



January 24, 2014

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# SENATE BILL No. 1

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DIGEST OF SB 1 (Updated January 21, 2014 12:58 pm - DI 73)

**Citations Affected:** IC 6-1.1; IC 6-3; IC 6-3.1; IC 36-7; noncode.

**Synopsis:** State and local taxation. Provides that if the value of a taxpayer's business personal property in a county that would otherwise be subject to taxation is less than \$25,000 for a particular assessment date: (1) the taxpayer is not required to file a personal property return for the taxpayer's business personal property in the county for that assessment date; and (2) the taxpayer's business personal property in the county is exempt from taxation for that assessment date. Requires the taxpayer to file an annual certification with the county assessor. Provides that the tax rate for certain tax increment financing areas shall be calculated as if this exemption were not in effect. Provides that if a county or municipality receives a reimbursement, repayment, or penalty from a taxpayer on account of the taxpayer's failure to comply with the statement of benefits provided by the taxpayer as part of a property tax abatement or on account of the taxpayer's failure to comply with any other requirement to receive a property tax abatement, the county or municipal fiscal officer shall distribute the amount of the reimbursement, repayment, or penalty on a pro rata basis to each taxing unit that contains the property that was subject to the abatement deduction. Phases down the corporate income tax rate from 6.5% in 2015 to 4.9% in 2019. Reduces the research and development tax credit percentage by half for qualified research expense incurred after 2014. Provides that a taxpayer is not entitled to: (1) a college contribution tax credit for contributions made in a taxable year beginning after 2014; (2) a riverboat building tax credit for qualified investments made in a taxable year beginning after 2014; (3) a  
(Continued next page)

**Effective:** Upon passage; July 1, 2014; January 1, 2015.

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**Hershman, Kenley, Holdman,  
Smith J**

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January 14, 2014, read first time and referred to Committee on Tax and Fiscal Policy.  
January 23, 2014, amended, reported favorably — Do Pass.

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SB 1—LS 7115/DI 73



Digest Continued

biodiesel tax credit for the production or distribution of biodiesel or blended biodiesel in a taxable year beginning after 2014; (4) an ethanol production tax credit for the production of ethanol in a taxable year beginning after 2014; and (5) a new employer tax credit for wages paid in a taxable year beginning after 2014. Repeals the voluntary remediation tax credit statute. (Under current law, tax credits may not be awarded for taxable years after 2007, and the carryforward period has expired.) Repeals the energy savings tax credit. (Under current law, the tax credit may not be awarded for costs incurred after December 31, 2011, and may not be carried forward.) Establishes the commission on business personal property and business taxation to study certain issues during the 2014 legislative interim. Requires the commission on state tax and financing policy to study income tax deductions and exemptions during the 2014 and 2015 legislative interims.

**SB 1—LS 7115/DI 73**



January 24, 2014

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.

## SENATE BILL No. 1

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 6-1.1-3-7.2 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2014]: **Sec. 7.2. (a) This section applies to assessment dates after**  
4 **February 28, 2015.**  
5 **(b) As used in this section, "business personal property" means**  
6 **personal property that:**  
7 **(1) is otherwise subject to assessment and taxation under this**  
8 **article; and**  
9 **(2) is used in a trade or business or otherwise held, used, or**  
10 **consumed in connection with the production of income.**  
11 **The term does not include mobile homes assessed under IC 6-1.1-7**  
12 **or personal property held as an investment.**  
13 **(c) Notwithstanding section 7 of this chapter, if the value of a**  
14 **taxpayer's business personal property as determined under**  
15 **subsection (e):**

SB 1—LS 7115/DI 73



1 (1) in a county; and

2 (2) that otherwise would be subject to taxation under this  
3 article;

4 is less than twenty-five thousand dollars (\$25,000) for a particular  
5 assessment date, the taxpayer's business personal property in the  
6 county for that assessment date is exempt from taxation.

7 (d) A taxpayer that is eligible for the exemption under this  
8 section is not required to file a personal property return for the  
9 taxpayer's business personal property in the county for that  
10 assessment date. However, the taxpayer must, before the end of the  
11 calendar year containing the assessment date, file with the county  
12 assessor an annual certification stating that the taxpayer's business  
13 personal property in the county is exempt from taxation under this  
14 section for that assessment date. If a taxpayer that is required to  
15 file an annual certification under this subsection does not file the  
16 annual certification by the due date for the annual certification, the  
17 taxpayer must pay to the county assessor a penalty of fifty dollars  
18 (\$50). The county assessor shall deposit any such penalty collected  
19 into the county general fund.

