

**CONFERENCE COMMITTEE REPORT  
DIGEST FOR EHB 1327**

**Citations Affected:** IC 5-1-1-1; IC 6; IC 21-2-21-1.8.

**Synopsis:** Taxation and government finance. Prohibits the assignment of sales tax remittance deductions to nonaffiliated companies. Provides that for taxable years beginning after December 31, 2005, references in Indiana law to the Internal Revenue Code and related regulations refer to the law and regulations in effect on January 1, 2006. Specifies that the category of children for which an additional \$1,500 state income tax deduction may be claimed is to be determined under an Internal Revenue Code definition as it was in effect on January 1, 2004. Extends to June 30, 2011, the time during which Jackson County may impose an additional county adjusted gross income tax rate of 0.1% for the operation of a jail and juvenile detention center. Permits an additional county option income tax rate in Scott County to construct and maintain criminal justice facilities. Changes the termination date for the Nashville food and beverage tax from January 1, 2007, to January 1, 2012. Extends the deadline for initiating projects under the Martinsville food and beverage tax from December 31, 2010, to December 31, 2015. Allows a school corporation to petition the DLGF requesting approval to incur bond indebtedness to implement solutions to contractual retirement or severance liability. **(This conference committee report adds the following provisions to the Senate passed version of EHB 1327: (1) A provision changing the date for validation of all outstanding bonds issued or lease agreements executed by various governmental entities from March 15, 2000, to March 15, 2006. (2) A provision concerning assignment of sales tax remittance deductions to affiliated companies similar to a provision in the Senate passed version of EHB 1001 that prohibited any assignment of these deductions.(3) Provisions concerning the Jackson County adjusted gross income tax and the Scott County option income tax from the Senate passed version of EHB 1001. (4) Provisions concerning the Martinsville and the Nashville food and beverages taxes that were contained in the House passed version of ESB 148. (4) A provision from the House passed version of ESB 260 concerning school employee severance bonds.)**

**Effective:** Upon passage; January 1, 2005 (retroactive); January 1, 2006 (retroactive); March 15, 2006 (retroactive); July 1, 2006; July 1, 2007.

Adopted

Rejected

## CONFERENCE COMMITTEE REPORT

**MR. SPEAKER:**

*Your Conference Committee appointed to confer with a like committee from the Senate upon Engrossed Senate Amendments to Engrossed House Bill No. 1327 respectfully reports that said two committees have conferred and agreed as follows to wit:*

that the House recede from its dissent from all Senate amendments and that the House now concur in all Senate amendments to the bill and that the bill be further amended as follows:

- 1 Delete the title and insert the following:  
2 A BILL FOR AN ACT to amend the Indiana Code concerning  
3 government finance.  
4 Delete everything after the enacting clause and insert the following:  
5 SECTION 1. IC 5-1-1-1 IS AMENDED TO READ AS FOLLOWS  
6 [EFFECTIVE MARCH 15, 2006 (RETROACTIVE)]: Sec. 1. (a) **The**  
7 **following definitions apply throughout this section:**  
8 **(1) "Agreement" means any agreement that includes terms,**  
9 **representations, or provisions relating to:**  
10 **(A) credit enhancement of, or rate covenants supporting, any**  
11 **bonds, notes, evidences of indebtedness, leases, swap**  
12 **agreements, or other written obligations described in**  
13 **subsection (b);**  
14 **(B) any indenture or provision regarding any indenture**  
15 **relating to any bonds, notes, evidences of indebtedness,**  
16 **leases, swap agreements, or other written obligations**  
17 **described in subsection (b);**  
18 **(C) payment of any bonds, notes, evidences of indebtedness,**  
19 **leases, swap agreements, or other written obligations**  
20 **described in subsection (b) in the event of a termination of**  
21 **the agreement; or**  
22 **(D) public works, capital improvements, or economic**  
23 **development projects.**

1 (2) "Leasing body" means a not-for-profit corporation, limited  
 2 purpose corporation, or authority that has leased land and a  
 3 building or buildings to an entity named in subsection (b) other  
 4 than another leasing body.

5 (3) "Swap agreement" has the meaning set forth in  
 6 IC 8-9.5-9-4.

7 (b) All bonds, notes, evidences of indebtedness, **swap agreements,**  
 8 **agreements,** leases, or other written obligations issued **or executed** by  
 9 or in the name of any:

10 (1) state agency, county, township, city, incorporated town, school  
 11 corporation, state educational institution, state supported institution  
 12 of higher learning, political subdivision, joint agency created under  
 13 IC 8-1-2.2, leasing body, **separate body corporate and politic,** or  
 14 any other political, municipal, public or quasi-public corporation;  
 15 ~~or in the name of any~~

16 (2) special assessment or taxing district; or ~~in the name of any~~

17 (3) **board,** commission, authority, or authorized body of any such  
 18 entity; and

19 any pledge, dedication or designation of revenues, conveyance, or  
 20 mortgage securing these bonds, notes, evidences of indebtedness,  
 21 leases, **swap agreements, agreements,** or other written obligations are  
 22 hereby legalized and declared valid if these bonds, notes, evidences of  
 23 indebtedness, leases, **swap agreements, agreements,** or other written  
 24 obligations have been executed before March 15, ~~2000:~~ **2006.** All  
 25 **governance, organizational, or other** proceedings had and actions  
 26 taken under which the bonds, notes, evidences of indebtedness, leases,  
 27 **swap agreements, agreements,** or other written obligations were  
 28 issued **or executed** or the pledge, dedication or designation of  
 29 revenues, conveyance, or mortgage was granted, are hereby fully  
 30 legalized and declared valid.

31 (c) All contracts for the purchase of electric power and energy or  
 32 utility capacity or service:

33 (1) entered into by a joint agency created under IC 8-1-2.2; and ~~its~~  
 34 ~~members;~~

35 (2) **used by the members of the joint agency** for the purpose of  
 36 securing payment of principal and interest on bonds, notes,  
 37 evidences of indebtedness, leases, or other written obligations  
 38 issued by or in the name of such joint agency;

39 are hereby legalized and declared valid if entered into before March 15,  
 40 ~~2000:~~ **2006.** All proceedings held and actions taken under which  
 41 contracts for the purchase of electric power and energy or utility  
 42 capacity or service were executed or entered into are hereby fully  
 43 legalized and declared valid.

