

Indiana Legislative Services Agency

Fiscal Issue Brief

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Indiana's Geographically Targeted Development Programs: Community Revitalization Enhancement Districts

Introduction

Community Revitalization Enhancement Districts (CREDS) are special zones within which local units may acquire property or make improvements for industrial development purposes. P.L.125-1998 [IC 36-7-13] authorized the first CRED to be designated in Bloomington. The statute has since been amended to allow additional CREDS to be designated for specified sites in specified local units. In addition, P.L. 224-2003 [IC 36-7-13-10.1] expanded the CRED program to allow any 1st or 2nd class city to designate one new CRED.

A CRED is either designated by an advisory commission on industrial development or designated by the legislative body of a county or municipality. The local resolution or ordinance designating a CRED must be reviewed by the State Budget Committee and approved by the State Budget Agency.¹ A CRED terminates not later than 15 years after it receives its first allocation of captured incremental tax revenue.

Locations

Table 1 lists the approved CREDS in the state, reports the statutory authority for the CREDS, and reports whether the CRED is active or inactive.²

Table 1: Approved CREDS and Statutory Authority.

CRED	Authority	Operation
Bloomington (Thomson)	IC 36-7-13-12(b)	Active
Delaware County (ABB)	IC 36-7-13-12(c)	Active
Delaware County (MAGNA)	IC 36-7-13-12(c)	Active
Fort Wayne (Southtown)	IC 36-7-13-12(e)	Active
Marion (Phase I & II)	IC 36-7-13-13-10.5	Active
South Bend	IC 36-7-13-12(d)	Active
Anderson (Jefferson/GM)	IC 36-7-13-10.1	Not Active
Bloomington (Downtown)	IC 36-7-13-10.1	Active
Fort Wayne (Downtown)	IC 36-7-13-10.1	Active
Indianapolis (Lafayette Square)	IC 36-7-13-10.1	Active

Source: Indiana State Budget Agency; contacts with local units.

¹ If the State Budget Agency fails to take action within 120 days of the date the resolution is submitted to the State Budget Committee, the resolution is considered approved.

² The Delaware County ABB CRED is likely to begin receiving captured revenue in fall 2012.

CRED Income and Sales Tax Increment Allocations

The predominant funding source for CREDs is incremental revenue generated within the CRED from Sales Tax, state Income Tax, and local option income taxes. A CRED may capture incremental revenue from these taxes only if the resolution or ordinance establishing the CRED is reviewed by the State Budget Committee and approved by the State Budget Agency.

CREDs established under the older site-specific statutes are subject to a \$1 M annual limit on capture of Sales Tax and state Income Tax revenue.³ Table 2 reports the incremental state and local Income Tax and Sales Tax revenue captured by each of these CREDs since their incipience.

Table 2: Revenue Captured by CREDs Established Under Site-Specific Statutes, FY 1999-2011.

Fiscal Year	Bloomington (Thomson)	Delaware County (MAGNA)	Fort Wayne (Southtown)	Marion (Phase I)	Marion (Phase II)	South Bend	Total
1999	94,106	-	-	-	-	-	94,106
2000	139,594	-	-	-	-	-	139,594
2001	156,228	-	-	-	-	-	156,228
2002	102,079	-	-	24,241	-	141,219	267,539
2003	24,942	-	-	115,862	-	226,291	367,095
2004	43,252	-	-	254,701	297,687	287,757	883,397
2005	259,863	-	-	243,084	269,260	965,052	1,737,258
2006	432,657	77,227	-	353,342	420,765	1,000,000	2,283,991
2007	431,005	271,835	1,000,000	407,555	617,459	1,000,000	3,727,854
2008	432,924	299,829	1,000,000	311,942	531,359	955,315	3,531,369
2009	575,976	246,778	1,000,000	399,521	520,202	605,623	3,348,100
2010	860,108	283,543	1,000,000	496,411	468,418	416,149	3,524,629
2011	928,951	268,029	1,000,000	456,584	475,340	733,100	3,862,004
Total	4,481,685	1,447,241	5,000,000	3,063,243	3,600,490	6,330,506	23,923,164

Source: Indiana Department of State Revenue.

Table 3 reports the sources of captured revenue for these CREDs during FY 2010 and FY 2011.

³ P.L. 113-2010 authorized a third CRED in Delaware County at what was formerly the BorgWarner plant site. This CRED has not been approved. P.L. 172-2011 limits the revenue capture from all of the Delaware County CREDs to a total of \$2 M annually.

Table 3: Revenue Capture by Source for CREDS Established Under Site-Specific Statutes, FY 2010-2011.

