Indiana Tax Increment Financing Updates: HEA 1177, HEA 1001, and HEA 1210

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The Indiana General Assembly has enacted several laws affecting tax increment financing (TIF) districts in recent sessions. House Enrolled Act 1177 (2026) updates how TIF districts share revenue with fire protection territories and expands permitted uses of TIF funds. House Enrolled Acts 1001 and 1210 (2026) make the residential housing TIF framework permanent and extend the maximum terms of certain TIF districts from 20 to 25 years, rather than adding new eligibility tests or approval requirements, with key provisions taking effect in 2026.

This article summarizes the TIF-related changes from all three bills and identifies practical considerations for local governments, redevelopment commissions, developers, bondholders, and school corporations.

Background: How TIF Districts Work

A TIF district allows a redevelopment commission to capture growth in property tax revenue within a defined area and use it for public improvements and other eligible redevelopment costs. The existing tax base is frozen at its current assessed value. As property values rise within the TIF district, the added tax revenue above that frozen base — the "increment" — can be used to pay for development-related costs, including bond payments for public improvements or other eligible projects.

The primary statutes governing Indiana's TIF framework include Indiana Code 36-7-14-39 (general TIF allocation rules), Indiana Code 36-7-15.1-26 (consolidated city TIF), and Indiana Code 36-7-14-53 (residential housing TIF programs).

HEA 1177 (2026): TIF Revenue Sharing and Expanded Permitted Uses

HEA 1177 changes parts of Indiana's general TIF laws (Indiana Code 36-7-14-39 and Indiana Code 36-7-15.1-26). These changes affect how captured TIF revenue is shared with fire protection territories and expand what a TIF allocation fund revenue may be used for. The amendments to Indiana Code 36-7-14-39 and the first amendment to Indiana Code 36-7-15.1-26 took effect July 1, 2026; a second amendment to Indiana Code 36-7-15.1-26 takes effect July 1, 2027.

Fire Protection Pass-Back Rule

- **Pass-back rule for fire protection:** For fire protection territories established after December 31, 2022, the portion of captured TIF revenue attributable to an increase in a participating unit's fire protection tax rate must be passed back to that territory instead of being kept in the TIF allocation fund.
- **Protection for debt payments:** This pass-back is limited. If the redevelopment commission determines it needs the pass-back revenue to meet its debt-service obligations for the allocation area, the pass-back amount is reduced accordingly. The redevelopment commission, county auditor, and fire protection territory must calculate the amount together, submit it to the Indiana Department of Local Government Finance ("DLGF"), and have it verified by DLGF.
- **Practical effect:** This matters for municipalities, redevelopment commissions, fire protection territories, and TIF bondholders. Any redevelopment commission with an allocation area overlapping a post-2022 fire protection territory should estimate the pass-back's impact on available revenue and confirm the debt-service protection is sufficient.

New Permitted Uses of TIF Funds

HEA 1177 also expands the ways TIF allocation fund revenue may be used, specifically as it applies to the categories below.

- **Police and fire services:** TIF revenues set aside for police and fire services may now be used for both capital expenditures and operating expenses, rather than capital expenditures alone.

- **Child care facilities:** TIF revenues may be used to provide grants, loans, or other financial support for child care facilities. This gives redevelopment commissions another tool to address child care needs as part of local redevelopment planning.

This change to child care financial assistance also appears in the Marion County consolidated city TIF statute, amended twice by HEA 1177, with effective dates of July 1, 2026, and July 1, 2027. The change to police and fire spending was not added in the Marion County consolidated city TIF statute because that statute already allows such spending through an existing cross-reference.

HEA 1001 and HEA 1210 (2026): Residential Housing TIF Changes

HEA 1001 (2026) makes Indiana's current residential housing TIF framework permanent and extends the maximum program term from 20 to 25 years. It does so through two key changes: Section 26 amends Indiana Code 36-7-14-53 to extend the term and remove the sunset, and Section 27 repeals Indiana Code 36-7-14-53.1, eliminating the provision that would have reinstated the 1% housing-supply test and school corporation approval requirement on July 1, 2027.

HEA 1210 (2026) includes related technical and administrative TIF provisions, but it does not change residential housing TIF eligibility, approval requirements, or timing.

