

**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.

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT:

Your Conference Committee appointed to confer with a like committee from the House 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

1 **(D) public works, capital improvements, or economic**
2 **development projects.**

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

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

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

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

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

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

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

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

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

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

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

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

1 cooperation agreements were executed or entered into are hereby fully
2 legalized and validated.

3 SECTION 2. IC 6-2.5-6-9 IS AMENDED TO READ AS
4 FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 9. (a) In determining
5 the amount of state gross retail and use taxes which a retail merchant
6 must remit under section 7 of this chapter, the retail merchant shall,
7 subject to subsections (c) and (d), deduct from the retail merchant's
8 gross retail income from retail transactions made during a particular
9 reporting period, an amount equal to the retail merchant's receivables
10 which:

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

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

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

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

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

28 (1) An affiliated group within the meaning provided in Section
29 1504 of the Internal Revenue Code (except that the ownership
30 percentage in Section 1504(a)(2) of the Internal Revenue Code
31 shall be determined using fifty percent (50%) instead of eighty
32 percent (80%)) or a relationship described in Section
33 267(b)(11) of the Internal Revenue Code.

34 (2) Two (2) or more partnerships (as defined in IC 6-3-1-19),
35 including limited liability companies and limited liability
36 partnerships, that have the same degree of mutual ownership
37 as an affiliated group described in subdivision (1), as
38 determined under the rules adopted by the department.

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

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

45 (1) The deduction does not include interest.

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

49 (A) financing charges or interest;

- 1 (B) sales or use taxes charged on the purchase price;
 2 (C) uncollectible amounts on property that remain in the
 3 possession of the seller until the full purchase price is paid;
 4 (D) expenses incurred in attempting to collect any debt; and
 5 (E) repossessed property.
- 6 (3) The deduction shall be claimed on the return for the period
 7 during which the receivable is written off as uncollectible in the
 8 claimant's books and records and is eligible to be deducted for
 9 federal income tax purposes. For purposes of this subdivision, a
 10 claimant who is not required to file federal income tax returns may
 11 deduct an uncollectible receivable on a return filed for the period in
 12 which the receivable is written off as uncollectible in the claimant's
 13 books and records and would be eligible for a bad debt deduction
 14 for federal income tax purposes if the claimant were required to file
 15 a federal income tax return.
- 16 (4) If the amount of uncollectible receivables claimed as a
 17 deduction by a retail merchant for a particular reporting period
 18 exceeds the amount of the retail merchant's taxable sales for that
 19 reporting period, the retail merchant may file a refund claim under
 20 IC 6-8.1-9. However, the deadline for the refund claim shall be
 21 measured from the due date of the return for the reporting period on
 22 which the deduction for the uncollectible receivables could first be
 23 claimed.
- 24 (5) If a retail merchant's filing responsibilities have been assumed
 25 by a certified service provider (as defined in IC 6-2.5-11-2), the
 26 certified service provider may claim, on behalf of the retail
 27 merchant, any deduction or refund for uncollectible receivables
 28 provided by this section. The certified service provider must credit
 29 or refund the full amount of any deduction or refund received to the
 30 retail merchant.
- 31 (6) For purposes of reporting a payment received on a previously
 32 claimed uncollectible receivable, any payments made on a debt or
 33 account shall be applied first proportionally to the taxable price of
 34 the property and the state gross retail tax or use tax thereon, and
 35 secondly to interest, service charges, and any other charges.
- 36 (7) A retail merchant claiming a deduction for an uncollectible
 37 receivable may allocate that receivable among the states that are
 38 members of the streamlined sales and use tax agreement if the
 39 books and records of the retail merchant support that allocation.
- 40 SECTION 3. IC 6-3-1-3.5, AS AMENDED BY P.L.246-2005,
 41 SECTION 69, IS AMENDED TO READ AS FOLLOWS
 42 [EFFECTIVE JANUARY 1, 2005 (RETROACTIVE)]: Sec. 3.5. When
 43 used in this article, the term "adjusted gross income" shall mean the
 44 following:
- 45 (a) In the case of all individuals, "adjusted gross income" (as defined
 46 in Section 62 of the Internal Revenue Code), modified as follows:
- 47 (1) Subtract income that is exempt from taxation under this article
 48 by the Constitution and statutes of the United States.
- 49 (2) Add an amount equal to any deduction or deductions allowed or

