



## **New Auditors Training**

**Sarah Ancel, Deputy Commissioner**

**Dan Jones, Assistant Budget Director**

**January 21, 2011**



## I. Overview of the Budget Process



# Glossary of Terms

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- Appropriations – Authority by a unit’s fiscal body to expend funds
- Cash – Monies on hand or invested as evidenced by entry in the unit’s ledger
- Controlled Levy – Tax monies raised which are chargeable against the Maximum Permissible Levy such as General Fund, Health, Reassessment
- Excessive Levy – An amount of property tax levy which exceeds the maximum permissible levy



# Glossary of Terms (cont.)

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- Exempt Levy – Property tax levy raised which is outside the Maximum Permissible Levy such as a Debt Service Fund
- Funds – A set of accounts established for the purpose of carrying out a specific purpose or activity
- Levy Excess – That amount of property tax which is actually raised in excess of 100% of the fund levy certified by the DLGF
- Maximum Permissible Levy – The maximum amount of property tax levy which may be raised in any budget year as determined by statute



# Glossary of Terms (cont.)

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- Taxing Unit – An individual taxing authority such as a county, city/town, township, school, library (the tax rate established by the taxing unit is a component of the taxing district rate)
- Taxing District – A composition of multiple taxing units (tax statements are based on the “district” rate)



# Responsibility for Budget Preparation

- Local Government Budgeting is organized into fund accounts that separate receipts and expenditures by source, purpose, function and organizational unit within the local government
- County Auditor is typically responsible for developing and compiling all budget estimates and preparing the budget documents
- County Council is charged with formally adopting the annual budget
- County Council levies property taxes and appropriates public monies



# Budget Process: Getting Started

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- PUTTING THE BUDGET TOGETHER – Required Forms:
- Budget Form 1 – County Budget Estimate
- Budget Form 2 – Estimate of Miscellaneous Revenue
- Budget Form 3 – Notice to Taxpayers of Budget Estimates and Tax Levies
- Budget Form 4 – Ordinance for Appropriations and Tax Rates
- Budget Form 4A – Certificate of Appropriations
- Budget Form 4B – Budget Estimate – Financial Statement – Proposed Tax Rate
- Budget Form 144 – Statement of Salaries and Wages



# Budget Form 1

## County Budget Estimate

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- Prepared for each fund budget within the county
- Used to estimate the necessary expenditures for the ensuing budget year
- Divided into four (4) classifications:
  - Personal Services
  - Supplies
  - Other Services and Charges
  - Capital Outlays
- Should reflect needs considered necessary to perform the functions of county government



# Budget Form 2

## Estimate Of Miscellaneous Revenue

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- Accounts for revenue from all sources other than property taxes
- Accounts for revenues over an eighteen (18) month period
- Separate Estimate of Miscellaneous Revenue must be prepared for each fund maintained by the county



# Budget Form 3

## Notice To Taxpayers

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- Used to advertise to taxpayers the budgets and levies which are to be raised in the ensuing year as well as comparing levies from previous year
- Notifies taxpayers of the dates of the public hearing and adoption of the budget
- Published two (2) times, seven (7) days apart, with the first publication at least ten (10) days prior to the public hearing and second publication at least three (3) days prior to the public hearing
- At least ten (10) days between the public hearing date and adoption date
- DLGF cannot approve a budget or levy in excess of the amount published in the Budget Form 3



# Budget Form 4

## Ordinance For Appropriations and Rates

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- Used to formally approve the money appropriated on Budget Form 4A for the ensuing budget year
- Must be completed by the county council to approve the county budget for the ensuing year
- Adoption date on Budget Form 4 should be the last date the county council acted on the budgets, tax rates and tax levies for the county



# Budget Form 4A

## Certificate of Appropriations

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- Used to account for appropriations as adopted by the county council
- Divided by fund and major budget classification totals (subtotals from the Budget Form 1)
- Only form which indicates the official action of the appropriating body
- Necessary that form is completed



# Budget Form 4B

## Budget Estimate – Financial Statement

- Used to account for monies necessary to be raised for the ensuing budget year
- Designed to account for an 18 month period
- Commonly referred to as the 16 Line Statement
- Financial section of the form is divided into four (4) sections:
  - The appropriations section (Lines 1 through 5)
  - The income section (Lines 6 through 9)
  - Amounts to be Raised by Tax Levy (Lines 10 through 16)
  - Net Tax Rate (Line 17)