44 (d) All interlocal cooperation agreements entered into by political  
 45 subdivisions or governmental entities under IC 36-1-7 are hereby  
 46 legalized and declared valid if entered into before March 15, ~~2000:~~  
 47 **2006.** All proceedings held and actions taken under which interlocal  
 48 cooperation agreements were executed or entered into are hereby fully  
 49 legalized and validated.

50 SECTION 2. IC 6-2.5-6-9 IS AMENDED TO READ AS FOLLOWS  
 51 [EFFECTIVE JULY 1, 2007]: Sec. 9. (a) In determining the amount of

1 state gross retail and use taxes which a retail merchant must remit under  
 2 section 7 of this chapter, the retail merchant shall, subject to  
 3 subsections (c) and (d), deduct from the retail merchant's gross retail  
 4 income from retail transactions made during a particular reporting  
 5 period, an amount equal to the retail merchant's receivables which:

6 (1) resulted from retail transactions in which the retail merchant did  
 7 not collect the state gross retail or use tax from the purchaser;

8 (2) resulted from retail transactions on which the retail merchant  
 9 has previously paid the state gross retail or use tax liability to the  
 10 department; and

11 (3) were written off as an uncollectible debt for federal tax  
 12 purposes under Section 166 of the Internal Revenue Code during  
 13 the particular reporting period.

14 (b) If a retail merchant deducts a receivable under subsection (a) and  
 15 subsequently collects all or part of that receivable, then the retail  
 16 merchant shall, subject to subsection (d)(6), include the amount  
 17 collected as part of the retail merchant's gross retail income from retail  
 18 transactions for the particular reporting period in which the retail  
 19 merchant makes the collection.

20 (c) This subsection applies only to retail transactions occurring after  
 21 June 30, ~~2004~~ 2007. **As used in this subsection, "affiliated group"**  
 22 **means any combination of the following:**

23 **(1) An affiliated group within the meaning provided in Section**  
 24 **1504 of the Internal Revenue Code (except that the ownership**  
 25 **percentage in Section 1504(a)(2) of the Internal Revenue Code**  
 26 **shall be determined using fifty percent (50%) instead of eighty**  
 27 **percent (80%)) or a relationship described in Section**  
 28 **267(b)(11) of the Internal Revenue Code.**

29 **(2) Two (2) or more partnerships (as defined in IC 6-3-1-19),**  
 30 **including limited liability companies and limited liability**  
 31 **partnerships, that have the same degree of mutual ownership**  
 32 **as an affiliated group described in subdivision (1), as**  
 33 **determined under the rules adopted by the department.**

34 The right to a deduction under this section is **not** assignable ~~only if the~~  
 35 ~~retail merchant that paid the state gross retail or use tax liability~~  
 36 ~~assigned the right to the deduction in writing: to an individual or~~  
 37 **entity that is not part of the same affiliated group as the assignor.**

38 (d) The following provisions apply to a deduction for a receivable  
 39 treated as uncollectible debt under subsection (a):

40 (1) The deduction does not include interest.

41 (2) The amount of the deduction shall be determined in the manner  
 42 provided by Section 166 of the Internal Revenue Code for bad  
 43 debts but shall be adjusted to exclude:

44 (A) financing charges or interest;

45 (B) sales or use taxes charged on the purchase price;

46 (C) uncollectible amounts on property that remain in the  
 47 possession of the seller until the full purchase price is paid;

48 (D) expenses incurred in attempting to collect any debt; and

49 (E) repossessed property.

50 (3) The deduction shall be claimed on the return for the period  
 51 during which the receivable is written off as uncollectible in the

1 claimant's books and records and is eligible to be deducted for  
 2 federal income tax purposes. For purposes of this subdivision, a  
 3 claimant who is not required to file federal income tax returns may  
 4 deduct an uncollectible receivable on a return filed for the period  
 5 in which the receivable is written off as uncollectible in the  
 6 claimant's books and records and would be eligible for a bad debt  
 7 deduction for federal income tax purposes if the claimant were  
 8 required to file a federal income tax return.

9 (4) If the amount of uncollectible receivables claimed as a  
 10 deduction by a retail merchant for a particular reporting period  
 11 exceeds the amount of the retail merchant's taxable sales for that  
 12 reporting period, the retail merchant may file a refund claim under  
 13 IC 6-8.1-9. However, the deadline for the refund claim shall be  
 14 measured from the due date of the return for the reporting period on  
 15 which the deduction for the uncollectible receivables could first be  
 16 claimed.

17 (5) If a retail merchant's filing responsibilities have been assumed  
 18 by a certified service provider (as defined in IC 6-2.5-11-2), the  
 19 certified service provider may claim, on behalf of the retail  
 20 merchant, any deduction or refund for uncollectible receivables  
 21 provided by this section. The certified service provider must credit  
 22 or refund the full amount of any deduction or refund received to the  
 23 retail merchant.

24 (6) For purposes of reporting a payment received on a previously  
 25 claimed uncollectible receivable, any payments made on a debt or  
 26 account shall be applied first proportionally to the taxable price of  
 27 the property and the state gross retail tax or use tax thereon, and  
 28 secondly to interest, service charges, and any other charges.

29 (7) A retail merchant claiming a deduction for an uncollectible  
 30 receivable may allocate that receivable among the states that are  
 31 members of the streamlined sales and use tax agreement if the  
 32 books and records of the retail merchant support that allocation.

33 SECTION 3. IC 6-3-1-3.5, AS AMENDED BY P.L.246-2005,  
 34 SECTION 69, IS AMENDED TO READ AS FOLLOWS  
 35 [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]: Sec. 3.5. When  
 36 used in this article, the term "adjusted gross income" shall mean the  
 37 following:

38 (a) In the case of all individuals, "adjusted gross income" (as defined  
 39 in Section 62 of the Internal Revenue Code), modified as follows:

40 (1) Subtract income that is exempt from taxation under this article  
 41 by the Constitution and statutes of the United States.

42 (2) Add an amount equal to any deduction or deductions allowed  
 43 or allowable pursuant to Section 62 of the Internal Revenue Code  
 44 for taxes based on or measured by income and levied at the state  
 45 level by any state of the United States.

46 (3) Subtract one thousand dollars (\$1,000), or in the case of a joint  
 47 return filed by a husband and wife, subtract for each spouse one  
 48 thousand dollars (\$1,000).

