



February 24, 2016

**ENGROSSED
HOUSE BILL No. 1110**

DIGEST OF HB 1110 (Updated February 23, 2016 10:21 am - DI 120)

Citations Affected: IC 6-3.5; IC 6-3.6.

Synopsis: Supplemental distributions of local income tax. Requires the budget agency, before May 1, 2016, to make supplemental distributions from a county's adjusted gross income tax trust account, county option income tax trust account, or county economic development income tax trust account equal to: (1) the amount of the balance in the county trust account on December 31, 2014, as determined by the budget agency; minus (2) any supplemental distribution made under current law to the county in January 2016. Provides that the office of management and budget (OMB) and the department of local government finance (DLGF) shall determine the
(Continued next page)

Effective: Upon passage; May 1, 2016; July 1, 2016.

**Huston, Brown T, Schaibley,
Smith M, Bosma, Moed, Porter,
Frye R**

(SENATE SPONSORS — HERSHMAN, RANDOLPH LONNIE M)

January 7, 2016, read first time and referred to Committee on Ways and Means.
January 28, 2016, amended, reported — Do Pass.
February 1, 2016, read second time, ordered engrossed. Engrossed.
February 2, 2016, read third time, passed. Yeas 98, nays 0.

SENATE ACTION

February 8, 2016, read first time and referred to Committee on Appropriations.
February 11, 2016, reassigned to Committee on Tax & Fiscal Policy pursuant to Rule 68(b).
February 23, 2016, amended, reported favorably — Do Pass.

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Digest Continued

allocation of the supplemental distribution, based on that part of the balance in the county's trust account that would be distributed to the county, city, or town. Provides that the county auditor, before June 1, 2016, shall distribute only to a county, city, or town an amount equal to the allocation amount determined for the county, city, or town by the OMB and the DLGF. Provides that at least 75% of the distributions made to a county, city, or town must be: (1) used exclusively for local road construction, maintenance, or repair, or capital projects for aviation, including capital projects of an airport authority; or (2) deposited in a rainy day fund. Provides that any remaining distribution to a county, city, or town may be used for any purposes of the county, city, or town. Provides that if the budget agency determines that the balance in a county's local income tax trust account exceeds 25% (rather than 50%, under current law) of the certified distributions to be made to the county in the ensuing year, the budget agency shall make a supplemental distribution to the county.

EH 1110—LS 6323/DI 58



February 24, 2016

Second Regular Session of the 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1110

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3.5-1.1-21.2 IS ADDED TO THE INDIANA
2 CODE AS A **NEW SECTION** TO READ AS FOLLOWS
3 [EFFECTIVE UPON PASSAGE]: **Sec. 21.2. (a) As used in this**
4 **section, "unit eligible for a supplemental distribution" means a**
5 **county, city, or town that is eligible for an allocation of certified**
6 **shares under IC 6-3.6-6-10.**
7 **(b) As used in this section, "fiscal body" has the meaning set**
8 **forth in IC 36-1-2-6.**
9 **(c) As used in this section, "OMB" refers to the office of**
10 **management and budget established by IC 4-3-22-3.**
11 **(d) In addition to any supplemental distribution made in**
12 **January 2016 to a county under section 21.1 of this chapter, the**
13 **budget agency shall make a supplemental distribution before May**
14 **1, 2016, to the county from the county's adjusted gross income tax**
15 **account.**
16 **(e) The amount of the supplemental distribution to a county**
17 **under this section is equal to the amount determined under the**

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1 following STEPS:

2 STEP ONE: Determine the result of:

3 (A) the amount of the balance in the county trust account
4 on December 31, 2014, as determined by the budget
5 agency; minus

6 (B) the amount of any supplemental distribution made to
7 the county in January 2016 under section 21.1 of this
8 chapter.

9 STEP TWO: Determine the part of the STEP ONE amount
10 that would be allocated to each taxing unit in the county,
11 using the allocation method specified in IC 6-3.6-6-3 and in
12 IC 6-3.6-6-10 through IC 6-3.6-6-15.