1. Permanent Framework and Extended Term

The amended Indiana Code 36-7-14-53 allows a redevelopment commission to establish a residential housing TIF program by resolution without meeting a housing-supply threshold. The program must be approved by the municipal legislative body or county executive. Before formal submission, the department of redevelopment must (i) consult with affected parties, including school corporation superintendents and governing body presidents;

(ii) provide neighborhood associations, residents, and township assessors an advisory role; and (iii) hold at least one public meeting with 30 days' notice. The maximum program term increases from 20 to 25 years, measured from the date the first bond or lease obligation is incurred, or ending earlier if those obligations are satisfied.

2. Repeal of Future Restrictions

Before HEA 1001, Indiana Code 36-7-14-53.1 would have expired the current framework on June 30, 2027, and reinstated the pre-2023 version of Section 53. That reinstated version would have required two things. First, it would have imposed a 1% housing-supply test, limiting residential housing TIF programs to areas where average new single-family construction over the preceding three years was less than 1% of existing single-family housing stock. For county programs, the test would have been measured at the township level, and for municipal programs, at the municipal level. The test would not have applied in designated economic development target areas.

Second, the reinstated version would have required the governing body of each affected school corporation to pass a resolution approving the program before it could take effect. HEA 1001 repeals Indiana Code 36-7-14-53.1 effective July 1, 2026. Neither the 1% housing-supply test nor the school corporation approval requirement will take effect.

3. School Corporations Retain Consultation and Notice Rights

Although school corporations do not gain approval authority, they retain meaningful participation rights under the permanent framework. The department of redevelopment must consult with school corporation superintendents and governing body presidents before formally submitting a residential housing TIF program. School officials must also receive 30 days' notice before the required public meeting. These consultation and notice requirements remain part of the statutory process, and local governments should continue to engage school corporations early in the planning process.

4. The "Legacy" Housing Program Remains Available

Indiana's distressed-area housing TIF program under Indiana Code 36-7-14-45 through -48 is not changed in substance by either HEA 1001 or HEA 1210. This program requires a municipality to make 10 specific findings addressing housing vacancy rates, the age of existing housing, and signs of blight.

The legacy program operates under its own framework, with different findings and procedural requirements. Municipalities should evaluate with counsel which housing TIF framework best fits the specific facts of a proposed project.

Key Takeaways

- Redevelopment commissions with allocation areas overlapping post-2022 fire protection territories should estimate the pass-back's effect on available revenue and confirm the debt-service protection is sufficient.
- TIF-funded police and fire budgets now have greater flexibility, as operating expenses — not just capital expenditures — are eligible uses.
- Redevelopment commissions should consider TIF-funded child care facility support as part of their local redevelopment planning.
- The repeal of Indiana Code 36-7-14-53.1 means the 1% housing-supply test and school corporation approval requirement will not take effect on July 1, 2027, as previously anticipated. Local units may continue to establish residential housing TIF programs under the current framework, subject to consultation and notice requirements but without a 1% threshold or school corporation approval.
- Municipalities with distressed areas should evaluate with counsel whether the legacy housing TIF program (Indiana Code 36-7-14-45 through -48) may offer an alternative

framework with different findings and procedural requirements.

- The extended 25-year term for residential housing TIF programs may support bond issues that amortize over a longer period of time, but stakeholders should weigh the tradeoff for schools and overlapping tax units.

Effective Dates Summary

- **July 1, 2026:** HEA 1177 fire protection pass-back rule and expanded permitted uses (police/fire operating expenses, child care facilities) take effect under Indiana Code 36-7-14-39; HEA 1177 Marion County consolidated city TIF statute first amendment (Indiana Code 36-7-15.1-26) also takes effect.
- **July 1, 2027:** HEA 1177 Marion County consolidated city TIF statute second amendment takes effect. Because HEA 1001 repealed IC 36-7-14-53.1, the 1% housing-supply test and school corporation approval requirement associated with the residential housing TIF provisions will not take effect on this date.
- **Immediate (HEA 1001):** Upon passage, the act extended the maximum term for residential housing TIF programs to 25 years and repealed IC 36-7-14-53.1. The act declares an emergency.

For more information about these TIF changes, please contact the author or any attorney with FBT Gibbons' **Government Services Practice Group**.

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