



January 27, 2006

# HOUSE BILL No. 1402

DIGEST OF HB 1402 (Updated January 25, 2006 9:07 pm - DI 92)

**Citations Affected:** IC 6-3.5; IC 6-9; noncode.

**Synopsis:** Scott County option income tax for jail. Provides additional county option income tax revenue in Scott County to fund the financing, construction, acquisition, improvement, renovation, or equipping of jail facilities. Provides that the county fiscal body may increase the county option income tax rate up to an additional 0.25% of adjusted gross income of county taxpayers. Provides that county adjusted gross income tax (CAGIT) revenue in Elkhart and Marshall counties may also be used to operate and maintain jail facilities, juvenile court, detention, and probation facilities, other criminal justice facilities, and related buildings and parking facilities (in addition to the financing, construction, acquisition, renovation, and equipment of those facilities permitted under existing law). Allows Jasper County to adopt up to an additional 0.25% CAGIT. Provides that additional CAGIT revenue for Jasper County may only be used for operating and maintaining jail facilities, juvenile court, detention, and probation facilities, other criminal justice facilities, and related buildings and parking facilities. Permits an additional county economic development tax rate imposed to grant a property tax credit to mitigate the increase in property taxes resulting from the statewide deduction of inventory in the county to be applied, at the discretion of the adopting entity, to all residential property in the county. Extends the period in 2006 in which an ordinance can be adopted. Postpones the termination of the Nashville food and beverage tax from January 1, 2007, to January 1, 2017. Deletes the December 31, 2010, deadline for initiating projects under the Martinsville food and beverage tax.

**Effective:** Upon passage; January 1, 2006 (retroactive); July 1, 2006.

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## Oxley, Yount

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January 12, 2006, read first time and referred to Committee on Ways and Means.  
January 26, 2006, amended, reported — Do Pass.

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HB 1402—LS 7047/DI 113+



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January 27, 2006

Second Regular Session 114th General Assembly (2006)

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 2005 Regular Session of the General Assembly.

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## HOUSE BILL No. 1402

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 6-3.5-1.1-2.8 IS AMENDED TO READ AS
- 2 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:
- 3 Sec. 2.8. (a) This section applies to:
- 4 (1) a county having a population of more than one hundred
- 5 eighty-two thousand seven hundred ninety (182,790) but less than
- 6 two hundred thousand (200,000); ~~and~~
- 7 (2) a county having a population of more than forty-five thousand
- 8 (45,000) but less than forty-five thousand nine hundred (45,900);
- 9 **and**
- 10 **(3) Jasper County.**
- 11 (b) **Except as provided in subsection (h)**, the county council may,
- 12 by ordinance, determine that additional county adjusted gross income
- 13 tax revenue is needed in the county to:
- 14 (1) finance, construct, acquire, improve, renovate, ~~or~~ equip,
- 15 **operate, or maintain:**
- 16 (A) jail facilities;
- 17 (B) juvenile court, detention, and probation facilities;

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1 (C) other criminal justice facilities; and  
 2 (D) related buildings and parking facilities;  
 3 located in the county, including costs related to the demolition of  
 4 existing buildings and the acquisition of land; and  
 5 (2) repay bonds issued or leases entered into for the purposes  
 6 described in subdivision (1).  
 7 (c) In addition to the rates permitted by section 2 of this chapter, the  
 8 county council may impose the county adjusted gross income tax at a  
 9 rate of:  
 10 (1) fifteen-hundredths percent (0.15%);  
 11 (2) two-tenths percent (0.2%); or  
 12 (3) twenty-five hundredths percent (0.25%);  
 13 on the adjusted gross income of county taxpayers if the county council  
 14 makes the finding and determination set forth in subsection (b). The tax  
 15 imposed under this section may be imposed only until the later of the  
 16 date on which the financing, construction, acquisition, improvement,  
 17 renovation, and equipping described in subsection (b) are completed  
 18 or the date on which the last of any bonds issued or leases entered into  
 19 to finance the construction, acquisition, improvement, renovation, and  
 20 equipping described in subsection (b) are fully paid. The term of the  
 21 bonds issued (including any refunding bonds) or a lease entered into  
 22 under subsection (b)(2) may not exceed twenty (20) years.  
 23 (d) If the county council makes a determination under subsection  
 24 (b), the county council may adopt a tax rate under subsection (c). The  
 25 tax rate may not be imposed at a rate greater than is necessary to pay  
 26 the costs of carrying out the purposes described in subsection (b)(1).  
 27 (e) The county treasurer shall establish a criminal justice facilities  
 28 revenue fund to be used only for purposes described in this section.  
 29 County adjusted gross income tax revenues derived from the tax rate  
 30 imposed under this section shall be deposited in the criminal justice  
 31 facilities revenue fund before making a certified distribution under  
 32 section 11 of this chapter.  
 33 (f) County adjusted gross income tax revenues derived from the tax  
 34 rate imposed under this section:  
 35 (1) may be used only for the purposes described in this section;  
 36 (2) may not be considered by the department of local government  
 37 finance in determining the county's maximum permissible  
 38 property tax levy limit under IC 6-1.1-18.5; and  
 39 (3) may be pledged to the repayment of bonds issued or leases  
 40 entered into for any or all the purposes described in subsection  
 41 (b).  
 42 (g) Notwithstanding any other law, funds accumulated from the

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1 county adjusted gross income tax imposed under this section after:  
 2 (1) the completion of the financing, construction, acquisition,  
 3 improvement, renovation, ~~and~~ equipping, **operation, and**  
 4 **maintenance** described in subsection (b);  
 5 (2) the payment or provision for payment of all the costs for  
 6 activities described in subdivision (1);  
 7 (3) the redemption of bonds issued; and  
 8 (4) the final payment of lease rentals due under a lease entered  
 9 into under this section;  
 10 shall be transferred to the county highway fund to be used for  
 11 construction, resurfacing, restoration, and rehabilitation of county  
 12 highways, roads, and bridges.

13 **(h) In Jasper County, the additional county adjusted gross**  
 14 **income tax revenue may be used only to operate or maintain:**  
 15 **(1) jail facilities;**  
 16 **(2) juvenile court, detention, and probation facilities;**  
 17 **(3) other criminal justice facilities; and**  
 18 **(4) related buildings and parking facilities;**  
 19 **located in the county.**

20 SECTION 2. IC 6-3.5-1.1-10 IS AMENDED TO READ AS  
 21 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:  
 22 Sec. 10. (a) Except as provided in subsection (b), one-half (1/2) of each  
 23 adopting county's certified distribution for a calendar year shall be  
 24 distributed from its account established under section 8 of this chapter  
 25 to the appropriate county treasurer on May 1 and the other one-half  
 26 (1/2) on November 1 of that calendar year.