49 (4) Subtract one thousand dollars (\$1,000) for:

50 (A) each of the exemptions provided by Section 151(c) of the  
 51 Internal Revenue Code;

- 1 (B) each additional amount allowable under Section 63(f) of the  
 2 Internal Revenue Code; and
- 3 (C) the spouse of the taxpayer if a separate return is made by the  
 4 taxpayer and if the spouse, for the calendar year in which the  
 5 taxable year of the taxpayer begins, has no gross income and is  
 6 not the dependent of another taxpayer.
- 7 (5) Subtract:
- 8 (A) **for taxable years beginning after December 31, 2004**, one  
 9 thousand five hundred dollars (\$1,500) for each of the  
 10 exemptions allowed under Section 151(c)(1)(B) of the Internal  
 11 Revenue Code ~~for taxable years beginning after December 31,~~  
 12 ~~1996, (as effective January 1, 2004);~~ and
- 13 (B) five hundred dollars (\$500) for each additional amount  
 14 allowable under Section 63(f)(1) of the Internal Revenue Code  
 15 if the adjusted gross income of the taxpayer, or the taxpayer and  
 16 the taxpayer's spouse in the case of a joint return, is less than  
 17 forty thousand dollars (\$40,000).
- 18 This amount is in addition to the amount subtracted under  
 19 subdivision (4).
- 20 (6) Subtract an amount equal to the lesser of:
- 21 (A) that part of the individual's adjusted gross income (as defined  
 22 in Section 62 of the Internal Revenue Code) for that taxable year  
 23 that is subject to a tax that is imposed by a political subdivision  
 24 of another state and that is imposed on or measured by income;  
 25 or
- 26 (B) two thousand dollars (\$2,000).
- 27 (7) Add an amount equal to the total capital gain portion of a lump  
 28 sum distribution (as defined in Section 402(e)(4)(D) of the Internal  
 29 Revenue Code) if the lump sum distribution is received by the  
 30 individual during the taxable year and if the capital gain portion of  
 31 the distribution is taxed in the manner provided in Section 402 of  
 32 the Internal Revenue Code.
- 33 (8) Subtract any amounts included in federal adjusted gross income  
 34 under Section 111 of the Internal Revenue Code as a recovery of  
 35 items previously deducted as an itemized deduction from adjusted  
 36 gross income.
- 37 (9) Subtract any amounts included in federal adjusted gross income  
 38 under the Internal Revenue Code which amounts were received by  
 39 the individual as supplemental railroad retirement annuities under  
 40 45 U.S.C. 231 and which are not deductible under subdivision (1).
- 41 (10) Add an amount equal to the deduction allowed under Section  
 42 221 of the Internal Revenue Code for married couples filing joint  
 43 returns if the taxable year began before January 1, 1987.
- 44 (11) Add an amount equal to the interest excluded from federal  
 45 gross income by the individual for the taxable year under Section  
 46 128 of the Internal Revenue Code if the taxable year began before  
 47 January 1, 1985.
- 48 (12) Subtract an amount equal to the amount of federal Social  
 49 Security and Railroad Retirement benefits included in a taxpayer's  
 50 federal gross income by Section 86 of the Internal Revenue Code.
- 51 (13) In the case of a nonresident taxpayer or a resident taxpayer

- 1 residing in Indiana for a period of less than the taxpayer's entire  
2 taxable year, the total amount of the deductions allowed pursuant  
3 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount  
4 which bears the same ratio to the total as the taxpayer's income  
5 taxable in Indiana bears to the taxpayer's total income.
- 6 (14) In the case of an individual who is a recipient of assistance  
7 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,  
8 subtract an amount equal to that portion of the individual's adjusted  
9 gross income with respect to which the individual is not allowed  
10 under federal law to retain an amount to pay state and local income  
11 taxes.
- 12 (15) In the case of an eligible individual, subtract the amount of a  
13 Holocaust victim's settlement payment included in the individual's  
14 federal adjusted gross income.
- 15 (16) For taxable years beginning after December 31, 1999, subtract  
16 an amount equal to the portion of any premiums paid during the  
17 taxable year by the taxpayer for a qualified long term care policy  
18 (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's  
19 spouse, or both.
- 20 (17) Subtract an amount equal to the lesser of:
- 21 (A) for a taxable year:
- 22 (i) including any part of 2004, the amount determined under  
23 subsection (f); and
- 24 (ii) beginning after December 31, 2004, two thousand five  
25 hundred dollars (\$2,500); or
- 26 (B) the amount of property taxes that are paid during the taxable  
27 year in Indiana by the individual on the individual's principal  
28 place of residence.
- 29 (18) Subtract an amount equal to the amount of a September 11  
30 terrorist attack settlement payment included in the individual's  
31 federal adjusted gross income.
- 32 (19) Add or subtract the amount necessary to make the adjusted  
33 gross income of any taxpayer that owns property for which bonus  
34 depreciation was allowed in the current taxable year or in an earlier  
35 taxable year equal to the amount of adjusted gross income that  
36 would have been computed had an election not been made under  
37 Section 168(k) of the Internal Revenue Code to apply bonus  
38 depreciation to the property in the year that it was placed in  
39 service.
- 40 (20) Add an amount equal to any deduction allowed under Section  
41 172 of the Internal Revenue Code.
- 42 (21) Add or subtract the amount necessary to make the adjusted  
43 gross income of any taxpayer that placed Section 179 property (as  
44 defined in Section 179 of the Internal Revenue Code) in service in  
45 the current taxable year or in an earlier taxable year equal to the  
46 amount of adjusted gross income that would have been computed  
47 had an election for federal income tax purposes not been made for  
48 the year in which the property was placed in service to take  
49 deductions under Section 179 of the Internal Revenue Code in a  
50 total amount exceeding twenty-five thousand dollars (\$25,000).
- 51 (22) Add an amount equal to the amount that a taxpayer claimed as

1 a deduction for domestic production activities for the taxable year  
2 under Section 199 of the Internal Revenue Code for federal income  
3 tax purposes.

4 (b) In the case of corporations, the same as "taxable income" (as  
5 defined in Section 63 of the Internal Revenue Code) adjusted as  
6 follows:

7 (1) Subtract income that is exempt from taxation under this article  
8 by the Constitution and statutes of the United States.

9 (2) Add an amount equal to any deduction or deductions allowed  
10 or allowable pursuant to Section 170 of the Internal Revenue Code.

11 (3) Add an amount equal to any deduction or deductions allowed  
12 or allowable pursuant to Section 63 of the Internal Revenue Code  
13 for taxes based on or measured by income and levied at the state  
14 level by any state of the United States.

15 (4) Subtract an amount equal to the amount included in the  
16 corporation's taxable income under Section 78 of the Internal  
17 Revenue Code.

