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# HOUSE BILL No. 1186

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 36-7-14-39.

**Synopsis:** Tax increment financing. Authorizes a redevelopment commission to use money in a tax increment financing allocation fund to make contract payments to a nonprofit corporation whose primary purpose is to assist government in planning and implementing economic development projects.

**Effective:** July 1, 2004.

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January 13, 2004, read first time and referred to Committee on Ways and Means.

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Second Regular Session 113th General Assembly (2004)

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 2003 Regular Session of the General Assembly.

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# HOUSE BILL No. 1186



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

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

1 SECTION 1. IC 36-7-14-39, AS AMENDED BY P.L.192-2002(ss),  
2 SECTION 177, IS AMENDED TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2004]: Sec. 39. (a) As used in this section:  
4 "Allocation area" means that part of a blighted area to which an  
5 allocation provision of a declaratory resolution adopted under section  
6 15 of this chapter refers for purposes of distribution and allocation of  
7 property taxes.  
8 "Base assessed value" means the following:  
9 (1) If an allocation provision is adopted after June 30, 1995, in a  
10 declaratory resolution or an amendment to a declaratory  
11 resolution establishing an economic development area:  
12 (A) the net assessed value of all the property as finally  
13 determined for the assessment date immediately preceding the  
14 effective date of the allocation provision of the declaratory  
15 resolution, as adjusted under subsection (h); plus  
16 (B) to the extent that it is not included in clause (A), the net  
17 assessed value of property that is assessed as residential



1           property under the rules of the department of local government  
2           finance, as finally determined for any assessment date after the  
3           effective date of the allocation provision.  
4           (2) If an allocation provision is adopted after June 30, 1997, in a  
5           declaratory resolution or an amendment to a declaratory  
6           resolution establishing a blighted area:  
7           (A) the net assessed value of all the property as finally  
8           determined for the assessment date immediately preceding the  
9           effective date of the allocation provision of the declaratory  
10          resolution, as adjusted under subsection (h); plus  
11          (B) to the extent that it is not included in clause (A), the net  
12          assessed value of property that is assessed as residential  
13          property under the rules of the department of local government  
14          finance, as finally determined for any assessment date after the  
15          effective date of the allocation provision.  
16          (3) If:  
17          (A) an allocation provision adopted before June 30, 1995, in  
18          a declaratory resolution or an amendment to a declaratory  
19          resolution establishing a blighted area expires after June 30,  
20          1997; and  
21          (B) after June 30, 1997, a new allocation provision is included  
22          in an amendment to the declaratory resolution;  
23          the net assessed value of all the property as finally determined for  
24          the assessment date immediately preceding the effective date of  
25          the allocation provision adopted after June 30, 1997, as adjusted  
26          under subsection (h).  
27          (4) Except as provided in subdivision (5), for all other allocation  
28          areas, the net assessed value of all the property as finally  
29          determined for the assessment date immediately preceding the  
30          effective date of the allocation provision of the declaratory  
31          resolution, as adjusted under subsection (h).  
32          (5) If an allocation area established in an economic development  
33          area before July 1, 1995, is expanded after June 30, 1995, the  
34          definition in subdivision (1) applies to the expanded portion of the  
35          area added after June 30, 1995.  
36          (6) If an allocation area established in a blighted area before July  
37          1, 1997, is expanded after June 30, 1997, the definition in  
38          subdivision (2) applies to the expanded portion of the area added  
39          after June 30, 1997.  
40          Except as provided in section 39.3 of this chapter, "property taxes"  
41          means taxes imposed under IC 6-1.1 on real property. However, upon  
42          approval by a resolution of the redevelopment commission adopted

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1 before June 1, 1987, "property taxes" also includes taxes imposed  
 2 under IC 6-1.1 on depreciable personal property. If a redevelopment  
 3 commission adopted before June 1, 1987, a resolution to include within  
 4 the definition of property taxes taxes imposed under IC 6-1.1 on  
 5 depreciable personal property that has a useful life in excess of eight  
 6 (8) years, the commission may by resolution determine the percentage  
 7 of taxes imposed under IC 6-1.1 on all depreciable personal property  
 8 that will be included within the definition of property taxes. However,  
 9 the percentage included must not exceed twenty-five percent (25%) of  
 10 the taxes imposed under IC 6-1.1 on all depreciable personal property.