# Budget Form 4B

## Tax Levy and Tax Rate

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*Tax Rate = (Tax Levy/AV)\*100 or Tax Levy = (AV/100)\*Tax Rate*

### **Line 16 of Form 4B:**

- This amount represents the total amount of taxes to be levied to fund the ensuing year budget and the cash flow for the first half of the subsequent budget year for a particular fund

### **Line 17 - Net Tax Rate**

- Represents the tax rate necessary to raise the levy required by Line 16

Example:

Net Assessed Value = \$300,000,000 divided by 100 = \$3,000,000

Tax Levy (Line 16) = \$1,000,000

Tax Levy / (Net Assessed Value/100) = \$1,000,000 / \$3,000,000 = .3333

Tax Rate (Line 17) = .3333



# Publication and Hearing Requirements for County Budget

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- Budget Form 3 must be published twice, at least seven calendar days apart
  - This year's deadline for first publication: September 2, 2011
  - This year's deadline for second publication: September 9, 2011
- County council must issue non-binding recommendations on the proposed budgets of the other civil taxing units in the county
  - This year's deadline is October 17, 2011
- Public hearing must be held on the county's proposed budget at least ten calendar days before the adoption hearing
  - This year's deadline is October 21, 2011
- Adoption hearing must be held by November 1
  - Notice of hearing published as part of Budget Form 3

**Failure to comply with any of these requirements will result in denial of the county budget and may result in the county receiving the prior year budget and levy**



# County Non-Binding Review and Recommendation of Unit Budgets

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- Civil taxing units (schools are not included) must file with the county fiscal body a statement of the proposed or estimated tax rate, tax levy and budget for the following budget year
  - This year's deadline is September 16, 2011
- The county council must issue a recommendation on the budget of each civil taxing unit
  - This year's deadline is October 17, 2011
- The recommendation must include a comparison of any increase in the civil taxing unit's budget or tax levy to:
  - the average increase in Indiana nonfarm personal income for the preceding six (6) calendar years and the average increase in nonfarm personal income for the county for the preceding six (6) calendar years (data provided by the Department)
  - increases in the budgets and tax levies of other civil taxing units in the county



# County Adoption of Other Unit Budgets

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- Certain unit budgets are formally adopted by the county or municipal fiscal body (i.e., a binding review)
  - Appointed boards of conservancy district, solid waste management district, or fire protection district; or unit with an appointed board that has a proposed budget increase from previous year over the 3.8% assessed value growth quotient
- These units submit proposed budgets, rates, and levies to appropriate city/town or county fiscal body for final adoption
  - This year's deadline is September 30, 2011
- The county and city/town adopt the budgets of these units at a public hearing
  - This year's deadline is November 1, 2011



# Highlights of Budget Calendar for 2012

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- July 1, 2011: Last day for assessor to deliver the gross assessed values to the auditor
- August 1, 2011: Last day for auditor to certify net assessed values to the Department
- September 16, 2011: Last day for units to submit proposed budgets to the county council for non-binding review. Review must be complete by October 17
- October 31, 2011: Last day for county fiscal body to adopt or amend LOIT ordinances
- November 1, 2011: Last day for units to adopt budgets
- February 15, 2012: Last day for the Department to issue a budget order
- May 10, 2012: Property tax first installment due date

More detail at [http://www.in.gov/dlgf/files/110103 -  
\\_Jones Memo - 2011-2012 Budget Calendar.pdf](http://www.in.gov/dlgf/files/110103_-_Jones_Memo_-_2011-2012_Budget_Calendar.pdf)



## **II. Indiana Gateway for Government Units: Web-Based Budget Forms**



# What is the “Gateway”?

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- Website which allows local government units to submit forms to certain State agencies online.
- Local units can submit budget forms to the Department of Local Government Finance (“DLGF”) and annual reports to the State Board of Accounts (“SBOA”).
- The information collected through Gateway will be placed in a modern, statewide database, which helps with:
  - Custom reports for the public and trade organizations
  - Combining of government data with population and economic statistics (tools for units)
  - More efficient Department review of budgets and issuing of budget orders
- Gateway is being developed as a collaborative project among the Department, SBOA, and the Indiana Business Research Center (a part of the Kelley School of Business)