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

- 1 (10) Add an amount equal to the deduction allowed under Section
2 221 of the Internal Revenue Code for married couples filing joint
3 returns if the taxable year began before January 1, 1987.
- 4 (11) Add an amount equal to the interest excluded from federal
5 gross income by the individual for the taxable year under Section
6 128 of the Internal Revenue Code if the taxable year began before
7 January 1, 1985.
- 8 (12) Subtract an amount equal to the amount of federal Social
9 Security and Railroad Retirement benefits included in a taxpayer's
10 federal gross income by Section 86 of the Internal Revenue Code.
- 11 (13) In the case of a nonresident taxpayer or a resident taxpayer
12 residing in Indiana for a period of less than the taxpayer's entire
13 taxable year, the total amount of the deductions allowed pursuant
14 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
15 which bears the same ratio to the total as the taxpayer's income
16 taxable in Indiana bears to the taxpayer's total income.
- 17 (14) In the case of an individual who is a recipient of assistance
18 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
19 subtract an amount equal to that portion of the individual's adjusted
20 gross income with respect to which the individual is not allowed
21 under federal law to retain an amount to pay state and local income
22 taxes.
- 23 (15) In the case of an eligible individual, subtract the amount of a
24 Holocaust victim's settlement payment included in the individual's
25 federal adjusted gross income.
- 26 (16) For taxable years beginning after December 31, 1999, subtract
27 an amount equal to the portion of any premiums paid during the
28 taxable year by the taxpayer for a qualified long term care policy
29 (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's
30 spouse, or both.
- 31 (17) Subtract an amount equal to the lesser of:
- 32 (A) for a taxable year:
- 33 (i) including any part of 2004, the amount determined under
34 subsection (f); and
- 35 (ii) beginning after December 31, 2004, two thousand five
36 hundred dollars (\$2,500); or
- 37 (B) the amount of property taxes that are paid during the taxable
38 year in Indiana by the individual on the individual's principal
39 place of residence.
- 40 (18) Subtract an amount equal to the amount of a September 11
41 terrorist attack settlement payment included in the individual's
42 federal adjusted gross income.
- 43 (19) 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 service.