11 (b) A declaratory resolution adopted under section 15 of this chapter  
 12 before January 1, 2006, may include a provision with respect to the  
 13 allocation and distribution of property taxes for the purposes and in the  
 14 manner provided in this section. A declaratory resolution previously  
 15 adopted may include an allocation provision by the amendment of that  
 16 declaratory resolution before January 1, 2006, in accordance with the  
 17 procedures required for its original adoption. A declaratory resolution  
 18 or an amendment that establishes an allocation provision after June 30,  
 19 1995, must specify an expiration date for the allocation provision that  
 20 may not be more than thirty (30) years after the date on which the  
 21 allocation provision is established. However, if bonds or other  
 22 obligations that were scheduled when issued to mature before the  
 23 specified expiration date and that are payable only from allocated tax  
 24 proceeds with respect to the allocation area remain outstanding as of  
 25 the expiration date, the allocation provision does not expire until all of  
 26 the bonds or other obligations are no longer outstanding. The allocation  
 27 provision may apply to all or part of the blighted area. The allocation  
 28 provision must require that any property taxes subsequently levied by  
 29 or for the benefit of any public body entitled to a distribution of  
 30 property taxes on taxable property in the allocation area be allocated  
 31 and distributed as follows:

32 (1) Except as otherwise provided in this section, the proceeds of  
 33 the taxes attributable to the lesser of:

34 (A) the assessed value of the property for the assessment date  
 35 with respect to which the allocation and distribution is made;

36 or

37 (B) the base assessed value;

38 shall be allocated to and, when collected, paid into the funds of  
 39 the respective taxing units.

40 (2) Except as otherwise provided in this section, property tax  
 41 proceeds in excess of those described in subdivision (1) shall be  
 42 allocated to the redevelopment district and, when collected, paid

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into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

(A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

(B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.

(C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.

(D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements in or serving that allocation area.

(E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) in or serving that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility in or serving that allocation area under any lease entered into under IC 36-1-10.

(I) Pay all or a portion of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in IC 6-1.1-1-20) that contains all or part of the allocation area:

STEP ONE: Determine that part of the sum of the amounts under IC 6-1.1-21-2(g)(1)(A), IC 6-1.1-21-2(g)(2), IC 6-1.1-21-2(g)(3), IC 6-1.1-21-2(g)(4), and IC 6-1.1-21-2(g)(5) that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of each county's eligible property tax replacement amount (as defined in IC 6-1.1-21-2) for that

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1 year as determined under IC 6-1.1-21-4 that is attributable  
 2 to the taxing district; by  
 3 (B) the STEP ONE sum.  
 4 STEP THREE: Multiply:  
 5 (A) the STEP TWO quotient; times  
 6 (B) the total amount of the taxpayer's taxes (as defined in  
 7 IC 6-1.1-21-2) levied in the taxing district that have been  
 8 allocated during that year to an allocation fund under this  
 9 section.  
 10 If not all the taxpayers in an allocation area receive the credit  
 11 in full, each taxpayer in the allocation area is entitled to  
 12 receive the same proportion of the credit. A taxpayer may not  
 13 receive a credit under this section and a credit under section  
 14 39.5 of this chapter in the same year.  
 15 (J) Pay expenses incurred by the redevelopment commission  
 16 for local public improvements that are in the allocation area or  
 17 serving the allocation area. Public improvements include  
 18 buildings, parking facilities, and other items described in  
 19 section 25.1(a) of this chapter.  
 20 (K) Reimburse public and private entities for expenses  
 21 incurred in training employees of industrial facilities that are  
 22 located:  
 23 (i) in the allocation area; and  
 24 (ii) on a parcel of real property that has been classified as  
 25 industrial property under the rules of the department of local  
 26 government finance.  
 27 However, the total amount of money spent for this purpose in  
 28 any year may not exceed the total amount of money in the  
 29 allocation fund that is attributable to property taxes paid by the  
 30 industrial facilities described in this clause. The  
 31 reimbursements under this clause must be made within three  
 32 (3) years after the date on which the investments that are the  
 33 basis for the increment financing are made.  
 34 **(L) Make contract payments to a nonprofit corporation**  
 35 **whose primary corporate purpose is to assist government**  
 36 **in planning and implementing economic development**  
 37 **projects.**  
 38 The allocation fund may not be used for operating expenses of the  
 39 commission.  
 40 (3) Except as provided in subsection (g), before July 15 of each  
 41 year the commission shall do the following:  
 42 (A) Determine the amount, if any, by which the base assessed

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1 value when multiplied by the estimated tax rate of the  
2 allocation area will exceed the amount of assessed value  
3 needed to produce the property taxes necessary to make, when  
4 due, principal and interest payments on bonds described in  
5 subdivision (2) plus the amount necessary for other purposes  
6 described in subdivision (2).

