

# HOUSE BILL No. 1496

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.5-7; IC 36-7-37.

**Synopsis:** Rural entrepreneurship areas. Permits a rural county, with the approval of the Indiana economic development corporation (IEDC), to designate the county as a rural entrepreneurship area development incentives area (area). Provides for the transfer of adjusted gross income taxes annually paid by employees working in an area for a new business, and by the new business itself, to the rural county for the development of new business opportunities in the rural county. Limits the amount that may be transferred in any year to \$500,000. Makes an annual appropriation.

**Effective:** Upon passage.

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## Zent, Ober, Bacon, Smaltz

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January 22, 2013, read first time and referred to Committee on Ways and Means.

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First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

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## HOUSE BILL No. 1496



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

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

1 SECTION 1. IC 6-3.5-7-13.5, AS ADDED BY P.L.137-2006,  
2 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 UPON PASSAGE]: Sec. 13.5. (a) The general assembly finds that  
4 counties and municipalities in Indiana have a need to foster economic  
5 development, the development of new technology, and industrial and  
6 commercial growth. The general assembly finds that it is necessary and  
7 proper to provide an alternative method for counties and municipalities  
8 to foster the following:

- 9 (1) Economic development.
- 10 (2) The development of new technology.
- 11 (3) Industrial and commercial growth.
- 12 (4) Employment opportunities.
- 13 (5) The diversification of industry and commerce.

14 The fostering of economic development and the development of new  
15 technology under this section or section 13.6 of this chapter for the  
16 benefit of the general public, including industrial and commercial  
17 enterprises, is a public purpose.



1 (b) The fiscal bodies of two (2) or more counties or municipalities  
2 may, by resolution, do the following:

3 (1) Determine that part or all the taxes received by the units under  
4 this chapter should be combined to foster:

5 (A) economic development;

6 (B) the development of new technology; and

7 (C) industrial and commercial growth.

8 (2) Establish a regional venture capital fund.

9 (c) Each unit participating in a regional venture capital fund  
10 established under subsection (b) may deposit the following in the fund:

11 (1) Taxes distributed to the unit under this chapter.

12 (2) The proceeds of public or private grants.

13 **(3) Revenues received by a county under IC 36-7-37.**

14 (d) A regional venture capital fund shall be administered by a  
15 governing board. The expenses of administering the fund shall be paid  
16 from money in the fund. The governing board shall invest the money  
17 in the fund not currently needed to meet the obligations of the fund in  
18 the same manner as other public money may be invested. Interest that  
19 accrues from these investments shall be deposited into the fund. The  
20 fund is subject to an annual audit by the state board of accounts. The  
21 fund shall bear the full costs of the audit.

22 (e) The fiscal body of each participating unit shall approve an  
23 interlocal agreement created under IC 36-1-7 establishing the terms for  
24 the administration of the regional venture capital fund. The terms must  
25 include the following:

26 (1) The membership of the governing board.

27 (2) The amount of each unit's contribution to the fund.

28 (3) The procedures and criteria under which the governing board  
29 may loan or grant money from the fund.

30 (4) The procedures for the dissolution of the fund and for the  
31 distribution of money remaining in the fund at the time of the  
32 dissolution.

33 (f) An interlocal agreement made by the participating units under  
34 subsection (e) must provide that:

35 (1) each of the participating units is represented by at least one (1)  
36 member of the governing board; and

37 (2) the membership of the governing board is established on a  
38 bipartisan basis so that the number of the members of the  
39 governing board who are members of one (1) political party may  
40 not exceed the number of members of the governing board  
41 required to establish a quorum.

42 (g) A majority of the governing board constitutes a quorum, and the

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1 concurrence of a majority of the governing board is necessary to  
2 authorize any action.

3 (h) An interlocal agreement made by the participating units under  
4 subsection (e) must be submitted to the Indiana economic development  
5 corporation for approval before the participating units may contribute  
6 to the fund.

