

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

**LS 6974**  
**BILL NUMBER: SB 281**

**NOTE PREPARED:** Feb 13, 2026  
**BILL AMENDED:** Feb 12, 2026

**SUBJECT:** Income Tax Credits.

**FIRST AUTHOR:** Sen. Goode  
**FIRST SPONSOR:** Rep. Lopez

**BILL STATUS:** CR Adopted - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Redevelopment Tax Credit:* The bill requires the Indiana Economic Development Corporation (IEDC) to commit \$35 M in Redevelopment Tax Credits each state fiscal year among development authorities, qualified nonprofit organizations, and certain local economic development organizations that may be granted to taxpayers for qualified investments.

*UAS Test Site Program:* This bill provides that the IEDC and an operating partner shall administer the federal Unmanned Aircraft System (UAS) Test Site program in Indiana.

*Small Town Opportunity Initiative:* The bill requires that \$15 M of the \$300 M of the IEDC's annual certifiable tax credit amount must be allocated to the small town opportunity initiative (initiative). It establishes the initiative. The bill provides that initiative projects are not subject to any statutory or administrative repayment obligation.

*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.

*Certified Technology Park:* The bill also 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.

**Effective Date:** (Amended) Upon passage; July 1, 2026.

**Explanation of State Expenditures:** (Revised) *UAS Test Site Program:* The IEDC may need to provide staff support, administrative support, and direct financial support to the operating partner to support implementation and ongoing operation of the test site. The bill's requirements represent an additional workload and expenditures for the IEDC. Existing staffing and resource levels may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

The bill allows the operating partner to transfer revenue accrued through operation of the test site to the IEDC to be used for the following purposes: to procure UAS technology for use by the state, to pursue federal funding for activities related to the UAS, and to support economic development activities related to UAS research or manufacturing.

The bill requires the state examiner, deputy examiner, field examiner, or private examiner to make a full report of the records and receipts of the test sites. The State Board of Accounts could have an increase in workload, but the requirement should be met within existing resources.

(Revised) *Tax Credits—Workload:* The Department of State Revenue (DOR) and the IEDC will experience additional workload and expenses to implement the bill's provisions related to the redevelopment tax credit, small town opportunity initiative, and the venture capital tax credit. The DOR and the IEDC should be able to make these changes within current resource levels.

(Revised) *Certified Technology Park:* The DOR will be required to compute the additional incremental tax distributions. The DOR should be able to do this within current resource levels.

The Office of Entrepreneurship and Innovation will determine if a certified technology park (CTP) qualifies for the Level 3 designation. The office should be able to do this within current resource levels.

**Explanation of State Revenues:** (Revised) *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, qualified nonprofit organizations, and local economic development 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.

(Revised) *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 cost of the project for the calculation of the credit if certain conditions are met.

(Revised) *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.

(Revised) *UAS Test Site Program*: There could be a potential increase in state revenue from the operating partner's potential revenue transfer to the IEDC. The revenue transfer depends on the operating partner's receipts and expenses. The transferred revenue would be used for specific UAS purposes.

(Revised) *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.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Certified Technology Park*: Establishing a Level 3 CTP will increase the amount of LIT revenue distributed to the CTP. The estimated increase in LIT 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.

**State Agencies Affected:** Department of State Revenue; Indiana Economic Development Corporation; Office of Entrepreneurship and Innovation; State Board of Accounts.

**Local Agencies Affected:** Regional Development Authorities.

**Information Sources:** Department of State Revenue.

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