



February 12, 2025

SENATE BILL No. 290

DIGEST OF SB 290 (Updated February 11, 2025 10:52 am - DI 129)

Citations Affected: IC 6-1.1; IC 6-3.6.

Synopsis: Local taxes in certain municipalities. Requires the department of local government finance to increase the maximum permissible property tax levy for certain qualifying municipalities for property taxes first due and payable in 2025 to include all debt service levies of the qualifying municipality for property taxes first due and payable in 2025. Specifies that the adjustment is a one time and permanent increase. Changes the local income tax trust account threshold percentage of a county that contains a qualifying municipality, which is used for purposes of determining whether the county shall receive a supplemental distribution. Modifies the certified share allocation determination for a qualifying municipality. Prohibits the use of funds from the state general fund to make up certain local income tax related shortfalls.

Effective: Upon passage.

**Walker K, Holdman,
Randolph Lonnie M**

January 13, 2025, read first time and referred to Committee on Tax and Fiscal Policy.
February 11, 2025, amended, reported favorably — Do Pass.

SB 290—LS 6791/DI 120



February 12, 2025

First Regular Session of the 124th General Assembly (2025)

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 2024 Regular Session of the General Assembly.

SENATE BILL No. 290

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

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

- 1 SECTION 1. IC 6-1.1-18.5-31 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE UPON PASSAGE]: **Sec. 31. (a) This section applies**
4 **only to counties that contain at least four (4) municipalities each**
5 **with a population greater than forty thousand (40,000), as**
6 **determined by the most recent federal decennial census.**
7 (b) As used in this section, "maximum levy to assessed value
8 comparison" refers to the maximum property tax levy to property
9 assessed value comparison determined under subsection (e).
10 (c) As used in this section, "municipality" means a city or town.
11 (d) As used in this section, "qualifying municipality" means a
12 municipality that meets the condition set forth in subsection (f).
13 (e) The department of local government finance shall, before
14 August 1, determine a maximum property tax levy to property
15 assessed value comparison for all municipalities statewide using the
16 following formula:
17 **STEP ONE: For each municipality, determine the**

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1 municipality's maximum permissible ad valorem property tax
2 levy for taxes first due and payable in 2024.

3 **STEP TWO:** For each municipality, determine the total
4 property assessed value of the municipality, as certified by the
5 county auditor, for taxes first due and payable in 2024.

6 **STEP THREE:** For each municipality, determine the quotient
7 of:

8 (A) STEP ONE; divided by

9 (B) STEP TWO;

10 expressed as a percentage.

11 (f) This section applies only to a municipality in which for taxes
12 first due and payable in 2025, the municipality has a maximum
13 levy to assessed value comparison that is in the lowest twentieth
14 percentile of municipalities under STEP THREE of subsection (e)
15 when compared to all municipalities statewide.

16 (g) If this section applies, the executive of a qualified
17 municipality may, not later than July 1, 2025, and after receiving
18 approval by the legislative body, submit a petition to the
19 department of local government finance to increase the maximum
20 permissible ad valorem property tax levy of a qualified
21 municipality under this subsection. If a petition is submitted under
22 this subsection, the department of local government finance shall
23 increase the maximum permissible ad valorem property tax levy
24 of the qualifying municipality for property taxes first due and
25 payable in 2025 to include all debt service levies of the qualifying
26 municipality for property taxes first due and payable in 2025.

27 (h) An adjustment under this section is a one (1) time and
28 permanent increase. The qualifying municipality's ad valorem
29 property tax levy for property taxes first due and payable in 2025,
30 as adjusted under this section, shall be used in the determination
31 of the qualifying municipality's maximum permissible ad valorem
32 property tax levy under this chapter for property taxes first due
33 and payable in 2026 and thereafter.

34 (i) Notwithstanding STEP ONE of section 3(a) of this chapter,
35 for purposes of determining a qualified municipality's maximum
36 permissible ad valorem property tax levy for property taxes first due
37 and payable in 2026, the amount determined in STEP ONE of section
38 3(a) of this chapter shall be the result determined in STEP TWO of the
39 following calculation:

40 **STEP ONE:** Determine a qualified municipality's maximum
41 permissible ad valorem property tax levy for property taxes
42 first due and payable in 2025 without regard to the



1 **adjustment under this section.**

2 **STEP TWO: Determine the sum of:**

3 **(A) STEP ONE; plus**

4 **(B) the amount of the adjustment under this section.**

5 **This calculation only applies to determining a qualified**
 6 **municipality's maximum ad valorem property tax levy for**
 7 **property taxes first due and payable in 2026 and not to a**
 8 **determination for any other tax year.**

9 **(j) This section expires June 30, 2030.**

10 SECTION 2. IC 6-3.6-6-12, AS AMENDED BY P.L.247-2017,
 11 SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 12 UPON PASSAGE]: Sec. 12. (a) Except as provided in this chapter and
 13 IC 6-3.6-11, this section applies to an allocation of certified shares in
 14 all counties.

