
SENATE BILL No. 21

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-12-41; IC 6-3.5-7.

Synopsis: Inventory tax phaseout and local income tax. Phases out property taxes on inventory by establishing a deduction from assessed value of inventory that increases over a ten year period, beginning at 10% in the first year and reaching 100% in the tenth year. Authorizes a county to accelerate the rate of the phaseout in that county or to opt out of the deduction and continue assessing property taxes on inventory in that county. Provides that a county that has not opted out of the inventory tax phaseout may use economic development income tax revenue for increased homestead credits.

Effective: July 1, 2002; January 1, 2003.

Weatherwax, Simpson

November 20, 2001, read first time and referred to Committee on Finance.

C
O
P
Y



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 2001 General Assembly.

C
o
p
y

SENATE BILL No. 21



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 6-1.1-12-41 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2003]: **Sec. 41. (a) As used in this section, "assessed
4 value of inventory" means the assessed value determined after the
5 application of any deductions or adjustments that apply by statute
6 or rule to the assessment of inventory, other than the deduction
7 established in subsection (e).**
8 **(b) As used in this section, "county income tax council" means
9 a council established by IC 6-3.5-6-2.**
10 **(c) As used in this section, "fiscal body" has the meaning set
11 forth in IC 36-1-2-6.**
12 **(d) As used in this section, "inventory" has the meaning set
13 forth in IC 6-1.1-3-11.**
14 **(e) Except as provided in subsection (j), a deduction applies to
15 the assessed value of inventory. If the county fiscal body or county
16 income tax council does not take action under subsection (f), the
17 deduction is equal to a percentage of the assessed value of**



1 inventory for the appropriate year of assessment as follows:

| 2 | YEAR OF ASSESSMENT | PERCENTAGE |
|----|---------------------|------------|
| 3 | 2003 | 10% |
| 4 | 2004 | 20% |
| 5 | 2005 | 30% |
| 6 | 2006 | 40% |
| 7 | 2007 | 50% |
| 8 | 2008 | 60% |
| 9 | 2009 | 70% |
| 10 | 2010 | 80% |
| 11 | 2011 | 90% |
| 12 | 2012 and thereafter | 100% |

13 (f) An ordinance may be adopted before January 1, 2003, to
14 provide that:

- 15 (1) the percentage of the deduction established in subsection
16 (e) is one hundred percent (100%) for the 2003 year of
17 assessment and thereafter;
18 (2) the percentage of the deduction established in subsection
19 (e) reaches one hundred percent (100%) within a period
20 between two (2) years and nine (9) years under the
21 appropriate schedule in subsection (i); or
22 (3) the deduction established in subsection (e) does not apply
23 for any year of assessment.

24 (g) The entity that may adopt the ordinance under subsection (f)
25 is:

- 26 (1) the county income tax council if the county option income
27 tax is in effect on January 1, 2002;
28 (2) the county fiscal body if the county adjusted gross income
29 tax is in effect on January 1, 2002; or
30 (3) the county income tax council or the county fiscal body,
31 whichever acts first, for a county not covered by subdivision
32 (1) or (2).

33 To adopt an ordinance under subsection (f), a county income tax
34 council shall use the procedures set forth in IC 6-3.5-6 concerning
35 the imposition of the county option income tax. The entity that
36 adopts the ordinance shall provide a certified copy of the ordinance
37 to the department of local government finance before February 1,
38 2003.

39 (h) If an ordinance is adopted under subsection (f)(1), the
40 deduction established in subsection (e) applies in the amount of one
41 hundred percent (100%) for the 2003 assessment year and
42 thereafter.