18 (5) Add or subtract the amount necessary to make the adjusted  
19 gross income of any taxpayer that owns property for which bonus  
20 depreciation was allowed in the current taxable year or in an earlier  
21 taxable year equal to the amount of adjusted gross income that  
22 would have been computed had an election not been made under  
23 Section 168(k) of the Internal Revenue Code to apply bonus  
24 depreciation to the property in the year that it was placed in  
25 service.

26 (6) Add an amount equal to any deduction allowed under Section  
27 172 of the Internal Revenue Code.

28 (7) Add or subtract the amount necessary to make the adjusted  
29 gross income of any taxpayer that placed Section 179 property (as  
30 defined in Section 179 of the Internal Revenue Code) in service in  
31 the current taxable year or in an earlier taxable year equal to the  
32 amount of adjusted gross income that would have been computed  
33 had an election for federal income tax purposes not been made for  
34 the year in which the property was placed in service to take  
35 deductions under Section 179 of the Internal Revenue Code in a  
36 total amount exceeding twenty-five thousand dollars (\$25,000).

37 (8) Add an amount equal to the amount that a taxpayer claimed as  
38 a deduction for domestic production activities for the taxable year  
39 under Section 199 of the Internal Revenue Code for federal income  
40 tax purposes.

41 (c) In the case of life insurance companies (as defined in Section  
42 816(a) of the Internal Revenue Code) that are organized under Indiana  
43 law, the same as "life insurance company taxable income" (as defined  
44 in Section 801 of the Internal Revenue Code), adjusted as follows:

45 (1) Subtract income that is exempt from taxation under this article  
46 by the Constitution and statutes of the United States.

47 (2) Add an amount equal to any deduction allowed or allowable  
48 under Section 170 of the Internal Revenue Code.

49 (3) Add an amount equal to a deduction allowed or allowable under  
50 Section 805 or Section 831(c) of the Internal Revenue Code for  
51 taxes based on or measured by income and levied at the state level



- 1 by any state.
- 2 (4) Subtract an amount equal to the amount included in the  
3 company's taxable income under Section 78 of the Internal  
4 Revenue Code.
- 5 (5) Add or subtract the amount necessary to make the adjusted  
6 gross income of any taxpayer that owns property for which bonus  
7 depreciation was allowed in the current taxable year or in an earlier  
8 taxable year equal to the amount of adjusted gross income that  
9 would have been computed had an election not been made under  
10 Section 168(k) of the Internal Revenue Code to apply bonus  
11 depreciation to the property in the year that it was placed in  
12 service.
- 13 (6) Add an amount equal to any deduction allowed under Section  
14 172 or Section 810 of the Internal Revenue Code.
- 15 (7) Add or subtract the amount necessary to make the adjusted  
16 gross income of any taxpayer that placed Section 179 property (as  
17 defined in Section 179 of the Internal Revenue Code) in service in  
18 the current taxable year or in an earlier taxable year equal to the  
19 amount of adjusted gross income that would have been computed  
20 had an election for federal income tax purposes not been made for  
21 the year in which the property was placed in service to take  
22 deductions under Section 179 of the Internal Revenue Code in a  
23 total amount exceeding twenty-five thousand dollars (\$25,000).
- 24 (8) Add an amount equal to the amount that a taxpayer claimed as  
25 a deduction for domestic production activities for the taxable year  
26 under Section 199 of the Internal Revenue Code for federal income  
27 tax purposes.
- 28 (d) In the case of insurance companies subject to tax under Section  
29 831 of the Internal Revenue Code and organized under Indiana law, the  
30 same as "taxable income" (as defined in Section 832 of the Internal  
31 Revenue Code), adjusted as follows:
- 32 (1) Subtract income that is exempt from taxation under this article  
33 by the Constitution and statutes of the United States.
- 34 (2) Add an amount equal to any deduction allowed or allowable  
35 under Section 170 of the Internal Revenue Code.
- 36 (3) Add an amount equal to a deduction allowed or allowable under  
37 Section 805 or Section 831(c) of the Internal Revenue Code for  
38 taxes based on or measured by income and levied at the state level  
39 by any state.
- 40 (4) Subtract an amount equal to the amount included in the  
41 company's taxable income under Section 78 of the Internal  
42 Revenue Code.
- 43 (5) Add or subtract the amount necessary to make the adjusted  
44 gross income of any taxpayer that owns property for which bonus  
45 depreciation was allowed in the current taxable year or in an earlier  
46 taxable year equal to the amount of adjusted gross income that  
47 would have been computed had an election not been made under  
48 Section 168(k) of the Internal Revenue Code to apply bonus  
49 depreciation to the property in the year that it was placed in  
50 service.
- 51 (6) Add an amount equal to any deduction allowed under Section

- 1 172 of the Internal Revenue Code.
- 2 (7) Add or subtract the amount necessary to make the adjusted  
3 gross income of any taxpayer that placed Section 179 property (as  
4 defined in Section 179 of the Internal Revenue Code) in service in  
5 the current taxable year or in an earlier taxable year equal to the  
6 amount of adjusted gross income that would have been computed  
7 had an election for federal income tax purposes not been made for  
8 the year in which the property was placed in service to take  
9 deductions under Section 179 of the Internal Revenue Code in a  
10 total amount exceeding twenty-five thousand dollars (\$25,000).
- 11 (8) Add an amount equal to the amount that a taxpayer claimed as  
12 a deduction for domestic production activities for the taxable year  
13 under Section 199 of the Internal Revenue Code for federal income  
14 tax purposes.
- 15 (e) In the case of trusts and estates, "taxable income" (as defined for  
16 trusts and estates in Section 641(b) of the Internal Revenue Code)  
17 adjusted as follows:
- 18 (1) Subtract income that is exempt from taxation under this article  
19 by the Constitution and statutes of the United States.
- 20 (2) Subtract an amount equal to the amount of a September 11  
21 terrorist attack settlement payment included in the federal adjusted  
22 gross income of the estate of a victim of the September 11 terrorist  
23 attack or a trust to the extent the trust benefits a victim of the  
24 September 11 terrorist attack.
- 25 (3) Add or subtract the amount necessary to make the adjusted  
26 gross income of any taxpayer that owns property for which bonus  
27 depreciation was allowed in the current taxable year or in an earlier  
28 taxable year equal to the amount of adjusted gross income that  
29 would have been computed had an election not been made under  
30 Section 168(k) of the Internal Revenue Code to apply bonus  
31 depreciation to the property in the year that it was placed in  
32 service.
- 33 (4) Add an amount equal to any deduction allowed under Section  
34 172 of the Internal Revenue Code.
- 35 (5) Add or subtract the amount necessary to make the adjusted  
36 gross income of any taxpayer that placed Section 179 property (as  
37 defined in Section 179 of the Internal Revenue Code) in service in  
38 the current taxable year or in an earlier taxable year equal to the  
39 amount of adjusted gross income that would have been computed  
40 had an election for federal income tax purposes not been made for  
41 the year in which the property was placed in service to take  
42 deductions under Section 179 of the Internal Revenue Code in a  
43 total amount exceeding twenty-five thousand dollars (\$25,000).
- 44 (6) Add an amount equal to the amount that a taxpayer claimed as  
45 a deduction for domestic production activities for the taxable year  
46 under Section 199 of the Internal Revenue Code for federal income  
47 tax purposes.
- 48 (f) This subsection applies only to the extent that an individual paid  
49 property taxes in 2004 that were imposed for the March 1, 2002,  
50 assessment date or the January 15, 2003, assessment date. The  
51 maximum amount of the deduction under subsection (a)(17) is equal to