	State Income Tax	State Sales Tax	COIT	CEDIT	Total
Bloomington (Thomson)					
FY 2010	545,105	154,679	160,324	-	860,108
FY 2011	620,270	126,248	182,433	-	928,951
Delaware County (MAGNA)					
FY 2010	200,577	21,023	35,396	26,547	283,543
FY 2011	187,108	23,137	33,019	24,765	268,029
Fort Wayne (Southtown)					
FY 2010	75,415	902,404	13,309	8,872	1,000,000
FY 2011	78,400	898,541	13,835	9,224	1,000,000
Marion (Phase I)					
FY 2010	328,631	46,960	96,656	24,164	496,411
FY 2011	304,136	40,633	89,452	22,363	456,584
Marion (Phase II)					
FY 2010	36,415	418,615	10,710	2,678	468,418
FY 2011	70,252	379,260	20,662	5,166	475,340
South Bend					
FY 2010	32,668	375,795	5,765	1,921	416,149
FY 2011	-	127,815	605,285	-	733,100

Source: Indiana Department of State Revenue.

CREDS established under 1st and 2nd class cities statutes are subject to a \$750,000 annual limit on capture of Sales Tax and state Income Tax revenue. Table 4 reports the incremental state and local Income Tax and Sales Tax revenue captured by the CREDS established under the 1st and 2nd class cities statutes since their incipience. The Bloomington (Downtown) CRED did not receive captured revenue in FY 2010 and received a reduced capture amount in FY 2011 due to overpayments in FY 2006, FY 2007, FY 2008, and FY 2009.

Table 4: Revenue Captured by CREDS Established Under 1st/2nd Class Cities Statutes, FY 2004-2011.

Fiscal Year	Bloomington (Downtown)	Fort Wayne (Downtown)	Indianapolis (Lafayette Square)	Total
2004	457,653	-	-	457,653
2005	343,366	-	-	343,366
2006	906,134	-	-	906,134
2007	1,000,000	-	-	1,000,000
2008	1,000,000	-	750,000	1,750,000
2009	1,000,000	-	750,000	1,750,000
2010	-	-	750,000	750,000
2011	593,865	749,999	750,000	2,093,864
Total	5,301,018	749,999	3,000,000	9,051,017

Source: Indiana Department of State Revenue.

Table 5 reports the sources of captured revenue for these CREDS during FY 2010 and FY 2011.

Table 5: Revenue Capture by Source for CREDS Established Under 1st/2nd Class Cities Statutes, FY 2010-2011.

	State Income Tax	State Sales Tax	COIT	CEDIT	Total
Bloomington (Downtown)					
FY 2010	-	-	-	-	-
FY 2011	172,494	357,088	64,283	-	593,865
Fort Wayne (Downtown)					
FY 2010	-	-	-	-	-
FY 2011	94,071	628,260	16,601	11,067	749,999
Indianapolis (Lafayette Square)					
FY 2010	60,009	661,398	28,593	-	750,000
FY 2011	60,279	661,000	28,721	-	750,000

Source: Indiana Department of State Revenue.

Community Revitalization Tax Credit

Under current statute, a taxpayer who makes a qualified investment for the redevelopment or rehabilitation of property located within a CRED is entitled to a tax credit equal to 25% of the qualified investment. The investment must be approved by the Indiana Economic Development Corporation. However, a taxpayer is not entitled to the credit if they substantially reduce operations or cease to operate in another area of the state in order to relocate within the CRED. The credit is nonrefundable, but unused credits may be carried forward to subsequent years. Unused credits may not be carried back. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate Adjusted Gross Income Tax, local option income taxes, the Financial Institutions Tax, or the Insurance Premiums Tax. Table 6 reports the CRED tax credit amounts claimed by individuals and corporations for tax years 2005 through 2009.

Table 6: Community Revitalization Tax Credits Claimed by Individual and Corporate Taxpayers, 2005-2010.

Tax Year	Individual	Corporate
2005	291,249	*
2006	54,228	3,224,231
2007	416,447	2,663,171
2008	152,445	1,697,748
2009	138,652	4,251,218
2010	252,052	-

*Data not reported separately for individual taxpayers before 2005 or for corporate taxpayers before 2006.

Source: Indiana Department of State Revenue Tax Return Data.

**Indiana Legislative Services Agency
Office of Fiscal & Management Analysis
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Telephone: (317) 233-0696**

Authors: Jim Landers, Ph.D., Senior Fiscal/Program Analyst; Jessica Harmon, Senior Fiscal/Program Analyst.