C
o
p
y

1 (i) If an ordinance is adopted under subsection (f)(2), the
 2 percentage to be used to determine the amount of the deduction
 3 established in subsection (e) is the percentage derived from the
 4 following table that corresponds to the period of years established
 5 in the ordinance over which the deduction reaches one hundred
 6 percent (100%):

7 (1) Period of nine (9) years:

| 8 YEAR OF ASSESSMENT | PERCENTAGE |
|------------------------|------------|
| 9 2003 | 11% |
| 10 2004 | 22% |
| 11 2005 | 33% |
| 12 2006 | 44% |
| 13 2007 | 55% |
| 14 2008 | 66% |
| 15 2009 | 77% |
| 16 2010 | 88% |
| 17 2011 and thereafter | 100% |

18 (2) Period of eight (8) years:

| 19 YEAR OF ASSESSMENT | PERCENTAGE |
|------------------------|------------|
| 20 2003 | 13% |
| 21 2004 | 25% |
| 22 2005 | 38% |
| 23 2006 | 50% |
| 24 2007 | 63% |
| 25 2008 | 75% |
| 26 2009 | 88% |
| 27 2010 and thereafter | 100% |

28 (3) Period of seven (7) years:

| 29 YEAR OF ASSESSMENT | PERCENTAGE |
|------------------------|------------|
| 30 2003 | 14% |
| 31 2004 | 28% |
| 32 2005 | 43% |
| 33 2006 | 57% |
| 34 2007 | 71% |
| 35 2008 | 85% |
| 36 2009 and thereafter | 100% |

37 (4) Period of six (6) years:

| 38 YEAR OF ASSESSMENT | PERCENTAGE |
|-----------------------|------------|
| 39 2003 | 17% |
| 40 2004 | 33% |
| 41 2005 | 50% |
| 42 2006 | 67% |

C
o
p
y



| | | |
|----|--------------------------------|------------|
| 1 | 2007 | 83% |
| 2 | 2008 and thereafter | 100% |
| 3 | (5) Period of five (5) years: | |
| 4 | YEAR OF ASSESSMENT | PERCENTAGE |
| 5 | 2003 | 20% |
| 6 | 2004 | 40% |
| 7 | 2005 | 60% |
| 8 | 2006 | 80% |
| 9 | 2007 and thereafter | 100% |
| 10 | (6) Period of four (4) years: | |
| 11 | YEAR OF ASSESSMENT | PERCENTAGE |
| 12 | 2003 | 25% |
| 13 | 2004 | 50% |
| 14 | 2005 | 75% |
| 15 | 2006 and thereafter | 100% |
| 16 | (7) Period of three (3) years: | |
| 17 | YEAR OF ASSESSMENT | PERCENTAGE |
| 18 | 2003 | 33% |
| 19 | 2004 | 67% |
| 20 | 2005 and thereafter | 100% |
| 21 | (8) Period of two (2) years: | |
| 22 | YEAR OF ASSESSMENT | PERCENTAGE |
| 23 | 2003 | 50% |
| 24 | 2004 and thereafter | 100% |

(j) If an ordinance is adopted under subsection (f)(3), the deduction established in subsection (e) does not apply for any assessment year.

(k) A taxpayer is not required to file an application to qualify for the deduction established in subsection (e).

(l) The department of local government finance shall incorporate the deduction established in this section in the personal property return form to be used each year for filing under IC 6-1.1-3-7 or IC 6-1.1-3-7.5 to permit the taxpayer to enter the deduction on the form. If a taxpayer fails to enter the deduction on the form, the township assessor shall:

- (1) determine the amount of the deduction; and
- (2) within the period established in IC 6-1.1-16-1, issue a notice of assessment to the taxpayer that reflects the application of the deduction to the inventory assessment.

(m) The deduction established in this section must be applied to any inventory assessment made by:

- (1) an assessing official;



C
o
p
y

1 **(2) a county property tax board of appeals; or**

2 **(3) the department of local government finance.**

3 SECTION 2. IC 6-3.5-7-12, AS AMENDED BY P.L.283-2001,
4 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
5 JULY 1, 2002]: Sec. 12. (a) Except as provided in ~~section~~ **sections 23**
6 **and 24** of this chapter, the county auditor shall distribute in the manner
7 specified in this section the certified distribution to the county.