27 (b) This subsection applies to a county having a population of more  
 28 than one hundred forty-five thousand (145,000) but less than one  
 29 hundred forty-eight thousand (148,000). Notwithstanding section 9 of  
 30 this chapter, the initial certified distribution certified for a county under  
 31 section 9 of this chapter shall be distributed to the county treasurer  
 32 from the account established for the county under section 8 of this  
 33 chapter according to the following schedule during the eighteen (18)  
 34 month period beginning on July 1 of the year in which the county  
 35 initially adopts an ordinance under section 2 of this chapter:

- 36 (1) One-fourth (1/4) on October 1 of the year in which the  
 37 ordinance was adopted.
- 38 (2) One-fourth (1/4) on January 1 of the calendar year following  
 39 the year in which the ordinance was adopted.
- 40 (3) One-fourth (1/4) on May 1 of the calendar year following the  
 41 year in which the ordinance was adopted.
- 42 (4) One-fourth (1/4) on November 1 of the calendar year

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1 following the year in which the ordinance was adopted.  
 2 Notwithstanding section 11 of this chapter, the part of the certified  
 3 distribution received under subdivision (1) that would otherwise be  
 4 allocated to a civil taxing unit or school corporation as property tax  
 5 replacement credits under section 11 of this chapter shall be set aside  
 6 and treated for the calendar year when received by the civil taxing unit  
 7 or school corporation as a levy excess subject to IC 6-1.1-18.5-17 or  
 8 IC 6-1.1-19-1.7. Certified distributions made to the county treasurer for  
 9 calendar years following the eighteen (18) month period described in  
 10 this subsection shall be made as provided in subsection (a).

11 (c) Except for:  
 12 (1) revenue that must be used to pay the costs of operating a jail  
 13 and juvenile detention center under section 2.5(d) of this chapter;  
 14 (2) revenue that must be used to pay the costs of:  
 15 (A) financing, constructing, acquiring, improving, renovating,  
 16 or equipping, **operating, or maintaining** facilities and  
 17 buildings;  
 18 (B) debt service on bonds; or  
 19 (C) lease rentals;  
 20 under section 2.8 of this chapter;  
 21 (3) revenue that must be used to pay the costs of construction,  
 22 improvement, renovation, or remodeling of a jail and related  
 23 buildings and parking structures under section 2.7, 2.9, or 3.3 of  
 24 this chapter;  
 25 (4) revenue that must be used to pay the costs of operating and  
 26 maintaining a jail and justice center under section 3.5(d) of this  
 27 chapter; or  
 28 (5) revenue that must be used to pay the costs of constructing,  
 29 acquiring, improving, renovating, or equipping a county  
 30 courthouse under section 3.6 of this chapter;  
 31 distributions made to a county treasurer under subsections (a) and (b)  
 32 shall be treated as though they were property taxes that were due and  
 33 payable during that same calendar year. Except as provided by  
 34 subsection (b), the certified distribution shall be distributed and used  
 35 by the taxing units and school corporations as provided in sections 11  
 36 through 15 of this chapter.

37 (d) All distributions from an account established under section 8 of  
 38 this chapter shall be made by warrants issued by the auditor of the state  
 39 to the treasurer of the state ordering the appropriate payments.

40 SECTION 3. IC 6-3.5-1.1-11 IS AMENDED TO READ AS  
 41 FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:  
 42 Sec. 11. (a) Except for:

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- 1 (1) revenue that must be used to pay the costs of operating a jail
- 2 and juvenile detention center under section 2.5(d) of this chapter;
- 3 (2) revenue that must be used to pay the costs of:
- 4 (A) financing, constructing, acquiring, improving, renovating,
- 5 ~~or~~ equipping, **operating, or maintaining** facilities and
- 6 buildings;
- 7 (B) debt service on bonds; or
- 8 (C) lease rentals;
- 9 under section 2.8 of this chapter;
- 10 (3) revenue that must be used to pay the costs of construction,
- 11 improvement, renovation, or remodeling of a jail and related
- 12 buildings and parking structures under section 2.7, 2.9, or 3.3 of
- 13 this chapter;
- 14 (4) revenue that must be used to pay the costs of operating and
- 15 maintaining a jail and justice center under section 3.5(d) of this
- 16 chapter; or
- 17 (5) revenue that must be used to pay the costs of constructing,
- 18 acquiring, improving, renovating, or equipping a county
- 19 courthouse under section 3.6 of this chapter;

20 the certified distribution received by a county treasurer shall, in the  
 21 manner prescribed in this section, be allocated, distributed, and used  
 22 by the civil taxing units and school corporations of the county as  
 23 certified shares and property tax replacement credits.

24 (b) Before August 10 of each calendar year, each county auditor  
 25 shall determine the part of the certified distribution for the next  
 26 succeeding calendar year that will be allocated as property tax  
 27 replacement credits and the part that will be allocated as certified  
 28 shares. The percentage of a certified distribution that will be allocated  
 29 as property tax replacement credits or as certified shares depends upon  
 30 the county adjusted gross income tax rate for resident county taxpayers  
 31 in effect on August 1 of the calendar year that precedes the year in  
 32 which the certified distribution will be received by two (2) years. The  
 33 percentages are set forth in the following table:

34	PROPERTY		
35	COUNTY	TAX	
36	ADJUSTED GROSS	REPLACEMENT	CERTIFIED
37	INCOME TAX RATE	CREDITS	SHARES
38	0.5%	50%	50%
39	0.75%	33 1/3%	66 2/3%
40	1%	25%	75%

41 (c) The part of a certified distribution that constitutes property tax  
 42 replacement credits shall be distributed as provided under sections 12,

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13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter.

SECTION 4. IC 6-3.5-6-29 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 29. (a) This section applies only to a county in which:**

**(1) maintaining low property tax rates is essential to economic development; and**

**(2) the use of additional county option income tax revenues as provided in this section, rather than the use of property taxes, to fund the financing, construction, acquisition, improvement, renovation, or equipping of jail facilities is reasonably expected to allow the county to maintain low property tax rates.**

**(b) The general assembly finds that Scott County is among those counties to which subsection (a) applies.**

**(c) In addition to the rates permitted by sections 8 and 9 of this chapter, the county fiscal body may impose the county option income tax at a rate of twenty-five hundredths percent (0.25%) on the adjusted gross income of resident county taxpayers if the county fiscal body makes the finding and determination set forth in subsection (d). Section 8(e) of this chapter applies to the application of the additional rate to nonresident taxpayers.**

**(d) In order to impose the county option income tax as provided in this section, the county fiscal body must adopt an ordinance:**

**(1) finding and determining that additional revenues from the county option income tax are needed in the county to fund the financing, construction, acquisition, improvement, renovation, or equipping of jail facilities; and**

**(2) agreeing, for the term in which an ordinance under this section is in effect, to freeze the part of any property tax levy imposed in the county for the financing, construction, acquisition, improvement, renovation, or equipping of jail facilities covered by the ordinance at the rate imposed in the year preceding the year in which a full year of additional county option income tax under this section is certified for distribution to the county.**

**(e) If the county fiscal body makes a determination under subsection (d), the county fiscal body may adopt a tax rate under subsection (c). Subject to the limitations in subsection (c), the county fiscal body may amend an ordinance adopted under this**

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1 section to increase, decrease, or rescind the additional tax rate  
 2 imposed under this section. As soon as practicable after the  
 3 adoption of an ordinance under this section, the county fiscal body  
 4 shall send a certified copy of the ordinance to the county auditor,  
 5 the department of local government finance, and the department.  
 6 An ordinance adopted under this section before April 1 in a year  
 7 applies to the imposition of county income taxes after June 30 in  
 8 that year. An ordinance adopted under this section after March 31  
 9 of a year initially applies to the imposition of county option income  
 10 taxes after June 30 of the immediately following year.

