

Adopted	Rejected
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COMMITTEE REPORT

YES: 12
NO: 0

MR. SPEAKER:

*Your Committee on Commerce, Small Business and Economic Development, to which was referred Senate Bill 244, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill **be amended** as follows:*

- 1 Delete the title and insert the following:
- 2 A BILL FOR AN ACT to amend the Indiana Code concerning
- 3 taxation and to make an appropriation.
- 4 Page 9, between lines 41 and 42, begin a new paragraph and insert:
- 5 "SECTION 10. IC 6-3.5-7-13.5, AS ADDED BY P.L.137-2006,
- 6 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 7 UPON PASSAGE]: Sec. 13.5. (a) The general assembly finds that
- 8 counties and municipalities in Indiana have a need to foster economic
- 9 development, the development of new technology, and industrial and
- 10 commercial growth. The general assembly finds that it is necessary and
- 11 proper to provide an alternative method for counties and municipalities
- 12 to foster the following:
- 13 (1) Economic development.

- 1 (2) The development of new technology.
 2 (3) Industrial and commercial growth.
 3 (4) Employment opportunities.
 4 (5) The diversification of industry and commerce.
- 5 The fostering of economic development and the development of new
 6 technology under this section or section 13.6 of this chapter for the
 7 benefit of the general public, including industrial and commercial
 8 enterprises, is a public purpose.
- 9 (b) The fiscal bodies of two (2) or more counties or municipalities
 10 may, by resolution, do the following:
- 11 (1) Determine that part or all the taxes received by the units under
 12 this chapter should be combined to foster:
- 13 (A) economic development;
 14 (B) the development of new technology; and
 15 (C) industrial and commercial growth.
- 16 (2) Establish a regional venture capital fund.
- 17 (c) Each unit participating in a regional venture capital fund
 18 established under subsection (b) may deposit the following in the fund:
- 19 (1) Taxes distributed to the unit under this chapter.
 20 (2) The proceeds of public or private grants.
 21 **(3) Revenues received by a county under IC 36-7-37.**
- 22 (d) A regional venture capital fund shall be administered by a
 23 governing board. The expenses of administering the fund shall be paid
 24 from money in the fund. The governing board shall invest the money
 25 in the fund not currently needed to meet the obligations of the fund in
 26 the same manner as other public money may be invested. Interest that
 27 accrues from these investments shall be deposited into the fund. The
 28 fund is subject to an annual audit by the state board of accounts. The
 29 fund shall bear the full costs of the audit.
- 30 (e) The fiscal body of each participating unit shall approve an
 31 interlocal agreement created under IC 36-1-7 establishing the terms for
 32 the administration of the regional venture capital fund. The terms must
 33 include the following:
- 34 (1) The membership of the governing board.
 35 (2) The amount of each unit's contribution to the fund.
 36 (3) The procedures and criteria under which the governing board
 37 may loan or grant money from the fund.
 38 (4) The procedures for the dissolution of the fund and for the

1 distribution of money remaining in the fund at the time of the
2 dissolution.

3 (f) An interlocal agreement made by the participating units under
4 subsection (e) must provide that:

5 (1) each of the participating units is represented by at least one (1)
6 member of the governing board; and

7 (2) the membership of the governing board is established on a
8 bipartisan basis so that the number of the members of the
9 governing board who are members of one (1) political party may
10 not exceed the number of members of the governing board
11 required to establish a quorum.

12 (g) A majority of the governing board constitutes a quorum, and the
13 concurrence of a majority of the governing board is necessary to
14 authorize any action.

15 (h) An interlocal agreement made by the participating units under
16 subsection (e) must be submitted to the Indiana economic development
17 corporation for approval before the participating units may contribute
18 to the fund.

19 (i) A majority of members of a governing board of a regional
20 venture capital fund established under this section must have at least
21 five (5) years of experience in business, finance, or venture capital.

22 (j) The governing board of the fund may loan or grant money from
23 the fund to a private or public entity if the governing board finds that
24 the loan or grant will be used by the borrower or grantee for at least one
25 (1) of the following economic development purposes:

26 (1) To promote significant employment opportunities for the
27 residents of the units participating in the regional venture capital
28 fund.

29 (2) To attract a major new business enterprise to a participating
30 unit.

31 (3) To develop, retain, or expand a significant business enterprise
32 in a participating unit.