# Why Submit Information Online?

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- Save taxpayer money
  - County cost of transporting paper budgets to Department
  - Department cost of transporting paper budgets, printing forms at budget workshops, etc.
- Increase efficiency
  - Department must approve over 2,500 budget orders between November 1 and February 15.
    - Paper forms: substantial data entry required
    - Online forms: data automatically populates into our system
  - With online submission, budget orders issued more quickly
- Make information available to the public in real-time
  - Paper forms: budget data in our database when Department approves budget order (as late as February 15); not available online
  - Online forms: budget data in our database and online when unit adopts budget



# Timeline of the Gateway Project

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- July 2010–November 2010: DLGF Pilot Phase
  - Volunteer units in 7 counties submitted Forms 1, 2, and 4B through website
  - 100% of volunteers responding to survey successfully submitted forms online
  - Survey responses:
    - Website easy to navigate
    - Resource materials and training helpful
    - Personal assistance was available when needed
- January 2011–June 2011: SBOA Internal and External Testing
- July 2011: Full rollout of DLGF budget forms
  - Pay 2012 budget forms for all non-school units will be collected through Gateway
- January 2012: Rollout of the SBOA annual report
  - Pay 2011 expenditure and revenue data for all non-school units will be collected through Gateway
- July 2012: Full rollout of budget forms for schools. Pay 2013 budget forms for schools will be collected through Gateway



# Training and Assistance

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- Budget Workshops
  - One-on-one assistance available with Department field representative
- Regional Training and Webinars
- “Train the Trainer” program
  - Department field staff, auditors, and librarians in each county receive in-depth training
  - Local units experiencing problems have three separate resources to call to get help
- Budget Manuals and Quick Starts Guide

## Welcome to Indiana's Gateway for Government Units

The Indiana Gateway for Government Units provides a central commons for local units to submit their financial forms to the State of Indiana.

**The goal:** budget and expenditure transparency, made practical by collecting and disseminating multiple sources of information through a common Gateway. Units of local government will be able to submit budgets (for certification by the Department of Local Government Finance) and their Annual Reports (for use in auditing by the State Board of Accounts) through web-based forms and that data will populate a central database. The information will then populate user-friendly reports, published online, to enhance the flow of information from local government to its constituents.

### Project Timeline

Dates for pilot testing and deployment

### **Presentation**

(Given to Auditors, Assessors, Treasurers and Others in Spring 2010)

For more information, please call Wendy at the IBRC at 317-274-2979.

The working collaborators on this initiative include the Governor's Office and these three agencies and is part of the Information for Indiana initiative.

- **DLGF:** Sarah Ancel, Deputy Commissioner
- **SBOA:** John Eppley, Information Systems Audit Director
- **IBRC:** Carol Rogers, Deputy Director

### Authorized Personnel Login

User Name:

Password:

Remember me next time.

**IMPORTANT: DO NOT USE BACK BUTTON. Use navigation links below or you might lose your data!**

## Select Unit

### Select Unit from List

Currently Viewing Year:

Click a link below to select your unit.

Unit Code	Unit Name Link	Unit Type	Unit County
0000	<a href="#">Adams County</a>	County	Adams
0001	<a href="#">Blue Creek Township</a>	Township	Adams
0002	<a href="#">French Township</a>	Township	Adams
0003	<a href="#">Hartford Township</a>	Township	Adams
0004	<a href="#">Jefferson Township</a>	Township	Adams
0005	<a href="#">Kirkland Township</a>	Township	Adams

**IMPORTANT: DO NOT USE BACK BUTTON.** Use navigation links below or you might lose your data!

[Select Unit](#) > **Manage Unit**

Selected Year: 2011 | Selected Unit: Adams County - 0000 Adams County

## Manage Unit - 0000 Adams County

Select from the options below to manage your unit's funds, departments, and/or advertisements.

### Department of Local Government Finance Tasks



#### Manage Departments

View departments list, create or edit a department.



#### Manage Funds and Enter/Edit Budgets

View funds list, create or edit a fund. [Link to Forms.](#)



#### Submit Proof of Advertisement

View, upload and submit proof of advertisement to DLGF.