7 (i) A majority of members of a governing board of a regional  
8 venture capital fund established under this section must have at least  
9 five (5) years of experience in business, finance, or venture capital.

10 (j) The governing board of the fund may loan or grant money from  
11 the fund to a private or public entity if the governing board finds that  
12 the loan or grant will be used by the borrower or grantee for at least one  
13 (1) of the following economic development purposes:

14 (1) To promote significant employment opportunities for the  
15 residents of the units participating in the regional venture capital  
16 fund.

17 (2) To attract a major new business enterprise to a participating  
18 unit.

19 (3) To develop, retain, or expand a significant business enterprise  
20 in a participating unit.

21 (k) The expenditures of a borrower or grantee of money from a  
22 regional venture capital fund that are considered to be for an economic  
23 development purpose include expenditures for any of the following:

24 (1) Research and development of technology.

25 (2) Job training and education.

26 (3) Acquisition of property interests.

27 (4) Infrastructure improvements.

28 (5) New buildings or structures.

29 (6) Rehabilitation, renovation, or enlargement of buildings or  
30 structures.

31 (7) Machinery, equipment, and furnishings.

32 (8) Funding small business development with respect to:

33 (A) prototype products or processes;

34 (B) marketing studies to determine the feasibility of new  
35 products or processes; or

36 (C) business plans for the development and production of new  
37 products or processes.

38 SECTION 2. IC 6-3.5-7-13.6, AS ADDED BY P.L.137-2006,  
39 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
40 UPON PASSAGE]: Sec. 13.6. (a) The fiscal body of a county or  
41 municipality may, by resolution, establish a local venture capital fund.

42 (b) A unit establishing a local venture capital fund under subsection

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1 (a) may deposit the following in the fund:

2 (1) Taxes distributed to the unit under this chapter.

3 (2) The proceeds of public or private grants.

4 **(3) Revenues received by a county under IC 36-7-37.**

5 (c) A local venture capital fund shall be administered by a  
6 governing board. The expenses of administering the fund shall be paid  
7 from money in the fund. The governing board shall invest the money  
8 in the fund not currently needed to meet the obligations of the fund in  
9 the same manner as other public money may be invested. Interest that  
10 accrues from these investments shall be deposited into the fund. The  
11 fund is subject to an annual audit by the state board of accounts. The  
12 fund shall bear the full costs of the audit.

13 (d) The fiscal body of a unit establishing a local venture capital fund  
14 under subsection (a) shall establish the terms for the administration of  
15 the local venture capital fund. The terms must include the following:

16 (1) The membership of the governing board.

17 (2) The amount of the unit's contribution to the fund.

18 (3) The procedures and criteria under which the governing board  
19 may loan or grant money from the fund.

20 (4) The procedures for the dissolution of the fund and for the  
21 distribution of money remaining in the fund at the time of the  
22 dissolution.

23 (e) A unit establishing a local venture capital fund under subsection  
24 (a) must be represented by at least one (1) member of the governing  
25 board.

26 (f) The membership of the governing board must be established on  
27 a bipartisan basis so that the number of the members of the governing  
28 board who are members of one (1) political party may not exceed the  
29 number of members of the governing board required to establish a  
30 quorum.

31 (g) A majority of the governing board constitutes a quorum, and the  
32 concurrence of a majority of the governing board is necessary to  
33 authorize any action.

34 (h) The terms established under subsection (d) for the  
35 administration of the local venture capital fund must be submitted to  
36 the Indiana economic development corporation for approval before a  
37 unit may contribute to the fund.

38 (i) A majority of members of a governing board of a local venture  
39 capital fund established under this section must have at least five (5)  
40 years of experience in business, finance, or venture capital.

