

SENATE BILL No. 356

DIGEST OF INTRODUCED BILL

Citations Affected: IC 36-7-39.

Synopsis: Allocation of sales taxes for Main Street program. Permits certain municipalities with: (1) a population of not more than 40,000; and (2) an area that is designated as an Indiana main street; to establish a heritage commerce district to capture sales tax within the Indiana main street area (tax area) to be used for certain capital projects and infrastructure improvements. Provides that the total sales taxes captured in a tax area in a state fiscal year may not exceed \$500,000. Provides that the sales taxes captured and distributed to all municipalities in a state fiscal year in the aggregate may not exceed \$5,000,000. Establishes a heritage commerce district special account (account) within the state general fund for each municipality that has established a tax area. Provides that captured sales tax revenue allocated to an account may be distributed to the municipality after the end of each state fiscal year. Requires a municipality that wishes to receive a distribution from its account to provide proof of local matching funds equal to 100% of the municipality's annual distribution amount. Specifies sources from which a municipality may solicit and accept local matching funds for purposes of a distribution. Provides that the amount of money in a municipality's account on June 30 that is not distributed to the municipality after the end of that state fiscal year shall revert to the state general fund. Appropriates money in the account.

Effective: July 1, 2017.

Messmer

January 10, 2017, read first time and referred to Committee on Tax and Fiscal Policy.



First Regular Session 120th General Assembly (2017)

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 2016 Regular Session of the General Assembly.

SENATE BILL No. 356

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

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

1 SECTION 1. IC 36-7-39 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2017]:

4 **Chapter 39. Heritage Commerce Districts in Certain**
5 **Municipalities**

6 **Sec. 1. This chapter applies only to a municipality:**

7 **(1) that has a population of not more than forty thousand**
8 **(40,000); and**

9 **(2) in which an area of the municipality is designated as an**
10 **Indiana main street program area and has been so designated**
11 **for not less than two (2) consecutive years.**

12 **Sec. 2. As used in this chapter, "account" refers to a heritage**
13 **commerce district special account established under section 15 of**
14 **this chapter for a municipality that establishes a tax area.**

15 **Sec. 3. As used in this chapter, "covered taxes" means the state**
16 **gross retail tax imposed under IC 6-2.5-2-1 or use tax imposed**
17 **under IC 6-2.5-3-2.**



1 **Sec. 4.** As used in this chapter, "department" refers to the
2 department of state revenue.

3 **Sec. 5.** As used in this chapter, "eligible distribution amount"
4 refers to the eligible distribution amount from a municipality's
5 account for each state fiscal year as determined by the department
6 under section 16 of this chapter.

7 **Sec. 6.** As used in this chapter, "fiscal body" means the fiscal
8 body of a municipality as defined in IC 3-5-2-25.

9 **Sec. 7.** As used in this chapter, "fiscal officer" means the fiscal
10 officer of a municipality as defined in IC 36-1-2-7.

11 **Sec. 8.** As used in this chapter, "fund" refers to an allocable
12 sales tax receipts fund established by the fiscal officer of a
13 municipality under section 21 of this chapter.

14 **Sec. 9.** As used in this chapter, "Indiana main street program"
15 refers to the Indiana main street program under IC 4-4-16.

16 **Sec. 10.** As used in this chapter, "municipality" means a city or
17 town.

18 **Sec. 11.** As used in this chapter, "tax area" means a geographic
19 area established by a fiscal body as a heritage commerce district
20 area under this chapter.

21 **Sec. 12. (a)** The fiscal body of a municipality may establish a
22 heritage commerce district as a tax area for the purpose of
23 allocating covered taxes imposed and collected within the taxing
24 area for the purposes of this chapter.

25 **(b)** A tax area must be established by resolution of the fiscal
26 body. A resolution establishing a tax area must include a provision
27 for the allocation of covered taxes collected in the tax area to the
28 account established for the municipality under section 15(a) of this
29 chapter. The allocation provision must apply to the entire tax area.

30 **(c)** The resolution establishing a tax area must designate the
31 specific geographic boundaries of the tax area. The boundaries of
32 the tax area may not exceed the designated boundaries of the
33 Indiana main street program in the municipality.

34 **(d)** The tax area established by the fiscal body under this
35 chapter is a special taxing district authorized by the general
36 assembly to enable the municipality to provide special benefits to
37 taxpayers in the tax area by promoting economic development that
38 is of public use and benefit.

39 **(e)** A tax area may contain noncontiguous tracts of land within
40 the municipality.

41 **(f)** The department may adopt rules under IC 4-22-2 and
42 guidelines to govern the allocation of covered taxes to a tax area.