11 (f) The county treasurer shall establish a county jail revenue  
 12 fund to be used only for the purposes described in this section.  
 13 County option income tax revenues derived from the tax rate  
 14 imposed under this section shall be deposited in the county jail  
 15 revenue fund before making a certified distribution under section  
 16 18 of this chapter.

17 (g) County option income tax revenues derived from the tax rate  
 18 imposed under this section:

19 (1) may only be used for the purposes described in this  
 20 section; and

21 (2) may not be considered by the department of local  
 22 government finance in determining the county's maximum  
 23 permissible property tax levy limit under IC 6-1.1-18.5.

24 (h) The department of local government finance shall enforce an  
 25 agreement under subsection (d)(2).

26 (i) The department, after reviewing the recommendation of the  
 27 budget agency, shall adjust the certified distribution of a county to  
 28 provide for an increased distribution of taxes in the immediately  
 29 following calendar year after the county adopts an increased tax  
 30 rate under this section and in each calendar year thereafter. The  
 31 department shall provide for a full transition to certification of  
 32 distributions as provided in section 17(a)(1) through 17(a)(2) of this  
 33 chapter in the manner provided in section 17(c) of this chapter.

34 SECTION 5. IC 6-3.5-7-5, AS AMENDED BY P.L.214-2005,  
 35 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 36 UPON PASSAGE]: Sec. 5. (a) Except as provided in subsection (c),  
 37 the county economic development income tax may be imposed on the  
 38 adjusted gross income of county taxpayers. The entity that may impose  
 39 the tax is:

40 (1) the county income tax council (as defined in IC 6-3.5-6-1) if  
 41 the county option income tax is in effect on January 1 of the year  
 42 the county economic development income tax is imposed;

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- 1 (2) the county council if the county adjusted gross income tax is
- 2 in effect on January 1 of the year the county economic
- 3 development tax is imposed; or
- 4 (3) the county income tax council or the county council,
- 5 whichever acts first, for a county not covered by subdivision (1)
- 6 or (2).

7 To impose the county economic development income tax, a county  
 8 income tax council shall use the procedures set forth in IC 6-3.5-6  
 9 concerning the imposition of the county option income tax.

10 (b) Except as provided in subsections (c), (g), (k), (p), and (r) the  
 11 county economic development income tax may be imposed at a rate of:

- 12 (1) one-tenth percent (0.1%);
- 13 (2) two-tenths percent (0.2%);
- 14 (3) twenty-five hundredths percent (0.25%);
- 15 (4) three-tenths percent (0.3%);
- 16 (5) thirty-five hundredths percent (0.35%);
- 17 (6) four-tenths percent (0.4%);
- 18 (7) forty-five hundredths percent (0.45%); or
- 19 (8) five-tenths percent (0.5%);

20 on the adjusted gross income of county taxpayers.

21 (c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o),  
 22 (p), or (s), the county economic development income tax rate plus the  
 23 county adjusted gross income tax rate, if any, that are in effect on  
 24 January 1 of a year may not exceed one and twenty-five hundredths  
 25 percent (1.25%). Except as provided in subsection (g), (p), (r), or (t),  
 26 or (u) the county economic development tax rate plus the county  
 27 option income tax rate, if any, that are in effect on January 1 of a year  
 28 may not exceed one percent (1%).

29 (d) To impose, increase, decrease, or rescind the county economic  
 30 development income tax, the appropriate body must, after January 1 but  
 31 before April 1 of a year, adopt an ordinance. The ordinance to impose  
 32 the tax must substantially state the following:

33 "The \_\_\_\_\_ County \_\_\_\_\_ imposes the county economic  
 34 development income tax on the county taxpayers of \_\_\_\_\_  
 35 County. The county economic development income tax is imposed at  
 36 a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the county taxpayers of the  
 37 county. This tax takes effect July 1 of this year."

38 (e) Any ordinance adopted under this chapter takes effect July 1 of  
 39 the year the ordinance is adopted.

40 (f) The auditor of a county shall record all votes taken on ordinances  
 41 presented for a vote under the authority of this chapter and shall, not  
 42 more than ten (10) days after the vote, send a certified copy of the

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1 results to the commissioner of the department by certified mail.

2 (g) This subsection applies to a county having a population of more

3 than one hundred forty-eight thousand (148,000) but less than one

4 hundred seventy thousand (170,000). Except as provided in subsection

5 (p), in addition to the rates permitted by subsection (b), the:

6 (1) county economic development income tax may be imposed at

7 a rate of:

8 (A) fifteen-hundredths percent (0.15%);

9 (B) two-tenths percent (0.2%); or

10 (C) twenty-five hundredths percent (0.25%); and

11 (2) county economic development income tax rate plus the county

12 option income tax rate that are in effect on January 1 of a year

13 may equal up to one and twenty-five hundredths percent (1.25%);

14 if the county income tax council makes a determination to impose rates

15 under this subsection and section 22 of this chapter.

16 (h) For a county having a population of more than forty-one

17 thousand (41,000) but less than forty-three thousand (43,000), except

18 as provided in subsection (p), the county economic development

19 income tax rate plus the county adjusted gross income tax rate that are

20 in effect on January 1 of a year may not exceed one and thirty-five

21 hundredths percent (1.35%) if the county has imposed the county

22 adjusted gross income tax at a rate of one and one-tenth percent (1.1%)

23 under IC 6-3.5-1.1-2.5.

24 (i) For a county having a population of more than thirteen thousand

25 five hundred (13,500) but less than fourteen thousand (14,000), except

26 as provided in subsection (p), the county economic development

27 income tax rate plus the county adjusted gross income tax rate that are

28 in effect on January 1 of a year may not exceed one and fifty-five

29 hundredths percent (1.55%).

30 (j) For a county having a population of more than seventy-one

31 thousand (71,000) but less than seventy-one thousand four hundred

32 (71,400), except as provided in subsection (p), the county economic

33 development income tax rate plus the county adjusted gross income tax

34 rate that are in effect on January 1 of a year may not exceed one and

35 five-tenths percent (1.5%).