20 (e) For the purposes of subsection (c), the value of a taxpayer's  
21 business personal property shall be determined based on the value  
22 of that property as reflected on the books and records of the  
23 taxpayer at the adjusted cost reported by the taxpayer for federal  
24 income tax purposes.

25 SECTION 2. IC 6-1.1-12.1-12.5 IS ADDED TO THE INDIANA  
26 CODE AS A NEW SECTION TO READ AS FOLLOWS  
27 [EFFECTIVE JULY 1, 2014]: Sec. 12.5. Except as provided in  
28 section 12(f) of this chapter, if a county or municipality receives a  
29 reimbursement, repayment, or penalty from a taxpayer on account  
30 of the taxpayer's failure to comply with the statement of benefits  
31 provided by the taxpayer or on account of the taxpayer's failure to  
32 comply with any other requirement to receive a deduction under  
33 this chapter, the county or municipal fiscal officer shall distribute  
34 the amount of the reimbursement, repayment, or penalty on a pro  
35 rata basis to each taxing unit that contains the property that was  
36 subject to the deduction. The amount to be distributed to each  
37 taxing unit that contains the property that was subject to the  
38 deduction shall be determined according to the following formula:

39 STEP ONE: Determine the total aggregate property tax rate  
40 imposed in the preceding year by the taxing unit.

41 STEP TWO: Determine the sum of the STEP ONE amounts  
42 for all taxing units that contain the property that was subject



1           **to the deduction.**

2           **STEP THREE: Divide the STEP ONE amount by the sum**  
 3           **determined under STEP TWO.**

4           **STEP FOUR: Multiply the amount of the reimbursement,**  
 5           **repayment, or penalty by the STEP THREE quotient.**

6           SECTION 3. IC 6-3-2-1, AS AMENDED BY P.L.205-2013,  
 7           SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8           JANUARY 1, 2015]: Sec. 1. (a) Each taxable year, a tax at the  
 9           following rate of adjusted gross income is imposed upon the adjusted  
 10          gross income of every resident person, and on that part of the adjusted  
 11          gross income derived from sources within Indiana of every nonresident  
 12          person:

13           (1) For taxable years beginning before January 1, 2015, three and  
 14           four-tenths percent (3.4%).

15           (2) For taxable years beginning after December 31, 2014, and  
 16           before January 1, 2017, three and three-tenths percent (3.3%).

17           (3) For taxable years beginning after December 31, 2016, three  
 18           and twenty-three hundredths percent (3.23%).

19           (b) Except as provided in section 1.5 of this chapter, each taxable  
 20          year, a tax at the following rate of adjusted gross income is imposed on  
 21          that part of the adjusted gross income derived from sources within  
 22          Indiana of every corporation:

23           (1) Before July 1, 2012, eight and five-tenths percent (8.5%).

24           (2) After June 30, 2012, and before July 1, 2013, eight percent  
 25           (8.0%).

26           (3) After June 30, 2013, and before July 1, 2014, seven and  
 27           five-tenths percent (7.5%).

28           (4) After June 30, 2014, and before July 1, 2015, seven percent  
 29           (7.0%).

30           (5) After June 30, 2015, **and before July 1, 2016**, six and  
 31           five-tenths percent (6.5%).

32           **(6) After June 30, 2016, and before July 1, 2017, six percent**  
 33           **(6.0%).**

34           **(7) After June 30, 2017, and before July 1, 2018, five and**  
 35           **five-tenths percent (5.5%).**

36           **(8) After June 30, 2018, and before July 1, 2019, five percent**  
 37           **(5.0%).**

38           **(9) After June 30, 2019, four and nine-tenths percent (4.9%).**

39           (c) If for any taxable year a taxpayer is subject to different tax rates  
 40          under subsection (b), the taxpayer's tax rate for that taxable year is the  
 41          rate determined in the last STEP of the following STEPS:

42           STEP ONE: Multiply the number of months in the taxpayer's



1 taxable year that precede the month the rate changed by the rate  
2 in effect before the rate change.