15 (b) The allocation amount of a civil taxing unit during a calendar
 16 year must be based on the amounts for the calendar year preceding the
 17 distribution year and is equal to the amount determined using the
 18 following formula:

19 STEP ONE: Determine the sum of the total property taxes being
 20 imposed by the civil taxing unit.

21 STEP TWO: Determine the sum of the following:

22 (A) Amounts appropriated from property taxes to pay the
 23 principal of or interest on any debenture or other debt
 24 obligation issued after June 30, 2005, other than an obligation
 25 described in subsection (c).

26 (B) Amounts appropriated from property taxes to make
 27 payments on any lease entered into after June 30, 2005, other
 28 than a lease described in subsection (d).

29 STEP THREE: Subtract the STEP TWO amount from the STEP
 30 ONE amount.

31 **STEP FOUR: In the case of a qualifying municipality as**
 32 **defined in IC 6-1.1-18.5-31(d) that is located in a county**
 33 **described in IC 6-1.1-18.5-31(a), and only for the allocation of**
 34 **certified shares in 2027 and 2028, STEP THREE multiplied**
 35 **by seventy percent (70%).**

36 ~~STEP FOUR:~~ **FIVE:** Determine the sum of:

37 (A) the:

38 (i) STEP THREE amount; or

39 (ii) **STEP FOUR amount in the case of a qualifying**
 40 **municipality as defined in IC 6-1.1-18.5-31(d) that is**
 41 **located in a county described in IC 6-1.1-18.5-31(a); plus**

42 (B) the civil taxing unit's certified shares plus the amount



1 distributed under section 3(a)(2) of this chapter for the
2 previous calendar year; **plus**

3 **(C) in the case of a qualifying municipality as defined in**
4 **IC 6-1.1-18.5-31(d) that is located in a county described in**
5 **IC 6-1.1-18.5-31(a), and only for the allocation of certified**
6 **shares in 2026, the amount of the levy for the**
7 **municipality's debt service and lease rental funds that was**
8 **certified in 2025 multiplied by fifty-four and five-tenths**
9 **percent (54.5%). This clause expires January 1, 2027.**

10 The allocation amount is subject to adjustment as provided in
11 IC 36-8-19-7.5.

12 (c) Except as provided in this subsection, an appropriation for the
13 calendar year preceding the distribution year from property taxes to
14 repay interest and principal of a debt obligation is not deducted from
15 the allocation amount for a civil taxing unit if:

16 (1) the debt obligation was issued; and

17 (2) the proceeds were appropriated from property taxes;

18 to refund or otherwise refinance a debt obligation or a lease issued
19 before July 1, 2005. However, an appropriation from property taxes
20 related to a debt obligation issued after June 30, 2005, is deducted if
21 the debt extends payments on a debt or lease beyond the time in which
22 the debt or lease would have been payable if the debt or lease had not
23 been refinanced or increases the total amount that must be paid on a
24 debt or lease in excess of the amount that would have been paid if the
25 debt or lease had not been refinanced. The amount of the deduction is
26 the annual amount for each year of the extension period or the annual
27 amount of the increase over the amount that would have been paid.

28 (d) Except as provided in this subsection, an appropriation for the
29 calendar year preceding the distribution year from property taxes to
30 make payments on a lease is not deducted from the allocation amount
31 for a civil taxing unit if:

32 (1) the lease was issued; and

33 (2) the proceeds were appropriated from property taxes;

34 to refinance a debt obligation or lease issued before July 1, 2005.
35 However, an appropriation from property taxes related to a lease
36 entered into after June 30, 2005, is deducted if the lease extends
37 payments on a debt or lease beyond the time in which the debt or lease
38 would have been payable if the debt or lease had not been refinanced
39 or increases the total amount that must be paid on a debt or lease in
40 excess of the amount that would have been paid if the debt or lease had
41 not been refinanced. The amount of the deduction is the annual amount
42 for each year of the extension period or the annual amount of the



1 increase over the amount that would have been paid.