### Indiana State Board of Accounts Tasks



#### Manage Funds List

View funds list, create or edit a fund

**IMPORTANT: DO NOT USE BACK BUTTON.** Use navigation links below or you might lose your data!

[Select Unit](#) > [Manage Unit](#) > **Manage Funds List**

Selected Year: 2011 | Selected Unit: Adams County - 0000 Adams County

## Manage Funds List - 0000 Adams County

Click on a column header to sort column.

Fund Code	Fund Name Link	Remove Fund
0005	<a href="#">Casino/Riverboat</a>	<input type="checkbox"/>
0021	<a href="#">School Referendum</a>	<input type="checkbox"/>
0060	<a href="#">Pre-School Special Education</a>	<input type="checkbox"/>
0061	<a href="#">Rainy Day</a>	<input type="checkbox"/>
0064	<a href="#">Education License Plate</a>	<input type="checkbox"/>
0101	<a href="#">General</a>	<input type="checkbox"/>
0116	<a href="#">Corner Perpetuation</a>	<input type="checkbox"/>

**IMPORTANT: DO NOT USE BACK BUTTON.** Use navigation links below or you might lose your data!

[Select Unit](#) > [Manage Unit](#) > [Manage Funds List](#) > **Fund Page**

Selected Year: 2011 | Selected Unit: Adams County - 0000 Adams County | Selected Fund: 0101 General

## Fund Forms - 0101 General

Below are the forms available to complete for this fund. Form 1 must be completed for each relevant department. Please note:

- The yellow exclamation mark indicates the form is not yet complete and submitted.
- The green 'Click to submit completed form to DLGF' link appears once a form is set to "complete awaiting submission".
- A green checkmark means a form is complete and has been submitted to DLGF for review.

<b>Form 1: Budget Estimate</b>	<input checked="" type="checkbox"/>
<a href="#">Click to view depts. and forms</a>	<input checked="" type="checkbox"/> This form has been submitted.
32 of 65 forms completed for this fund.	
<b>Form 2: Estimate of Miscellaneous Revenues</b>	<input checked="" type="checkbox"/>



**IMPORTANT: DO NOT USE BACK BUTTON. Use navigation links below or you might lose your data!**

[Select Unit](#) > [Manage Unit](#) > [Manage Funds List](#) > [Fund Page](#) > [Form 1 List](#) > **Form 1**

Selected Year: 2011 | Selected Unit: Adams County - 0000 Adams County | Selected Fund: 0101 General | Selected Department: 0002 County Auditor

[Click Here to Print This Form](#)

Prescribed by Department of Local Government Finance  
Approved by State Board of Accounts

Budget Form No. 1 (Rev. 2002)

### BUDGET ESTIMATE FOR

**Selected Year:** 2011  
**Selected County:** Adams County  
**Selected Unit:** 0000 Adams County  
**Selected Fund:** 0101 General  
**Selected Dept:** 0002 County Auditor

#### 1. Personal Services

Salaries and Wages

## 1. Personal Services

### Salaries and Wages

Reference Code	Description	Items	Approved
		\$	\$
0101-002-1000-11	AUDITOR	\$43,201	\$43,201
0101-002-1000-12	DEPUTIES	\$130,846	\$130,846
0101-002-1000-14	INTER-DEPARTMENT EMPLOYEE	\$25,166	\$26,055
0101-002-1000-15	OVERTIME	\$2,500	\$2,000
		Total: \$ 201,713	Total: \$ 202,102

### Employee Benefits

Reference Code	Description	Items	Approved
		\$	\$
		Total: \$ 0	Total: \$ 0

### Other Personal Services

There were no items entered for this Category.

*Personal Services Totals*

*Items Totals: \$ 201,713*

*Approved Totals: \$ 202,102*

## 2. Supplies

### Office Supplies

[Select Unit and Year](#) > [Unit Questions](#) > **Upload Files**

Selected Year: 2010 | Selected Unit: 0000 Adams County

Upload Files  Enterprise Match  Fund Match 

0 of 3 files have been uploaded

- Beginning Balances file needed (begbalances.txt)
- Receipts file needed (receipts.txt)
- Disbursements file needed (disbursements.txt)

Select a file type

The Indiana Gateway for Government Units provides a central portal for local governments to submit forms to the [Indiana Department of Local Government Finance](#) and the [State Board of Accounts](#). It is maintained by the [Indiana Business Research Center](#) as part of the Information for Indiana Initiative.

