

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7446

BILL NUMBER: HB 1597

NOTE PREPARED: Feb 19, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Sales Tax Increment Financing.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that a redevelopment commission outside Marion County may establish a sales tax increment financing area to capture 50% of the sales and use taxes remitted by businesses that begin operating in the area after the area is established. It provides that the body acting as a redevelopment commission in Marion County may establish an area to capture 50% of the sales and use taxes remitted by businesses that begin operating in the area after the area is established.

This bill provides that surplus proceeds or savings from bonds issued by a redevelopment commission to fund activities in an area may not be used to pay the principal or interest on other bonds issued by the redevelopment commission. It provides that the sales and use taxes in an area may be used to make beneficial improvements that would not otherwise be made as a result of regulatory processes or the ordinary operations of private enterprise. The bill also provides that an area must terminate not later than 30 years after a sales tax increment is first distributed to the redevelopment commission that established the area.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will increase the administrative costs of the DOR. The bill requires the DOR to calculate the gross retail incremental amount (defined in the bill) for each Sales Tax Incremental Financing (STIF) area established. The impact of this provision will ultimately depend on the number of STIF areas established. It is estimated that this provision can be implemented by the DOR through the use of existing staff and resources.

Treasurer of State: This bill will also increase the administrative costs of the Treasurer of State by requiring the Treasurer to deposit Sales Tax captured in a STIF area in an Incremental Tax Financing (ITF) Fund for

that particular area. The funds are then distributed to the redevelopment commission that established the STIF area for deposit in the local unit's Sales Tax Increment Financing (STIF) Fund. It is estimated that this provision could be implemented through the use of staff and resources currently available to the Treasurer

State Budget Agency (SBA): The bill establishes that a STIF must either be a Type 1 STIF or a Type 2 STIF. Definitions for these types of STIF is included in the *Background Information* section. This bill will increase the administrative costs of the state Budget Agency and Budget Committee by requiring that before implementing a Type 2 STIF plan under this bill, the local redevelopment commission must be reviewed by the Committee and approved by the SBA. This provision does not apply to a Type 2 STIF adopted under this bill by the Marion County redevelopment commission. It is estimated the Committee and the SBA could implement this review and approval process through the use of existing staff and resources. The bill does provide that if the SBA does not approve the plan within 120 days, the plan is automatically approved.

Explanation of State Revenues: This bill will cause an indeterminable decrease in Sales Tax collections deposited in all the funds in the current Sales Tax distribution formula. The revenue that would have been deposited in these funds will be deposited in an ITF Fund established for each STIF area created under this bill.

This bill allows a redevelopment commission to establish a STIF area and capture 50% of the Sales Tax remitted by businesses that begin operating in the STIF area after the STIF area is established. Therefore, the amount of Sales Tax that is shifted from the current distribution formula to local ITF Funds will ultimately depend on the number of STIF areas established.

The funds captured in a STIF area are distributed by the Treasurer to the redevelopment commission that established the STIF area, and are required to be deposited in the local unit's STIF Fund. The Marion County redevelopment commission is also entitled to establish a STIF area and capture 50% of the Sales Tax remitted by businesses that begin operating in the STIF area after the STIF area is established.

Sales Tax collections are currently deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures: (Revised) If a local redevelopment commission decides to create a STIF area, there will be an increase in administrative cost to the commission. It is anticipated that a commission could implement a STIF area through the use of existing staff and resources.

A redevelopment commission may not exercise the power of eminent domain to acquire property in a type 1 or type 2 sales tax increment financing area.

Explanation of Local Revenues: (Revised) All money captured in a STIF area established under this bill is required to be deposited in a local ITF Fund established for that particular STIF area. The bill then requires that the funds be distributed to the redevelopment commission that established the STIF area, and are then required to be deposited in the local unit's STIF Fund. The STIF would terminate 30 years after the first distribution of revenue to the area.

A redevelopment commission may issue bonds to defray expenses of carrying out activities in sales tax increment financing areas, and the term of a bond issued to may not exceed 30 years. Principal and interest on bonds issued to finance a plan of improvements in a sales tax increment financing area must be paid from

the gross retail incremental amount for the sales tax increment financing area, and not used for other redevelopment commission projects.

(Revised) Background Information - The bill allows a STIF area to be established to provide funding for the purpose of making improvements to the area. Improvements are defined in the bill as the construction, reconstruction, or repair of public ways, sidewalks, sewers, drains, fences, or buildings, and all other things that would make real property more suitable for commercial, retail or recreational use.

The bill requires that the redevelopment commission pass a resolution establishing the STIF area, and declaring that the plan of improvements to the proposed STIF area will be of public utility and benefit.

The bill provides that a Type 1 STIF established in an area (excluding Marion County) may comprise all or part of one or more of the following geographic areas within the redevelopment district:

1. A circular area having a radius of 1/4 mile centered on a highway interchange, at least 1 highway of which is an interstate highway.
2. An area extending outward from the perimeter of an airport for 2,500 feet.
3. An area extending for 500 feet on each side of the center line of 1 or more of the following systems:
 - (A) Recreational trails.
 - (B) Commuter rail lines.
4. A circular area having a radius of 100 feet centered on a public or private bus stop.
5. An area extending outward five hundred (500) feet from the boundaries of a historic district approved in an ordinance adopted under IC 36-7-11-7.
6. An area extending outward five hundred (500) feet from the boundaries of a facility that is used primarily to provide family oriented sports, recreational, tourism, and entertainment opportunities, including a facility that:
 - (A) is used for practice or competitive sporting events; and
 - (B) serves regional or national markets.
7. A parcel that includes any part of an area described in subdivisions (1) through (6).

A Type 2 STIF established in an area (excluding Marion County) means an area that consists of one or more possibly noncontiguous geographic areas within a redevelopment district which do not include any part included in a Type 1 STIF.

A Type 1 STIF established in Marion County may include any of the areas in (1) to (5). A Type 2 STIF established in Marion County means an area that consists of one or more possibly noncontinuous geographic areas within the redevelopment district which do not include any part included in a Type 1 STIF.

State Agencies Affected: Department of State Revenue; Treasurer of State; State Budget Agency.

Local Agencies Affected: Local redevelopment commissions.

Information Sources:

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