33 (k) The expenditures of a borrower or grantee of money from a
34 regional venture capital fund that are considered to be for an economic
35 development purpose include expenditures for any of the following:

36 (1) Research and development of technology.

37 (2) Job training and education.

38 (3) Acquisition of property interests.

- 1 (4) Infrastructure improvements.
 2 (5) New buildings or structures.
 3 (6) Rehabilitation, renovation, or enlargement of buildings or
 4 structures.
 5 (7) Machinery, equipment, and furnishings.
 6 (8) Funding small business development with respect to:
 7 (A) prototype products or processes;
 8 (B) marketing studies to determine the feasibility of new
 9 products or processes; or
 10 (C) business plans for the development and production of new
 11 products or processes.

12 SECTION 11. IC 6-3.5-7-13.6, AS ADDED BY P.L.137-2006,
 13 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 14 UPON PASSAGE]: Sec. 13.6. (a) The fiscal body of a county or
 15 municipality may, by resolution, establish a local venture capital fund.

16 (b) A unit establishing a local venture capital fund under subsection
 17 (a) may deposit the following in the fund:

- 18 (1) Taxes distributed to the unit under this chapter.
 19 (2) The proceeds of public or private grants.

20 **(3) Revenues received by a county under IC 36-7-37.**

21 (c) A local venture capital fund shall be administered by a
 22 governing board. The expenses of administering the fund shall be paid
 23 from money in the fund. The governing board shall invest the money
 24 in the fund not currently needed to meet the obligations of the fund in
 25 the same manner as other public money may be invested. Interest that
 26 accrues from these investments shall be deposited into the fund. The
 27 fund is subject to an annual audit by the state board of accounts. The
 28 fund shall bear the full costs of the audit.

29 (d) The fiscal body of a unit establishing a local venture capital fund
 30 under subsection (a) shall establish the terms for the administration of
 31 the local venture capital fund. The terms must include the following:

- 32 (1) The membership of the governing board.
 33 (2) The amount of the unit's contribution to the fund.
 34 (3) The procedures and criteria under which the governing board
 35 may loan or grant money from the fund.
 36 (4) The procedures for the dissolution of the fund and for the
 37 distribution of money remaining in the fund at the time of the
 38 dissolution.

1 (e) A unit establishing a local venture capital fund under subsection
2 (a) must be represented by at least one (1) member of the governing
3 board.

4 (f) The membership of the governing board must be established on
5 a bipartisan basis so that the number of the members of the governing
6 board who are members of one (1) political party may not exceed the
7 number of members of the governing board required to establish a
8 quorum.

9 (g) A majority of the governing board constitutes a quorum, and the
10 concurrence of a majority of the governing board is necessary to
11 authorize any action.

12 (h) The terms established under subsection (d) for the
13 administration of the local venture capital fund must be submitted to
14 the Indiana economic development corporation for approval before a
15 unit may contribute to the fund.

16 (i) A majority of members of a governing board of a local venture
17 capital fund established under this section must have at least five (5)
18 years of experience in business, finance, or venture capital.

19 (j) The governing board of the fund may loan or grant money from
20 the fund to a private or public entity if the governing board finds that
21 the loan or grant will be used by the borrower or grantee for at least one
22 (1) of the following economic development purposes:

23 (1) To promote significant employment opportunities for the
24 residents of the unit establishing the local venture capital fund.

25 (2) To attract a major new business enterprise to the unit.

26 (3) To develop, retain, or expand a significant business enterprise
27 in the unit.

28 (k) The expenditures of a borrower or grantee of money from a local
29 venture capital fund that are considered to be for an economic
30 development purpose include expenditures for any of the following:

31 (1) Research and development of technology.

32 (2) Job training and education.

33 (3) Acquisition of property interests.

34 (4) Infrastructure improvements.

35 (5) New buildings or structures.

36 (6) Rehabilitation, renovation, or enlargement of buildings or
37 structures.

38 (7) Machinery, equipment, and furnishings.

- 1 (8) Funding small business development with respect to:
 2 (A) prototype products or processes;
 3 (B) marketing studies to determine the feasibility of new
 4 products or processes; or
 5 (C) business plans for the development and production of new
 6 products or processes.