8 (b) Except as provided in subsections (c) and (h) and ~~section~~
9 **sections 15 and 24** of this chapter, the amount of the certified
10 distribution that the county and each city or town in a county is entitled
11 to receive during May and November of each year equals the product
12 of the following:

13 (1) The amount of the certified distribution for that month;
14 multiplied by

15 (2) A fraction. The numerator of the fraction equals the sum of the
16 following:

17 (A) Total property taxes that are first due and payable to the
18 county, city, or town during the calendar year in which the
19 month falls; plus

20 (B) For a county, an amount equal to:

21 (i) the property taxes imposed by the county in 1999 for the
22 county's welfare fund and welfare administration fund; plus

23 (ii) after December 31, 2002, the greater of zero (0) or the
24 difference between the county hospital care for the indigent
25 property tax levy imposed by the county in 2002, adjusted
26 each year after 2002 by the statewide average assessed value
27 growth quotient described in IC 12-16-14-3, minus the
28 current uninsured parents program property tax levy
29 imposed by the county.

30 The denominator of the fraction equals the sum of the total
31 property taxes that are first due and payable to the county and all
32 cities and towns of the county during the calendar year in which
33 the month falls, plus an amount equal to the property taxes
34 imposed by the county in 1999 for the county's welfare fund and
35 welfare administration fund, and after December 31, 2002, the
36 greater of zero (0) or the difference between the county hospital
37 care for the indigent property tax levy imposed by the county in
38 2002, adjusted each year after 2002 by the statewide average
39 assessed value growth quotient described in IC 12-16-14-3, minus
40 the current uninsured parents program property tax levy imposed
41 by the county.

42 (c) This subsection applies to a county council or county income tax

C
o
p
y



1 council that imposes a tax under this chapter after June 1, 1992. The
 2 body imposing the tax may adopt an ordinance before July 1 of a year
 3 to provide for the distribution of certified distributions under this
 4 subsection instead of a distribution under subsection (b). The following
 5 apply if an ordinance is adopted under this subsection:

6 (1) The ordinance is effective January 1 of the following year.

7 (2) **Except as provided in section 24 of this chapter**, the amount
 8 of the certified distribution that the county and each city and town
 9 in the county is entitled to receive during May and November of
 10 each year equals the product of:

11 (A) the amount of the certified distribution for the month;
 12 multiplied by

13 (B) a fraction. For a city or town, the numerator of the fraction
 14 equals the population of the city or the town. For a county, the
 15 numerator of the fraction equals the population of the part of
 16 the county that is not located in a city or town. The
 17 denominator of the fraction equals the sum of the population
 18 of all cities and towns located in the county and the population
 19 of the part of the county that is not located in a city or town.

20 (3) The ordinance may be made irrevocable for the duration of
 21 specified lease rental or debt service payments.

22 (d) The body imposing the tax may not adopt an ordinance under
 23 subsection (c) if, before the adoption of the proposed ordinance, any of
 24 the following have pledged the county economic development income
 25 tax for any purpose permitted by IC 5-1-14 or any other statute:

26 (1) The county.

27 (2) A city or town in the county.

28 (3) A commission, a board, a department, or an authority that is
 29 authorized by statute to pledge the county economic development
 30 income tax.

31 (e) The state board of tax commissioners shall provide each county
 32 auditor with the fractional amount of the certified distribution that the
 33 county and each city or town in the county is entitled to receive under
 34 this section.

35 (f) Money received by a county, city, or town under this section
 36 shall be deposited in the unit's economic development income tax fund.

37 (g) Except as provided in subsection (b)(2)(B), in determining the
 38 fractional amount of the certified distribution the county and its cities
 39 and towns are entitled to receive under subsection (b) during a calendar
 40 year, the state board of tax commissioners shall consider only property
 41 taxes imposed on tangible property subject to assessment in that
 42 county.

C
o
p
y



1 (h) In a county having a consolidated city, only the consolidated city
 2 is entitled to the certified distribution, subject to the requirements of
 3 ~~section sections~~ **15 and 24** of this chapter.

4 SECTION 3. IC 6-3.5-7-13.1, AS AMENDED BY P.L.124-1999,
 5 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 6 JULY 1, 2002]: Sec. 13.1. (a) The fiscal officer of each county, city, or
 7 town for a county in which the county economic development tax is
 8 imposed shall establish an economic development income tax fund.
 9 Except as provided in ~~section sections~~ **23 and 24** of this chapter, the
 10 revenue received by a county, city, or town under this chapter shall be
 11 deposited in the unit's economic development income tax fund.

