

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 7400
BILL NUMBER: SB 346

NOTE PREPARED: Feb 18, 2025
BILL AMENDED: Feb 17, 2025

SUBJECT: Rural Business Growth.

FIRST AUTHOR: Sen. Buchanan
FIRST SPONSOR: Rep. Lindauer

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes a state tax credit for certain capital investments made in rural funds. It establishes procedures for a rural fund to apply to the Indiana Economic Development Corporation (IEDC) for certification of a capital investment as eligible for a credit provided by the bill. It requires a rural fund to pay a nonrefundable application fee of \$5,000 to the IEDC.

The bill provides that the credit is an amount equal to: (1) the applicable percentage for the credit allowance date; multiplied by (2) the purchase price paid to the rural fund for the capital investment. It sets forth the maximum annual amount of credits that may be certified.

It provides that the credit is subject to recapture. It also requires a rural fund that has received a credit to submit reports on an annual basis to the IEDC over the credit allowance period.

Effective Date: July 1, 2025.

Explanation of State Expenditures: *IEDC:* The IEDC would be required to certify rural funds and proposed capital investments. The bill's requirements represent an additional workload and expenditure on the agency outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The expenses of implementing the bill's provisions would be offset to some extent by the \$5,000 application fee paid by rural funds. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Department of State Revenue (DOR): The DOR could incur expenses to revise tax forms, instructions, and computer programs to implement the provisions in the bill. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Rural Fund Capital Investment Tax Credit:* The bill establishes a

nonrefundable tax credit for taxpayers that make an investment after June 30, 2025, in a rural fund that has been certified by the IEDC. The bill could reduce state General Fund revenue by up to \$15 M each year beginning in FY 2029. The fiscal impact will depend on the amount of capital investments certified by the IEDC and the tax liability of credit recipients.

The credit is effective beginning in tax year 2026, but the credit percentage is 0% for the first two years after the IEDC has certified a rural fund's capital investment. For the next four years, the credit percentage is 15% of the purchase price paid to the rural fund for the capital investment. The IEDC may not certify more than \$15 M in credits per calendar year, excluding any amounts carried forward.

The credit may be applied to Insurance Premiums Tax and Insurance Premiums Retaliatory Tax liability. The credit may be carried forward for five years. Credits may be recaptured if a rural fund's investments do not meet certain criteria.

Application Fee: The bill requires each rural fund that wishes to participate in the program to pay a nonrefundable application fee of \$5,000 to the IEDC. Total revenue from this fee will depend on the number of applicants.

Additional Information - Five other states have established similar tax credit programs to incentivize investment in rural businesses, at least two of which have begun approving credits. Georgia's tax credit was enacted in 2017 with an annual cap of \$15 M. A total of \$60 M in tax credits were certified for tax years 2020 through 2023. Pennsylvania's credit was established in 2016. Under this program, the maximum amount of credits (\$30 M) has been authorized to be used beginning in 2024.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; Department of State Revenue.

Local Agencies Affected:

Information Sources: Georgia Department of Audits & Accounts, *Georgia Agribusiness and Rural Jobs Act Economic Analysis*, December 2021. Pennsylvania Independent Fiscal Office, *Pennsylvania Rural Jobs and Investment Tax Credit: An Evaluation of Program Performance*, January 2023. State of Oklahoma Incentive Evaluation Commission, *Rural Jobs Act Draft Evaluation*, December 2, 2024.

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