

HOUSE BILL No. 1366

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.5-7; IC 36-7-37.

Synopsis: Rural entrepreneurship area incentives. Permits the office of community and rural affairs (office) to designate an applicant rural county as a rural entrepreneurship area development incentives area (READI area). Provides for the distribution of adjusted gross income taxes annually paid by employees working in an area for a new business or annually paid by additional employees in an existing business and by the new business itself to the rural county for the development of new business opportunities in the rural county, including transfers to local or regional venture capital funds. Limits the amount that may be distributed to a particular county in a state fiscal year to \$250,000. Limits the total amount that may be distributed to all counties in a state fiscal year to \$5,000,000. Requires matching local funds to qualify for a distribution. Specifies the authorized sources of the matching local funds. Appropriates money collected from counties with a READI area for distribution to those counties. Specifies the types of projects that may be funded from a county's rural entrepreneurship area development incentives fund, upon appropriation by the county fiscal body and after recommendation by a local economic development organization in the county.

Effective: Upon passage.

Heuer, Beumer, Zent

January 15, 2014, read first time and referred to Committee on Commerce, Small Business and Economic Development.



Second Regular Session 118th General Assembly (2014)

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 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE BILL No. 1366

A BILL FOR AN ACT to amend the Indiana Code concerning economic development and to make an appropriation.

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

1 SECTION 1. IC 6-3.5-7-13.5, AS ADDED BY P.L.137-2006,
2 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 13.5. (a) The general assembly finds that
4 counties and municipalities in Indiana have a need to foster economic
5 development, the development of new technology, and industrial and
6 commercial growth. The general assembly finds that it is necessary and
7 proper to provide an alternative method for counties and municipalities
8 to foster the following:
9 (1) Economic development.
10 (2) The development of new technology.
11 (3) Industrial and commercial growth.
12 (4) Employment opportunities.
13 (5) The diversification of industry and commerce.
14 The fostering of economic development and the development of new
15 technology under this section or section 13.6 of this chapter for the
16 benefit of the general public, including industrial and commercial



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



1 (g) A majority of the governing board constitutes a quorum, and the
 2 concurrence of a majority of the governing board is necessary to
 3 authorize any action.

4 (h) An interlocal agreement made by the participating units under
 5 subsection (e) must be submitted to the Indiana economic development
 6 corporation for approval before the participating units may contribute
 7 to the fund.

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

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

15 (1) To promote significant employment opportunities for the
 16 residents of the units participating in the regional venture capital
 17 fund.

18 (2) To attract a major new business enterprise to a participating
 19 unit.

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

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

25 (1) Research and development of technology.

26 (2) Job training and education.

27 (3) Acquisition of property interests.

28 (4) Infrastructure improvements.

29 (5) New buildings or structures.

30 (6) Rehabilitation, renovation, or enlargement of buildings or
 31 structures.

32 (7) Machinery, equipment, and furnishings.

33 (8) Funding small business development with respect to:

34 (A) prototype products or processes;

35 (B) marketing studies to determine the feasibility of new
 36 products or processes; or

37 (C) business plans for the development and production of new
 38 products or processes.

39 SECTION 2. IC 6-3.5-7-13.6, AS ADDED BY P.L.137-2006,
 40 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 41 UPON PASSAGE]: Sec. 13.6. (a) The fiscal body of a county or
 42 municipality may, by resolution, establish a local venture capital fund.



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

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

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

6 (c) A local venture capital fund shall be administered by a
7 governing board. The expenses of administering the fund shall be paid
8 from money in the fund. The governing board shall invest the money
9 in the fund not currently needed to meet the obligations of the fund in
10 the same manner as other public money may be invested. Interest that
11 accrues from these investments shall be deposited into the fund. The
12 fund is subject to an annual audit by the state board of accounts. The
13 fund shall bear the full costs of the audit.

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

- 17 (1) The membership of the governing board.
18 (2) The amount of the unit's contribution to the fund.
19 (3) The procedures and criteria under which the governing board
20 may loan or grant money from the fund.
21 (4) The procedures for the dissolution of the fund and for the
22 distribution of money remaining in the fund at the time of the
23 dissolution.