12 (b) Except as provided in sections 15, ~~and~~ 23, ~~and~~ **24** of this
 13 chapter, revenues from the county economic development income tax
 14 may be used as follows:

15 (1) By a county, city, or town for economic development projects,
 16 for paying, notwithstanding any other law, under a written
 17 agreement all or a part of the interest owed by a private developer
 18 or user on a loan extended by a financial institution or other
 19 lender to the developer or user if the proceeds of the loan are or
 20 are to be used to finance an economic development project, for
 21 the retirement of bonds under section 14 of this chapter for
 22 economic development projects, for leases under section 21 of
 23 this chapter, or for leases or bonds entered into or issued prior to
 24 the date the economic development income tax was imposed if
 25 the purpose of the lease or bonds would have qualified as a
 26 purpose under this chapter at the time the lease was entered into
 27 or the bonds were issued.

28 (2) By a county, city, or town for:

29 (A) the construction or acquisition of, or remedial action with
 30 respect to, a capital project for which the unit is empowered to
 31 issue general obligation bonds or establish a fund under any
 32 statute listed in IC 6-1.1-18.5-9.8;

33 (B) the retirement of bonds issued under any provision of
 34 Indiana law for a capital project;

35 (C) the payment of lease rentals under any statute for a capital
 36 project;

37 (D) contract payments to a nonprofit corporation whose
 38 primary corporate purpose is to assist government in planning
 39 and implementing economic development projects;

40 (E) operating expenses of a governmental entity that plans or
 41 implements economic development projects;

42 (F) to the extent not otherwise allowed under this chapter,

C
o
p
y



1 funding substance removal or remedial action in a designated
 2 unit; or
 3 (G) funding of a revolving fund established under
 4 IC 5-1-14-14.

5 (c) As used in this section, an economic development project is any
 6 project that:

7 (1) the county, city, or town determines will:

8 (A) promote significant opportunities for the gainful
 9 employment of its citizens;
 10 (B) attract a major new business enterprise to the unit; or
 11 (C) retain or expand a significant business enterprise within
 12 the unit; and

13 (2) involves an expenditure for:

14 (A) the acquisition of land;
 15 (B) interests in land;
 16 (C) site improvements;
 17 (D) infrastructure improvements;
 18 (E) buildings;
 19 (F) structures;
 20 (G) rehabilitation, renovation, and enlargement of buildings
 21 and structures;
 22 (H) machinery;
 23 (I) equipment;
 24 (J) furnishings;
 25 (K) facilities;
 26 (L) administrative expenses associated with such a project,
 27 including contract payments authorized under subsection
 28 (b)(2)(D);
 29 (M) operating expenses authorized under subsection (b)(2)(E);
 30 or
 31 (N) to the extent not otherwise allowed under this chapter,
 32 substance removal or remedial action in a designated unit;

33 or any combination of these.

34 SECTION 4. IC 6-3.5-7-15 IS AMENDED TO READ AS
 35 FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 15. (a) The executive
 36 of a county, city, or town may, **subject to the use of the certified**
 37 **distribution permitted under section 24 of this chapter:**

38 (1) adopt a capital improvement plan specifying the uses of the
 39 revenues to be received under this chapter; or
 40 (2) designate the county or a city or town in the county as the
 41 recipient of all or a part of its share of the distribution.
 42 (b) If a designation is made under subsection (a)(2), the county

C
O
P
Y



1 treasurer shall transfer the share or part of the share to the designated
2 unit unless that unit does not have a capital improvement plan.

3 (c) A county, city, or town that fails to adopt a capital improvement
4 plan may not receive:

- 5 (1) its fractional amount of the certified distribution; or
- 6 (2) any amount designated under subsection (c)(2);

7 for the year or years in which the unit does not have a plan. The county
8 treasurer shall retain the certified distribution and any designated
9 distribution for such a unit in a separate account until the unit adopts
10 a plan. Interest on the separate account becomes part of the account. If
11 a unit fails to adopt a plan for a period of three (3) years, then the
12 balance in the separate account shall be distributed to the other units in
13 the county based on property taxes first due and payable to the units
14 during the calendar year in which the three (3) year period expires.

