January 30, 2015

HOUSE BILL No. 1541

DIGEST OF HB 1541 (Updated January 28, 2015 4:51 pm - DI 107)

Citations Affected: IC 5-28; IC 6-1.1.

Synopsis: Enterprise zones. Provides that the fiscal body of a municipality may adopt a resolution renewing an enterprise zone for an additional five years after the date on which the enterprise zone is set to expire. Provides that new municipal enterprise zones may be added after December 31, 2015. (Under current law, the board of the Indiana economic development corporation may not add any new municipal enterprise zones after December 31, 2015.) Amends the definition of "qualified investment" for purposes of an enterprise zone investment deduction to include new information technology equipment, new research and development equipment, and new logical distribution equipment.

Effective: Upon passage; July 1, 2015.

Dermody, Truitt, GiaQuinta, Klinker

January 20, 2015, read first time and referred to Committee on Commerce, Small Business and Economic Development.

January 29, 2015, amended, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.

January 30, 2015

First Regular Session of the 119th General Assembly (2015)

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 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

HOUSE BILL No. 1541

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

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

SECTION 1. IC 5-28-15-9, AS ADDED BY P.L.4-2005, SECTION 34, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) The board may designate up to ten (10) enterprise zones, in addition to any enterprise zones the federal government may designate in Indiana. The board may by seven (7) affirmative votes increase the number of enterprise zones above ten (10), but it may not add more than two (2) new zones each year (excluding any zone that may be added by the board in a municipality in which a previously designated zone has expired). ~~and may not add any new zones after December 31, 2015.~~ There may not be more than one (1) enterprise zone in any municipality.

(b) After approval by resolution of the legislative body, the executive of any municipality that is not an included town under IC 36-3-1-7 may submit one (1) application to the board to have one (1) part of the municipality designated as an enterprise zone. If an application is denied, the executive may submit a new application. The board shall provide application procedures.

(c) The board shall evaluate an enterprise zone application if it finds that the following threshold criteria exist in a proposed zone:

(1) A poverty level in which twenty-five percent (25%) of the households in the zone are below the poverty level as established by the most recent United States census or an average rate of unemployment for the most recent eighteen (18) month period for which data is available that is at least one and one-half (1 1/2) times the average statewide rate of unemployment for the same eighteen (18) month period.

(2) A population of more than two thousand (2,000) but less than ten thousand five hundred (10,500).

(3) An area of more than three-fourths (3/4) of a square mile but less than four (4) square miles, with a continuous boundary (using natural, street, or highway barriers when possible) entirely within the applicant municipality. However, if the zone includes a parcel of property that:

(A) is owned by the municipality; and

(B) has an area of at least twenty-five (25) acres;

the area of the zone may be increased above the four (4) square mile limitation by an amount not to exceed the area of the municipally owned parcel.

(4) Property suitable for the development of a mix of commercial, industrial, and residential activities.

(5) The appointment of a U.E.A. that meets the requirements of section 13 of this chapter.

(6) A statement by the applicant indicating its willingness to provide certain specified economic development incentives.

(d) If an applicant has met the threshold criteria of subsection (c), the board shall evaluate the application, arrive at a decision based on the following factors, and either designate a zone or reject the application:

(1) Level of poverty, unemployment, and general distress of the area in comparison with other applicant and nonapplicant municipalities and the expression of need for an enterprise zone over and above the threshold criteria of subsection (c).

(2) Evidence of support for designation by residents, businesses, and private organizations in the proposed zone, and the demonstration of a willingness among those zone constituents to participate in zone area revitalization.

(3) Efforts by the applicant municipality to reduce the

impediments to development in the zone area where necessary, including but not limited to the following:

(A) A procedure for streamlining local government regulations and permit procedures.

(B) Crime prevention activities involving zone residents.

(C) A plan for infrastructure improvements capable of supporting increased development activity.

(4) Significant efforts to encourage the reuse of existing zone structures in new development activities to preserve the existing character of the neighborhood, where appropriate.

(5) The proposed managerial structure of the zone and the capacity of the U.E.A. to carry out the goals and purposes of this chapter.

SECTION 2. IC 5-28-15-10, AS AMENDED BY P.L.1-2010, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 10. (a) Subject to subsection (b), an enterprise zone expires ten (10) years after the day on which it is designated by the board.