13 STEP THREE: Determine the sum of the STEP TWO
14 amounts for each unit eligible for a supplemental distribution.
15 The sum determined under this STEP is the total amount of
16 the supplemental distribution that shall be made to the county
17 under this section.

18 (f) Before May 15, 2016, the OMB and the department of local
19 government finance shall jointly determine and provide to the
20 county auditor an allocation of the supplemental distribution made
21 to the county under this section. The amount that each unit eligible
22 for a supplemental distribution shall receive is equal to the amount
23 determined for the unit under STEP TWO of subsection (e).

24 (g) Before June 1, 2016, the county auditor shall distribute to
25 each unit eligible for a supplemental distribution an amount equal
26 to the allocation amount for the unit as determined under
27 subsection (f).

28 (h) Money distributed to a unit eligible for a supplemental
29 distribution must be used only for purposes and as authorized in
30 IC 6-3.6-10-9.

31 (i) This section expires January 1, 2017.

32 SECTION 2. IC 6-3.5-6-17.7 IS ADDED TO THE INDIANA
33 CODE AS A NEW SECTION TO READ AS FOLLOWS
34 [EFFECTIVE UPON PASSAGE]: Sec. 17.7. (a) As used in this
35 section, "unit eligible for a supplemental distribution" means a
36 county, city, or town that is eligible for an allocation of certified
37 shares under IC 6-3.6-6-10.

38 (b) As used in this section, "fiscal body" has the meaning set
39 forth in IC 36-1-2-6.

40 (c) As used in this section, "OMB" refers to the office of
41 management and budget established by IC 4-3-22-3.

42 (d) In addition to any supplemental distribution made in



1 **January 2016 to the county under section 17.3 of this chapter, the**
 2 **budget agency shall make a supplemental distribution before May**
 3 **1, 2016, to the county from the county's special account.**

4 **(e) The amount of the supplemental distribution to a county**
 5 **under this section is equal to the amount determined under the**
 6 **following STEPS:**

7 **STEP ONE: Determine the result of:**

8 **(A) the amount of the balance in the county trust account**
 9 **on December 31, 2014, as determined by the budget**
 10 **agency; minus**

11 **(B) the amount of any supplemental distribution made to**
 12 **the county in January 2016 under section 17.3 of this**
 13 **chapter.**

14 **STEP TWO: Determine the part of the STEP ONE amount**
 15 **that would be allocated to each taxing unit in the county,**
 16 **using the allocation method specified in IC 6-3.6-6-10 through**
 17 **IC 6-3.6-6-15, in the case of a county other than Marion**
 18 **County, or the allocation method specified in IC 6-3.6-11-5, in**
 19 **the case of Marion County.**

20 **STEP THREE: Determine the sum of the STEP TWO**
 21 **amounts for each unit eligible for a supplemental distribution.**
 22 **The sum determined under this STEP is the total amount of**
 23 **the supplemental distribution that shall be made to the county**
 24 **under this section.**

25 **(f) Before May 15, 2016, the OMB and the department of local**
 26 **government finance shall jointly determine and provide to the**
 27 **county auditor an allocation of the supplemental distribution made**
 28 **to the county under this section. The amount that each unit eligible**
 29 **for a supplemental distribution shall receive is equal to the amount**
 30 **determined for the unit under STEP TWO of subsection (e).**

31 **(g) Before June 1, 2016, the county auditor shall distribute to**
 32 **each unit eligible for a supplemental distribution an amount equal**
 33 **to the allocation amount for the unit as determined under**
 34 **subsection (f).**

35 **(h) Money distributed to a unit eligible for a supplemental**
 36 **distribution must be used only for purposes and as authorized in**
 37 **IC 6-3.6-10-9.**

38 **(i) This section expires January 1, 2017.**

39 **SECTION 3. IC 6-3.5-7-17.4 IS ADDED TO THE INDIANA**
 40 **CODE AS A NEW SECTION TO READ AS FOLLOWS**
 41 **[EFFECTIVE UPON PASSAGE]: Sec. 17.4. (a) As used in this**
 42 **section, "unit eligible for a supplemental distribution" means a**



1 county, city, or town that is entitled to receive a certified
2 distribution as provided under IC 6-3.6-6-9.