1 (g) A tax area may be changed or the terms governing the tax
2 area revised in the same manner as the establishment of the initial
3 tax area.

4 Sec. 13. The fiscal body shall notify the department by certified
5 mail of the adoption of a resolution under section 12 of this chapter
6 and shall include with the notification a boundary map of the tax
7 area and a complete list of the street names and the range of street
8 numbers of each street in the tax area.

9 Sec. 14. (a) Subject to subsection (b), covered taxes shall be
10 allocated to the account of a municipality beginning on a date set
11 forth in the resolution, which must be the first day of the calendar
12 month not earlier than sixty (60) days after adoption of the
13 resolution.

14 (b) Covered taxes allocated to the account of a municipality
15 under subsection (a) in a state fiscal year shall not exceed five
16 hundred thousand dollars (\$500,000).

17 Sec. 15. (a) A heritage commerce district special account within
18 the state general fund shall be established for each municipality
19 that has established a tax area under section 12 of this chapter. The
20 account shall be administered by the department.

21 (b) Subject to section 14(b) of this chapter, covered taxes
22 attributable to a tax area shall be deposited in the account.

23 (c) Amounts held in the account shall be distributed to the fiscal
24 officer of the municipality only as provided in sections 16 through
25 20 of this chapter.

26 (d) Money in the account is continuously appropriated for the
27 purposes of this chapter.

28 (e) The amount of money remaining in the account on June 30
29 of each year that is not distributed to the fiscal officer of the
30 municipality before September 1 of that year as provided in section
31 20 of this chapter shall revert to the state general fund.

32 Sec. 16. (a) The department shall determine an eligible
33 distribution amount from the account of each municipality for each
34 state fiscal year.

35 (b) Subject to subsection (c), a municipality's eligible
36 distribution amount is the amount of money in the municipality's
37 account on June 30 of that state fiscal year.

38 (c) The total distributions of money in the accounts in the
39 aggregate may not exceed five million dollars (\$5,000,000) for a
40 state fiscal year. If, on the last day of the state fiscal year, the
41 amount of money in the accounts in the aggregate exceeds five
42 million dollars (\$5,000,000), a municipality's eligible distribution



1 amount from its account under subsection (b) shall be reduced
2 proportionally using the following STEPS:

3 STEP ONE: Determine the amount in all accounts in the
4 aggregate on June 30 of that state fiscal year.

5 STEP TWO: Divide five million dollars (\$5,000,000) by the
6 STEP ONE amount.

7 STEP THREE: For each municipality, multiply the ratio
8 determined under STEP TWO by the amount allocated to the
9 municipality's account in that state fiscal year.

10 STEP FOUR: Round the STEP THREE product to the
11 nearest one-hundredth (0.01).

12 (d) Each year after June 30 and before July 15, the department
13 shall certify the eligible distribution amount from each account for
14 the immediately preceding state fiscal year to the:

15 (1) fiscal body of the municipality for which the account
16 was established; and

17 (2) state budget agency.

18 Sec. 17. (a) A municipality that wishes to receive a distribution
19 from the municipality's account shall provide local matching funds
20 that must be used for the purposes of this chapter in an amount
21 equal to one hundred percent (100%) of the eligible distribution
22 amount the municipality may receive from its account for the
23 immediately preceding state fiscal year under section 16 of this
24 chapter.

25 (b) A municipality may solicit and receive contributions of
26 money from the following sources to serve as local matching funds
27 under subsection (a):

28 (1) Foundations, other nonprofit entities, individuals, or
29 for-profit entities.

30 (2) A redevelopment commission (as defined in IC 36-7-14-3).

31 (3) An urban enterprise association established under
32 IC 5-28-15-13.

33 Sec. 18. (a) Before a distribution may be made to a municipality
34 under section 20 of this chapter, the municipality must provide
35 proof to the state budget agency that the municipality has local
36 matching funds dedicated for the purposes of this chapter as
37 required under section 17(a) of this chapter.

38 (b) Proof of local matching funds for purposes of this section
39 may include a signed commitment letter setting forth a
40 contributor's obligation to contribute a specified amount of money
41 during the state fiscal year to be used by the municipality for the
42 purposes of this chapter.