(b) ~~In the period beginning December 1, 2008, and ending December 31, 2014,~~ An enterprise zone does not expire under this section if the fiscal body of the municipality in which the enterprise zone is located adopts a resolution renewing the enterprise zone for an additional five (5) years. An enterprise zone may be renewed under this subsection regardless of the number of times the enterprise zone has been renewed under subsections (c) and (d). A municipal fiscal body may adopt a renewal resolution and submit a copy of the resolution to the board

~~(1) before August 1, 2009, in the case of an enterprise zone that expired after November 30, 2008, or is scheduled to expire before September 1, 2009; or~~

~~(2)~~ at least thirty (30) days before the expiration date of the enterprise zone. ~~in the case of an enterprise zone scheduled to expire after August 31, 2009.~~

~~If an enterprise zone is renewed under this subsection after having been renewed under subsection (d), the enterprise zone may not be renewed after the expiration of this final five (5) year period.~~

(c) The two (2) year period immediately before the day on which the enterprise zone expires is the phaseout period. During the phaseout period, the board may review the success of the enterprise zone based on the following criteria and may, with the consent of the budget committee, renew the enterprise zone, including all provisions of this chapter, for five (5) years:

(1) Increases in capital investment in the zone.
(2) Retention of jobs and creation of jobs in the zone.
(3) Increases in employment opportunities for residents of the zone.

(d) If an enterprise zone is renewed under subsection (c), the two (2) year period immediately before the day on which the enterprise zone expires is another phaseout period. During the phaseout period, the board may review the success of the enterprise zone based on the criteria set forth in subsection (c) and, with the consent of the budget committee, may again renew the enterprise zone, including all provisions of this chapter, for a final period of five (5) years. The zone may not be renewed after the expiration of this final five (5) year period.

SECTION 3. IC 6-1.1-45-7, AS ADDED BY P.L.214-2005, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. As used in this chapter, "qualified investment" means any of the following expenditures relating to an enterprise zone location on which a taxpayer's zone business is located:
(1) The purchase of a building.
(2) The purchase of new manufacturing or production equipment.
(3) Costs associated with the repair, rehabilitation, or modernization of an existing building and related improvements.
(4) Onsite infrastructure improvements.
(5) The construction of a new building.
(6) Costs associated with retooling existing machinery.
(7) The purchase of new information technology equipment that consists of equipment, including software, used in the fields of:
(A) information processing;
(B) office automation;
(C) telecommunication facilities and networks;
(D) informatics;
(E) network administration;
(F) software development; and
(G) fiber optics;
that is acquired in an arms length transaction from an entity that is not an affiliate of the taxpayer and that the taxpayer never used for any purpose in Indiana before the purchase.
(8) The purchase of new research and development equipment that consists of:
(A) laboratory equipment;
(B) research and development equipment;

(C) computers and computer software;
(D) telecommunications equipment; or
(E) testing equipment.
(9) The purchase of new logistical distribution equipment that consists of:
(A) racking equipment;
(B) scanning or coding equipment;
(C) separators;
(D) conveyors;
(E) fork lifts or lifting equipment (including "walk behinds");
(F) transitional moving equipment;
(G) packaging equipment;
(H) sorting and picking equipment; or
(I) software for technology used in logistical distribution.

SECTION 4. **An emergency is declared for this act.**

COMMITTEE REPORT

Mr. Speaker: Your Committee on Commerce, Small Business and Economic Development, to which was referred House Bill 1541, 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 4, between lines 13 and 14, begin a new paragraph and insert:

"SECTION 3. IC 6-1.1-45-7, AS ADDED BY P.L.214-2005, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. As used in this chapter, "qualified investment" means any of the following expenditures relating to an enterprise zone location on which a taxpayer's zone business is located:

(1) The purchase of a building.
(2) The purchase of new manufacturing or production equipment.
(3) Costs associated with the repair, rehabilitation, or modernization of an existing building and related improvements.
(4) Onsite infrastructure improvements.
(5) The construction of a new building.
(6) Costs associated with retooling existing machinery.
(7) The purchase of new information technology equipment that consists of equipment, including software, used in the fields of:
(A) information processing;
(B) office automation;
(C) telecommunication facilities and networks;
(D) informatics;
(E) network administration;
(F) software development; and
(G) fiber optics;
that is acquired in an arms length transaction from an entity that is not an affiliate of the taxpayer and that the taxpayer never used for any purpose in Indiana before the purchase.
(8) The purchase of new research and development equipment that consists of:
(A) laboratory equipment;
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(9) The purchase of new logistical distribution equipment that consists of:
(A) racking equipment;

(B) scanning or coding equipment;
(C) separators;
(D) conveyors;
(E) fork lifts or lifting equipment (including "walk behinds");
(F) transitional moving equipment;
(G) packaging equipment;
(H) sorting and picking equipment; or
(I) software for technology used in logistical distribution.".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1541 as introduced.)

SMALTZ

Committee Vote: yeas 12, nays 0.