2 SECTION 3. IC 6-3.6-9-15, AS AMENDED BY P.L.239-2023,
3 SECTION 15, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
4 UPON PASSAGE]: Sec. 15. (a) If the budget agency determines that
5 the balance in a county trust account exceeds fifteen percent (15%) **(or**
6 **the percentage set forth in subsection (g), if applicable)** of the
7 certified distributions to be made to the county in the determination
8 year, the budget agency shall make a supplemental distribution to the
9 county from the county's trust account. The budget agency shall use the
10 trust account balance as of December 31 of the year that precedes the
11 determination year by two (2) years (referred to as the "trust account
12 balance year" in this section).

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

- 14 (1) made at the same time as the determinations are provided to
15 the county auditor under subsection (d)(3); and
16 (2) allocated in the same manner as certified distributions for the
17 purposes described in this article.

18 (c) The amount of a supplemental distribution described in
19 subsection (a) is equal to the amount by which:

- 20 (1) the balance in the county trust account; minus
21 (2) the amount of any supplemental or special distribution that has
22 not yet been accounted for in the last known balance of the
23 county's trust account;

24 exceeds fifteen percent (15%) **(or the percentage set forth in**
25 **subsection (g), if applicable)** of the certified distributions to be made
26 to the county in the determination year.

27 (d) For a county that qualifies for a supplemental distribution under
28 this section in a year, the following apply:

- 29 (1) Before February 15, the budget agency shall update the
30 information described in section 9 of this chapter to include the
31 excess account balances to be distributed under this section.
32 (2) Before May 2, the budget agency shall provide the amount of
33 the supplemental distribution for the county to the department of
34 local government finance and to the county auditor.
35 (3) The department of local government finance shall determine
36 for the county and each taxing unit within the county:
37 (A) the amount and allocation of the supplemental distribution
38 attributable to the taxes that were imposed as of December 31
39 of the trust account balance year, including any specific
40 distributions for that year; and
41 (B) the amount of the allocation for each of the purposes set
42 forth in this article, using the allocation percentages in effect



- 1 in the trust account balance year.
- 2 The department of local government finance shall provide these
- 3 determinations to the county auditor before May 16 of the
- 4 determination year.
- 5 (4) Before June 1, the county auditor shall distribute to each
- 6 taxing unit the amount of the supplemental distribution that is
- 7 allocated to the taxing unit under subdivision (3). However, for a
- 8 county with a former tax to provide for a levy freeze under
- 9 IC 6-3.6-11-1, the supplemental distribution shall first be
- 10 distributed as determined in any resolution adopted under
- 11 IC 6-3.6-11-1(d).
- 12 For determinations before 2019, the tax rates in effect under and the
- 13 allocation methods specified in the former income tax laws shall be
- 14 used for the determinations under subdivision (3).
- 15 (e) For any part of a supplemental distribution attributable to
- 16 property tax credits under a former income tax or IC 6-3.6-5, the
- 17 adopting body for the county may allocate the supplemental
- 18 distribution to property tax credits for not more than the three (3) years
- 19 after the year the supplemental distribution is received.
- 20 (f) Any income earned on money held in a trust account established
- 21 for a county under this chapter shall be deposited in that trust account.
- 22 **(g) This subsection applies only to counties that contain at least**
- 23 **four (4) municipalities (cities or towns) each with a population**
- 24 **greater than forty thousand (40,000), as determined by the most**
- 25 **recent federal decennial census, in which at least one (1) of those**
- 26 **municipalities meets the definition of a qualifying municipality**
- 27 **under IC 6-1.1-18.5-31(d). The following percentages apply for**
- 28 **purposes of the determinations under subsections (a) and (c):**
- 29 **(1) For the determination year beginning after December 31,**
- 30 **2025, and ending before January 1, 2027, twelve and**
- 31 **five-tenths percent (12.5%).**
- 32 **(2) For the determination year beginning after December 31,**
- 33 **2026, and ending before January 1, 2028, ten percent (10%).**
- 34 **(3) For a determination year beginning after December 31,**
- 35 **2027, and ending before January 1, 2029, seven and**
- 36 **five-tenths percent (7.5%).**
- 37 **(4) For the determination year beginning after December 31,**
- 38 **2028, and ending before January 1, 2030, five percent (5%).**
- 39 **(5) For the determination year beginning after December 31,**
- 40 **2029, and ending before January 1, 2031, two and one-half**
- 41 **percent (2.5%).**
- 42 **(6) For the determination year beginning after December 31,**