- 1 (20) Add an amount equal to any deduction allowed under Section
- 2 172 of the Internal Revenue Code.
- 3 (21) Add or subtract the amount necessary to make the adjusted
- 4 gross income of any taxpayer that placed Section 179 property (as
- 5 defined in Section 179 of the Internal Revenue Code) in service in
- 6 the current taxable year or in an earlier taxable year equal to the
- 7 amount of adjusted gross income that would have been computed
- 8 had an election for federal income tax purposes not been made for
- 9 the year in which the property was placed in service to take
- 10 deductions under Section 179 of the Internal Revenue Code in a
- 11 total amount exceeding twenty-five thousand dollars (\$25,000).
- 12 (22) Add an amount equal to the amount that a taxpayer claimed as
- 13 a deduction for domestic production activities for the taxable year
- 14 under Section 199 of the Internal Revenue Code for federal income
- 15 tax purposes.
- 16 (b) In the case of corporations, the same as "taxable income" (as
- 17 defined in Section 63 of the Internal Revenue Code) 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) Add an amount equal to any deduction or deductions allowed or
- 21 allowable pursuant to Section 170 of the Internal Revenue Code.
- 22 (3) Add an amount equal to any deduction or deductions allowed or
- 23 allowable pursuant to Section 63 of the Internal Revenue Code for
- 24 taxes based on or measured by income and levied at the state level
- 25 by any state of the United States.
- 26 (4) Subtract an amount equal to the amount included in the
- 27 corporation's taxable income under Section 78 of the Internal
- 28 Revenue Code.
- 29 (5) Add or subtract the amount necessary to make the adjusted
- 30 gross income of any taxpayer that owns property for which bonus
- 31 depreciation was allowed in the current taxable year or in an earlier
- 32 taxable year equal to the amount of adjusted gross income that
- 33 would have been computed had an election not been made under
- 34 Section 168(k) of the Internal Revenue Code to apply bonus
- 35 depreciation to the property in the year that it was placed in service.
- 36 (6) Add an amount equal to any deduction allowed under Section
- 37 172 of the Internal Revenue Code.
- 38 (7) Add or subtract the amount necessary to make the adjusted
- 39 gross income of any taxpayer that placed Section 179 property (as
- 40 defined in Section 179 of the Internal Revenue Code) in service in
- 41 the current taxable year or in an earlier taxable year equal to the
- 42 amount of adjusted gross income that would have been computed
- 43 had an election for federal income tax purposes not been made for
- 44 the year in which the property was placed in service to take
- 45 deductions under Section 179 of the Internal Revenue Code in a
- 46 total amount exceeding twenty-five thousand dollars (\$25,000).
- 47 (8) Add an amount equal to the amount that a taxpayer claimed as
- 48 a deduction for domestic production activities for the taxable year
- 49 under Section 199 of the Internal Revenue Code for federal income

1 tax purposes.

2 (c) In the case of life insurance companies (as defined in Section
3 816(a) of the Internal Revenue Code) that are organized under Indiana
4 law, the same as "life insurance company taxable income" (as defined
5 in Section 801 of the Internal Revenue Code), adjusted as follows:

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

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

10 (3) Add an amount equal to a deduction allowed or allowable under
11 Section 805 or Section 831(c) of the Internal Revenue Code for
12 taxes based on or measured by income and levied at the state level
13 by any state.

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

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

24 (6) Add an amount equal to any deduction allowed under Section
25 172 or Section 810 of the Internal Revenue Code.

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

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

39 (d) In the case of insurance companies subject to tax under Section
40 831 of the Internal Revenue Code and organized under Indiana law, the
41 same as "taxable income" (as defined in Section 832 of the Internal
42 Revenue Code), adjusted as follows:

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

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

47 (3) Add an amount equal to a deduction allowed or allowable under
48 Section 805 or Section 831(c) of the Internal Revenue Code for
49 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 Revenue
4 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 service.
- 12 (6) Add an amount equal to any deduction allowed under Section
13 172 of the Internal Revenue Code.
- 14 (7) Add or subtract the amount necessary to make the adjusted
15 gross income of any taxpayer that placed Section 179 property (as
16 defined in Section 179 of the Internal Revenue Code) in service in
17 the current taxable year or in an earlier taxable year equal to the
18 amount of adjusted gross income that would have been computed
19 had an election for federal income tax purposes not been made for
20 the year in which the property was placed in service to take
21 deductions under Section 179 of the Internal Revenue Code in a
22 total amount exceeding twenty-five thousand dollars (\$25,000).
- 23 (8) Add an amount equal to the amount that a taxpayer claimed as
24 a deduction for domestic production activities for the taxable year
25 under Section 199 of the Internal Revenue Code for federal income
26 tax purposes.
- 27 (e) In the case of trusts and estates, "taxable income" (as defined for
28 trusts and estates in Section 641(b) of the Internal Revenue Code)
29 adjusted as follows:
- 30 (1) Subtract income that is exempt from taxation under this article
31 by the Constitution and statutes of the United States.
- 32 (2) Subtract an amount equal to the amount of a September 11
33 terrorist attack settlement payment included in the federal adjusted
34 gross income of the estate of a victim of the September 11 terrorist
35 attack or a trust to the extent the trust benefits a victim of the
36 September 11 terrorist attack.
- 37 (3) Add or subtract the amount necessary to make the adjusted
38 gross income of any taxpayer that owns property for which bonus
39 depreciation was allowed in the current taxable year or in an earlier
40 taxable year equal to the amount of adjusted gross income that
41 would have been computed had an election not been made under
42 Section 168(k) of the Internal Revenue Code to apply bonus
43 depreciation to the property in the year that it was placed in service.
- 44 (4) Add an amount equal to any deduction allowed under Section
45 172 of the Internal Revenue Code.
- 46 (5) Add or subtract the amount necessary to make the adjusted
47 gross income of any taxpayer that placed Section 179 property (as
48 defined in Section 179 of the Internal Revenue Code) in service in
49 the current taxable year or in an earlier taxable year equal to the

