aim
Accelerate Indiana Municipalities

2027 AIM LEGISLATIVE INITIATIVES

Strategic Initiatives

1. Local Income Tax Distribution / SEA 1-2025 Fixes

Issue: Aim conducted a detailed fiscal and operational review of SEA 1-2025 and identified technical and policy amendments needed to protect municipal financial stability. Through collaboration with municipal leaders, financial advisors, and legal experts, Aim analyzed the local income tax to identify areas requiring legislative clarification or adjustment.

Proactive Solutions:

- Continue formulating technical corrections needed for a smooth transition to the new LIT system.
- Remove or lower the population threshold for those municipalities allowed to adopt their own LIT rate.
- Remove the requirement for annual adoption of LIT rates.
- Reallocate the maximum rate caps to allow municipalities greater flexibility to control their own revenue streams.
- Use data and insight from the M.U.S.T. process throughout the 2026 legislative interim to inform the necessary reforms to the rate structure.

2. Property Tax Changes

Issue: As discussions reignite over large-scale property tax reform, Aim will continue to prioritize maintaining consistent and adequate local revenue streams that allow local governments to continue providing essential services and support growth while working alongside policymakers to provide targeted relief for Hoosiers who need it most.

Proactive Solution: Policy proposals and strategies will be developed by Aim's Property Tax Task Force which will shape Aim's legislative engagement in the 2027 legislative session.

3. Housing and Community Development

Issue: The final version of HEA 1001-2026 requires each city, town, and county that exercises zoning control to hold a public hearing by the end of 2026 to review unified development ordinances, adopt locally driven changes if needed, and notify the state of those changes. Originally, the introduced version of HEA 1001 contained provisions that would have preempted local zoning authority and significantly scaled back restrictions on impact fees. Aim and its members worked throughout the legislative session to improve the bill's outcome and reduce its impact on municipalities. The passage of HEA 1001 prompted the beginning of a multi-year discussion about improving housing and community development and providing affordable housing options for Hoosiers.

Proactive Solution: Members of the Aim legislative team, along with municipal experts, will be part of a larger working group assembled by members of the General Assembly to address affordable housing in Indiana. The group will meet regularly during the summer and into early fall to develop recommendations for legislation in the next legislative session. In the meantime, Aim will continue engaging stakeholders and working with legislators to advance proactive solutions that best represent municipalities.

4. Municipal Government Modernization

Issue: The passage of SEA 1- 2025 prompted legislative discussions about reforming and modernizing local government to improve efficiency and cost-effectiveness. In response, Aim convened a committee of municipal officials to develop legislative recommendations on improving municipal efficiency and consolidating service delivery across local governments. During the 2026 legislative session, Aim advocated for meaningful township reform and offered recommendations to the General Assembly. Ultimately, SEA 270-2026 became the primary vehicle for reform. The new law outlines a process for mergers and reorganizations, including local decision-making, public input, contiguity requirements, and the creation of interim governance structures.

Proactive Solutions: Municipal government modernization remains a long-term, strategic legislative priority for Aim. While the intentions for the 2027 legislative session are unclear currently, Aim will remain a proactive partner in conversations over the legislative interim and utilize the Balanced Solutions recommendations as a framework for continued advocacy. Those items include additional township reform, reporting and publication requirements, restructuring incentives, municipal fees, and appraisal thresholds.

Operational Initiatives

1. Zoning Statute Recodification

Issue: The current Indiana zoning statute is cumbersome and difficult to navigate with many areas needing improvement. Members of the General Assembly have expressed interest in restructuring the zoning statute to make it more user-friendly without engaging in significant policy changes.

Proactive Solution: Aim will partner with legislators in this effort ensuring that current municipal authority is protected and municipal experts are engaged in discussions regarding significant proposed zoning changes that arise.

2. Insurance Coverage for Municipal Public Safety Employees

Issue: HEA 1044-2026 requires municipalities and other local units to allow certain disabled public safety employees and surviving spouses and dependents to remain on the employer's group health

insurance plan at the same employee contribution rate as active employees. The Aim legislative team, along with Aim members, have identified several operational, legal, and fiscal concerns with the language, including higher health insurance costs, unfunded mandate concerns, ambiguity around eligibility and administration, and complications involving collective bargaining and plan design.

Proactive Solutions:

- Remove the eligibility of certain individuals covered on an employer's or spouse's health insurance policy.
- Narrow the language from "health program" to "insurance" only.
- Allow a municipality to request a state waiver if it cannot afford to provide the additional coverage or if its carrier declines coverage.
- Simplify the language so it applies only to Class 1 or Class 2 disabilities.

3. Permitted Use Statute for Sporting Goods Stores

Issue: SEA 176-2026 designated retail sporting goods stores as permitted uses in commercially zoned areas which now allows indoor shooting ranges in certain commercial, industrial, or agricultural areas. This new law creates significant zoning, infrastructure, and safety challenges if new retailers are permitted to locate without adequate local engagement.

Proactive Solution: Remove the legal permitted use for sporting goods stores in statute and include necessary steps of local engagement prior to action being taken by retailers.

4. Mobile Retail Food Establishment Code Clarification

Issue: HEA 1577-2025 contained language that inadvertently calls into question municipal authority over food truck siting, density, and business regulation.

Proactive Solution: Adjust Indiana Code using language from HB 1409-2026 to clarify new licensing requirements apply only to health department licenses and not other local licenses issued by municipalities.

5. UTV / ATV Code Clarification

Issue: Current law conflicts between DNR code and municipal codes regarding authority to regulate UTVs and ATVs locally, which can cause traffic, and safety hazards within municipal boundaries.

Proactive Solution: Clarify conflicting code sites to ensure local oversight and regulation of off-road vehicles in municipal boundaries while preserving the authority of the DNR to utilize off-road vehicles at state parks and institutions.