36 (k) This subsection applies to a county having a population of more

37 than twenty-seven thousand four hundred (27,400) but less than

38 twenty-seven thousand five hundred (27,500). Except as provided in

39 subsection (p), in addition to the rates permitted under subsection (b):

40 (1) the county economic development income tax may be imposed

41 at a rate of twenty-five hundredths percent (0.25%); and

42 (2) the sum of the county economic development income tax rate

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1 and the county adjusted gross income tax rate that are in effect on  
 2 January 1 of a year may not exceed one and five-tenths percent  
 3 (1.5%);  
 4 if the county council makes a determination to impose rates under this  
 5 subsection and section 22.5 of this chapter.  
 6 (l) For a county having a population of more than twenty-nine  
 7 thousand (29,000) but less than thirty thousand (30,000), except as  
 8 provided in subsection (p), the county economic development income  
 9 tax rate plus the county adjusted gross income tax rate that are in effect  
 10 on January 1 of a year may not exceed one and five-tenths percent  
 11 (1.5%).  
 12 (m) For:  
 13 (1) a county having a population of more than one hundred  
 14 eighty-two thousand seven hundred ninety (182,790) but less than  
 15 two hundred thousand (200,000); or  
 16 (2) a county having a population of more than forty-five thousand  
 17 (45,000) but less than forty-five thousand nine hundred (45,900);  
 18 except as provided in subsection (p), the county economic development  
 19 income tax rate plus the county adjusted gross income tax rate that are  
 20 in effect on January 1 of a year may not exceed one and five-tenths  
 21 percent (1.5%).  
 22 (n) For a county having a population of more than six thousand  
 23 (6,000) but less than eight thousand (8,000), except as provided in  
 24 subsection (p), the county economic development income tax rate plus  
 25 the county adjusted gross income tax rate that are in effect on January  
 26 1 of a year may not exceed one and five-tenths percent (1.5%).  
 27 (o) This subsection applies to a county having a population of more  
 28 than thirty-nine thousand (39,000) but less than thirty-nine thousand  
 29 six hundred (39,600). Except as provided in subsection (p), in addition  
 30 to the rates permitted under subsection (b):  
 31 (1) the county economic development income tax may be imposed  
 32 at a rate of twenty-five hundredths percent (0.25%); and  
 33 (2) the sum of the county economic development income tax rate  
 34 and:  
 35 (A) the county adjusted gross income tax rate that are in effect  
 36 on January 1 of a year may not exceed one and five-tenths  
 37 percent (1.5%); or  
 38 (B) the county option income tax rate that are in effect on  
 39 January 1 of a year may not exceed one and twenty-five  
 40 hundredths percent (1.25%);  
 41 if the county council makes a determination to impose rates under this  
 42 subsection and section 24 of this chapter.

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1 (p) In addition:  
 2 (1) the county economic development income tax may be imposed  
 3 at a rate that exceeds by not more than twenty-five hundredths  
 4 percent (0.25%) the maximum rate that would otherwise apply  
 5 under this section; and  
 6 (2) the:  
 7 (A) county economic development income tax; and  
 8 (B) county option income tax or county adjusted gross income  
 9 tax;  
 10 may be imposed at combined rates that exceed by not more than  
 11 twenty-five hundredths percent (0.25%) the maximum combined  
 12 rates that would otherwise apply under this section.  
 13 However, the additional rate imposed under this subsection may not  
 14 exceed the amount necessary to mitigate the increased ad valorem  
 15 property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting  
 16 from the deduction of the assessed value of inventory in the county  
 17 under IC 6-1.1-12-41 or IC 6-1.1-12-42.  
 18 (q) If the county economic development income tax is imposed as  
 19 authorized under subsection (p) at a rate that exceeds the maximum  
 20 rate that would otherwise apply under this section, the certified  
 21 distribution must be used for the purpose provided in section 25(e) or  
 22 26 of this chapter to the extent that the certified distribution results  
 23 from the difference between:  
 24 (1) the actual county economic development tax rate; and  
 25 (2) the maximum rate that would otherwise apply under this  
 26 section.  
 27 (r) This subsection applies only to a county described in section 27  
 28 of this chapter. Except as provided in subsection (p), in addition to the  
 29 rates permitted by subsection (b), the:  
 30 (1) county economic development income tax may be imposed at  
 31 a rate of twenty-five hundredths percent (0.25%); and  
 32 (2) county economic development income tax rate plus the county  
 33 option income tax rate that are in effect on January 1 of a year  
 34 may equal up to one and twenty-five hundredths percent (1.25%);  
 35 if the county council makes a determination to impose rates under this  
 36 subsection and section 27 of this chapter.  
 37 (s) Except as provided in subsection (p), the county economic  
 38 development income tax rate plus the county adjusted gross income tax  
 39 rate that are in effect on January 1 of a year may not exceed one and  
 40 five-tenths percent (1.5%) if the county has imposed the county  
 41 adjusted gross income tax under IC 6-3.5-1.1-3.3.  
 42 (t) This subsection applies to Howard County. Except as provided

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1 in subsection (p), the sum of the county economic development income  
 2 tax rate and the county option income tax rate that are in effect on  
 3 January 1 of a year may not exceed one and twenty-five hundredths  
 4 percent (1.25%).

5 **(u) This subsection applies to a county to which IC 6-3.5-6-29**  
 6 **applies. Except as provided in subsection (p), the sum of the county**  
 7 **economic development income tax rate and the county option**  
 8 **income tax rate that are in effect on January 1 of a year may not**  
 9 **exceed one and five-tenths percent (1.5%).**

10 SECTION 6. IC 6-3.5-7-26, AS AMENDED BY P.L.199-2005,  
 11 SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 12 UPON PASSAGE]: Sec. 26. (a) This section applies only to homestead  
 13 credits for property taxes first due and payable after calendar year  
 14 2006.

15 (b) ~~For purposes of~~ **The following definitions apply throughout**  
 16 **this section:**

17 **(1) "Adopt" includes amend.**

18 **(2) "Adopting entity" means:**

19 ~~(1)~~ **(A)** the entity that adopts an ordinance under  
 20 IC 6-1.1-12-41(f); or

21 ~~(2)~~ **(B)** any other entity that may impose a county economic  
 22 development income tax under section 5 of this chapter.

23 **(3) "Homestead" refers to tangible property that is eligible**  
 24 **for a homestead credit under IC 6-1.1-20.9.**

25 **(4) "Residential" refers to real property, mobile homes, and**  
 26 **industrialized housing classified under the standards specified**  
 27 **by the department of local government finance as used for a**  
 28 **residential purpose, including tangible property that would**  
 29 **qualify as a homestead if the taxpayer had filed for a**  
 30 **homestead credit under IC 6-1.1-20.9 and rental residential**  
 31 **property.**

32 (c) An adopting entity may adopt an ordinance to provide for the use  
 33 of the certified distribution described in section 16(c) of this chapter for  
 34 the purpose provided in subsection (e). An adopting entity that adopts  
 35 an ordinance under this subsection shall use the procedures set forth in  
 36 IC 6-3.5-6 concerning the adoption of an ordinance for the imposition  
 37 of the county option income tax. An ordinance must be adopted under  
 38 this subsection after January 1 but before April 1 of a calendar year.  
 39 The ordinance may provide for an additional rate under section 5(p) of  
 40 this chapter. An ordinance adopted under this subsection:

41 (1) first applies to the certified distribution described in section  
 42 16(c) of this chapter made in the later of the calendar year that

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1 immediately succeeds the calendar year in which the ordinance is  
2 adopted or calendar year 2007; and  
3 (2) must specify that the certified distribution must be used to  
4 provide for **one (1) of the following, as determined by the**  
5 **adopting entity:**

6 (A) Uniformly applied increased homestead credits as  
7 provided in subsection (f). ~~or~~

8 **(B) Uniformly applied increased residential credits as**  
9 **provided in subsection (g).**

10 ~~(B)~~ (C) Allocated increased homestead credits as provided in  
11 subsection ~~(h)~~: (i).