1 the amount determined under STEP FIVE of the following formula:

2 STEP ONE: Determine the amount of property taxes that the  
3 taxpayer paid after December 31, 2003, in the taxable year for  
4 property taxes imposed for the March 1, 2002, assessment date and  
5 the January 15, 2003, assessment date.

6 STEP TWO: Determine the amount of property taxes that the  
7 taxpayer paid in the taxable year for the March 1, 2003, assessment  
8 date and the January 15, 2004, assessment date.

9 STEP THREE: Determine the result of the STEP ONE amount  
10 divided by the STEP TWO amount.

11 STEP FOUR: Multiply the STEP THREE amount by two thousand  
12 five hundred dollars (\$2,500).

13 STEP FIVE: Determine the sum of the STEP FOUR amount and  
14 two thousand five hundred dollars (\$2,500).

15 SECTION 4. IC 6-3-1-11, AS AMENDED BY P.L.246-2005,  
16 SECTION 70, IS AMENDED TO READ AS FOLLOWS  
17 [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: Sec. 11. (a)  
18 The term "Internal Revenue Code" means the Internal Revenue Code  
19 of 1986 of the United States as amended and in effect on January 1,  
20 ~~2005~~ **2006**.

21 (b) Whenever the Internal Revenue Code is mentioned in this article,  
22 the particular provisions that are referred to, together with all the other  
23 provisions of the Internal Revenue Code in effect on January 1, ~~2005~~,  
24 **2006**, that pertain to the provisions specifically mentioned, shall be  
25 regarded as incorporated in this article by reference and have the same  
26 force and effect as though fully set forth in this article. To the extent the  
27 provisions apply to this article, regulations adopted under Section  
28 7805(a) of the Internal Revenue Code and in effect on January 1, ~~2005~~,  
29 **2006**, shall be regarded as rules adopted by the department under this  
30 article, unless the department adopts specific rules that supersede the  
31 regulation.

32 (c) An amendment to the Internal Revenue Code made by an act  
33 passed by Congress before January 1, ~~2005~~, **2006**, that is effective for  
34 any taxable year that began before January 1, ~~2005~~, **2006**, and that  
35 affects:

36 (1) individual adjusted gross income (as defined in Section 62 of  
37 the Internal Revenue Code);

38 (2) corporate taxable income (as defined in Section 63 of the  
39 Internal Revenue Code);

40 (3) trust and estate taxable income (as defined in Section 641(b) of  
41 the Internal Revenue Code);

42 (4) life insurance company taxable income (as defined in Section  
43 801(b) of the Internal Revenue Code);

44 (5) mutual insurance company taxable income (as defined in  
45 Section 821(b) of the Internal Revenue Code); or

46 (6) taxable income (as defined in Section 832 of the Internal  
47 Revenue Code);

48 is also effective for that same taxable year for purposes of determining  
49 adjusted gross income under section 3.5 of this chapter.

50 SECTION 5. IC 6-3.5-1.1-2.5 IS AMENDED TO READ AS  
51 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2.5. (a) This section

1 applies only to a county having a population of more than forty-one  
2 thousand (41,000) but less than forty-three thousand (43,000).

3 **(b) As used in this section, "fiscal year" means a twelve (12)**  
4 **month period beginning July 1 and ending June 30.**

5 ~~(b)~~ **(c)** The county council of a county described in subsection (a)  
6 may, by ordinance, determine that additional county adjusted gross  
7 income tax revenue is needed in the county to fund the operation and  
8 maintenance of a jail and juvenile detention center opened after July 1,  
9 1998.

10 ~~(c)~~ **(d)** Notwithstanding section 2 of this chapter, if the county council  
11 adopts an ordinance under subsection ~~(b)~~ **(c)**, the county council may  
12 impose the county adjusted gross income tax at a rate of one and  
13 one-tenth percent (1.1%) on adjusted gross income **for fiscal years**  
14 **beginning before July 1, 2011. However, a county may impose the**  
15 **county adjusted gross income tax at a rate of one and one-tenth percent**  
16 **(1.1%) for only eight (8) years. For fiscal years beginning after the**  
17 **county has imposed the county adjusted gross income tax at a rate of**  
18 **one and one-tenth percent (1.1%) for eight (8) years June 30, 2011,** the  
19 rate is reduced to one percent (1%). If the county council imposes the  
20 county adjusted gross income tax at a rate of one and one-tenth percent  
21 (1.1%), the county council may decrease the rate or rescind the tax in  
22 the manner provided under this chapter.

23 ~~(d)~~ **(e)** If a county imposes the county adjusted gross income tax at a  
24 rate of one and one-tenth percent (1.1%) under this section, the revenue  
25 derived from a tax rate of one-tenth percent (0.1%) on adjusted gross  
26 income:

- 27 (1) shall be paid to the county treasurer;
- 28 (2) may be used only to pay the costs of operating a jail and  
29 juvenile detention center opened after July 1, 1998; and
- 30 (3) may not be considered by the department of local government  
31 finance in determining the county's maximum permissible property  
32 tax levy limit under IC 6-1.1-18.5.