3 (b) As used in this section, "fiscal body" has the meaning set
4 forth in IC 36-1-2-6.

5 (c) As used in this section, "OMB" refers to the office of
6 management and budget established by IC 4-3-22-3.

7 (d) In addition to any supplemental distribution made in
8 January 2016 to the county under section 17.3 of this chapter, the
9 budget agency shall make a supplemental distribution before May
10 1, 2016, to the county from the county's special account.

11 (e) The amount of the supplemental distribution to a county
12 under this section is equal to the amount determined under the
13 following STEPS:

14 **STEP ONE: Determine the result of:**

15 (A) the amount of the balance in the county trust account
16 on December 31, 2014, as determined by the budget
17 agency; minus

18 (B) the amount of any supplemental distribution made to
19 the county in January 2016 under section 17.3 of this
20 chapter.

21 **STEP TWO: Determine the part of the STEP ONE amount**
22 **that would be allocated to each taxing unit in the county,**
23 **using the allocation method specified in IC 6-3.6-6-9.**

24 **STEP THREE: Determine the sum of the STEP TWO**
25 **amounts for each unit eligible for a supplemental distribution.**

26 **The sum determined under this STEP is the total amount of**
27 **the supplemental distribution that shall be made to the county**
28 **under this section.**

29 (f) Before May 15, 2016, the OMB and the department of local
30 government finance shall jointly determine and provide to the
31 county auditor an allocation of the supplemental distribution made
32 to the county under this section. The amount that each unit eligible
33 for a supplemental distribution shall receive is equal to the amount
34 determined for the unit under STEP TWO of subsection (e).

35 (g) Before June 1, 2016, the county auditor shall distribute to
36 each unit eligible for a supplemental distribution an amount equal
37 to the allocation amount determined under subsection (f).

38 (h) Money distributed to a unit eligible for a supplemental
39 distribution must be used only for purposes and as authorized in
40 IC 6-3.6-10-9.

41 (i) This section expires January 1, 2017.

42 SECTION 4. IC 6-3.6-9-15, AS ADDED BY P.L.243-2015,



1 SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 2 JULY 1, 2016]: Sec. 15. (a) If the budget agency determines that the
 3 balance in a county trust account exceeds ~~fifty~~ **twenty-five** percent
 4 (~~50%~~) **(25%)** of the certified distributions to be made to the county in
 5 the ensuing year, the budget agency shall make a supplemental
 6 distribution to the county from the county's special account. **The**
 7 **budget agency shall use the trust account balance as of December**
 8 **31 of the year that precedes the determination year by two (2)**
 9 **years (referred to as the trust account balance year in this section).**

10 (b) A supplemental distribution described in subsection (a) must be:

11 (1) made in January of the ensuing calendar year; and

12 (2) **except as provided in subsection (d)**, allocated in the same
 13 manner as certified distributions for deposit in a civil unit's rainy
 14 day fund established under IC 36-1-8-5.1. However, the part of a
 15 supplemental distribution that is attributable to an additional rate
 16 authorized under this article:

17 (A) shall be used for the purpose specified in the statute
 18 authorizing the additional rate; and

19 (B) is not required to be deposited in the unit's rainy day fund.

20 (c) The amount of ~~the a~~ supplemental distribution **described in**
 21 **subsection (a)** is equal to the amount by which:

22 (1) the balance in the county trust account; **minus**

23 (2) **the amount of any supplemental or special distribution**
 24 **that has not yet been accounted for in the last known balance**
 25 **of the county's trust account;**

26 exceeds ~~fifty~~ **twenty-five** percent (~~50%~~) **(25%)** of the certified
 27 distributions to be made to the county in the ensuing year.

28 (e) ~~(d)~~ Any income earned on money held in a trust account
 29 established for a county under this chapter shall be deposited in that
 30 trust account.