3 STEP TWO: Multiply the number of months in the taxpayer's  
4 taxable year that follow the month before the rate changed by the  
5 rate in effect after the rate change.

6 STEP THREE: Divide the sum of the amounts determined under  
7 STEPS ONE and TWO by twelve (12).

8 However, the rate determined under this subsection shall be rounded  
9 to the nearest one-hundredth of one percent (0.01%).

10 SECTION 4. IC 6-3-3-5, AS AMENDED BY P.L.2-2007,  
11 SECTION 121, IS AMENDED TO READ AS FOLLOWS  
12 [EFFECTIVE JULY 1, 2014]: Sec. 5. (a) At the election of the  
13 taxpayer, there shall be allowed, as a credit against the adjusted gross  
14 income tax imposed by IC 6-3-1 through IC 6-3-7 for the taxable year,  
15 an amount (subject to the applicable limitations provided by this  
16 section) equal to fifty percent (50%) of the aggregate amount of  
17 charitable contributions made by such taxpayer during such year to  
18 postsecondary educational institutions located within Indiana  
19 (including any of its associated colleges in Indiana) or to any  
20 corporation or foundation organized and operated solely for the benefit  
21 of any postsecondary educational institution.

22 (b) In the case of a taxpayer other than a corporation, the amount  
23 allowable as a credit under this section for any taxable year shall not  
24 exceed one hundred dollars (\$100) in the case of a single return or two  
25 hundred dollars (\$200) in the case of a joint return.

26 (c) In the case of a corporation, the amount allowable as a credit  
27 under this section for any taxable year shall not exceed:

28 (1) ten percent (10%) of such corporation's total adjusted gross  
29 income tax under IC 6-3-1 through IC 6-3-7 for such year (as  
30 determined without regard to any credits against that tax); or

31 (2) one thousand dollars (\$1,000);

32 whichever is less.

33 (d) A charitable contribution in Indiana qualifies for a credit under  
34 this section only if the charitable contribution is made to a  
35 postsecondary educational institution or a corporation or foundation  
36 organized for the benefit of a postsecondary educational institution  
37 that:

38 (1) normally maintains a regular faculty and curriculum and  
39 normally has a regularly organized body of students in attendance  
40 at the place where its educational activities are carried on;

41 (2) regularly offers education at a level above the twelfth grade;

42 (3) regularly awards either associate, bachelors, masters, or



1           doctoral degrees, or any combination thereof; and  
 2           (4) is duly accredited by the North Central Association of  
 3           Colleges and Schools, the Indiana state board of education, or the  
 4           American Association of Theological Schools.

5           (e) The credit allowed by this section shall not exceed the amount  
 6           of the adjusted gross income tax imposed by IC 6-3-1 through IC 6-3-7  
 7           for the taxable year, reduced by the sum of all credits (as determined  
 8           without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

9           **(f) A taxpayer is not entitled to a credit under this section for**  
 10          **contributions made in a taxable year beginning after December 31,**  
 11          **2014.**

12          **(g) This section expires January 1, 2015.**

13          SECTION 5. IC 6-3.1-4-2, AS AMENDED BY P.L.182-2009(ss),  
 14          SECTION 201, IS AMENDED TO READ AS FOLLOWS  
 15          [EFFECTIVE JANUARY 1, 2015]: Sec. 2. (a) A taxpayer who incurs  
 16          Indiana qualified research expense in a particular taxable year is  
 17          entitled to a research expense tax credit for the taxable year.

18          (b) For Indiana qualified research expense incurred before January  
 19          1, 2008, the amount of the research expense tax credit is equal to the  
 20          product of ten percent (10%) multiplied by the remainder of:

- 21           (1) the taxpayer's Indiana qualified research expenses for the  
 22           taxable year; minus  
 23           (2) the taxpayer's base amount.

24          (c) Except as provided in subsection (d), for Indiana qualified  
 25          research expense incurred after December 31, 2007, the amount of the  
 26          research expense tax credit is determined under STEP FOUR of the  
 27          following formula:

28           STEP ONE: Subtract the taxpayer's base amount from the  
 29           taxpayer's Indiana qualified research expense for the taxable year.