15 (d) A capital improvement plan must include the following
16 components:

- 17 (1) Identification and general description of each project that
18 would be funded by the county economic development income
19 tax.
- 20 (2) The estimated total cost of the project.
- 21 (3) Identification of all sources of funds expected to be used for
22 each project.
- 23 (4) The planning, development, and construction schedule of each
24 project.

25 (e) A capital improvement plan:

- 26 (1) must encompass a period of no less than two (2) years; and
- 27 (2) must incorporate projects the cost of which is at least
28 seventy-five percent (75%) of the fractional amount certified
29 distribution expected to be received by the county, city, or town
30 in that period of time.

31 (f) In making a designation under subsection (a)(2), the executive
32 must specify the purpose and duration of the designation. If the
33 designation is made to provide for the payment of lease rentals or bond
34 payments, the executive may specify that the designation and its
35 duration are irrevocable.

36 SECTION 5. IC 6-3.5-7-24 IS ADDED TO THE INDIANA CODE
37 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
38 1, 2002]: **Sec. 24. (a) For purposes of this section, "imposing entity"**
39 **means the entity that adopted the county economic development**
40 **income tax under section 5 of this chapter.**

41 **(b) Except as provided in subsection (d), the imposing entity**
42 **may adopt an ordinance to provide for the use of all or a part of**

C
O
P
Y



1 the certified distribution for the purpose provided in subsection (e).
 2 A county income tax council that adopts an ordinance under this
 3 subsection shall use the procedures set forth in IC 6-3.5-6
 4 concerning the adoption of an ordinance for the imposition of the
 5 county option income tax. An ordinance may be adopted under this
 6 subsection after January 1 but before April 1 of a calendar year.
 7 An ordinance adopted under this subsection:
 8 (1) first applies to the certified distribution made in the
 9 calendar year that immediately succeeds the calendar year in
 10 which the ordinance is adopted;
 11 (2) must specify the calendar years to which the ordinance
 12 applies; and
 13 (3) must specify the percentage of the certified distribution to
 14 be used for the purpose provided in subsection (e).
 15 (c) If an ordinance is adopted under subsection (b), the
 16 percentage of the certified distribution specified in the ordinance
 17 for use for the purpose provided in subsection (e) shall be:
 18 (1) retained by the county auditor under subsection (g); and
 19 (2) used for the purpose provided in subsection (e) instead of
 20 the purposes specified in the capital improvement plans
 21 adopted under section 15 of this chapter.
 22 (d) The imposing entity may not provide in an ordinance
 23 adopted under subsection (b) for the use of the certified
 24 distribution under this section:
 25 (1) to the extent that the certified distribution is pledged as
 26 described in section 12(d) of this chapter; or
 27 (2) if an ordinance was adopted before January 1, 2003, under
 28 IC 6-1.1-12-41(f)(3).
 29 (e) The imposing entity may, in the ordinance adopted under
 30 subsection (b), determine to use all or a part of the certified
 31 distribution to increase the percentage credit allowed for
 32 homesteads in the county under IC 6-1.1-20.9-2 for a year. If an
 33 ordinance is adopted under subsection (b), the county auditor shall,
 34 for each calendar year in which an increased homestead credit
 35 percentage is authorized under this section, determine:
 36 (1) the amount of the certified distribution that will be
 37 dedicated to an increased homestead credit percentage for the
 38 year;
 39 (2) the amount of uniformly applied homestead credits for the
 40 year for all homesteads in the county that equals the amount
 41 determined under subdivision (1); and
 42 (3) the increased percentage of homestead credit that equates

COPY



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

to the amount of homestead credits determined under subdivision (2).

(f) The increased percentage of homestead credit determined by the county auditor under subsection (e) applies uniformly for all homesteads in the county in the calendar year for which the increased percentage is determined.

(g) The county auditor shall retain from the payments of the county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit within the county. The money shall be distributed to the civil taxing units and school corporations of the county:

- (1) as if the money were from property tax collections; and
- (2) in such a manner that no civil taxing unit or school corporation will suffer a net revenue loss because of the allowance of an increased homestead credit.

SECTION 6. [EFFECTIVE JANUARY 1, 2003] (a) IC 6-1.1-12-41, as added by this act, applies to inventory assessments after December 31, 2002.

(b) This SECTION expires January 1, 2005.

C
O
P
Y