33 SECTION 6. IC 6-3.5-6-18, AS AMENDED BY P.L.207-2005,  
34 SECTION 8, IS AMENDED TO READ AS FOLLOWS[  
35 [EFFECTIVE UPON PASSAGE]: Sec. 18. (a) The revenue a county  
36 auditor receives under this chapter shall be used to:

- 37 (1) replace the amount, if any, of property tax revenue lost due to  
38 the allowance of an increased homestead credit within the county;
- 39 (2) fund the operation of a public communications system and  
40 computer facilities district as provided in an election, if any, made  
41 by the county fiscal body under IC 36-8-15-19(b);
- 42 (3) fund the operation of a public transportation corporation as  
43 provided in an election, if any, made by the county fiscal body  
44 under IC 36-9-4-42;
- 45 (4) make payments permitted under IC 36-7-15.1-17.5;
- 46 (5) make payments permitted under subsection (i); ~~and~~
- 47 (6) make distributions of distributive shares to the civil taxing units  
48 of a county; **and**
- 49 **(7) make the distributions permitted under section 29 of this**  
50 **chapter.**

51 (b) The county auditor shall retain from the payments of the county's

1 certified distribution, an amount equal to the revenue lost, if any, due  
 2 to the increase of the homestead credit within the county. This money  
 3 shall be distributed to the civil taxing units and school corporations of  
 4 the county as though they were property tax collections and in such a  
 5 manner that no civil taxing unit or school corporation shall suffer a net  
 6 revenue loss due to the allowance of an increased homestead credit.

7 (c) The county auditor shall retain:

8 (1) the amount, if any, specified by the county fiscal body for a  
 9 particular calendar year under subsection (i), IC 36-7-15.1-17.5,  
 10 IC 36-8-15-19(b), and IC 36-9-4-42 from the county's certified  
 11 distribution for that same calendar year; **and**

12 **(2) the amount of an additional tax rate imposed under section**  
 13 **29 of this chapter.**

14 The county auditor shall distribute amounts retained under this  
 15 subsection to the county.

16 (d) All certified distribution revenues that are not retained and  
 17 distributed under subsections (b) and (c) shall be distributed to the civil  
 18 taxing units of the county as distributive shares.

19 (e) The amount of distributive shares that each civil taxing unit in a  
 20 county is entitled to receive during a month equals the product of the  
 21 following:

22 (1) The amount of revenue that is to be distributed as distributive  
 23 shares during that month; multiplied by

24 (2) A fraction. The numerator of the fraction equals the allocation  
 25 amount for the civil taxing unit for the calendar year in which the  
 26 month falls. The denominator of the fraction equals the sum of the  
 27 allocation amounts of all the civil taxing units of the county for the  
 28 calendar year in which the month falls.

29 (f) The department of local government finance shall provide each  
 30 county auditor with the fractional amount of distributive shares that  
 31 each civil taxing unit in the auditor's county is entitled to receive  
 32 monthly under this section.

33 (g) Notwithstanding subsection (e), if a civil taxing unit of an  
 34 adopting county does not impose a property tax levy that is first due  
 35 and payable in a calendar year in which distributive shares are being  
 36 distributed under this section, that civil taxing unit is entitled to receive  
 37 a part of the revenue to be distributed as distributive shares under this  
 38 section within the county. The fractional amount such a civil taxing unit  
 39 is entitled to receive each month during that calendar year equals the  
 40 product of the following:

41 (1) The amount to be distributed as distributive shares during that  
 42 month; multiplied by

43 (2) A fraction. The numerator of the fraction equals the budget of  
 44 that civil taxing unit for that calendar year. The denominator of the  
 45 fraction equals the aggregate budgets of all civil taxing units of that  
 46 county for that calendar year.

47 (h) If for a calendar year a civil taxing unit is allocated a part of a  
 48 county's distributive shares by subsection (g), then the formula used in  
 49 subsection (e) to determine all other civil taxing units' distributive  
 50 shares shall be changed each month for that same year by reducing the  
 51 amount to be distributed as distributive shares under subsection (e) by

1 the amount of distributive shares allocated under subsection (g) for that  
 2 same month. The department of local government finance shall make  
 3 any adjustments required by this subsection and provide them to the  
 4 appropriate county auditors.

5 (i) Notwithstanding any other law, a county fiscal body may pledge  
 6 revenues received under this chapter to the payment of bonds or lease  
 7 rentals to finance a qualified economic development tax project under  
 8 IC 36-7-27 in that county or in any other county if the county fiscal  
 9 body determines that the project will promote significant opportunities  
 10 for the gainful employment or retention of employment of the county's  
 11 residents.

12 SECTION 7. IC 6-3.5-6-29 IS ADDED TO THE INDIANA CODE  
 13 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
 14 UPON PASSAGE]: **Sec. 29. (a) This section applies only to Scott  
 15 County. Scott County is a county in which:**

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

18 **(2) the use of additional county option income tax revenues as  
 19 provided in this section, rather than the use of property taxes,  
 20 to fund:**

21 **(A) the financing, construction, acquisition, improvement,  
 22 renovation, equipping, operation, or maintenance of jail  
 23 facilities; and**

24 **(B) the repayment of bonds issued or leases entered into for  
 25 the purposes described in clause (A), except operation or  
 26 maintenance;**

27 **promotes the purpose of maintaining low property tax rates.**

28 **(b) The county fiscal body may impose the county option income  
 29 tax on the adjusted gross income of resident county taxpayers at a  
 30 rate, in addition to the rates permitted by sections 8 and 9 of this  
 31 chapter, not to exceed twenty-five hundredths percent (0.25%).  
 32 Section 8(e) of this chapter applies to the application of the  
 33 additional rate to nonresident taxpayers.**

34 **(c) To impose the county option income tax as provided in this  
 35 section, the county fiscal body must adopt an ordinance finding and  
 36 determining that additional revenues from the county option  
 37 income tax are needed in the county to fund:**

38 **(1) the financing, construction, acquisition, improvement,  
 39 renovation, equipping, operation, or maintenance of jail  
 40 facilities; and**

41 **(2) the repayment of bonds issued or leases entered into for the  
 42 purposes described in subdivision (1), except operation or  
 43 maintenance.**

44 **(d) If the county fiscal body makes a determination under  
 45 subsection (c), the county fiscal body may adopt an additional tax  
 46 rate under subsection (b). Subject to the limitations in subsection  
 47 (b), the county fiscal body may amend an ordinance adopted under  
 48 this section to increase, decrease, or rescind the additional tax rate  
 49 imposed under this section. As soon as practicable after the  
 50 adoption of an ordinance under this section, the county fiscal body  
 51 shall send a certified copy of the ordinance to the county auditor,**

1 the department of local government finance, and the department.  
 2 An ordinance adopted under this section before June 1, 2006, or  
 3 April 1 in a subsequent year applies to the imposition of county  
 4 income taxes after June 30 in that year. An ordinance adopted  
 5 under this section after May 31, 2006, or March 31 of a subsequent  
 6 year initially applies to the imposition of county option income  
 7 taxes after June 30 of the immediately following year.