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

27 (f) The membership of the governing board must be established on
28 a bipartisan basis so that the number of the members of the governing
29 board who are members of one (1) political party may not exceed the
30 number of members of the governing board required to establish a
31 quorum.

32 (g) A majority of the governing board constitutes a quorum, and the
33 concurrence of a majority of the governing board is necessary to
34 authorize any action.

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

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

42 (j) The governing board of the fund may loan or grant money from



1 the fund to a private or public entity if the governing board finds that
 2 the loan or grant will be used by the borrower or grantee for at least one
 3 (1) of the following economic development purposes:

- 4 (1) To promote significant employment opportunities for the
 5 residents of the unit establishing the local venture capital fund.
 6 (2) To attract a major new business enterprise to the unit.
 7 (3) To develop, retain, or expand a significant business enterprise
 8 in the unit.

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

- 12 (1) Research and development of technology.
 13 (2) Job training and education.
 14 (3) Acquisition of property interests.
 15 (4) Infrastructure improvements.
 16 (5) New buildings or structures.
 17 (6) Rehabilitation, renovation, or enlargement of buildings or
 18 structures.
 19 (7) Machinery, equipment, and furnishings.
 20 (8) Funding small business development with respect to:
 21 (A) prototype products or processes;
 22 (B) marketing studies to determine the feasibility of new
 23 products or processes; or
 24 (C) business plans for the development and production of new
 25 products or processes.

26 SECTION 3. IC 36-7-37 IS ADDED TO THE INDIANA CODE AS
 27 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON
 28 PASSAGE]:

29 **Chapter 37. Rural Entrepreneurship Area Development**
 30 **Incentives**

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

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

- 33 (1) establish and fund programs to identify entrepreneurs
 34 with marketable ideas; and
 35 (2) support the organization and development of new
 36 businesses in rural counties.

37 **Sec. 3. The general assembly finds that establishing and**
 38 **supporting new businesses in rural counties serve a public purpose**
 39 **that benefits the general welfare of rural counties by encouraging**
 40 **investment, job creation and retention, economic growth, and more**
 41 **diverse economies.**

42 **Sec. 4. As used in this chapter, "agreement" refers to an**



1 agreement between the office and a county establishing the terms
2 and conditions governing an area established under this chapter.

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

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

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

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

12 (1) the sum of:

13 (A) the total amount of state adjusted gross income taxes
14 paid by employees of new businesses, regardless of county
15 of residence, that are employed in any part of the territory
16 comprising an area with respect to wages and salary
17 earned for work in the area for a particular state fiscal
18 year;

19 (B) the total amount of state adjusted gross income taxes
20 paid by additional employees of existing businesses in the
21 territory, regardless of county of residence, that are
22 employed as a result of expansion after the date of the
23 establishment of the territory with respect to wages and
24 salary earned for work in the area for a particular state
25 fiscal year; plus

26 (C) the total amount of state adjusted gross income taxes
27 paid by new businesses located in any part of the territory
28 comprising an area with respect to income sourced to the
29 area for a particular state fiscal year; minus

30 (2) the sum of:

31 (A) the tax credits awarded by the corporation under
32 IC 6-3.1-13 to new businesses operating in the territory
33 comprising an area as the result of wages earned for work
34 in any part of the territory comprising an area for the state
35 fiscal year; plus

36 (B) the total amount of the incremental state adjusted
37 gross income taxes paid by existing businesses as a result
38 of expansion with no state incentives and with creation of
39 one (1) or more additional jobs, located in any part of the
40 territory comprising an area with respect to income
41 sourced to the area for a particular state fiscal year, after
42 the date of the establishment of the territory;



1 as determined by the department.

2 **Sec. 9.** As used in this chapter, "incubator" means a facility in
3 which space may be leased by a tenant and in which management
4 provides access to business development services for use by
5 tenants.

6 **Sec. 10.** As used in this chapter, "office" refers to the office of
7 community and rural affairs established by IC 4-4-9.7-4.

8 **Sec. 11.** As used in this chapter, "new business" refers to a
9 business entity certified by the office as a new business under
10 section 19 of this chapter.