1 amount of adjusted gross income that would have been computed
 2 had an election for federal income tax purposes not been made for
 3 the year in which the property was placed in service to take
 4 deductions under Section 179 of the Internal Revenue Code in a
 5 total amount exceeding twenty-five thousand dollars (\$25,000).

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

10 (f) This subsection applies only to the extent that an individual paid
 11 property taxes in 2004 that were imposed for the March 1, 2002,
 12 assessment date or the January 15, 2003, assessment date. The
 13 maximum amount of the deduction under subsection (a)(17) is equal to
 14 the amount determined under STEP FIVE of the following formula:

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

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

22 STEP THREE: Determine the result of the STEP ONE amount
 23 divided by the STEP TWO amount.

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

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

28 SECTION 4. IC 6-3-1-11, AS AMENDED BY P.L.246-2005,
 29 SECTION 70, IS AMENDED TO READ AS FOLLOWS
 30 [EFFECTIVE JANUARY 1, 2006 (RETROACTIVE)]: Sec. 11. (a)
 31 The term "Internal Revenue Code" means the Internal Revenue Code of
 32 1986 of the United States as amended and in effect on January 1, ~~2005~~
 33 **2006**.

34 (b) Whenever the Internal Revenue Code is mentioned in this article,
 35 the particular provisions that are referred to, together with all the other
 36 provisions of the Internal Revenue Code in effect on January 1, ~~2005~~,
 37 **2006**, that pertain to the provisions specifically mentioned, shall be
 38 regarded as incorporated in this article by reference and have the same
 39 force and effect as though fully set forth in this article. To the extent the
 40 provisions apply to this article, regulations adopted under Section
 41 7805(a) of the Internal Revenue Code and in effect on January 1, ~~2005~~,
 42 **2006**, shall be regarded as rules adopted by the department under this
 43 article, unless the department adopts specific rules that supersede the
 44 regulation.

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

49 (1) individual adjusted gross income (as defined in Section 62 of

- 1 the Internal Revenue Code);
 2 (2) corporate taxable income (as defined in Section 63 of the
 3 Internal Revenue Code);
 4 (3) trust and estate taxable income (as defined in Section 641(b) of
 5 the Internal Revenue Code);
 6 (4) life insurance company taxable income (as defined in Section
 7 801(b) of the Internal Revenue Code);
 8 (5) mutual insurance company taxable income (as defined in
 9 Section 821(b) of the Internal Revenue Code); or
 10 (6) taxable income (as defined in Section 832 of the Internal
 11 Revenue Code);

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

14 SECTION 5. IC 6-3.5-1.1-2.5 IS AMENDED TO READ AS
 15 FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 2.5. (a) This section
 16 applies only to a county having a population of more than forty-one
 17 thousand (41,000) but less than forty-three thousand (43,000).

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

20 ~~(b)~~ **(c)** The county council of a county described in subsection (a)
 21 may, by ordinance, determine that additional county adjusted gross
 22 income tax revenue is needed in the county to fund the operation and
 23 maintenance of a jail and juvenile detention center opened after July 1,
 24 1998.