30           STEP TWO: Multiply the lesser of:

- 31           (A) one million dollars (\$1,000,000); or  
 32           (B) the STEP ONE remainder;

33           by fifteen percent (15%), **for Indiana qualified research**  
 34           **expense incurred before January 1, 2015, or seven and**  
 35           **five-tenths percent (7.5%), for Indiana qualified research**  
 36           **expense incurred after December 31, 2014.**

37           STEP THREE: If the STEP ONE remainder exceeds one million  
 38           dollars (\$1,000,000), multiply the amount of that excess by:

- 39           (A) ten percent (10%), **for Indiana qualified research**  
 40           **expense incurred before January 1, 2015; or**  
 41           **(B) five percent (5%), for Indiana qualified research**  
 42           **expense incurred after December 31, 2014.**



1 STEP FOUR: Add the STEP TWO and STEP THREE products.

2 (d) For Indiana qualified research expense incurred after December  
3 31, 2009, a taxpayer may choose to have the amount of the research  
4 expense tax credit determined under this subsection rather than under  
5 subsection (c). At the election of the taxpayer, the amount of the  
6 taxpayer's research expense tax credit is equal to:

7 **(1) ten percent (10%), for Indiana qualified research expense**  
8 **incurred before January 1, 2015; or**

9 **(2) five percent (5%), for Indiana qualified research expense**  
10 **incurred after December 31, 2014;**

11 of the part of the taxpayer's Indiana qualified research expense for the  
12 taxable year that exceeds fifty percent (50%) of the taxpayer's average  
13 Indiana qualified research expense for the three (3) taxable years  
14 preceding the taxable year for which the credit is being determined.  
15 However, if the taxpayer did not have Indiana qualified research  
16 expense in any one (1) of the three (3) taxable years preceding the  
17 taxable year for which the credit is being determined, the amount of the  
18 research expense tax credit is equal to five percent (5%) of the  
19 taxpayer's Indiana qualified research expense for the taxable year.

20 SECTION 6. IC 6-3.1-17-9 IS AMENDED TO READ AS  
21 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 9. (a) The amount of  
22 tax credits allowed under this chapter may not exceed one million  
23 dollars (\$1,000,000) in a state fiscal year.

24 (b) The department shall record the time of filing of each  
25 application for allowance of a credit under section 8 of this chapter and  
26 shall approve the applications, if they otherwise qualify for a tax credit  
27 under this chapter, in the chronological order in which the applications  
28 are filed in the state fiscal year.

29 (c) When the total credits approved under this section equal the  
30 maximum amount allowable in a state fiscal year, no application  
31 thereafter filed for that same fiscal year shall be approved. However,  
32 if an applicant for whom a credit has been approved fails to file the  
33 statement of proof of payment required under section 8 of this chapter,  
34 an amount equal to the credit previously allowed or set aside for the  
35 applicant may be allowed to any subsequent applicant in the year. In  
36 addition, the department may, if the applicant so requests, approve a  
37 credit application, in whole or in part, with respect to the next  
38 succeeding state fiscal year.

39 **(d) A taxpayer is not entitled to a credit under this chapter for**  
40 **a qualified investment made in a taxable year beginning after**  
41 **December 31, 2014.**

42 **(e) This chapter expires January 1, 2024.**





1 SECTION 7. IC 6-3.1-23 IS REPEALED [EFFECTIVE JANUARY  
2 1, 2015]. (Voluntary Remediation Tax Credit).

3 SECTION 8. IC 6-3.1-27-12, AS AMENDED BY P.L.191-2005,  
4 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
5 JULY 1, 2014]: Sec. 12. (a) If the amount of the credit determined  
6 under this chapter for a taxpayer in a taxable year exceeds the  
7 taxpayer's state tax liability for that taxable year, the taxpayer may carry  
8 over the excess to the following taxable years. The amount of the credit  
9 carryover from a taxable year shall be reduced to the extent that the  
10 carryover is used by the taxpayer to obtain a credit under this chapter  
11 for any subsequent taxable year. A credit may not be carried forward  
12 for more than six (6) taxable years following the taxable year in which  
13 the taxpayer was first entitled to claim the credit.

14 (b) A taxpayer is not entitled to a carryback or refund of any unused  
15 credit. A taxpayer may not sell, assign, convey, or otherwise transfer  
16 the tax credit provided by this chapter.