7 SECTION 12. IC 36-7-37 IS ADDED TO THE INDIANA CODE
 8 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 9 UPON PASSAGE]:

10 **Chapter 37. Rural Entrepreneurship Area Development**
 11 **Incentives**

12 **Sec. 1. This chapter applies to a rural county.**

13 **Sec. 2. The purpose of this chapter is to:**

- 14 (1) **establish and fund programs to identify entrepreneurs**
 15 **with marketable ideas; and**
 16 (2) **support the organization and development of new**
 17 **businesses in rural counties.**

18 **Sec. 3. The general assembly finds that establishing and**
 19 **supporting new businesses in rural counties serve a public purpose**
 20 **that benefits the general welfare of rural counties by encouraging**
 21 **investment, job creation and retention, economic growth, and more**
 22 **diverse economies.**

23 **Sec. 4. As used in this chapter, "agreement" refers to an**
 24 **agreement between the office and a county establishing the terms**
 25 **and conditions governing an area established under this chapter.**

26 **Sec. 5. As used in this chapter, "area" refers to a rural**
 27 **entrepreneurship area development incentives area established**
 28 **under this chapter.**

29 **Sec. 6. As used in this chapter, "corporation" refers to the**
 30 **Indiana economic development corporation.**

31 **Sec. 7. As used in this chapter, "department" refers to the**
 32 **department of state revenue.**

33 **Sec. 8. As used in this chapter, "income tax incremental**
 34 **revenue" means the remainder of:**

- 35 (1) **the sum of:**
 36 (A) **the total amount of state adjusted gross income taxes**
 37 **paid by employees of new businesses, regardless of county**
 38 **of residence, that are employed in any part of the territory**

- 1 **comprising an area with respect to wages and salary**
 2 **earned for work in the area for a particular state fiscal**
 3 **year;**
- 4 **(B) the total amount of state adjusted gross income taxes**
 5 **paid by additional employees of existing businesses in the**
 6 **territory, regardless of county of residence, that are**
 7 **employed as a result of expansion after the date of the**
 8 **establishment of the territory with respect to wages and**
 9 **salary earned for work in the area for a particular state**
 10 **fiscal year; plus**
- 11 **(C) the total amount of state adjusted gross income taxes**
 12 **paid by new businesses located in any part of the territory**
 13 **comprising an area with respect to income sourced to the**
 14 **area for a particular state fiscal year; minus**
- 15 **(2) the sum of:**
- 16 **(A) the tax credits awarded by the corporation under**
 17 **IC 6-3.1-13 to new businesses operating in the territory**
 18 **comprising an area as the result of wages earned for work**
 19 **in any part of the territory comprising an area for the state**
 20 **fiscal year; plus**
- 21 **(B) the total amount of the incremental state adjusted**
 22 **gross income taxes paid by existing businesses as a result**
 23 **of expansion with no state incentives and with creation of**
 24 **one (1) or more additional jobs, located in any part of the**
 25 **territory comprising an area with respect to income**
 26 **sourced to the area for a particular state fiscal year, after**
 27 **the date of the establishment of the territory;**
- 28 **as determined by the department.**
- 29 **Sec. 9. As used in this chapter, "incubator" means a facility in**
 30 **which space may be leased by a tenant and in which management**
 31 **provides access to business development services for use by**
 32 **tenants.**
- 33 **Sec. 10. As used in this chapter, "office" refers to the office of**
 34 **community and rural affairs established by IC 4-4-9.7-4.**
- 35 **Sec. 11. As used in this chapter, "new business" refers to a**
 36 **business entity certified by the office as a new business under**
 37 **section 19 of this chapter.**
- 38 **Sec. 12. As used in this chapter, "READI fund" refers to a rural**

1 entrepreneurship area development incentives fund established by
2 a rural county under section 23 of this chapter.

3 Sec. 13. As used in this chapter, "rural county" refers to a
4 county having a population of less than fifty thousand (50,000).

5 Sec. 14. As used in this chapter, "tax incentive zone" refers to
6 the territory of any of the following:

7 (1) A community revitalization enhancement district
8 established under IC 36-7-13.

9 (2) A professional sports and convention development area
10 established under IC 36-7-31.3.

11 (3) A certified technology park established under IC 36-7-32.

12 (4) Any other area in which a law permits adjusted gross
13 income taxes imposed on a taxable event in the area to be
14 distributed to an employer located in the area or a political
15 subdivision in the area for a local business, economic
16 development, or a governmental purpose.