25 ~~(c)~~ **(d)** Notwithstanding section 2 of this chapter, if the county council
 26 adopts an ordinance under subsection ~~(b)~~ **(c)**, the county council may
 27 impose the county adjusted gross income tax at a rate of one and
 28 one-tenth percent (1.1%) on adjusted gross income **for fiscal years**
 29 **beginning before July 1, 2011. However, a county may impose the**
 30 **county adjusted gross income tax at a rate of one and one-tenth percent**
 31 **(1.1%) for only eight (8) years. For fiscal years beginning after the**
 32 **county has imposed the county adjusted gross income tax at a rate of**
 33 **one and one-tenth percent (1.1%) for eight (8) years June 30, 2011, the**
 34 **rate is reduced to one percent (1%). If the county council imposes the**
 35 **county adjusted gross income tax at a rate of one and one-tenth percent**
 36 **(1.1%), the county council may decrease the rate or rescind the tax in**
 37 **the manner provided under this chapter.**

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

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

48 SECTION 6. IC 6-3.5-6-18, AS AMENDED BY P.L.207-2005,
 49 SECTION 8, IS AMENDED TO READ AS FOLLOWS[

1 [EFFECTIVE UPON PASSAGE]: Sec. 18. (a) The revenue a county
2 auditor receives under this chapter shall be used to:

3 (1) replace the amount, if any, of property tax revenue lost due to
4 the allowance of an increased homestead credit within the county;

5 (2) fund the operation of a public communications system and
6 computer facilities district as provided in an election, if any, made
7 by the county fiscal body under IC 36-8-15-19(b);

8 (3) fund the operation of a public transportation corporation as
9 provided in an election, if any, made by the county fiscal body
10 under IC 36-9-4-42;

11 (4) make payments permitted under IC 36-7-15.1-17.5;

12 (5) make payments permitted under subsection (i); ~~and~~

13 (6) make distributions of distributive shares to the civil taxing units
14 of a county; **and**

15 **(7) make the distributions permitted under section 29 of this**
16 **chapter.**

17 (b) The county auditor shall retain from the payments of the county's
18 certified distribution, an amount equal to the revenue lost, if any, due to
19 the increase of the homestead credit within the county. This money shall
20 be distributed to the civil taxing units and school corporations of the
21 county as though they were property tax collections and in such a
22 manner that no civil taxing unit or school corporation shall suffer a net
23 revenue loss due to the allowance of an increased homestead credit.

24 (c) The county auditor shall retain:

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

29 **(2) the amount of an additional tax rate imposed under section**
30 **29 of this chapter.**

31 The county auditor shall distribute amounts retained under this
32 subsection to the county.

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

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

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

41 (2) A fraction. The numerator of the fraction equals the allocation
42 amount for the civil taxing unit for the calendar year in which the
43 month falls. The denominator of the fraction equals the sum of the
44 allocation amounts of all the civil taxing units of the county for the
45 calendar year in which the month falls.

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

1 (g) Notwithstanding subsection (e), if a civil taxing unit of an
 2 adopting county does not impose a property tax levy that is first due and
 3 payable in a calendar year in which distributive shares are being
 4 distributed under this section, that civil taxing unit is entitled to receive
 5 a part of the revenue to be distributed as distributive shares under this
 6 section within the county. The fractional amount such a civil taxing unit
 7 is entitled to receive each month during that calendar year equals the
 8 product of the following:

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

11 (2) A fraction. The numerator of the fraction equals the budget of
 12 that civil taxing unit for that calendar year. The denominator of the
 13 fraction equals the aggregate budgets of all civil taxing units of that
 14 county for that calendar year.

15 (h) If for a calendar year a civil taxing unit is allocated a part of a
 16 county's distributive shares by subsection (g), then the formula used in
 17 subsection (e) to determine all other civil taxing units' distributive
 18 shares shall be changed each month for that same year by reducing the
 19 amount to be distributed as distributive shares under subsection (e) by
 20 the amount of distributive shares allocated under subsection (g) for that
 21 same month. The department of local government finance shall make
 22 any adjustments required by this subsection and provide them to the
 23 appropriate county auditors.