31 (e) **The following apply to a supplemental distribution to a**
 32 **county that is made after December 31, 2016:**

33 (1) **For each taxing unit in the county that did not receive a**
 34 **distribution under IC 6-3.5-1.1-21.2 or IC 6-3.5-6-17.7 in**
 35 **2016, the budget agency and the department of local**
 36 **government finance shall calculate the sum of the amounts**
 37 **determined under STEP TWO of IC 6-3.5-1.1-21.2(e) or STEP**
 38 **TWO of IC 6-3.5-6-17.7(e) for that taxing unit.**

39 (2) **The amount of the supplemental distribution:**

40 (A) **shall first be allocated among taxing units in the county**
 41 **that did not receive a distribution under IC 6-3.5-1.1-21.2**
 42 **or IC 6-3.5-6-17.7 in 2016; and**



1 **(B) shall not be allocated as provided in subsection (b)(2);**
 2 **until each taxing unit in the county that did not receive a**
 3 **distribution under IC 6-3.5-1.1-21.2 or IC 6-3.5-6-17.7 in 2016**
 4 **has received from supplemental distributions made under this**
 5 **section after December 31, 2016, a total amount equal to the**
 6 **amount calculated for the taxing unit under subdivision (1).**

7 **(3) In allocating a supplemental distribution under**
 8 **subdivision (2), the amount to be allocated to each taxing unit**
 9 **in the county that did not receive a distribution under**
 10 **IC 6-3.5-1.1-21.2 or IC 6-3.5-6-17.7 in 2016 is equal to:**

11 **(A) the amount of the supplemental distribution being**
 12 **allocated to those taxing units under subdivision (2);**
 13 **multiplied by**

14 **(B) a fraction equal to:**

15 **(i) the amount calculated under subdivision (1) for that**
 16 **taxing unit; divided by**

17 **(ii) the sum of the amounts calculated under subdivision**
 18 **(1) for all taxing units that did not receive a distribution**
 19 **under IC 6-3.5-1.1-21.2 or IC 6-3.5-6-17.7 in 2016.**

20 ~~(f)~~ **(f) A determination under this section must be made before**
 21 **November 2.**

22 **SECTION 5. IC 6-3.6-10-9 IS ADDED TO THE INDIANA CODE**
 23 **AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE MAY**
 24 **1, 2016]: Sec. 9. (a) Notwithstanding the effective dates for this**
 25 **article under IC 6-3.6-1, this section applies beginning after April**
 26 **30, 2016.**

27 **(b) This section applies to a county, city, or town that receives**
 28 **a supplemental distribution of money under:**

29 **(1) IC 6-3.5-1.1-21.2 (before its expiration);**

30 **(2) IC 6-3.5-6-17.7 (before its expiration); or**

31 **(3) IC 6-3.5-7-17.4 (before its expiration).**

32 **(c) Money distributed to a county, city, or town under**
 33 **subsection (b) may be expended only upon an appropriation by the**
 34 **county's, city's, or town's fiscal body.**

35 **(d) Money received by a county, city, or town from a**
 36 **distribution made under IC 6-3.5-1.1-21.2 (before its expiration),**
 37 **IC 6-3.5-6-17.7 (before its expiration), or IC 6-3.5-7-17.4 (before its**
 38 **expiration) must be used by the county, city, or town as follows:**

39 **(1) At least seventy-five percent (75%) of the distribution**
 40 **must be:**