41 (j) The governing board of the fund may loan or grant money from  
42 the fund to a private or public entity if the governing board finds that

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1 the loan or grant will be used by the borrower or grantee for at least one  
2 (1) of the following economic development purposes:

- 3 (1) To promote significant employment opportunities for the  
4 residents of the unit establishing the local venture capital fund.  
5 (2) To attract a major new business enterprise to the unit.  
6 (3) To develop, retain, or expand a significant business enterprise  
7 in the unit.

8 (k) The expenditures of a borrower or grantee of money from a local  
9 venture capital fund that are considered to be for an economic  
10 development purpose include expenditures for any of the following:

- 11 (1) Research and development of technology.  
12 (2) Job training and education.  
13 (3) Acquisition of property interests.  
14 (4) Infrastructure improvements.  
15 (5) New buildings or structures.  
16 (6) Rehabilitation, renovation, or enlargement of buildings or  
17 structures.  
18 (7) Machinery, equipment, and furnishings.  
19 (8) Funding small business development with respect to:  
20 (A) prototype products or processes;  
21 (B) marketing studies to determine the feasibility of new  
22 products or processes; or  
23 (C) business plans for the development and production of new  
24 products or processes.

25 SECTION 3. IC 36-7-37 IS ADDED TO THE INDIANA CODE AS  
26 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON  
27 PASSAGE]:

28 **Chapter 37. Rural Entrepreneurship Area Development**  
29 **Incentives**

30 **Sec. 1. This chapter applies to a county with a population of less**  
31 **than fifty thousand (50,000).**

32 **Sec. 2. The purpose of this chapter is to:**

- 33 (1) establish and fund programs to identify entrepreneurs  
34 with marketable ideas; and  
35 (2) support the organization and development of new  
36 businesses in rural counties.

37 **Sec. 3. The general assembly finds that establishment and**  
38 **support of new businesses in rural counties serve a public purpose**  
39 **and are of benefit to the general welfare of a rural county by**  
40 **encouraging investment, job creation and retention, and economic**  
41 **growth and diversity.**

42 **Sec. 4. As used in this chapter, "agreement" refers to an**

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1 agreement between the IEDC and a county under this chapter.

2 **Sec. 5.** As used in this chapter, "area" refers to a rural  
3 entrepreneurship area development incentive area established  
4 under this chapter.

5 **Sec. 6.** As used in this chapter, "fund":

6 (1) for purposes of section 19 of this chapter, refers to the  
7 rural entrepreneurship area development incentives fund  
8 established by the treasurer of state for a county; and

9 (2) for purposes of sections of this chapter other than section  
10 19 of this chapter, refers to a rural entrepreneurship area  
11 development incentives fund established by a rural county.

12 **Sec. 7.** As used in this chapter, "IEDC" refers to the Indiana  
13 economic development corporation.

14 **Sec. 8.** As used in this chapter, "income tax incremental  
15 revenue" means the remainder of:

16 (1) the sum of:

17 (A) the total amount of state adjusted gross income taxes  
18 paid by employees of new businesses employed in any part  
19 of the territory comprising an area (other than a tax  
20 incentive zone) with respect to wages and salary earned for  
21 work in the area (other than in a tax incentive zone) for a  
22 particular state fiscal year; plus

23 (B) the total amount of state adjusted gross income taxes  
24 paid by new businesses located in any part of the territory  
25 comprising an area (other than a tax incentive zone) with  
26 respect to income sourced to the area (other than a tax  
27 incentive zone) for a particular state fiscal year; minus

28 (2) the tax credits awarded under IC 6-3.1-13 by the IEDC to  
29 new businesses operating in the territory in an area (other  
30 than a tax incentive zone) that is not part of a tax incentive  
31 zone as the result of wages earned for work in any part of the  
32 territory comprising an area (other than in a tax incentive  
33 zone) for the state fiscal year;

34 as determined by the department of state revenue.

35 **Sec. 9.** As used in this chapter, "incubator" means a facility in  
36 which space may be leased by a tenant and in which the  
37 management of the facility provides access to business development  
38 services for use by tenants.