17 **(c) A taxpayer is not entitled to a credit under this chapter for  
18 the production or distribution of biodiesel or blended biodiesel in  
19 a taxable year beginning after December 31, 2014.**

20 **(d) This chapter expires January 1, 2021.**

21 SECTION 9. IC 6-3.1-28-9, AS AMENDED BY P.L.175-2007,  
22 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
23 JULY 1, 2014]: Sec. 9. (a) If the amount of the credit determined under  
24 this chapter for a taxpayer in a taxable year exceeds the taxpayer's state  
25 tax liability for that taxable year, the taxpayer may carry over the  
26 excess to the following taxable years. The amount of the credit  
27 carryover from a taxable year shall be reduced to the extent that the  
28 carryover is used by the taxpayer to obtain a credit under this chapter  
29 for any subsequent taxable year.

30 (b) A taxpayer is not entitled to a carryback or refund of any unused  
31 credit. A taxpayer may not sell, assign, convey, or otherwise transfer  
32 the tax credit provided by this chapter.

33 **(c) A taxpayer is not entitled to a credit under this chapter for  
34 the production of ethanol in a taxable year beginning after  
35 December 31, 2014.**

36 **(d) This chapter expires January 1, 2024.**

37 SECTION 10. IC 6-3.1-31.5 IS REPEALED [EFFECTIVE JULY 1,  
38 2014]. (Energy Savings Tax Credit).

39 SECTION 11. IC 6-3.1-33-9, AS AMENDED BY P.L.137-2012,  
40 SECTION 63, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
41 JULY 1, 2014]: Sec. 9. (a) Before January 1, ~~2017~~, **2015**, a corporation  
42 or pass through entity that desires to qualify for the new employer



1 credit provided by this chapter may submit an application to the IEDC  
2 in the form and manner specified by the IEDC.

3 (b) The IEDC shall promptly review all applications submitted to  
4 the IEDC under this chapter.

5 (c) If the IEDC determines that an applicant for the tax credit  
6 provided by this chapter has furnished reliable evidence, as determined  
7 by the IEDC, that the applicant is reasonably capable of:

8 (1) employing at least ten (10) qualified employees in each month  
9 of the period specified in section 10(b) of this chapter during the  
10 taxable year; and

11 (2) meeting the requirements for the tax credit provided by this  
12 chapter;

13 the IEDC may issue the applicant a certificate of approval. If a  
14 certificate of approval is issued, the IEDC shall provide a copy of the  
15 certificate to the department.

16 (d) In making a determination of whether an applicant is qualified  
17 for a credit under this chapter, the IEDC may consider the following:

18 (1) The applicant's employment levels in previous years to  
19 determine if the applicant is hiring new individuals or rehiring  
20 individuals.

21 (2) Whether the applicant is the successor to part or all of the  
22 assets or business operations of another corporation or pass  
23 through entity that conducted business operations in Indiana in  
24 the same line of business to determine if the applicant is a new  
25 Indiana business under this chapter.

26 (e) If the IEDC determines that the applicant will not employ at least  
27 ten (10) qualified employees in each month of the period specified in  
28 section 10(b) of this chapter during the taxable year, is not a new  
29 Indiana business, or does not meet, or is unlikely to meet, any other  
30 requirements for the tax credit provided by this chapter, the IEDC shall  
31 notify the applicant of the IEDC's determination.

32 (f) The IEDC may not issue a certificate of approval under this  
33 chapter after December 31, ~~2016~~ **2014**.

34 SECTION 12. IC 6-3.1-33-13, AS ADDED BY P.L.110-2010,  
35 SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
36 JULY 1, 2014]: Sec. 13. (a) If the credit provided by this chapter  
37 exceeds the taxpayer's state tax liability for the taxable year for which  
38 the credit is first claimed, the excess may be carried forward to  
39 succeeding taxable years and used as a credit against the taxpayer's  
40 state tax liability during those taxable years. Each time that the credit  
41 is carried forward to a succeeding taxable year, the credit is to be  
42 reduced by the amount that was used as a credit during the immediately



1 preceding taxable year. The credit provided by this chapter may be  
 2 carried forward and applied to succeeding taxable years for not more  
 3 than nine (9) taxable years following the first year the credit is claimed.

4 (b) A taxpayer is not entitled to any carryback or refund of any  
 5 unused credit.