11 **Sec. 12.** As used in this chapter, "READI fund" refers to a rural
12 entrepreneurship area development incentives fund established by
13 a rural county under section 23 of this chapter.

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

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

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

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

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

23 (4) Any other area in which a law permits adjusted gross
24 income taxes imposed on a taxable event in the area to be
25 distributed to an employer located in the area or a political
26 subdivision in the area for a local business, economic
27 development, or a governmental purpose.

28 **Sec. 15.** (a) The county executive of a rural county may apply to
29 the office for designation of the county as a rural entrepreneurship
30 area development incentives area. The application must:

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

32 (2) include a copy of an ordinance adopted by the county
33 executive designating the territory of the county that is
34 outside the boundaries of a tax incentive zone as an area;

35 (3) include a copy of an ordinance adopted by the county
36 executive:

37 (A) committing up to two hundred fifty thousand dollars
38 (\$250,000) of local funds each state fiscal year for a
39 dollar-for-dollar match to the income tax incremental
40 revenue received from the treasurer of state under section
41 22 of this chapter; and

42 (B) specifying the source or sources of the funds



- 1 committed; and
 2 (4) include information that the office determines necessary
 3 for evaluating the application under section 16 of this chapter.
 4 (b) The local match required by subsection (a)(3) may be funded
 5 from any of the following:
 6 (1) In the case of a county that has adopted the county
 7 economic development income tax under IC 6-3.5-7:
 8 (A) at least fifty percent (50%) of the local match must be
 9 funded by county economic development income tax
 10 revenue; and
 11 (B) the remaining part of the local match may be funded
 12 from any of the following:
 13 (i) Any public funds (other than property taxes) of the
 14 county or the county redevelopment commission.
 15 (ii) Any contributions, grants, donations, or bequests
 16 from an individual or a private entity.
 17 (2) In the case of a county that has not adopted the county
 18 economic development income tax under IC 6-3.5-7, the local
 19 match may be funded from any of the following:
 20 (A) Any public funds (other than property taxes) of the
 21 county or the county redevelopment commission.
 22 (B) Any contributions, grants, donations, or bequests from
 23 an individual or a private entity.
 24 Sec. 16. (a) The office may approve an application from a rural
 25 county and designate the county as an area if the county executive:
 26 (1) submits a written plan for supporting entrepreneurship
 27 and the establishment of new businesses in the area that meets
 28 the requirements of the office; and
 29 (2) agrees in writing to the terms and conditions specified by
 30 the office.
 31 (b) The territory of an area designated under this section
 32 consists of all the territory in the county that is outside the
 33 boundaries of a tax incentive zone.
 34 Sec. 17. An area is established on the date on which the county
 35 approved under section 16 of this chapter and the office enter into
 36 a written agreement specifying the terms and conditions governing
 37 the area. An area continues in existence until the earliest of the
 38 following:
 39 (1) January 1, 2025.
 40 (2) The date specified in an ordinance adopted by the county
 41 executive nominating the county for designation as an area.
 42 (3) The date the office terminates the area under section 21 of



1 **this chapter.**

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

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

8 **(1) The business is established or organized to do business in**
 9 **Indiana less than one (1) year before the business locates**
 10 **business operations in an area.**

11 **(2) The business initially locates business operations in an**
 12 **area after the date the area is designated as an area by the**
 13 **office.**

14 **(3) The business conducts business operations in the area to**
 15 **provide goods or services for profit.**

16 **(4) The business meets any other criteria specified by the**
 17 **office.**

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

20 **(1) a certified copy of the designation of the county as an area;**

21 **(2) a certified copy of the agreement entered into with the**
 22 **office for the area; and**

23 **(3) a complete list of the new business employers in the area,**
 24 **including any other identifying information required by the**
 25 **department.**

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

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

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

38 **(1) calculate the income tax incremental revenue for the**
 39 **preceding state fiscal year for each area designated under this**
 40 **chapter; and**

41 **(2) upon approval of the state board of accounts and the**
 42 **corporation, direct the treasurer of state to distribute the**



1 amount determined under subdivision (1) for each area to the
 2 county auditor for deposit in the READI fund established
 3 under section 23 of this chapter.