1 **Sec. 19. (a) Each year after July 15 and before August 1, a**
2 **municipality may submit a written request to the state budget**
3 **agency for a distribution from the municipality's account with the**
4 **municipality's proof of local matching funds.**

5 **(b) The state budget agency shall promptly review a written**
6 **request from a municipality under subsection (a) and before**
7 **August 15 either:**

8 **(1) provide the municipality and the auditor of state with a**
9 **certified letter signifying that the state budget agency**
10 **approves a distribution from the municipality's account in the**
11 **amount certified to the municipality under section 16(d) of**
12 **this chapter; or**

13 **(2) notify the municipality by certified letter that the state**
14 **budget agency determined that the municipality failed to meet**
15 **the local matching funds requirement in section 17 of this**
16 **chapter and that the municipality is therefore ineligible for a**
17 **distribution from the municipality's account for the**
18 **immediately preceding state fiscal year.**

19 **Sec. 20. Upon receipt of a certified letter from the state budget**
20 **agency approving a distribution from a municipality's account**
21 **under section 19(b)(1) of this chapter, the auditor of state shall**
22 **distribute to the fiscal officer of a municipality the municipality's**
23 **eligible distribution amount from its account for the immediately**
24 **preceding state fiscal year as determined by the department. The**
25 **auditor of state shall make a distribution to a fiscal officer under**
26 **this section before September 1.**

27 **Sec. 21. (a) If a resolution is adopted to establish a tax area**
28 **under section 12 of this chapter, the fiscal officer of the**
29 **municipality shall establish an allocable sales tax receipts fund.**

30 **(b) The fiscal officer shall deposit in the fund distributions that**
31 **the fiscal officer receives from the municipality's account**
32 **established under section 15 of this chapter.**

33 **(c) If the tax area is within the boundaries of an enterprise zone,**
34 **the urban enterprise association established in the enterprise zone**
35 **under IC 5-28-15-13 shall administer the fund. However, if the tax**
36 **area is not within the boundaries of an enterprise zone, the fiscal**
37 **body of the municipality shall administer the fund.**

38 **(d) Money in the fund must be used only as provided in sections**
39 **22 and 23 of this chapter.**

40 **(e) Money in the fund may be transferred for the purposes set**
41 **forth in sections 22 and 23 of this chapter without further**
42 **appropriation by the fiscal body of the municipality.**



1 (f) Money in the fund at the end of the municipality's fiscal year
 2 does not revert to the municipality's general fund or to any other
 3 fund.

4 **Sec. 22. The urban enterprise association or the fiscal body of**
 5 **the municipality (whichever is applicable) may use money in a fund**
 6 **for the following purposes:**

7 (1) To provide grants to the local main street organization
 8 that is a participant in the Indiana main street program for
 9 the municipality.

10 (2) To provide supplemental grants for capital investments
 11 within the municipality to companies that are awarded a
 12 grant from the Indiana twenty-first century research and
 13 technology fund (established by 5-28-16-2) for a business
 14 initiative located within the municipality. Capital investments
 15 under this subdivision may include infrastructure
 16 improvements for coworking spaces, business incubator and
 17 accelerator facilities, and conference facilities.

18 **Sec. 23. (a) This section applies to a local main street**
 19 **organization that receives a grant under section 22(1) of this**
 20 **chapter.**

21 (b) Subject to subsections (c) and (d), a local main street
 22 organization may use grant money received under section 22(1) of
 23 this chapter for any of the following purposes:

24 (1) Rehabilitation of property that is located within the tax
 25 area, including rehabilitation necessary to comply with the
 26 Indiana building code requirements adopted by the fire
 27 prevention and building safety commission.

28 (2) Public infrastructure improvement projects that are
 29 located within the tax area, including public parking facilities,
 30 signage, traffic control devices, curbing, sidewalks, drainage,
 31 and local road improvements.

32 (3) Any other capital expenditures that will improve the
 33 design, safety, appearance, or aesthetics of the tax area in a
 34 manner that increases the business competitiveness and the
 35 quality of life within the tax area.

36 (c) An urban enterprise association or the fiscal body of a
 37 municipality (whichever is applicable) may make written
 38 recommendations of the purposes in subsection (b) for which the
 39 grant money provided to a local main street organization should be
 40 used.

41 (d) If the urban enterprise association or the fiscal body of the
 42 municipality (whichever is applicable) makes written



1 recommendations under subsection (c), the local main street
2 organization must agree in writing to use the grant money received
3 under section 22(1) of this chapter according to those written
4 recommendations.

5 **Sec. 24.** A local main street organization or a company that
6 receives a grant from an urban enterprise association or the fiscal
7 body of the municipality under section 22(1) or 22(2) of this
8 chapter shall prepare and submit an annual report to the urban
9 enterprise association or the fiscal body of the municipality
10 (whichever is applicable) that includes:

11 (1) a summary of the grant funds received under section 22(1)
12 or 22(2) of this chapter; and

13 (2) a detailed description of the purposes and uses to which
14 the grant funds were applied.