12 **(D) Allocated increased residential credits as provided in**  
13 **subsection (j).**

14 An ordinance adopted under this subsection may be combined with an  
15 ordinance adopted under section 25 of this chapter.

16 (d) If an ordinance is adopted under subsection (c), the percentage  
17 of the certified distribution specified in the ordinance for use for the  
18 purpose provided in subsection (e) shall be:

- 19 (1) retained by the county auditor under subsection ~~(i)~~; **(k)**; and
- 20 (2) used for the purpose provided in subsection (e) instead of the  
21 purposes specified in the capital improvement plans adopted  
22 under section 15 of this chapter.

23 (e) If an ordinance is adopted under subsection (c), the adopting  
24 entity shall use the certified distribution described in section 16(c) of  
25 this chapter to increase:

26 **(1) if the ordinance grants a credit described in subsection**  
27 **(c)(2)(A) or (c)(2)(C), the homestead credit allowed in the county**  
28 **under IC 6-1.1-20.9 for a year; or**

29 **(2) if the ordinance grants a credit described in subsection**  
30 **(c)(2)(B) or (c)(2)(D), the property tax replacement credit**  
31 **allowed in the county under IC 6-1.1-21-5 for a year for the**  
32 **residential property;**

33 to offset the effect on homesteads **or residential property, as**  
34 **applicable,** in the county resulting from the statewide deduction for  
35 inventory under IC 6-1.1-12-42. **The amount of an additional**  
36 **residential property tax replacement credit granted under this**  
37 **section may not be considered in computing the amount of any**  
38 **homestead credit to which the residential property may be entitled**  
39 **under IC 6-1.1-20.9 or another law other than IC 6-1.1-20.6.**

40 (f) If the imposing entity specifies the application of uniform  
41 increased homestead credits under subsection (c)(2)(A), the county  
42 auditor shall, for each calendar year in which an increased homestead

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- 1 credit percentage is authorized under this section, determine:
- 2 (1) the amount of the certified distribution that is available to
- 3 provide an increased homestead credit percentage for the year;
- 4 (2) the amount of uniformly applied homestead credits for the
- 5 year in the county that equals the amount determined under
- 6 subdivision (1); and
- 7 (3) the increased percentage of homestead credit that equates to
- 8 the amount of homestead credits determined under subdivision
- 9 (2).

10 **(g) If the imposing entity specifies the application of uniform**  
 11 **increased residential credits under subsection (c)(2)(B), the county**  
 12 **auditor shall, for each calendar year in which an increased**  
 13 **homestead credit percentage is authorized under this section,**  
 14 **determine:**

- 15 (1) the amount of the certified distribution that is available to
- 16 provide an increased residential property tax replacement
- 17 credit percentage for the year;
- 18 (2) the amount of uniformly applied residential property tax
- 19 replacement credits for the year in the county that equals the
- 20 amount determined under subdivision (1); and
- 21 (3) the increased percentage of residential property tax
- 22 replacement credit that equates to the amount of residential
- 23 property tax replacement credits determined under
- 24 subdivision (2).

25 ~~(g)~~ **(h)** The increased percentage of homestead credit determined by  
 26 the county auditor under subsection (f) **or the increased percentage**  
 27 **of residential property tax replacement credit determined by the**  
 28 **county auditor under subsection (g)** applies uniformly in the county  
 29 in the calendar year for which the increased percentage is determined.

30 ~~(h)~~ **(i)** If the imposing entity specifies the application of allocated  
 31 increased homestead credits under subsection ~~(c)(2)(B)~~; **(c)(2)(C)**, the  
 32 county auditor shall, for each calendar year in which an increased  
 33 homestead credit is authorized under this section, determine:

- 34 (1) the amount of the certified distribution that is available to
- 35 provide an increased homestead credit for the year; and
- 36 (2) except as provided in subsection ~~(j)~~; **(l)**, an increased
- 37 percentage of homestead credit for each taxing district in the
- 38 county that allocates to the taxing district an amount of increased
- 39 homestead credits that bears the same proportion to the amount
- 40 determined under subdivision (1) that the amount of inventory
- 41 assessed value deducted under IC 6-1.1-12-42 in the taxing
- 42 district for the immediately preceding year's assessment date

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1 bears to the total inventory assessed value deducted under  
2 IC 6-1.1-12-42 in the county for the immediately preceding year's  
3 assessment date.

4 **(j) If the imposing entity specifies the application of allocated**  
5 **increased residential property tax replacement credits under**  
6 **subsection (c)(2)(D), the county auditor shall, for each calendar**  
7 **year in which an increased residential property tax replacement**  
8 **credit is authorized under this section, determine:**

9 **(1) the amount of the certified distribution that is available to**  
10 **provide an increased residential property tax replacement**  
11 **credit for the year; and**

12 **(2) except as provided in subsection (l), an increased**  
13 **percentage of residential property tax replacement credit for**  
14 **each taxing district in the county that allocates to the taxing**  
15 **district an amount of increased residential property tax**  
16 **replacement credits that bears the same proportion to the**  
17 **amount determined under subdivision (1) that the amount of**  
18 **inventory assessed value deducted under IC 6-1.1-12-42 in the**  
19 **taxing district for the immediately preceding year's**  
20 **assessment date bears to the total inventory assessed value**  
21 **deducted under IC 6-1.1-12-42 in the county for the**  
22 **immediately preceding year's assessment date.**

23 **(k)** The county auditor shall retain from the payments of the  
24 county's certified distribution an amount equal to the revenue lost, if  
25 any, due to the increase of the homestead credit **or residential**  
26 **property tax replacement credit** within the county. The money shall  
27 be distributed to the civil taxing units and school corporations of the  
28 county:

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

34 **(l)** Subject to the approval of the imposing entity, the county  
35 auditor may adjust the increased percentage of:

36 **(1)** homestead credit determined under subsection ~~(h)(2)~~ **(i)(2)** if  
37 the county auditor determines that the adjustment is necessary to  
38 achieve an equitable reduction of property taxes among the  
39 homesteads in the county; **or**