8 (e) If the county imposes an additional tax rate under this section,  
 9 the county treasurer shall establish a county jail revenue fund to be  
 10 used only for the purposes described in this section. County option  
 11 income tax revenues derived from the tax rate imposed under this  
 12 section shall be deposited in the county jail revenue fund before  
 13 making a certified distribution under section 18 of this chapter.

14 (f) County option income tax revenues derived from an additional  
 15 tax rate imposed under this section:

- 16 (1) may be used only for the purposes described in this section;
- 17 (2) may not be considered by the department of local  
 18 government finance in determining the county's maximum  
 19 permissible property tax levy limit under IC 6-1.1-18.5; and
- 20 (3) may be pledged for the repayment of bonds issued or leases  
 21 entered into to fund the purposes described in subsection (c)(1),  
 22 except operation or maintenance.

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

32 SECTION 8. IC 6-3.5-7-5, AS AMENDED BY P.L.214-2005,  
 33 SECTION 20, IS AMENDED TO READ AS FOLLOWS  
 34 [EFFECTIVE UPON PASSAGE]: Sec. 5. (a) Except as provided in  
 35 subsection (c), the county economic development income tax may be  
 36 imposed on the adjusted gross income of county taxpayers. The entity  
 37 that may impose the tax is:

- 38 (1) the county income tax council (as defined in IC 6-3.5-6-1) if the  
 39 county option income tax is in effect on January 1 of the year the  
 40 county economic development income tax is imposed;
- 41 (2) the county council if the county adjusted gross income tax is in  
 42 effect on January 1 of the year the county economic development  
 43 tax is imposed; or
- 44 (3) the county income tax council or the county council, whichever  
 45 acts first, for a county not covered by subdivision (1) or (2).

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

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

- 51 (1) one-tenth percent (0.1%);

- 1 (2) two-tenths percent (0.2%);  
 2 (3) twenty-five hundredths percent (0.25%);  
 3 (4) three-tenths percent (0.3%);  
 4 (5) thirty-five hundredths percent (0.35%);  
 5 (6) four-tenths percent (0.4%);  
 6 (7) forty-five hundredths percent (0.45%); or  
 7 (8) five-tenths percent (0.5%);

8 on the adjusted gross income of county taxpayers.

9 (c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o),  
 10 (p), or (s), the county economic development income tax rate plus the  
 11 county adjusted gross income tax rate, if any, that are in effect on  
 12 January 1 of a year may not exceed one and twenty-five hundredths  
 13 percent (1.25%). Except as provided in subsection (g), (p), (r), ~~or~~ (t), **or**  
 14 **(u)**, the county economic development tax rate plus the county option  
 15 income tax rate, if any, that are in effect on January 1 of a year may not  
 16 exceed one percent (1%).

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

21 "The \_\_\_\_\_ County \_\_\_\_\_ imposes the county economic  
 22 development income tax on the county taxpayers of \_\_\_\_\_  
 23 County. The county economic development income tax is imposed at  
 24 a rate of \_\_\_\_\_ percent (\_\_\_\_%) on the county taxpayers of the  
 25 county. This tax takes effect July 1 of this year."

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

28 (f) The auditor of a county shall record all votes taken on ordinances  
 29 presented for a vote under the authority of this chapter and shall, not  
 30 more than ten (10) days after the vote, send a certified copy of the  
 31 results to the commissioner of the department by certified mail.

32 (g) This subsection applies to a county having a population of more  
 33 than one hundred forty-eight thousand (148,000) but less than one  
 34 hundred seventy thousand (170,000). Except as provided in subsection  
 35 (p), in addition to the rates permitted by subsection (b), the:

36 (1) county economic development income tax may be imposed at  
 37 a rate of:

- 38 (A) fifteen-hundredths percent (0.15%);  
 39 (B) two-tenths percent (0.2%); or  
 40 (C) twenty-five hundredths percent (0.25%); and

41 (2) county economic development income tax rate plus the county  
 42 option income tax rate that are in effect on January 1 of a year may  
 43 equal up to one and twenty-five hundredths percent (1.25%);

44 if the county income tax council makes a determination to impose rates  
 45 under this subsection and section 22 of this chapter.

46 (h) For a county having a population of more than forty-one thousand  
 47 (41,000) but less than forty-three thousand (43,000), except as provided  
 48 in subsection (p), the county economic development income tax rate  
 49 plus the county adjusted gross income tax rate that are in effect on  
 50 January 1 of a year may not exceed one and thirty-five hundredths  
 51 percent (1.35%) if the county has imposed the county adjusted gross



1 income tax at a rate of one and one-tenth percent (1.1%) under  
2 IC 6-3.5-1.1-2.5.

3 (i) For a county having a population of more than thirteen thousand  
4 five hundred (13,500) but less than fourteen thousand (14,000), except  
5 as provided in subsection (p), the county economic development  
6 income tax rate plus the county adjusted gross income tax rate that are  
7 in effect on January 1 of a year may not exceed one and fifty-five  
8 hundredths percent (1.55%).

9 (j) For a county having a population of more than seventy-one  
10 thousand (71,000) but less than seventy-one thousand four hundred  
11 (71,400), except as provided in subsection (p), the county economic  
12 development income tax rate plus the county adjusted gross income tax  
13 rate that are in effect on January 1 of a year may not exceed one and  
14 five-tenths percent (1.5%).

15 (k) This subsection applies to a county having a population of more  
16 than twenty-seven thousand four hundred (27,400) but less than  
17 twenty-seven thousand five hundred (27,500). Except as provided in  
18 subsection (p), in addition to the rates permitted under subsection (b):

19 (1) the county economic development income tax may be imposed  
20 at a rate of twenty-five hundredths percent (0.25%); and

21 (2) the sum of the county economic development income tax rate  
22 and the county adjusted gross income tax rate that are in effect on  
23 January 1 of a year may not exceed one and five-tenths percent  
24 (1.5%);

25 if the county council makes a determination to impose rates under this  
26 subsection and section 22.5 of this chapter.

27 (l) For a county having a population of more than twenty-nine  
28 thousand (29,000) but less than thirty thousand (30,000), except as  
29 provided in subsection (p), the county economic development income  
30 tax rate plus the county adjusted gross income tax rate that are in effect  
31 on January 1 of a year may not exceed one and five-tenths percent  
32 (1.5%).