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

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

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

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

40 **(A) the financing, construction, acquisition, improvement,
 41 renovation, equipping, operation, or maintenance of jail
 42 facilities; and**

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

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

47 **(b) The county fiscal body may impose the county option income
 48 tax on the adjusted gross income of resident county taxpayers at a
 49 rate, in addition to the rates permitted by sections 8 and 9 of this**

1 chapter, not to exceed twenty-five hundredths percent (0.25%).
2 Section 8(e) of this chapter applies to the application of the
3 additional rate to nonresident taxpayers.

4 (c) To impose the county option income tax as provided in this
5 section, the county fiscal body must adopt an ordinance finding and
6 determining that additional revenues from the county option
7 income tax are needed in the county to fund:

8 (1) the financing, construction, acquisition, improvement,
9 renovation, equipping, operation, or maintenance of jail
10 facilities; and

11 (2) the repayment of bonds issued or leases entered into for the
12 purposes described in subdivision (1), except operation or
13 maintenance.

14 (d) If the county fiscal body makes a determination under
15 subsection (c), the county fiscal body may adopt an additional tax
16 rate under subsection (b). Subject to the limitations in subsection
17 (b), the county fiscal body may amend an ordinance adopted under
18 this section to increase, decrease, or rescind the additional tax rate
19 imposed under this section. As soon as practicable after the
20 adoption of an ordinance under this section, the county fiscal body
21 shall send a certified copy of the ordinance to the county auditor,
22 the department of local government finance, and the department.
23 An ordinance adopted under this section before June 1, 2006, or
24 April 1 in a subsequent year applies to the imposition of county
25 income taxes after June 30 in that year. An ordinance adopted
26 under this section after May 31, 2006, or March 31 of a subsequent
27 year initially applies to the imposition of county option income
28 taxes after June 30 of the immediately following year.

29 (e) If the county imposes an additional tax rate under this section,
30 the county treasurer shall establish a county jail revenue fund to be
31 used only for the purposes described in this section. County option
32 income tax revenues derived from the tax rate imposed under this
33 section shall be deposited in the county jail revenue fund before
34 making a certified distribution under section 18 of this chapter.

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

37 (1) may be used only for the purposes described in this section;

38 (2) may not be considered by the department of local
39 government finance in determining the county's maximum
40 permissible property tax levy limit under IC 6-1.1-18.5; and

41 (3) may be pledged for the repayment of bonds issued or leases
42 entered into to fund the purposes described in subsection
43 (c)(1), except operation or maintenance.

44 (g) If the county imposes an additional tax rate under this
45 section, the department, after reviewing the recommendation of the
46 budget agency, shall adjust the certified distribution of the county
47 to provide for an increased distribution of taxes in the immediately
48 following calendar year after the county adopts the increased tax
49 rate and in each calendar year thereafter. The department shall

1 **provide for a full transition to certification of distributions as**
 2 **provided in section 17(a)(1) through 17(a)(2) of this chapter in the**
 3 **manner provided in section 17(c) of this chapter.**

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

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

13 (2) the county council if the county adjusted gross income tax is in
 14 effect on January 1 of the year the county economic development
 15 tax is imposed; or

16 (3) the county income tax council or the county council, whichever
 17 acts first, for a county not covered by subdivision (1) or (2).

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

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

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

24 (2) two-tenths percent (0.2%);

25 (3) twenty-five hundredths percent (0.25%);

26 (4) three-tenths percent (0.3%);

27 (5) thirty-five hundredths percent (0.35%);

28 (6) four-tenths percent (0.4%);

29 (7) forty-five hundredths percent (0.45%); or

30 (8) five-tenths percent (0.5%);

31 on the adjusted gross income of county taxpayers.