40 **(2) residential property tax replacement credit determined**  
41 **under subsection (j)(2) if the county auditor determines that**  
42 **the adjustment is necessary to achieve an equitable reduction**

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1           **of property taxes among the residential property in the**  
2           **county.**

3           SECTION 7. IC 6-9-24-9 IS AMENDED TO READ AS FOLLOWS  
4 [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) If the tax is imposed by a  
5 municipality under this chapter, the tax terminates January 1, ~~2007~~.  
6 **2017.**

7           (b) This chapter expires July 1, ~~2007~~. **2017.**

8           SECTION 8. IC 6-9-27-9.5, AS ADDED BY P.L.214-2005,  
9 SECTION 42, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
10 JULY 1, 2006]: Sec. 9.5. (a) A city shall use money in the fund  
11 established under section 8.5 of this chapter for only the following:

- 12           (1) Renovating the city hall.
- 13           (2) Constructing new police or fire stations, or both.
- 14           (3) Improving the city's sanitary sewers or wastewater treatment  
15 facilities, or both.
- 16           (4) Improving the city's storm water drainage systems.
- 17           (5) Other projects involving the city's water system or protecting  
18 the city's well fields, as determined by the city fiscal body.

19 Money in the fund may not be used for the operating costs of a project.  
20 ~~In addition, the city may not initiate a project under this chapter after~~  
21 ~~December 31, 2010.~~

22           (b) The fiscal body of the city may pledge money in the fund to pay  
23 bonds issued, loans obtained, and lease payments or other obligations  
24 incurred by or on behalf of the city or a special taxing district in the city  
25 to provide the projects described in subsection (a).

26           (c) Subsection (b) applies only to bonds, loans, lease payments, or  
27 obligations that are issued, obtained, or incurred after the date on which  
28 the tax is imposed under section 3 of this chapter.

29           (d) A pledge under subsection (b) is enforceable under IC 5-1-14-4.

30           SECTION 9. [EFFECTIVE UPON PASSAGE] **(a) The general**  
31 **assembly finds that:**

- 32           **(1) IC 6-3.5-1.1-2.8, as amended by this act, allows Jasper**  
33 **County to fund the operation and maintenance of a jail and**  
34 **juvenile detention center through the use of county option**  
35 **income tax revenues; and**
- 36           **(2) allowing Jasper County to fund the operation and**  
37 **maintenance of a jail and juvenile detention center through**  
38 **the use of county option income tax revenues rather than the**  
39 **use of property taxes promotes the purpose of maintaining**  
40 **low property tax rates and is essential to economic**  
41 **development.**

42           **(b) These special circumstances require legislation particular to**

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**Jasper County.**

SECTION 10. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "adopting entity" has the meaning set forth in IC 6-3.5-7-26.

(b) Notwithstanding IC 6-3.5-7-5, IC 6-3.5-7-6, and IC 6-3.5-7-26, an adopting entity may adopt or amend an ordinance under IC 6-3.5-7-26 in 2006 before October 1, 2006. A tax rate imposed in an ordinance adopted after March 31, 2006, and before September 1, 2006, applies to the adjusted gross income of county taxpayers on the first day of the month that follows the date on which the ordinance is certified to the department of state revenue by at least twenty (20) days. Notwithstanding IC 6-3.5-7-11, if an adopting entity adopts a tax rate under IC 6-3.5-7-26, not later than the later of August 2, 2006, or sixty (60) days after the ordinance is certified to the department of state revenue, the department, after reviewing the recommendation of the budget agency, shall adjust the certified distribution of a county to provide the county with the amount of any tax increase imposed under IC 6-3.5-7-26 to provide additional homestead credits or residential property tax replacement credits as provided in those provisions.

SECTION 11. An emergency is declared for this act.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1402, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 6-3.5-1.1-2.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:

Sec. 2.8. (a) This section applies to:

- (1) a county having a population of more than one hundred eighty-two thousand seven hundred ninety (182,790) but less than two hundred thousand (200,000); ~~and~~
- (2) a county having a population of more than forty-five thousand (45,000) but less than forty-five thousand nine hundred (45,900); **and**
- (3) Jasper County.**

(b) **Except as provided in subsection (h)**, the county council may, by ordinance, determine that additional county adjusted gross income tax revenue is needed in the county to:

- (1) finance, construct, acquire, improve, renovate, ~~or~~ **equip, operate, or maintain:**
    - (A) jail facilities;
    - (B) juvenile court, detention, and probation facilities;
    - (C) other criminal justice facilities; and
    - (D) related buildings and parking facilities;
- located in the county, including costs related to the demolition of existing buildings and the acquisition of land; and
- (2) repay bonds issued or leases entered into for the purposes described in subdivision (1).

(c) In addition to the rates permitted by section 2 of this chapter, the county council may impose the county adjusted gross income tax at a rate of:

- (1) fifteen-hundredths percent (0.15%);
- (2) two-tenths percent (0.2%); or
- (3) twenty-five hundredths percent (0.25%);

on the adjusted gross income of county taxpayers if the county council makes the finding and determination set forth in subsection (b). The tax imposed under this section may be imposed only until the later of the date on which the financing, construction, acquisition, improvement, renovation, and equipping described in subsection (b) are completed or the date on which the last of any bonds issued or leases entered into

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to finance the construction, acquisition, improvement, renovation, and equipping described in subsection (b) are fully paid. The term of the bonds issued (including any refunding bonds) or a lease entered into under subsection (b)(2) may not exceed twenty (20) years.

(d) If the county council makes a determination under subsection (b), the county council may adopt a tax rate under subsection (c). The tax rate may not be imposed at a rate greater than is necessary to pay the costs of carrying out the purposes described in subsection (b)(1).

(e) The county treasurer shall establish a criminal justice facilities revenue fund to be used only for purposes described in this section. County adjusted gross income tax revenues derived from the tax rate imposed under this section shall be deposited in the criminal justice facilities revenue fund before making a certified distribution under section 11 of this chapter.

(f) County adjusted gross income tax revenues derived from the tax rate imposed under this section:

- (1) may be used only for the purposes described in this section;
- (2) may not be considered by the department of local government finance in determining the county's maximum permissible property tax levy limit under IC 6-1.1-18.5; and
- (3) may be pledged to the repayment of bonds issued or leases entered into for any or all the purposes described in subsection (b).

(g) Notwithstanding any other law, funds accumulated from the county adjusted gross income tax imposed under this section after:

- (1) the completion of the financing, construction, acquisition, improvement, renovation, ~~and~~ equipping, **operation, and maintenance** described in subsection (b);
- (2) the payment or provision for payment of all the costs for activities described in subdivision (1);
- (3) the redemption of bonds issued; and
- (4) the final payment of lease rentals due under a lease entered into under this section;

shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges.