7 (B) Notify the county auditor of the amount, if any, of the  
8 amount of excess assessed value that the commission has  
9 determined may be allocated to the respective taxing units in  
10 the manner prescribed in subdivision (1). The commission  
11 may not authorize an allocation of assessed value to the  
12 respective taxing units under this subdivision if to do so would  
13 endanger the interests of the holders of bonds described in  
14 subdivision (2) or lessors under section 25.3 of this chapter.

15 (c) For the purpose of allocating taxes levied by or for any taxing  
16 unit or units, the assessed value of taxable property in a territory in the  
17 allocation area that is annexed by any taxing unit after the effective  
18 date of the allocation provision of the declaratory resolution is the  
19 lesser of:

- 20 (1) the assessed value of the property for the assessment date with  
21 respect to which the allocation and distribution is made; or
- 22 (2) the base assessed value.

23 (d) Property tax proceeds allocable to the redevelopment district  
24 under subsection (b)(2) may, subject to subsection (b)(3), be  
25 irrevocably pledged by the redevelopment district for payment as set  
26 forth in subsection (b)(2).

27 (e) Notwithstanding any other law, each assessor shall, upon  
28 petition of the redevelopment commission, reassess the taxable  
29 property situated upon or in, or added to, the allocation area, effective  
30 on the next assessment date after the petition.

31 (f) Notwithstanding any other law, the assessed value of all taxable  
32 property in the allocation area, for purposes of tax limitation, property  
33 tax replacement, and formulation of the budget, tax rate, and tax levy  
34 for each political subdivision in which the property is located is the  
35 lesser of:

- 36 (1) the assessed value of the property as valued without regard to  
37 this section; or
- 38 (2) the base assessed value.

39 (g) If any part of the allocation area is located in an enterprise zone  
40 created under IC 4-4-6.1, the unit that designated the allocation area  
41 shall create funds as specified in this subsection. A unit that has  
42 obligations, bonds, or leases payable from allocated tax proceeds under

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1 subsection (b)(2) shall establish an allocation fund for the purposes  
 2 specified in subsection (b)(2) and a special zone fund. Such a unit  
 3 shall, until the end of the enterprise zone phase out period, deposit each  
 4 year in the special zone fund any amount in the allocation fund derived  
 5 from property tax proceeds in excess of those described in subsection  
 6 (b)(1) from property located in the enterprise zone that exceeds the  
 7 amount sufficient for the purposes specified in subsection (b)(2) for the  
 8 year. The amount sufficient for purposes specified in subsection (b)(2)  
 9 for the year shall be determined based on the pro rata portion of such  
 10 current property tax proceeds from the portion of the enterprise zone  
 11 that is within the allocation area as compared to all such current  
 12 property tax proceeds derived from the allocation area. A unit that has  
 13 no obligations, bonds, or leases payable from allocated tax proceeds  
 14 under subsection (b)(2) shall establish a special zone fund and deposit  
 15 all the property tax proceeds in excess of those described in subsection  
 16 (b)(1) in the fund derived from property tax proceeds in excess of those  
 17 described in subsection (b)(1) from property located in the enterprise  
 18 zone. The unit that creates the special zone fund shall use the fund  
 19 (based on the recommendations of the urban enterprise association) for  
 20 programs in job training, job enrichment, and basic skill development  
 21 that are designed to benefit residents and employers in the enterprise  
 22 zone or other purposes specified in subsection (b)(2), except that where  
 23 reference is made in subsection (b)(2) to allocation area it shall refer  
 24 for purposes of payments from the special zone fund only to that  
 25 portion of the allocation area that is also located in the enterprise zone.  
 26 Those programs shall reserve at least one-half (1/2) of their enrollment  
 27 in any session for residents of the enterprise zone.

28 (h) The state board of accounts and department of local government  
 29 finance shall make the rules and prescribe the forms and procedures  
 30 that they consider expedient for the implementation of this chapter.  
 31 After each general reassessment under IC 6-1.1-4, the department of  
 32 local government finance shall adjust the base assessed value one (1)  
 33 time to neutralize any effect of the general reassessment on the  
 34 property tax proceeds allocated to the redevelopment district under this  
 35 section. However, the adjustment may not include the effect of property  
 36 tax abatements under IC 6-1.1-12.1, and the adjustment may not  
 37 produce less property tax proceeds allocable to the redevelopment  
 38 district under subsection (b)(2) than would otherwise have been  
 39 received if the general reassessment had not occurred. The department  
 40 of local government finance may prescribe procedures for county and  
 41 township officials to follow to assist the department in making the  
 42 adjustments.

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