Email  
• [Technical Problems](#)  
• [DLGF](#)

POWERED BY  
*information for*  
INDIANA

[Select Unit and year](#) > Unit Questions

Selected Year: 2010 | Selected Unit: 0000 Adams County

Please answer all of the questions below by clicking Yes or No as appropriate. Please make sure you answer the questions correctly as they will determine the information required for you to complete your annual report.

1. Did your unit disburse more than \$400,000 from grants? ?

Yes  No

1. Did your unit disburse more than \$400,000 from grants? The amount of Federal funding that is disbursed during the year affects the type of engagement that you are required to have performed by the State Board of Accounts as well as the format and content of the Financial Statements. Click below for more information on grants.

[Additional Information](#)

2. Did your unit disburse money for financial assistance to non-governmental entities?

Yes  No

Examples include Volunteer Fire Departments, 4H, YMCA, Youth Leagues, Senior Citizen Centers, etc. Do not consider amounts you paid for goods or services in answering this question.

3. Does your unit have any Utilities or other Enterprises?

Yes  No

Governmental units often provide services that are operated like a business and charge fees to external users for goods or services rather than receiving tax dollars. These activities are called Enterprises. The most common Enterprises are utilities such as Water and Wastewater. Other types of Enterprises could include Public Transportation, Convention Centers, Parking Garages, Airports, Internet Services, etc.

4. Does your unit have any outstanding long term debt?

Yes  No

Long term debt can be in the form of bonds, notes, loans, or judgments payable over more than one year. Capital leases are also a form of long term debt. Click here for more information on Capital Leases.

Selected Year: 2010 | Selected Unit: 0000 Adams County

[Select Unit and Year](#) > [SBOA Menu](#) > **Enterprise Management**

## Enterprises

Identify and describe your utilities and other enterprises that operate like a business. Examples of other types of enterprises include, Public Transportation, Convention Centers, Parking Garages, Airports, Internet Services, etc

Delete	Name	Enterprise Type	Description
	Adams Stuff	Solid Waste	Recycled Goods
	The Park	Other Enterprise	Amusement Center
	Water Co	Water Utility	none

Add Row

Proceed

The sections below are the ones that are required to complete your annual report. Some of these sections are based on the answers that you gave to the questions on the previous screen. If you need to go back and change any of the answers to those questions, click on Unit Questions above.

<p><a href="#">Financial Data by Fund</a> </p> <p>Enter or change basic financial information for the year. This includes adding or deleting funds, entering beginning cash and investment balances, receipts and disbursements for each fund.</p>	<p><a href="#">Capital Assets</a> </p> <p>Using your Capital Asset records complete the Schedule of Capital Assets (land, building, equipment, etc) as of the end of the year.</p>	<p><a href="#">Debt</a> </p> <p>Complete the Schedule of Long-term Debt (bond issues, capital leases, etc) as of the end of the year.</p>
<p><a href="#">Identify Enterprises</a> </p> <p>Identify and describe your utilities and other enterprises that operate like a business. Examples of other types of enterprises include, Public Transportation, Convention Centers, Parking Garages, Airports, Internet Services, etc.</p>	<p><a href="#">Grants</a> </p> <p>Complete the Grant Schedule for grants you disbursed money from during the year.</p>	<p><a href="#">Schedule of Officials</a></p> <p>Enter information regarding other officials for your unit such as the President of the Board.</p>
<p><a href="#">Non Governmental Entities</a> </p> <p>Enter information on financial assistance your unit has given to non-governmental entities during the year. Examples include Volunteer Fire Departments, YMCA, Youth Leagues, Senior Citizen Centers, etc. Do not consider amounts you paid for goods or services in answering this</p>	<p><a href="#">Upload Files</a></p> <p>Uploading is an option for those government units with vendors and who choose to populate a portion of their report by uploading files.</p>	<p><a href="#">Dump/Restore Database Data</a></p>
<p><a href="#">View Available Reports</a></p>		

Selected Year: 2010 | Selected Unit: 0000 Adams County

Select Unit and Year > [SBOA Menu](#) > **Financial Data by Fund**

## Financial Data by Fund

Enter or change basic financial information for the year. This includes adding or deleting funds, entering beginning cash and investment balances, receipts and disbursements for each fund.