**(h) In Jasper County, the additional county adjusted gross income tax revenue may be used only to operate or maintain:**

- (1) jail facilities;**
- (2) juvenile court, detention, and probation facilities;**
- (3) other criminal justice facilities; and**
- (4) related buildings and parking facilities;**

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**located in the county.**

SECTION 2. IC 6-3.5-1.1-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:  
 Sec. 10. (a) Except as provided in subsection (b), one-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 8 of this chapter to the appropriate county treasurer on May 1 and the other one-half (1/2) on November 1 of that calendar year.

(b) This subsection applies to a county having a population of more than one hundred forty-five thousand (145,000) but less than one hundred forty-eight thousand (148,000). Notwithstanding section 9 of this chapter, the initial certified distribution certified for a county under section 9 of this chapter shall be distributed to the county treasurer from the account established for the county under section 8 of this chapter according to the following schedule during the eighteen (18) month period beginning on July 1 of the year in which the county initially adopts an ordinance under section 2 of this chapter:

- (1) One-fourth (1/4) on October 1 of the year in which the ordinance was adopted.
- (2) One-fourth (1/4) on January 1 of the calendar year following the year in which the ordinance was adopted.
- (3) One-fourth (1/4) on May 1 of the calendar year following the year in which the ordinance was adopted.
- (4) One-fourth (1/4) on November 1 of the calendar year following the year in which the ordinance was adopted.

Notwithstanding section 11 of this chapter, the part of the certified distribution received under subdivision (1) that would otherwise be allocated to a civil taxing unit or school corporation as property tax replacement credits under section 11 of this chapter shall be set aside and treated for the calendar year when received by the civil taxing unit or school corporation as a levy excess subject to IC 6-1.1-18.5-17 or IC 6-1.1-19-1.7. Certified distributions made to the county treasurer for calendar years following the eighteen (18) month period described in this subsection shall be made as provided in subsection (a).

(c) Except for:

- (1) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;
- (2) revenue that must be used to pay the costs of:
  - (A) financing, constructing, acquiring, improving, renovating, or equipping, **operating, or maintaining** facilities and buildings;
  - (B) debt service on bonds; or

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(C) lease rentals;  
 under section 2.8 of this chapter;  
 (3) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;  
 (4) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or  
 (5) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county courthouse under section 3.6 of this chapter;  
 distributions made to a county treasurer under subsections (a) and (b) shall be treated as though they were property taxes that were due and payable during that same calendar year. Except as provided by subsection (b), the certified distribution shall be distributed and used by the taxing units and school corporations as provided in sections 11 through 15 of this chapter.

(d) All distributions from an account established under section 8 of this chapter shall be made by warrants issued by the auditor of the state to the treasurer of the state ordering the appropriate payments.

SECTION 3. IC 6-3.5-1.1-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]:  
 Sec. 11. (a) Except for:

- (1) revenue that must be used to pay the costs of operating a jail and juvenile detention center under section 2.5(d) of this chapter;
- (2) revenue that must be used to pay the costs of:
  - (A) financing, constructing, acquiring, improving, renovating, or equipping, **operating, or maintaining** facilities and buildings;
  - (B) debt service on bonds; or
  - (C) lease rentals;

under section 2.8 of this chapter;  
 (3) revenue that must be used to pay the costs of construction, improvement, renovation, or remodeling of a jail and related buildings and parking structures under section 2.7, 2.9, or 3.3 of this chapter;  
 (4) revenue that must be used to pay the costs of operating and maintaining a jail and justice center under section 3.5(d) of this chapter; or  
 (5) revenue that must be used to pay the costs of constructing, acquiring, improving, renovating, or equipping a county

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courthouse under section 3.6 of this chapter; the certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units and school corporations of the county as certified shares and property tax replacement credits.

(b) Before August 10 of each calendar year, each county auditor shall determine the part of the certified distribution for the next succeeding calendar year that will be allocated as property tax replacement credits and the part that will be allocated as certified shares. The percentage of a certified distribution that will be allocated as property tax replacement credits or as certified shares depends upon the county adjusted gross income tax rate for resident county taxpayers in effect on August 1 of the calendar year that precedes the year in which the certified distribution will be received by two (2) years. The percentages are set forth in the following table:

COUNTY	PROPERTY TAX	CERTIFIED SHARES
ADJUSTED GROSS INCOME TAX RATE	REPLACEMENT CREDITS	
0.5%	50%	50%
0.75%	33 1/3%	66 2/3%
1%	25%	75%

(c) The part of a certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 12, 13, and 14 of this chapter.

(d) The part of a certified distribution that constitutes certified shares shall be distributed as provided by section 15 of this chapter."

Page 7, between lines 31 and 32, begin a new paragraph and insert: "SECTION 6. IC 6-3.5-7-26, AS AMENDED BY P.L.199-2005, SECTION 26, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 26. (a) This section applies only to homestead credits for property taxes first due and payable after calendar year 2006.

(b) For purposes of The following definitions apply throughout this section:

- (1) "Adopt" includes amend.
- (2) "Adopting entity" means:
  - (1) (A) the entity that adopts an ordinance under IC 6-1.1-12-41(f); or
  - (2) (B) any other entity that may impose a county economic development income tax under section 5 of this chapter.
- (3) "Homestead" refers to tangible property that is eligible

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for a homestead credit under IC 6-1.1-20.9.

(4) "Residential" refers to real property, mobile homes, and industrialized housing classified under the standards specified by the department of local government finance as used for a residential purpose, including tangible property that would qualify as a homestead if the taxpayer had filed for a homestead credit under IC 6-1.1-20.9 and rental residential property.

(c) An adopting entity may adopt an ordinance to provide for the use of the certified distribution described in section 16(c) of this chapter for the purpose provided in subsection (e). An adopting entity that adopts an ordinance under this subsection shall use the procedures set forth in IC 6-3.5-6 concerning the adoption of an ordinance for the imposition of the county option income tax. An ordinance must be adopted under this subsection after January 1 but before April 1 of a calendar year. The ordinance may provide for an additional rate under section 5(p) of this chapter. An ordinance adopted under this subsection:

(1) first applies to the certified distribution described in section 16(c) of this chapter made in the later of the calendar year that immediately succeeds the calendar year in which the ordinance is adopted or calendar year 2007; and

(2) must specify that the certified distribution must be used to provide for **one (1) of the following, as determined by the adopting entity:**

(A) Uniformly applied increased homestead credits as provided in subsection (f). ~~or~~

**(B) Uniformly applied increased residential credits as provided in subsection (g).**

~~(B)~~ (C) Allocated increased homestead credits as provided in subsection ~~(h)~~: (i).

**(D) Allocated increased residential credits as provided in subsection (j).**

An ordinance adopted under this subsection may be combined with an ordinance adopted under section 25 of this chapter.

(d) If an ordinance is adopted under subsection (c), the percentage of the certified distribution specified in the ordinance for use for the purpose provided in subsection (e) shall be:

(1) retained by the county auditor under subsection ~~(i)~~: (k); and

(2) used for the purpose provided in subsection (e) instead of the purposes specified in the capital improvement plans adopted under section 15 of this chapter.