33 (m) For:

34 (1) a county having a population of more than one hundred  
35 eighty-two thousand seven hundred ninety (182,790) but less than  
36 two hundred thousand (200,000); or

37 (2) a county having a population of more than forty-five thousand  
38 (45,000) but less than forty-five thousand nine hundred (45,900);  
39 except as provided in subsection (p), the county economic development  
40 income tax rate plus the county adjusted gross income tax rate that are  
41 in effect on January 1 of a year may not exceed one and five-tenths  
42 percent (1.5%).

43 (n) For a county having a population of more than six thousand  
44 (6,000) but less than eight thousand (8,000), except as provided in  
45 subsection (p), the county economic development income tax rate plus  
46 the county adjusted gross income tax rate that are in effect on January  
47 1 of a year may not exceed one and five-tenths percent (1.5%).

48 (o) This subsection applies to a county having a population of more  
49 than thirty-nine thousand (39,000) but less than thirty-nine thousand six  
50 hundred (39,600). Except as provided in subsection (p), in addition to  
51 the rates permitted under subsection (b):

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

1 five-tenths percent (1.5%) if the county has imposed the county  
2 adjusted gross income tax under IC 6-3.5-1.1-3.3.

3 (t) This subsection applies to Howard County. Except as provided in  
4 subsection (p), the sum of the county economic development income  
5 tax rate and the county option income tax rate that are in effect on  
6 January 1 of a year may not exceed one and twenty-five hundredths  
7 percent (1.25%).

8 **(u) This subsection applies to Scott County. Except as provided**  
9 **in subsection (p), the sum of the county economic development**  
10 **income tax rate and the county option income tax rate that are in**  
11 **effect on January 1 of a year may not exceed one and twenty-five**  
12 **hundredths percent (1.25%).**

13 SECTION 9. IC 6-9-24-9 IS AMENDED TO READ AS FOLLOWS  
14 [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) If the tax is imposed by a  
15 municipality under this chapter, the tax terminates January 1, ~~2007~~.  
16 **2012.**

17 (b) This chapter expires July 1, ~~2007~~. **2012.**

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

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

30 Money in the fund may not be used for the operating costs of a project.  
31 In addition, the city may not initiate a project under this chapter after  
32 December 31, ~~2010~~ **2015.**

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

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

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

41 SECTION 11. IC 21-2-21-1.8, AS ADDED BY P.L.214-2005,  
42 SECTION 62, IS AMENDED TO READ AS FOLLOWS  
43 [EFFECTIVE UPON PASSAGE]: Sec. 1.8. (a) For purposes of this  
44 section, "retirement or severance liability" means the payments  
45 anticipated to be required to be made to employees of a school  
46 corporation upon or after termination of the employment of the  
47 employees by the school corporation under an existing or previous  
48 employment agreement.

49 (b) This section applies to each school corporation that:

- 50 (1) did not issue bonds under IC 20-5-4-1.7 before its repeal; or
- 51 (2) issued bonds under IC 20-5-4-1.7:

1           (A) before April 14, 2003; or  
 2           **(B) after April 13, 2003, if an order approving the issuance of**  
 3           **the bonds was issued by the department of local government**  
 4           **finance before April 14, 2003.**

5           (c) In addition to the purposes set forth in section 1 of this chapter, a  
 6 school corporation described in subsection (b) may issue bonds to  
 7 implement solutions to contractual retirement or severance liability. The  
 8 issuance of bonds for this purpose is subject to the following  
 9 conditions:

10           (1) The school corporation may issue bonds under this section only  
 11 one (1) time.

12           (2) ~~The~~ **A school corporation described in subsection (b)(1) or**  
 13 **(b)(2)(A) must issue the bonds before July 1, 2006. A school**  
 14 **corporation described in subsection (b)(2)(B) must file a**  
 15 **petition with the department of local government finance under**  
 16 **IC 6-1.1-19-8 requesting approval to incur bond indebtedness**  
 17 **under this section before July 1, 2006.**

18           (3) The solution to which the bonds are contributing must be  
 19 reasonably expected to reduce the school corporation's unfunded  
 20 contractual liability for retirement or severance payments as it  
 21 existed on June 30, 2001.

22           (4) The amount of the bonds that may be issued for the purpose  
 23 described in this section may not exceed:

24           (A) two percent (2%) of the true tax value of property in the  
 25 school corporation, for a school corporation that did not issue  
 26 bonds under IC 20-5-4-1.7 before its repeal; or

27           (B) the remainder of:

28           (i) two percent (2%) of the true tax value of property in the  
 29 school corporation as of the date that the school corporation  
 30 issued bonds under IC 20-5-4-1.7; minus

31           (ii) the amount of bonds that the school corporation issued  
 32 under IC 20-5-4-1.7;

33           for a school corporation that issued bonds under IC 20-5-4-1.7  
 34 ~~before April 14, 2003; as described in subsection (b)(2).~~

35           (5) Each year that a debt service levy is needed under this section,  
 36 the school corporation shall reduce the total property tax levy for  
 37 the school corporation's transportation, school bus replacement,  
 38 capital projects, or art association and historical society funds in an  
 39 amount equal to the property tax levy needed for the debt service  
 40 under this section. The property tax rate for each of these funds  
 41 shall be reduced each year until the bonds are retired.

42           (6) The school corporation shall establish a separate debt service  
 43 fund for repayment of the bonds issued under this section.

44           (d) Bonds issued for the purpose described in this section shall be  
 45 issued in the same manner as other bonds of the school corporation.

46           (e) Bonds issued under this section are not subject to the petition and  
 47 remonstrance process under IC 6-1.1-20 or to the limitations contained  
 48 in IC 36-1-15.

49           SECTION 12. [EFFECTIVE JULY 1, 2006] **If the general assembly**  
 50 **amends IC 6-2.5-6-9 in more than one (1) act, the laws shall be read**  
 51 **together and interpreted to implement the policies enacted in each**

1       **act.**  
2       SECTION 13. **An emergency is declared for this act.**  
          (Reference is to EHB 1327 as printed February 15, 2006.)

**Conference Committee Report**  
**on**  
**Engrossed House Bill 1327**

**S**igned by:

\_\_\_\_\_  
Representative Espich  
Chairperson

\_\_\_\_\_  
Senator Kenley

\_\_\_\_\_  
Representative Crawford

\_\_\_\_\_  
Senator Simpson

**House Conferees**

**Senate Conferees**