32 (c) Except as provided in subsection (h), (i), (j), (k), (l), (m), (n), (o),
 33 (p), or (s), the county economic development income tax rate plus the
 34 county adjusted gross income tax rate, if any, that are in effect on
 35 January 1 of a year may not exceed one and twenty-five hundredths
 36 percent (1.25%). Except as provided in subsection (g), (p), (r), ~~or (t), or~~
 37 **(u)**, the county economic development tax rate plus the county option
 38 income tax rate, if any, that are in effect on January 1 of a year may not
 39 exceed one percent (1%).

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

44 "The _____ County _____ imposes the county economic
 45 development income tax on the county taxpayers of _____ County.
 46 The county economic development income tax is imposed at a rate of
 47 _____ percent (____%) on the county taxpayers of the county.
 48 This tax takes effect July 1 of this year."

49 (e) Any ordinance adopted under this chapter takes effect July 1 of the

1 year the ordinance is adopted.

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

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

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

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

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

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

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

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

20 (h) For a county having a population of more than forty-one thousand
21 (41,000) but less than forty-three thousand (43,000), except as
22 provided in subsection (p), the county economic development income
23 tax rate plus the county adjusted gross income tax rate that are in effect
24 on January 1 of a year may not exceed one and thirty-five hundredths
25 percent (1.35%) if the county has imposed the county adjusted gross
26 income tax at a rate of one and one-tenth percent (1.1%) under
27 IC 6-3.5-1.1-2.5.

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

34 (j) For a county having a population of more than seventy-one
35 thousand (71,000) but less than seventy-one thousand four hundred
36 (71,400), except as provided in subsection (p), the county economic
37 development income tax rate plus the county adjusted gross income tax
38 rate that are in effect on January 1 of a year may not exceed one and
39 five-tenths percent (1.5%).

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

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

46 (2) the sum of the county economic development income tax rate
47 and the county adjusted gross income tax rate that are in effect on
48 January 1 of a year may not exceed one and five-tenths percent
49 (1.5%);

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

3 (l) For a county having a population of more than twenty-nine
4 thousand (29,000) but less than thirty thousand (30,000), except as
5 provided in subsection (p), the county economic development income
6 tax rate plus the county adjusted gross income tax rate that are in effect
7 on January 1 of a year may not exceed one and five-tenths percent
8 (1.5%).

9 (m) For:

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

13 (2) a county having a population of more than forty-five thousand
14 (45,000) but less than forty-five thousand nine hundred (45,900);
15 except as provided in subsection (p), the county economic development
16 income tax rate plus the county adjusted gross income tax rate that are
17 in effect on January 1 of a year may not exceed one and five-tenths
18 percent (1.5%).

19 (n) For a county having a population of more than six thousand
20 (6,000) but less than eight thousand (8,000), except as provided in
21 subsection (p), the county economic development income tax rate plus
22 the county adjusted gross income tax rate that are in effect on January
23 1 of a year may not exceed one and five-tenths percent (1.5%).

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

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

30 (2) the sum of the county economic development income tax rate
31 and:

32 (A) the county adjusted gross income tax rate that are in effect on
33 January 1 of a year may not exceed one and five-tenths percent
34 (1.5%); or

35 (B) the county option income tax rate that are in effect on January
36 1 of a year may not exceed one and twenty-five hundredths
37 percent (1.25%);

38 if the county council makes a determination to impose rates under this
39 subsection and section 24 of this chapter.

40 (p) In addition:

41 (1) the county economic development income tax may be imposed
42 at a rate that exceeds by not more than twenty-five hundredths
43 percent (0.25%) the maximum rate that would otherwise apply
44 under this section; and

45 (2) the:

46 (A) county economic development income tax; and

47 (B) county option income tax or county adjusted gross income
48 tax;

49 may be imposed at combined rates that exceed by not more than

1 twenty-five hundredths percent (0.25%) the maximum combined
2 rates that would otherwise apply under this section.

3 However, the additional rate imposed under this subsection may not
4 exceed the amount necessary to mitigate the increased ad valorem
5 property taxes on homesteads (as defined in IC 6-1.1-20.9-1) resulting
6 from the deduction of the assessed value of inventory in the county
7 under IC 6-1.1-12-41 or IC 6-1.1-12-42.