1 **2030, one percent (1%).**
2 SECTION 4. IC 6-3.6-9-17.6 IS ADDED TO THE INDIANA
3 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
4 [EFFECTIVE UPON PASSAGE]: **Sec. 17.6. (a) Notwithstanding any**
5 **other provision, funds from the state general fund shall not be used**
6 **to make up a shortfall in the:**
7 **(1) reserve account; or**
8 **(2) certified distribution.**
9 **(b) If a county reserve account runs out of funds for making a**
10 **certified distribution, funds may not be transferred from the state**
11 **general fund to the reserve account.**
12 SECTION 5. **An emergency is declared for this act.**



COMMITTEE REPORT

Mr. President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 290, 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:

Page 3, delete lines 10 through 42, begin a new paragraph and insert:

"SECTION 2. IC 6-3.6-6-12, AS AMENDED BY P.L.247-2017, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 12. (a) Except as provided in this chapter and IC 6-3.6-11, this section applies to an allocation of certified shares in all counties.

(b) The allocation amount of a civil taxing unit during a calendar year must be based on the amounts for the calendar year preceding the distribution year and is equal to the amount determined using the following formula:

STEP ONE: Determine the sum of the total property taxes being imposed by the civil taxing unit.

STEP TWO: Determine the sum of the following:

(A) Amounts appropriated from property taxes to pay the principal of or interest on any debenture or other debt obligation issued after June 30, 2005, other than an obligation described in subsection (c).

(B) Amounts appropriated from property taxes to make payments on any lease entered into after June 30, 2005, other than a lease described in subsection (d).

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

STEP FOUR: In the case of a qualifying municipality as defined in IC 6-1.1-18.5-31(d) that is located in a county described in IC 6-1.1-18.5-31(a), and only for the allocation of certified shares in 2027 and 2028, STEP THREE multiplied by seventy percent (70%).

~~STEP FOUR:~~ FIVE: Determine the sum of:

(A) the:

(i) STEP THREE amount; or

(ii) **STEP FOUR amount in the case of a qualifying municipality as defined in IC 6-1.1-18.5-31(d) that is located in a county described in IC 6-1.1-18.5-31(a); plus**

(B) the civil taxing unit's certified shares plus the amount distributed under section 3(a)(2) of this chapter for the



previous calendar year; plus
(C) in the case of a qualifying municipality as defined in IC 6-1.1-18.5-31(d) that is located in a county described in IC 6-1.1-18.5-31(a), and only for the allocation of certified shares in 2026, the amount of the levy for the municipality's debt service and lease rental funds that was certified in 2025 multiplied by fifty-four and five-tenths percent (54.5%). This clause expires January 1, 2027.

The allocation amount is subject to adjustment as provided in IC 36-8-19-7.5.

(c) Except as provided in this subsection, an appropriation for the calendar year preceding the distribution year from property taxes to repay interest and principal of a debt obligation is not deducted from the allocation amount for a civil taxing unit if:

(1) the debt obligation was issued; and

(2) the proceeds were appropriated from property taxes; to refund or otherwise refinance a debt obligation or a lease issued before July 1, 2005. However, an appropriation from property taxes related to a debt obligation issued after June 30, 2005, is deducted if the debt extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

(d) Except as provided in this subsection, an appropriation for the calendar year preceding the distribution year from property taxes to make payments on a lease is not deducted from the allocation amount for a civil taxing unit if:

(1) the lease was issued; and

(2) the proceeds were appropriated from property taxes; to refinance a debt obligation or lease issued before July 1, 2005. However, an appropriation from property taxes related to a lease entered into after June 30, 2005, is deducted if the lease extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid."



Page 4, delete lines 1 through 33.

Page 6, line 25, delete "January 1, 2033," and insert "**January 1, 2029,**".

Page 6, between lines 26 and 27, begin a new line block indented and insert:

"(4) For the determination year beginning after December 31, 2028, and ending before January 1, 2030, five percent (5%).

(5) For the determination year beginning after December 31, 2029, and ending before January 1, 2031, two and one-half percent (2.5%).

(6) For the determination year beginning after December 31, 2030, one percent (1%)."

Page 6, delete lines 27 through 29, begin a new paragraph and insert:

"SECTION 3. IC 6-3.6-9-17.6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 17.6. (a) Notwithstanding any other provision, funds from the state general fund shall not be used to make up a shortfall in the:**

(1) reserve account; or

(2) certified distribution.

(b) If a county reserve account runs out of funds for making a certified distribution, funds may not be transferred from the state general fund to the reserve account."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 290 as introduced.)

HOLDMAN, Chairperson

Committee Vote: Yeas 13, Nays 0.