39 **Sec. 10.** As used in this chapter, "new business" means a  
40 business that:

41 (1) is established or organized to do business in Indiana less  
42 than one (1) year before the business locates business

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1 operations in an area;

2 (2) initially locates business operations in an area after the  
3 date the area is designated as an area by the IEDC;

4 (3) conducts business operations in the area to provide goods  
5 or services for profit; and

6 (4) meets any other criteria specified by the IEDC.

7 Sec. 11. As used in this chapter, "rural county" refers to a  
8 county described in section 1 of this chapter.

9 Sec. 12. As used in this chapter, "tax incentive zone" refers to  
10 any of the following:

11 (1) A community revitalization enhancement district  
12 established under IC 36-7-13.

13 (2) A professional sports and convention development area  
14 established under IC 36-7-31.3.

15 (3) A certified technology park established under IC 36-7-32.

16 (4) Any other area in which a law permits adjusted gross  
17 income taxes imposed on a taxable event in the area to be  
18 distributed to an employer located in the area or a political  
19 subdivision in the area for a local business, economic  
20 development, or governmental purpose.

21 Sec. 13. A rural county may apply to the IEDC for designation  
22 of the county as a rural entrepreneurship area development  
23 incentives area. The application must:

24 (1) be in a form specified by the IEDC; and

25 (2) include information that the IEDC determines necessary  
26 to make the determinations required under section 14 of this  
27 chapter.

28 Sec. 14. The IEDC may grant an application from a rural  
29 county under section 13 of this chapter and designate the county as  
30 an area if the county:

31 (1) submits a written plan for supporting entrepreneurship  
32 and the establishment of new businesses in the area that meets  
33 the requirements of the IEDC; and

34 (2) agrees to the terms and conditions specified by the IEDC.

35 Sec. 15. The IEDC shall send a copy of a designation under  
36 section 14 of this chapter to the department of state revenue.

37 Sec. 16. The IEDC may terminate an area designation for a  
38 violation of the terms and conditions established for designating  
39 the county as an area, only after giving the county an opportunity  
40 for a hearing.

41 Sec. 17. An area is established when the IEDC grants a county's  
42 application to designate the county as an area. An area continues

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1 in existence until the occurrence of the earliest of the following:

2 (1) January 1, 2024.

3 (2) The date specified in an ordinance adopted by the  
4 legislative body for the county.

5 (3) The date that the IEDC terminates the area designation,  
6 if the IEDC determines after a hearing that the county has  
7 violated the terms and conditions specified for the area by the  
8 IEDC.

9 **Sec. 18.** Before the first business day in October of each year,  
10 the department of state revenue shall calculate the income tax  
11 incremental revenue for the preceding state fiscal year for each  
12 area designated under this chapter. The department of state  
13 revenue shall direct the treasurer of state to transfer the sum of the  
14 amounts determined under this section for each area to the fund  
15 established for that county.

16 **Sec. 19. (a)** The treasurer of state shall establish a fund for each  
17 county that is designated as an area. The fund shall be  
18 administered by the treasurer of state. Money in the fund does not  
19 revert to the state general fund at the end of a state fiscal year.

20 (b) Subject to subsection (c), the income tax incremental  
21 revenue attributable to an area established in a county shall be  
22 deposited during each state fiscal year in the fund established for  
23 the county under subsection (a) until the amount deposited equals  
24 the maximum amount specified in subsection (c).

25 (c) Not more than a total of five hundred thousand dollars  
26 (\$500,000) may be deposited in the fund for a county in any one (1)  
27 state fiscal year.

28 (d) On or before the twentieth day of each month, all amounts  
29 held in the fund established for a county shall be distributed to the  
30 county for deposit in the county's rural entrepreneurship area  
31 development incentives fund established under section 20 of this  
32 chapter.