17 Sec. 15. A rural county may apply to the office for designation
18 of the county as a rural entrepreneurship area development
19 incentives area. The application must:

20 (1) be in a form specified by the office;

21 (2) include a copy of an ordinance adopted by the county
22 legislative body designating the territory of the county that is
23 outside the boundaries of a tax incentive zone as an area;

24 (3) include a copy of an ordinance adopted by the county
25 legislative body committing up to two hundred fifty thousand
26 dollars (\$250,000) each state fiscal year of the county's
27 economic development income tax funds to a dollar-for-dollar
28 match to the income incremental revenue received from the
29 treasurer of state under section 22 of this chapter; and

30 (4) include information that the office determines necessary
31 for evaluating the application under section 16 of this chapter.

32 Sec. 16. (a) The office may approve an application from a rural
33 county and designate the county as an area if the county:

34 (1) submits a written plan for supporting entrepreneurship
35 and the establishment of new businesses in the area that meets
36 the requirements of the office; and

37 (2) agrees in writing to the terms and conditions specified by
38 the office.

1 **(b) The territory of an area designated under this section**
2 **consists of all the territory in the county that is outside the**
3 **boundaries of a tax incentive zone.**

4 **Sec. 17. An area is established on the date on which the county**
5 **approved under section 16 of this chapter and the office enter into**
6 **a written agreement specifying the terms and conditions governing**
7 **the area. An area continues in existence until the earliest of the**
8 **following:**

- 9 **(1) January 1, 2024.**
- 10 **(2) The date specified in an ordinance adopted by the**
11 **legislative body for the county nominating the county for**
12 **designation as an area.**
- 13 **(3) The date that the office terminates the area under section**
14 **21 of this chapter.**

15 **Sec. 18. The office shall send a certified copy of the designation**
16 **of a county as an area to the department.**

17 **Sec. 19. The office shall determine whether a business in a rural**
18 **county is a new business and may certify the business as a new**
19 **business if the office determines that the new business meets all the**
20 **following criteria:**

- 21 **(1) The business is established or organized to do business in**
22 **Indiana less than one (1) year before the business locates**
23 **business operations in an area.**
- 24 **(2) The business initially locates business operations in an**
25 **area after the date the area is designated as an area by the**
26 **office.**
- 27 **(3) The business conducts business operations in the area to**
28 **provide goods or services for profit.**
- 29 **(4) The business meets any other criteria specified by the**
30 **office.**

31 **Sec. 20. (a) The county auditor of a county designated as an area**
32 **shall send to the department:**

- 33 **(1) a certified copy of the designation of the county as an area;**
- 34 **(2) a certified copy of the agreement entered into with the**
35 **office for the area; and**
- 36 **(3) a complete list of the new business employers in the area,**
37 **including any other identifying information required by the**
38 **department.**

1 **(b) The county auditor shall update the list provided to the**
2 **department under subsection (a)(3) at least annually before July 1**
3 **of each year.**

4 **Sec. 21. The office may not terminate an area for a violation of**
5 **the agreement described in section 17 of this chapter until the**
6 **office has conducted a public hearing for the purpose of giving all**
7 **interested parties an opportunity to comment on the proposal to**
8 **terminate the area. Notice of the hearing must be given at least**
9 **fourteen (14) days before the hearing in accordance with**
10 **IC 5-14-1.5-5(b).**

11 **Sec. 22. (a) Before the first business day in October of each year,**
12 **the department shall:**

13 **(1) calculate the income tax incremental revenue for the**
14 **preceding state fiscal year for each area designated under this**
15 **chapter; and**

16 **(2) upon approval of the state board of accounts and the**
17 **corporation, direct the treasurer of state to distribute the**
18 **amount determined under subdivision (1) for each area to the**
19 **county treasurer of the county designating the area.**

20 **However, the amount distributed in a particular state fiscal year**
21 **to a particular county under this section may not exceed two**
22 **hundred fifty thousand dollars (\$250,000), and the total number of**
23 **counties to receive the distribution in a state fiscal year does not**
24 **exceed thirty (30).**

25 **(b) A sufficient amount is annually appropriated from the state**
26 **general fund to make the distributions required by this section.**