8 (q) If the county economic development income tax is imposed as
9 authorized under subsection (p) at a rate that exceeds the maximum rate
10 that would otherwise apply under this section, the certified distribution
11 must be used for the purpose provided in section 25(e) or 26 of this
12 chapter to the extent that the certified distribution results from the
13 difference between:

- 14 (1) the actual county economic development tax rate; and
15 (2) the maximum rate that would otherwise apply under this
16 section.

17 (r) This subsection applies only to a county described in section 27 of
18 this chapter. Except as provided in subsection (p), in addition to the
19 rates permitted by subsection (b), the:

- 20 (1) county economic development income tax may be imposed at
21 a rate of twenty-five hundredths percent (0.25%); and
22 (2) county economic development income tax rate plus the county
23 option income tax rate that are in effect on January 1 of a year may
24 equal up to one and twenty-five hundredths percent (1.25%);

25 if the county council makes a determination to impose rates under this
26 subsection and section 27 of this chapter.

27 (s) Except as provided in subsection (p), the county economic
28 development income tax rate plus the county adjusted gross income tax
29 rate that are in effect on January 1 of a year may not exceed one and
30 five-tenths percent (1.5%) if the county has imposed the county
31 adjusted gross income tax under IC 6-3.5-1.1-3.3.

32 (t) This subsection applies to Howard County. Except as provided in
33 subsection (p), the sum of the county economic development income tax
34 rate and the county option income tax rate that are in effect on January
35 1 of a year may not exceed one and twenty-five hundredths percent
36 (1.25%).

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

42 SECTION 9. IC 6-9-24-9 IS AMENDED TO READ AS FOLLOWS
43 [EFFECTIVE JULY 1, 2006]: Sec. 9. (a) If the tax is imposed by a
44 municipality under this chapter, the tax terminates January 1, ~~2007~~.
45 **2012.**

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

47 SECTION 10. IC 6-9-27-9.5, AS ADDED BY P.L.214-2005,
48 SECTION 42, IS AMENDED TO READ AS FOLLOWS
49 [EFFECTIVE JULY 1, 2006]: Sec. 9.5. (a) A city shall use money in

1 the fund established under section 8.5 of this chapter for only the
2 following:

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

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

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

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

20 (d) A pledge under subsection (b) is enforceable under IC 5-1-14-4.
21 SECTION 11. IC 21-2-21-1.8, AS ADDED BY P.L.214-2005,
22 SECTION 62, IS AMENDED TO READ AS FOLLOWS
23 [EFFECTIVE UPON PASSAGE]: Sec. 1.8. (a) For purposes of this
24 section, "retirement or severance liability" means the payments
25 anticipated to be required to be made to employees of a school
26 corporation upon or after termination of the employment of the
27 employees by the school corporation under an existing or previous
28 employment agreement.

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

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

32 (A) before April 14, 2003; or

33 (B) after April 13, 2003, if an order approving the issuance
34 of the bonds was issued by the department of local
35 government finance before April 14, 2003.

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

- 41 (1) The school corporation may issue bonds under this section only
42 one (1) time.
- 43 (2) ~~The A~~ school corporation **described in subsection (b)(1) or**
44 **(b)(2)(A) must issue the bonds before July 1, 2006. A school**
45 **corporation described in subsection (b)(2)(B) must file a**
46 **petition with the department of local government finance under**
47 **IC 6-1.1-19-8 requesting approval to incur bond indebtedness**
48 **under this section before July 1, 2006.**
- 49 (3) The solution to which the bonds are contributing must be

1 reasonably expected to reduce the school corporation's unfunded
 2 contractual liability for retirement or severance payments as it
 3 existed on June 30, 2001.

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

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

9 (B) the remainder of:

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

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

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

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

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

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

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

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

35 **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

Signed by:

Representative Espich
Chairperson

Senator Kenley

Representative Crawford

Senator Simpson

House Conferees

Senate Conferees