6 (c) **A taxpayer is not entitled to a credit under this chapter for**  
 7 **wages paid in a taxable year beginning after December 31, 2014.**

8 (d) **This chapter expires January 1, 2024.**

9 SECTION 13. IC 36-7-14.2 IS ADDED TO THE INDIANA CODE  
 10 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 11 JULY 1, 2014]:

12 **Chapter 14.2. Tax Rate Limitation**

13 **Sec. 1. As used in this chapter, "property taxes" means:**

14 (1) **property taxes, as described in:**

15 (A) IC 6-1.1-39-5(g);

16 (B) IC 36-7-14-39(a);

17 (C) IC 36-7-14-39.2;

18 (D) IC 36-7-14-39.3(c);

19 (E) IC 36-7-14.5-12.5;

20 (F) IC 36-7-15.1-26(a);

21 (G) IC 36-7-15.1-26.2(c);

22 (H) IC 36-7-15.1-53(a);

23 (I) IC 36-7-15.1-55(c);

24 (J) IC 36-7-30-25(a)(3);

25 (K) IC 36-7-30-26(c);

26 (L) IC 36-7-30.5-30; or

27 (M) IC 36-7-30.5-31; and

28 (2) **for allocation areas created under IC 8-22-3.5, the taxes**  
 29 **assessed on taxable tangible property in the allocation area.**

30 **Sec. 2. Notwithstanding any other law, for assessment dates on**  
 31 **or after March 1, 2015, a tax rate for property taxes described in**  
 32 **section 1 of this chapter must be calculated by including in the base**  
 33 **assessed value (for purposes of this section only) the amount of the**  
 34 **assessed value that would otherwise have been included in the base**  
 35 **assessed value if the exemption under IC 6-1.1-3-7.2 were not in**  
 36 **effect for the assessment date.**

37 SECTION 14. [EFFECTIVE UPON PASSAGE] (a) **As used in this**  
 38 **SECTION, "commission" refers to the commission on business**  
 39 **personal property and business taxation established by subsection**  
 40 **(b).**

41 (b) **The commission on business personal property and business**  
 42 **taxation is established.**



- 1 (c) The commission consists of the following members:  
2 (1) Two (2) members of the senate appointed by the president  
3 pro tempore of the senate.  
4 (2) One (1) member of the senate appointed by the minority  
5 leader of the senate.  
6 (3) Two (2) members of the house of representatives  
7 appointed by the speaker of the house of representatives.  
8 (4) One (1) member of the house of representatives appointed  
9 by the minority leader of the house of representatives.  
10 (5) The governor or the governor's designee. An individual  
11 designated by the governor under this subdivision must be a  
12 state employee.  
13 (6) One (1) member who is nominated by the Association of  
14 Indiana Counties and is appointed jointly by the chairman  
15 and the vice chairman of the legislative council.  
16 (7) One (1) member who is nominated by the Indiana  
17 Association of Cities and Towns and is appointed jointly by  
18 the chairman and the vice chairman of the legislative council.  
19 (8) One (1) member who is nominated by the Indiana State  
20 Chamber of Commerce and is appointed jointly by the  
21 chairman and the vice chairman of the legislative council.  
22 (9) One (1) member who is nominated by the Indiana  
23 Manufacturers Association and is appointed jointly by the  
24 chairman and the vice chairman of the legislative council.  
25 (d) The president pro tempore of the senate shall appoint a  
26 legislative member of the commission to serve as chairperson of the  
27 commission. The speaker of the house of representatives shall  
28 appoint a legislative member of the commission to serve as vice  
29 chairperson of the commission.  
30 (e) If a vacancy occurs on the commission, the appointing  
31 authority who appointed the member whose position is vacant shall  
32 appoint an individual to fill the vacancy.  
33 (f) The commission shall do the following:  
34 (1) Study issues concerning the taxation of business personal  
35 property in Indiana and business taxation in general in  
36 Indiana.  
37 (2) Study issues related to the share of the overall tax burden  
38 borne by businesses in Indiana,  
39 (3) Study the competitive advantages and disadvantages for  
40 businesses in Indiana that result from the structure of state  
41 and local taxation of business.  
42 (4) Study any special elements of the taxation of business



1           personal property.

2           (5) Study any other topics assigned by the legislative council  
3           or as directed by the chair of the commission.