33 (e) A sufficient amount is annually appropriated from the fund  
34 established under subsection (a) for a county to make the  
35 distributions required to be made to that county by this section.

36 **Sec. 20. (a)** Each county that is designated as an area under this  
37 chapter shall establish a rural entrepreneurship area development  
38 incentives fund for the county to receive money distributed to the  
39 county under this chapter.

40 (b) Money deposited in the fund may be used by the county only  
41 for one (1) or more of the following purposes:

42 (1) Transferring money to a revolving fund established under

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- 1 section 21 of this chapter for purposes of the revolving fund.
- 2 (2) Transferring money to a regional venture capital fund
- 3 established under IC 6-3.5-7-13.5 or a local venture capital
- 4 fund established under IC 6-3.5-7-13.6 for purposes of the
- 5 fund.
- 6 (3) Incubator development and operation.
- 7 (4) Accelerator development and operation.
- 8 (5) Small business support services.
- 9 (6) Direct incentives and cost reimbursement to assist with the
- 10 start up of new businesses approved by the county legislative
- 11 body.

12 (c) The fund may not be used for the administrative expenses of  
 13 the fund.

14 Sec. 21. (a) A county that is designated as an area may establish  
 15 a revolving fund to provide loans to new businesses in the county.

16 (b) The county may loan money in the revolving fund  
 17 established under this section to a new business in the county if the  
 18 county fiscal body finds that the loan will be used by the new  
 19 business for one (1) or more of the following economic development  
 20 purposes:

- 21 (1) Promoting significant opportunities for the gainful
- 22 employment of Indiana residents in the county.
- 23 (2) Attracting a new business to the county.
- 24 (3) Retaining or expanding the operations of a new business
- 25 in the county.

26 (c) The county may make a loan from the revolving fund  
 27 established under this section on terms approved by the county  
 28 fiscal body.

29 (d) Amounts paid on a loan made from a revolving fund  
 30 established under this section shall be deposited in the revolving  
 31 fund.

32 Sec. 22. A county may not issue bonds that:

- 33 (1) pledge money deposited in the county's fund to repayment
- 34 of interest or principal on the bonds; or
- 35 (2) guarantee repayment of any public or private obligation
- 36 from money in the fund.

37 Sec. 23. Two (2) or more counties may enter into a written  
 38 agreement under this section to jointly carry out the purposes of  
 39 this chapter in the counties that are parties to the agreement.

40 Sec. 24. A county that is designated as an area shall send to the  
 41 department of state revenue:

- 42 (1) a certified copy of the designation of the county as an area;

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1           (2) a certified copy of any agreement entered into with the  
 2           IEDC for the area; and  
 3           (3) a complete list of the new business employers in the area  
 4           (excluding any part of the area that is in a tax incentive zone),  
 5           including any other identifying information required by the  
 6           department of state revenue.  
 7           The county shall update the list provided under subdivision (3) at  
 8           least annually before July 1 of each year.  
 9           Sec. 25. The state board of accounts shall audit a fund at least  
 10          one (1) time before July 1, 2019, and one (1) time after June 30,  
 11          2019, and before January 1, 2024, to determine whether:  
 12          (1) the appropriate amount of revenue was transferred from  
 13          the state to the county; and  
 14          (2) money in the fund was used for purposes permitted under  
 15          this chapter.  
 16          Sec. 26. Upon termination of an area, the balance of any fund  
 17          established for the area under section 20 or 21 of this chapter and  
 18          any amounts due to either fund shall be transferred to the state  
 19          general fund.  
 20          Sec. 27. Notwithstanding any other law, a tax incentive zone  
 21          may not be established or expanded in a county:  
 22          (1) after the date the county is designated as an area; and  
 23          (2) before the date the area terminates;  
 24          without the approval of the county legislative body.  
 25          Sec. 28. This chapter expires January 1, 2024.  
 26          SECTION 4. An emergency is declared for this act.

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