2025 LEGISLATIVE OVERVIEW

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TAX AND FINANCE

Property tax reform is a major topic this session. Governor Braun has made property tax cuts for homeowners a priority. His plan was drafted as **SB 1**. This could mean significant tax shifts to business property owners and loss of potential revenue to local units of government and schools. Typically, the General Assembly has been hesitant to make large cuts to local revenues, but this year may be an exception. Many school districts have aggressively raised debt levies, which have driven up property taxes. Also, recent gains in assessed value, particularly home values, have not, in most cases resulted in lower tax rates but rather increased taxes as taxing entities increased spending.

The IMA will be focused on limiting shifts to business property and seeking to achieve long-term goals of cutting taxes on business equipment. **SB 443** is standalone legislation that would exempt more small businesses from paying business personal property taxes and would eliminate the 30% floor on depreciation. Other property tax legislation supported by the IMA would make property tax controls more localized, incentivizing units to grow their tax bases.

Economic development is an area where there could be significant changes with the new administration. The Governor's initial budget proposal did not include any READI grant or deal closing funds, or new set-asides for existing credits like the Hoosier Business Investment Credit (HBI) or Economic Development for a Growing Economy (EDGE) Credit. It is expected those will be funded in some way in the end, but with the change in leadership at the IEDC and Governor Braun's commitment to a more regional approach to economic development, it is unlikely to be similar to past practices.

ENERGY AND UTILITIES

In the weeks and months leading up to the 2025 Legislative Session, the spotlight began to shine on energy and utility regulatory policy. Private interest groups, policymakers, and candidates for the state's highest office made public comments on Indiana's approach to energy policy. Indiana has seen a flurry of announcements of new economic development projects, many of which will be large-load consumers of electric power, such as data centers. These announcements came in the wake of an extended period of time where demand for electric power was relatively flat in Indiana. Taken against a backdrop of rising electricity rates, two major policy questions began to emerge: (1) how should Indiana's utilities manage generation assets in order to ensure that there is capacity for these new consumers? And (2) how will existing ratepayers be protected against significant increases in rates?

With the 2025 Legislative Session underway, several bills have been introduced to address these issues. **HB 1007** (*Soliday, R–Valparaiso*) is the major vehicle for legislative debate on this matter. It is an extensive bill. The first provisions in the bill define a "large-load" consumer in Indiana narrowly, with the intent being that it will be narrowly applied to data centers. The bill goes on to state that when large-load consumers enter a utility's footprint, they will be held accountable for 75% of the cost of doing so. This particular language nearly mirrors the IURC-approved tariff and settlement reached by Indiana Michigan Power and Google in Northern Indiana in late 2024. Furthermore, with the passage of HB 1007, utilities in Indiana will now have the option to engage in a process described in the bill as an Expedited Generation Resource Plan to ensure that new generation can be quickly built or acquired. These items in HB 1007 are designed to be consumer protection measures, and the IMA is hopeful that they will do just that.

In terms of legislation affecting Indiana's baseload energy generation mix, the most interesting discussions in the early stages of session have surrounded nuclear power and whether or not the State of Indiana ought to encourage the development of small modular reactors (SMR's). **SB 423** (*Koch, R- Bedford*) calls for a pilot program, whereby utilities

ENERGY AND UTILITIES (Continued)

can form partnerships with third parties in order to pool financial and other resources and pursue the development of an SMR, as these projects can be time-consuming and expensive. **SB 424** (*Koch, R- Bedford*) contains a clause that would allow for utilities to recover pre-construction costs incurred by the utility in the first stages of SMR development. This process is already described in Indiana Code as a "construction work in-progress," or a CWIP. Identical language can be found in **HB 1007**. The rationale for including such a cost-recovery mechanism has been stated as follows: Indiana's utilities ought to be protected against the high level of risk that comes with nuclear power development. Policymakers are thus in the position of balancing the potentially huge upside of having SMR's in Indiana against increased rates for ratepayers. The IMA is in agreement with several policymakers when it comes to the various benefits offered by SMR technology. However, ratepayers must be protected against potential cost overruns and the risk of incomplete or abandoned projects to the furthest extent possible. We will continue to weigh in on these bills as they proceed through the legislative process.

TRANSPORTATION AND INFRASTRUCTURE

Infrastructure funding in Indiana is in drastic need of an overhaul. **HB 1461** (***Pressel, R- Rolling Prairie***) is a momentous piece of legislation that contains many provisions that seek to change how taxes are collected in Indiana by the various units of government. It would alter the Community Crossings Grant Fund distribution formula, and even allow new taxes to be levied on Indiana's residents. With all of that being said, perhaps no piece of this bill is more impactful than the language that would require the Indiana Finance Authority to petition the federal government to waive its jurisdiction over a federal interstate and allow for a new tolling project to be initiated. HB 1461 specifically states that no further action would be required by the General Assembly, and the onus would then be on the Governor's administration to act. The IMA will keep our members informed on this tolling initiative as the legislative session continues.

