The Department of State Revenue (DOR) and the IEDC will experience additional workload and expenses to implement the changes to the Redevelopment Tax Credit. The DOR is also required to determine the net increment generated at qualified redevelopment sites. The DOR and the IEDC should be able to make these changes within current resource levels.

The bill establishes a Fiscal Oversight Committee which will approve strategic development plans prepared by development authorities, provide oversight and approve awards for Redevelopment Tax Credits, and recommend the use of net increments for credit repayment. The Fiscal Oversight Committee will be staffed by the Treasurer of State's office. The committee's expenses will be paid from money appropriated to the Treasurer of State or collected as reimbursements or other fees received from taxpayers under a repayment agreement for the Redevelopment Tax Credit. Members of the Fiscal Oversight Committee who are not state employees are eligible for per diem, mileage, traveling expenses, and other expenses actually incurred in connection with the member's duty.

Net Increment Funds: The net increment generated at a redevelopment site during a fiscal year will be transferred by the Treasurer of State to an account established for such projects. Those funds would then be transferred to secure or make a payment related to repayment obligations for the Redevelopment Tax Credit.

Explanation of State Revenues: *Trump Account Tax Credit:* The bill would reduce state General Fund revenue by an indeterminable, but potentially significant amount to provide the Trump Account Tax Credits beginning in FY 2027. The revenue impact would likely increase over time as taxpayers become aware of the accounts and the state tax credit and the number of accounts and contributions to Trump Accounts grow. By federal law, contributions to Trump Accounts cannot be made before July 4, 2026.

Redevelopment Tax Credit and the IEDC Certification Limit: The changes to the Redevelopment Tax Credit and the limit on annual tax credit certifications for the IEDC may reduce state General Fund tax revenue by an indeterminable amount beginning in FY 2027.

The bill reduces the limit on the amount of tax credits that the IEDC can certify annually under IC 5-28-6-9 from $300 M to $250 M beginning in FY 2027. The bill also removes the Redevelopment Tax Credit from the list of credits that is subject to that IEDC limit and allows the IEDC to award up to $50 M in Redevelopment Tax Credits per fiscal year that are not subject to credit repayment. However, under the bill there is no overall limit in the amount of Redevelopment Tax Credits that may be awarded, certified, or claimed annually. Additional Redevelopment Tax Credits may be awarded that are not subject to credit repayment if the Budget Committee approves a waiver for a taxpayer. Under the bill, at least 30% of Redevelopment Tax Credit awards will be allocated to rural development sites.

Under current law, the Redevelopment Tax Credit has a repayment provision for the portion of tax credit in excess of $20 M. The IEDC may exclude the repayment provision for the credit if the award is for a redevelopment site that will result in a qualified investment of at least $100 M.

Net Increments for Credit Repayment: The bill would reduce state General Fund revenue by an indeterminable amount from revenue capture due to provisions in the bill allowing net increments to be used for the repayment of the Redevelopment Tax Credit. The net increments would be calculated annually to determine the difference between income tax and sales and use tax collections for a fiscal year after the tax credit was awarded compared to a base period before the redevelopment site received an award. The base period would include the amount of any EDGE credits awarded to a business operating within a redevelopment site. The net increment equals the sum of the following:

- Incremental sales and use tax revenue collected or incurred at a qualified redevelopment site.
- Incremental state and local income taxes paid by the employees employed in the territory comprising the qualified redevelopment site.

Additional Information - *Trump Account Tax Credit:* The bill establishes a nonrefundable tax credit for individual taxpayer contributions to Trump accounts beginning in tax year 2026. The credit is equal to the lesser of 20% of the contribution up to $1,500, or $750 in the case of a married individual filing a separate return. The tax credit may be claimed against a taxpayer's liability for individual income tax. The credit may not be carried back, carried forward, or refunded.

Trump Accounts were established by P.L. 119-21 (July 4, 2025). The accounts are a type of individual retirement account (IRA) established for children under the age of 18 who are beneficiaries. The funds in an account can be used once the beneficiary reaches age 18 and may be withdrawn without penalty for specific purposes, such as for qualified higher education expenses, to purchase a first home, or after age 59½.

The Trump Account Tax Credit is structured similarly to Indiana's state tax credit for contributions to Indiana 529 Accounts. The 529 credit also provides a 20% tax credit for contributions to an account. Indiana experienced significant growth in both the number of 529 accounts and the amount of annual contributions to Indiana 529 accounts when the Indiana adopted the 529 tax credit in 2007. The number of accounts increased from 63,000 in 2006 to around 100,000 in 2007 and contributions increased from $82 M in 2006 to $274 M in 2007. It is unknown how many Indiana residents will open and contribute to Trump Accounts; however, the state's experience with the 529 credit shows that a 20% tax credit encourages individuals to open and contribute to a tax-advantaged savings plan.

Explanation of Local Expenditures: Regional development authorities would have additional workload to create development plans and to recommend awards for the Redevelopment Tax Credit to the IEDC based on applications from qualified redevelopment sites.

The bill allows development authorities to establish regional development advisory councils. A member appointed to a regional advisory council is not entitled to receive any compensation for performance of the member's duties.

Explanation of Local Revenues: *Endowment Pool:* Regional development authorities participating in the endowment pool could receive an increase in interest revenue if the Treasurer of State is able to generate a higher rate of return on a larger pool of funds.

State Agencies Affected: Budget Committee; Department of State Revenue; Indiana Department of Financial Institutions; Indiana Economic Development Authority; Office of Management and Budget; Secretary of Commerce; Treasurer of State.

Local Agencies Affected: Regional Development Authorities.

Information Sources: P.L. 119-21, Section 70204.
https://www.congress.gov/119/plaws/publ21/PLAW-119publ21.pdf. IRS. (2025, December 2). Treasury, IRS issue guidance on Trump Accounts established under the Working Families Tax Cuts; Notice Announces Upcoming Regulations.
https://www.irs.gov/newsroom/treasury-irs-issue-guidance-on-trump-accounts-established-under-the-wor

king-families-tax-cuts-notice-announces-upcoming-regulations; Legislative Services Agency. Office of Fiscal and Management Analysis. 2025 Indiana Tax Incentive Review. Indiana529 College Savings Account Contribution Credit. https://iga.in.gov/publications/tax-incentive-reviews

Fiscal Analyst: Camille Tesch, 317-232-5293.