4           (g) The commission shall submit a final report of the results of  
5           its study and any recommendations to the legislative council before  
6           November 1, 2014. The report must be in an electronic format  
7           under IC 5-14-6.

8           (h) The legislative services agency shall provide staff support to  
9           the commission.

10          (i) The affirmative votes of a majority of the members  
11          appointed to the commission are required for the commission to  
12          take action on any measure, including a final report.

13          (j) Except as otherwise specifically provided in this SECTION,  
14          the commission shall operate under the rules of the legislative  
15          council.

16          (k) This SECTION expires January 1, 2015.

17          SECTION 15. [EFFECTIVE UPON PASSAGE] (a) During the  
18          2014 and 2015 legislative interims, the commission on state tax and  
19          financing policy (IC 2-5-3) shall study all income tax deductions  
20          and exemptions using a schedule that provides for approximately  
21          one-half (1/2) of the deductions and exemptions to be studied each  
22          year. The commission shall prepare a report that covers each  
23          deduction and exemption and includes the following:

24           (1) A review of the original scope and purpose of the  
25           deduction or exemption, and whether the scope or purpose  
26           has changed since the enactment of the deduction or  
27           exemption.

28           (2) The economic parameters of the deduction or exemption,  
29           including the amounts, thresholds, percentages, and limits,  
30           and whether these parameters have changed since the  
31           enactment of the deduction or exemption.

32           (3) A description of the taxpayers that qualify for the  
33           deduction or exemption, and how effective the deduction or  
34           exemption has been in assisting these targeted taxpayers.

35           (4) The type of activities on which the deduction or exemption  
36           is based, and how effective the deduction or exemption has  
37           been in promoting these targeted activities.

38           (5) The amount of the deductions and exemptions granted  
39           over time.

40           (6) A summary of audit findings for each deduction or  
41           exemption, and whether there has been any misuse of the  
42           deduction or exemption.



- 1           **(7) Suggested changes in the law with regard to each**
- 2           **deduction and exemption, including whether or not the**
- 3           **deduction or exemption should be retained.**
- 4           **(8) Any other issues related to these deductions and**
- 5           **exemptions, as determined by the commission.**
- 6           **(b) This SECTION expires January 1, 2016.**
- 7           **SECTION 16. An emergency is declared for this act.**



## COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 1, 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 1, line 13, delete "assessed".

Page 1, line 14, after "property" delete ":" and insert "**as determined under subsection (e):**".

Page 2, line 9, delete "filing" and insert "**end of the calendar year containing the assessment date, file with the county assessor an annual certification stating that the taxpayer's business personal property in the county is exempt from taxation under this section for that assessment date. If a taxpayer that is required to file an annual certification under this subsection does not file the annual certification by the due date for the annual certification, the taxpayer must pay to the county assessor a penalty of fifty dollars (\$50). The county assessor shall deposit any such penalty collected into the county general fund.**

(e) For the purposes of subsection (c), the value of a taxpayer's business personal property shall be determined based on the value of that property as reflected on the books and records of the taxpayer at the adjusted cost reported by the taxpayer for federal income tax purposes.

SECTION 2. IC 6-1.1-12.1-12.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: **Sec. 12.5. Except as provided in section 12(f) of this chapter, if a county or municipality receives a reimbursement, repayment, or penalty from a taxpayer on account of the taxpayer's failure to comply with the statement of benefits provided by the taxpayer or on account of the taxpayer's failure to comply with any other requirement to receive a deduction under this chapter, the county or municipal fiscal officer shall distribute the amount of the reimbursement, repayment, or penalty on a pro rata basis to each taxing unit that contains the property that was subject to the deduction. The amount to be distributed to each taxing unit that contains the property that was subject to the deduction shall be determined according to the following formula:**

**STEP ONE: Determine the total aggregate property tax rate imposed in the preceding year by the taxing unit.**

**STEP TWO: Determine the sum of the STEP ONE amounts for all taxing units that contain the property that was subject to the deduction.**

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**STEP THREE: Divide the STEP ONE amount by the sum determined under STEP TWO.**

**STEP FOUR: Multiply the amount of the reimbursement, repayment, or penalty by the STEP THREE quotient."**

Page 2, delete lines 10 through 12.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 1 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 7, Nays 2.