EMPLOYMENT AND LABOR POLICY

The IMA typically is concerned with new legislation relating to unemployment insurance and worker's compensation. However, there is little activity in either of these areas thus far in 2025. The major concern for the IMA is immigration law and related enforcement. Several bills have been filed along these lines, none of which are more concerning than **HB 1531** (*Pressel, R–Rolling Prairie*). As introduced, HB 1531 would allow for the Attorney General to investigate instances of unauthorized employment of illegal aliens. The proposed penalties are steep – businesses could be at risk of suspension of their operating licenses. Without any changes being made, the IMA will be strongly opposed to this sort of government overreach and will be closely monitoring this bill.

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EDUCATION AND WORKFORCE DEVELOPMENT

In budget-writing years, the General Assembly will determine how the state's various workforce development programs will be funded. This includes programs such as the Workforce Ready Grant Program, the Next Level Jobs Employer Training Grant Program, and several adult education offerings. The IMA has advocated for flat or increased spending in the past, and we plan to do so again this year, though many analysts expect a "tight" budget and we could see decreased spending in these areas. The introduced version of the state budget – **HB 1001** (*Thompson, R–Lizton*) – contains funding for most of the IMA's priorities, but that is subject to change.

Outside of the state budget, the major theme emerging in education and workforce development policy is deregulation. **HB 1002** (*Behning, R–Indianapolis*) is a House Republican agenda bill and would serve to repeal 70-plus provisions in Indiana Code. In practical terms, this would mean the end of 70-plus education programs in Indiana and would give Governor Braun leeway to implement new programs. This bill has not raised any issues for the IMA at this point of the session and we have not weighed in, though we will if additional changes to the bill implicate training or educational programs of interest.

HEALTH CARE

As the IMA talks with members throughout the state, rising health care continues to be a topic of concern. There are significant pieces of legislation proposed that will help employers drive health care costs downward. However, there are also pieces of legislation that could hurt employers' health care costs and add to already skyrocketing prices.

Two examples of excellent legislation to drive down health care costs are **HB 1003** (*Carbaugh, R-Fort Wayne*) and **HB 1004** (*Barrett, R-Richmond*). HB 1003 is a comprehensive bill that focuses on prior authorization reforms, prescription drug pricing within the 340B program, pricing transparency, and all-or-nothing contracts. HB 1004 limits what may constitute community benefits for nonprofit hospitals and would revoke nonprofit status for hospitals charging more than 200% of the Medicare reimbursement rate.

The IMA testified in support of both bills and looks forward to working with legislators and stakeholders to get them across the finish line this session. We appreciate Reps. Carbaugh and Barrett for authoring these bills and also compliment Indiana House leadership for making these priority bills this session.

SB 118 (*Charbonneau, R-Valpariso*) is another example of legislation that will help address growing health care costs in Indiana. It requires entities participating in the federal 340B Drug Pricing Program to report data to the state about how they are using the reduced cost of drugs. The IMA supports this bill, as it seeks to ensure that the reduced cost of drugs is benefiting patients.

Another positive bill is **SB 147** (*Busch, R-Fort Wayne*), which prohibits a referring physician from receiving compensation for referring a patient within the same health care network. The IMA supports this bill, believing that it could lower health care costs by giving patients more choices and the ability to shop around for providers.

SB 480 (*Johnson, R-Fort Wayne*) is an example of legislation that could hurt employers' health care costs. SB 480 places restrictions on prior authorization requirements. The IMA strongly opposes this bill, as it would increase insurance premiums and does not include an exception for ERISA plans. The IMA would like to see the prior authorization reforms in HB 1003 enacted. The IMA testified in opposition to SB 480. We hope this bill will either not continue through the legislative process or be amended to significantly lessen the cost to employer-sponsored health care policies.

ENVIRONMENTAL AFFAIRS

Several bills related to environmental and regulatory matters are being considered, with water and regulatory certainty continuing to be a focus. The IMA has already weighed in on some significant pieces of legislation impacting environmental policy.

SB 4 (*Koch, R-Bedford*) sets a permit process for long-haul water pipelines and interbasin water transfers. The IMA supports the need for a water usage framework and is continuing to work with legislators and stakeholders to iron out the details of this bill.

SB 538 (*Zay, R-Huntington*) defines PFAS chemicals. The IMA supports the tailored definition for PFAS that is industry-friendly in this bill. We compliment Senator Zay for his authorship of this bill and are working with legislators to get it heard in the Senate Environmental Affairs Committee

HB 1037 (*D. Miller, R-Elkhart*) provides that a local government entity cannot adopt more stringent construction storm water management rules than those of the Department of Environmental Management. The IMA testified in support of this bill, as it will provide regulatory certainty for manufacturing construction projects.

As previously mentioned, the 2025 legislative session is moving at a rapid pace, with numerous bills impacting Indiana manufacturers already in motion. It is essential for IMA members to stay informed about the progress of these bills and to engage with lawmakers to advocate for policies that support a thriving manufacturing sector. Key dates for IMA members to keep in mind include February 20, 2025, which is the last day for 3rd reading of House bills in the House and Senate bills in the Senate. April 15, 2025, is the last day for House and Senate adoption of conference committee reports without Rules Committee approval, as well as the last day for 3rd reading of House bills in the Senate and Senate bills in the House. April 29, 2025, is the last day for adjournment of both houses.