4 However, the amount distributed in a particular state fiscal year
 5 under this section to a particular county may not exceed two
 6 hundred fifty thousand dollars (\$250,000). The total amount that
 7 may be distributed in a particular state fiscal year under this
 8 section to all counties may not exceed five million dollars
 9 (\$5,000,000). To the extent that the total amount that would
 10 otherwise be distributed in a particular state fiscal year under this
 11 section to all counties exceeds five million dollars (\$5,000,000), each
 12 county's distribution shall be proportionately reduced.

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

15 Sec. 23. (a) Each county that establishes an area under this
 16 chapter shall establish a rural entrepreneurship area development
 17 incentives (READI) fund for the county to receive money
 18 distributed under section 22 of this chapter.

19 (b) Upon appropriation by the county fiscal body, money
 20 deposited in the READI fund may be used for any of the following
 21 purposes, after recommendation by a local economic development
 22 organization in the county:

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

25 (2) Transferring money to a regional venture capital fund
 26 established under IC 6-3.5-7-13.5 or a local venture capital
 27 fund established under IC 6-3.5-7-13.6 for purposes of the
 28 funds.

29 (3) Incubator development and operation.

30 (4) Accelerator development and operation.

31 (5) Small business support services.

32 (6) Assisting in the deployment of high speed Internet service
 33 (as defined by IC 5-28-33-2) within the county.

34 (7) Entrepreneurial internships established in the area that
 35 partner with high schools located within the county, or
 36 entrepreneurial classes established at local high schools that
 37 involve cooperation and collaboration with businesses in the
 38 area.

39 (c) The fund may not be used for the administrative expenses of
 40 the fund.

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



- 1 area.
- 2 (b) A county may loan money in the revolving fund established
- 3 under this section to a new business, if the county fiscal body finds
- 4 that the loan will be used by the new business for one (1) or more
- 5 of the following economic development purposes:
- 6 (1) Promoting significant opportunities for the gainful
- 7 employment of Indiana residents in the county's area.
- 8 (2) Attracting a new business to the county's area.
- 9 (3) Retaining or expanding the operations of a new business
- 10 in the county's area.
- 11 (c) A county may make the loan from a revolving fund
- 12 established under this section on the terms approved by the county
- 13 fiscal body.
- 14 (d) Amounts paid on a loan made from a revolving fund
- 15 established under this section shall be deposited in the revolving
- 16 fund.
- 17 **Sec. 25. A county may not issue bonds that:**
- 18 (1) pledge money deposited in the county's READI fund to
- 19 repayment of interest or principal on the bonds; or
- 20 (2) guarantee repayment of any public or private obligation
- 21 from money in the READI fund.
- 22 **Sec. 26. Two (2) or more counties may enter into a written**
- 23 **agreement under this section to jointly carry out the purposes of**
- 24 **this chapter in the counties that are parties to the agreement.**
- 25 **Counties choosing to form a joint agreement under this section**
- 26 **shall be recognized as one (1) county for the purposes of section**
- 27 **22(a)(2) of this chapter.**
- 28 **Sec. 27. (a) The state board of accounts shall audit each READI**
- 29 **fund every two (2) years to determine whether:**
- 30 (1) the appropriate amount of revenue is being transferred
- 31 from the state to the county; and
- 32 (2) money in the county's READI fund is being used for
- 33 purposes permitted by this chapter.
- 34 (b) The state board of accounts shall audit each revolving fund
- 35 established under this chapter every two (2) years to determine
- 36 whether loans are being made and repaid in compliance with any
- 37 applicable statutes and the terms imposed by the county fiscal body
- 38 under section 24 of this chapter.
- 39 **Sec. 28. Upon termination of an area, the balance of any READI**
- 40 **fund or revolving loan fund established under section 24 of this**
- 41 **chapter and any amounts due to either fund shall be transferred to**
- 42 **the state general fund.**



1 **Sec. 29. Notwithstanding any other law, a tax incentive zone**
2 **may not be established or expanded in a county:**
3 **(1) after the date an area is established in the county; and**
4 **(2) before the date the area terminates;**
5 **without the approval of the county executive.**
6 **Sec. 30. This chapter expires January 1, 2025.**
7 **SECTION 4. An emergency is declared for this act.**