(e) If an ordinance is adopted under subsection (c), the adopting

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entity shall use the certified distribution described in section 16(c) of this chapter to increase:

- (1) if the ordinance grants a credit described in subsection (c)(2)(A) or (c)(2)(C), the homestead credit allowed in the county under IC 6-1.1-20.9 for a year; or**
- (2) if the ordinance grants a credit described in subsection (c)(2)(B) or (c)(2)(D), the property tax replacement credit allowed in the county under IC 6-1.1-21-5 for a year for the residential property;**

to offset the effect on homesteads **or residential property, as applicable**, in the county resulting from the statewide deduction for inventory under IC 6-1.1-12-42. **The amount of an additional residential property tax replacement credit granted under this section may not be considered in computing the amount of any homestead credit to which the residential property may be entitled under IC 6-1.1-20.9 or another law other than IC 6-1.1-20.6.**

(f) If the imposing entity specifies the application of uniform increased homestead credits under subsection (c)(2)(A), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit percentage for the year;
- (2) the amount of uniformly applied homestead credits for the year in the county that equals the amount determined under subdivision (1); and
- (3) the increased percentage of homestead credit that equates to the amount of homestead credits determined under subdivision (2).

**(g) If the imposing entity specifies the application of uniform increased residential credits under subsection (c)(2)(B), the county auditor shall, for each calendar year in which an increased homestead credit percentage is authorized under this section, determine:**

- (1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit percentage for the year;**
- (2) the amount of uniformly applied residential property tax replacement credits for the year in the county that equals the amount determined under subdivision (1); and**
- (3) the increased percentage of residential property tax replacement credit that equates to the amount of residential property tax replacement credits determined under**

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**subdivision (2).**

~~(g)~~ **(h)** The increased percentage of homestead credit determined by the county auditor under subsection (f) **or the increased percentage of residential property tax replacement credit determined by the county auditor under subsection (g)** applies uniformly in the county in the calendar year for which the increased percentage is determined.

~~(h)~~ **(i)** If the imposing entity specifies the application of allocated increased homestead credits under subsection ~~(c)(2)(B)~~; **(c)(2)(C)**, the county auditor shall, for each calendar year in which an increased homestead credit is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased homestead credit for the year; and
- (2) except as provided in subsection ~~(j)~~; **(l)**, an increased percentage of homestead credit for each taxing district in the county that allocates to the taxing district an amount of increased homestead credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

**(j)** If the imposing entity specifies the application of allocated increased residential property tax replacement credits under subsection **(c)(2)(D)**, the county auditor shall, for each calendar year in which an increased residential property tax replacement credit is authorized under this section, determine:

- (1) the amount of the certified distribution that is available to provide an increased residential property tax replacement credit for the year; and
- (2) except as provided in subsection **(l)**, an increased percentage of residential property tax replacement credit for each taxing district in the county that allocates to the taxing district an amount of increased residential property tax replacement credits that bears the same proportion to the amount determined under subdivision (1) that the amount of inventory assessed value deducted under IC 6-1.1-12-42 in the taxing district for the immediately preceding year's assessment date bears to the total inventory assessed value deducted under IC 6-1.1-12-42 in the county for the immediately preceding year's assessment date.

~~(i)~~ **(k)** The county auditor shall retain from the payments of the

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county's certified distribution an amount equal to the revenue lost, if any, due to the increase of the homestead credit **or residential property tax replacement 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 **or residential property tax replacement credit**.

(j) (I) Subject to the approval of the imposing entity, the county auditor may adjust the increased percentage of:

- (1) homestead credit determined under subsection ~~(h)(2)~~ **(i)(2)** if the county auditor determines that the adjustment is necessary to achieve an equitable reduction of property taxes among the homesteads in the county; **or**
- (2) **residential property tax replacement credit determined under subsection (j)(2) if the county auditor determines that the adjustment is necessary to achieve an equitable reduction of property taxes among the residential property in the county.**

SECTION 7. IC 6-9-24-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) If the tax is imposed by a municipality under this chapter, the tax terminates January 1, ~~2007~~ **2017**.

(b) This chapter expires July 1, ~~2007~~ **2017**.

SECTION 8. IC 6-9-27-9.5, AS ADDED BY P.L.214-2005, SECTION 42, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 9.5. (a) A city shall use money in the fund established under section 8.5 of this chapter for only the following:

- (1) Renovating the city hall.
- (2) Constructing new police or fire stations, or both.
- (3) Improving the city's sanitary sewers or wastewater treatment facilities, or both.
- (4) Improving the city's storm water drainage systems.
- (5) Other projects involving the city's water system or protecting the city's well fields, as determined by the city fiscal body.

Money in the fund may not be used for the operating costs of a project. ~~In addition, the city may not initiate a project under this chapter after December 31, 2010.~~

(b) The fiscal body of the city may pledge money in the fund to pay bonds issued, loans obtained, and lease payments or other obligations

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incurred by or on behalf of the city or a special taxing district in the city to provide the projects described in subsection (a).

(c) Subsection (b) applies only to bonds, loans, lease payments, or obligations that are issued, obtained, or incurred after the date on which the tax is imposed under section 3 of this chapter.

(d) A pledge under subsection (b) is enforceable under IC 5-1-14-4.

**SECTION 6. [EFFECTIVE UPON PASSAGE] (a) The general assembly finds that:**

**(1) IC 6-3.5-1.1-2.8, as amended by this act, allows Jasper County to fund the operation and maintenance of a jail and juvenile detention center through the use of county option income tax revenues; and**

**(2) allowing Jasper County to fund the operation and maintenance of a jail and juvenile detention center through the use of county option income tax revenues rather than the use of property taxes promotes the purpose of maintaining low property tax rates and is essential to economic development.**

**(b) These special circumstances require legislation particular to Jasper County.**

**SECTION 7. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "adopting entity" has the meaning set forth in IC 6-3.5-7-26.**

**(b) Notwithstanding IC 6-3.5-7-5, IC 6-3.5-7-6, and IC 6-3.5-7-26, an adopting entity may adopt or amend an ordinance under IC 6-3.5-7-26 in 2006 before October 1, 2006. A tax rate imposed in an ordinance adopted after March 31, 2006, and before September 1, 2006, applies to the adjusted gross income of county taxpayers on the first day of the month that follows the date on which the ordinance is certified to the department of state revenue by at least twenty (20) days. Notwithstanding IC 6-3.5-7-11, if an adopting entity adopts a tax rate under IC 6-3.5-7-26, not later than the later of August 2, 2006, or sixty (60) days after the ordinance is certified to the department of state revenue, the department, after reviewing the recommendation of the budget agency, shall adjust the certified distribution of a county to provide the county with the amount of any tax increase imposed under IC 6-3.5-7-26 to provide additional homestead credits or residential property tax replacement credits as provided in those provisions."**

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Renumber all section consecutively.  
and when so amended that said bill do pass.  
(Reference is to HB 1402 as introduced.)

ESPICH, Chair

Committee Vote: yeas 19, nays 3.

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