41 **(A) used exclusively by the county, city, or town for:**

42 **(i) engineering, land acquisition, construction,**



1 **resurfacing, maintenance, restoration, or rehabilitation**
 2 **of both local and arterial road and street systems;**
 3 **(ii) the payment of principal and interest on bonds sold**
 4 **primarily to finance road, street, or thoroughfare**
 5 **projects;**
 6 **(iii) any local costs required to undertake a recreational**
 7 **or reservoir road project under IC 8-23-5;**
 8 **(iv) the purchase, rental, or repair of highway**
 9 **equipment; or**
 10 **(v) capital projects for aviation related property or**
 11 **facilities, including capital projects of a board of aviation**
 12 **commissioners established under IC 8-22-2 or an airport**
 13 **authority established under IC 8-22-3-1; or**
 14 **(B) deposited in the county's, city's, or town's rainy day**
 15 **fund established under IC 36-1-8-5.1. The money deposited**
 16 **in a rainy day fund under this clause may not be**
 17 **transferred to another fund under IC 36-1-8-5.1(g), unless**
 18 **the money transferred to the fund is used exclusively for**
 19 **purposes set forth in clause (A).**
 20 **(2) Any remaining distribution not used or deposited by the**
 21 **county, city, or town under subdivision (1) may be used by the**
 22 **county, city, or town for any of the purposes of the county,**
 23 **city, or town.**
 24 **SECTION 6. An emergency is declared for this act.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1110, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 4, delete "twenty-five" and insert "**fifteen**".

Page 1, line 5, delete "(25%)" and insert "**(15%)**".

Page 1, line 7, strike "special" and insert "**trust**".

Page 2, line 1, beginning with "The" begin a new paragraph and insert "**(c)**".

Page 2, line 1, after "of" strike "the" and insert "**a**".

Page 2, line 1, after "distribution" insert "**described in subsection (a)**".

Page 2, line 2, after "which" insert ":

(1)".

Page 2, line 2, after "account" insert "; **minus**

(2) any supplemental distribution made in the determination year or made in the year before the determination year, or both;".

Page 2, line 2, beginning with "exceeds" begin a new line blocked left.

Page 2, line 2, delete "twenty-five" and insert "**fifteen**".

Page 2, line 3, delete "(25%)" and insert "**(15%)**".

Page 2, line 5, strike "(c)" and insert "**(d)**".

Page 2, line 7, strike "(d)" and insert "**(e)**".

Page 2, after line 8, begin a new paragraph and insert:

"SECTION 2. IC 6-3.6-9-17 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 17. (a) This section refers to a county's trust account maintained under the former local income tax laws set forth in IC 6-3.5-1.1, IC 6-3.5-6, and IC 6-3.5-7.**

(b) The budget agency shall make a one-time special distribution before May 1, 2016, to each county having a positive balance in the county's trust account on December 31, 2014.

(c) The amount of the special distribution from a county's trust account is eighty-eight percent (88%) of the balance in the county's trust account on December 31, 2014, as determined by the budget agency.

(d) The amount of the special distribution for each taxing unit in the county shall be allocated in the same manner as certified distributions. The amount received by a taxing unit shall be



deposited in the unit's rainy day fund established under IC 36-1-8-5.1. However, the part of a special distribution that is attributable to an additional rate authorized under this article:

- (1) shall be used for the purpose specified in the statute authorizing the additional rate; and
- (2) is not required to be deposited in the taxing unit's rainy day fund.

(e) Before May 15, 2016, the office of management and budget and the department of local government finance shall jointly determine and provide to the county auditor a taxing unit allocation of the special distribution made to the county under this section.

(f) Before June 1, 2016, the county auditor shall distribute to each taxing unit an amount equal to the allocation amount determined under subsection (e).

(g) For purposes of section 15 of this chapter after June 30, 2016, the special distribution shall be deducted from a county's trust account when the budget agency determines the balance in the county's trust account under both section 15(a) and 15(c) of this chapter.

(h) This section expires July 1, 2020.

SECTION 3. An emergency is declared for this act."

Re-number all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1110 as introduced.)

BROWN T

Committee Vote: yeas 17, nays 0.

Report of the President
Pro Tempore

Madam President: Pursuant to Senate Rule 68(b), I hereby report that House Bill 1110, currently assigned to the Committee on Appropriations, be reassigned to the Committee on Tax & Fiscal Policy.

LONG

EH 1110—LS 6323/DI 58



COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred House Bill No. 1110, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill do pass.

(Reference is to HB 1110 as printed January 29, 2016.)

HERSHMAN, Chairperson

Committee Vote: Yeas 11, Nays 0.