27 **Sec. 23. (a) Each county that establishes an area under this**
28 **chapter shall establish a rural entrepreneurship area development**
29 **incentives (READI) fund for the county to receive money**
30 **distributed under section 22 of this chapter.**

31 **(b) Money deposited in the READI fund may be used by the**
32 **county only for one (1) or more of the following purposes:**

33 **(1) Transferring money to a revolving fund established under**
34 **section 24 of this chapter for purposes of the revolving fund.**

35 **(2) Transferring money to a regional venture capital fund**
36 **established under IC 6-3.5-7-13.5 or a local venture capital**
37 **fund established under IC 6-3.5-7-13.6 for purposes of the**
38 **funds.**

- 1 **(3) Incubator development and operation.**
- 2 **(4) Accelerator development and operation.**
- 3 **(5) Small business support services.**
- 4 **(6) Assisting in the deployment of high speed Internet service**
- 5 **(as defined by IC 5-28-33-2) within the county.**
- 6 **(c) The fund may not be used for the administrative expenses of**
- 7 **the fund.**

8 **Sec. 24. (a) A county designated as an area may establish a**
 9 **revolving fund to provide loans to new businesses in the county's**
 10 **area.**

11 **(b) The county may loan money in the revolving fund**
 12 **established under this section to a new business if the county fiscal**
 13 **body finds that the loan will be used by the new business for one (1)**
 14 **or more of the following economic development purposes:**

- 15 **(1) Promoting significant opportunities for the gainful**
- 16 **employment of Indiana residents in the county's area.**
- 17 **(2) Attracting a new business to the county's area.**
- 18 **(3) Retaining or expanding the operations of a new business**
- 19 **in the county's area.**

20 **(c) The county may make the loan from a revolving fund**
 21 **established under this section on the terms approved by the county**
 22 **fiscal body.**

23 **(d) Amounts paid on a loan made from a revolving fund**
 24 **established under this section shall be deposited in the revolving**
 25 **fund.**

26 **Sec. 25. A county may not issue bonds that:**

- 27 **(1) pledge money deposited in the county's READI fund to**
- 28 **repayment of interest or principal on the bonds; or**
- 29 **(2) guarantee repayment of any public or private obligation**
- 30 **from money in the READI fund.**

31 **Sec. 26. Two (2) or more counties may enter into a written**
 32 **agreement under this section to jointly carry out the purposes of**
 33 **this chapter in the counties that are parties to the agreement.**
 34 **Counties choosing to form a joint agreement under this section**
 35 **shall be recognized as one (1) county for the purposes of section**
 36 **22(a)(2) of this chapter.**

37 **Sec. 27. (a) The state board of accounts shall audit each READI**
 38 **fund every two (2) years to determine whether:**

- 1 **(1) the appropriate amount of revenue is being transferred**
- 2 **from the state to the county; and**
- 3 **(2) money in the county's READI fund is being used for**
- 4 **purposes permitted by this chapter.**
- 5 **(b) The state board of accounts shall audit each revolving fund**
- 6 **established under this chapter every two (2) years to determine**
- 7 **whether loans are being made and repaid in compliance with any**
- 8 **applicable statutes and the terms imposed by the county fiscal body**
- 9 **under section 24 of this chapter.**
- 10 **Sec. 28. Upon termination of an area, the balance of any READI**
- 11 **fund or revolving loan fund established under section 24 of this**
- 12 **chapter and any amounts due to either fund shall be transferred to**
- 13 **the state general fund.**
- 14 **Sec. 29. Notwithstanding any other law, a tax incentive zone**
- 15 **may not be established or expanded in a county:**
- 16 **(1) after the date an area is established in the county; and**
- 17 **(2) before the date the area terminates;**
- 18 **without the approval of the county legislative body.**
- 19 **Sec. 30. This chapter expires January 1, 2024."**
- 20 Page 10, line 1, delete "IC 6-3.1-26-8.5,".
- 21 Page 10, line 3, after "act," insert "**and IC 6-3.1-26-8.5, as**
- 22 **amended by this act,".**
- 23 Page 10, after line 5, begin a new paragraph and insert:
- 24 "**SECTION 14. An emergency is declared for this act."**
- 25 ReNUMBER all SECTIONS consecutively.
- (Reference is to SB 244 as printed January 30, 2013.)

and when so amended that said bill do pass.

Representative Messmer