### General Government

Delete	Edit	Local Fund Name	Beginning Balance Investments	Ending Balance Investments	Beginning Balance Cash	Receipts	Disbursements	Ending Balance Cash
		34 - 356 102351 LEVY EXCESS	0.00	0.00	0.00	4,772,876.00 <a href="#">Add/Edit</a>	10,000.00 <a href="#">Add/Edit</a>	4,762,876.00
		100 - General 101001 GENERAL	234.00	(2,766.00)	100,000.00	34,914.12 <a href="#">Add/Edit</a> <a href="#">ERROR</a>	599,393.00 <a href="#">Add/Edit</a>	(464,478.88)
		59595 - Harmonicas 995959 Harmonicas	0.00	0.00	0.00	0.00 <a href="#">Add/Edit</a>	400.00 <a href="#">Add/Edit</a>	0.00
		67676 - Hats 967676 Hats	0.00	0.00	0.00	0.00 <a href="#">Add/Edit</a>	0.00 <a href="#">Add/Edit</a>	0.00
		907 - K-9 Money 102475 COUNTY OPTION DOG TAX	0.00	0.00	0.00	0.00 <a href="#">Add/Edit</a>	11.00 <a href="#">Add/Edit</a>	0.00

[Add a fund](#)



## III. Local Option Income Tax



# Local Option Income Tax: History

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- Indiana first allowed local governments to use income taxes in 1974 (Bowen Tax Reform) to reduce property tax reliance.
  - County Adjusted Gross Income Tax (CAGIT) provided local governments an alternate funding mechanism
- During the 1980s, two more local income taxes were created: County Option Income Tax (COIT) and County Economic Development Income Tax (CEDIT).
  - COIT added revenue for general spending
  - CEDIT added revenue for economic development and capital projects
- In 2007, the Legislature authorized additional rates and uses of CAGIT and COIT, primarily geared toward lowering property taxes.
- All counties (except Lake) have imposed a local income tax to be used for property-tax relief or general governmental purposes.



# LOIT Basics: Adopting Body

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- For CAGIT, the adopting body is the County Council.
- For COIT, the adopting body is the County Income Tax Council.
  - This Council is made up of the fiscal bodies of the county and each city therein.
  - Votes are allocated based on population
- The adopting body is the same for CEDIT as it is for the other tax (CAGIT/COIT).



# LOIT Basics: Tax Base

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- The definition of adjusted gross income for all three taxes is federal AGI minus allowable exemptions.
- The difference in tax base results from the treatment of non-residents.
  - For CAGIT, the non-resident rate is set at 0.25%.
  - For COIT, the non-resident rate is set to be one-quarter of the resident rate.
  - For CEDIT, the resident and non-resident rates are the same.



# LOIT Basics: Distribution of Revenue

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- Statute specifies when LOIT revenues are distributed.
  - CAGIT and base CEDIT: May and November
  - CEDIT for homestead credits: June
  - COIT: monthly
- In 2009 and 2010, monthly distribution of all LOITs was authorized to help units with cash flow.
- The amounts of the distributions are calculated by the State Budget Agency on August 1st of each year.
  - The Budget Agency can make adjustments if rates are changed after August 1<sup>st</sup>.



# LOIT Basics: Adoption Deadlines and Effective Dates

## For new imposition of a rate or a rate increase:

Ordinance is Adopted...	Change is Effective...
January 1 – September 30	October 1
October 1 – October 15	November 1
October 16 – October 31	December 1

## For a rate reduction or a rate rescission:

Ordinance is Adopted...	Change is Effective...
January 1 – September 30	Either (1) the first day of the month in which the last rate increase took effect or (2) October 1, whichever is later (see below)
October 1 – October 15	November 1
October 16 – October 31	December 1

Note: Changes in LOIT rates for property tax relief will impact property tax bills payable in the calendar year following the rate change.



# LOIT Uses

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- The allowable uses of LOIT vary by tax type.
- The combination of uses is highly structured in statute.



# “Legacy” CAGIT (I.C. 6-3.5-1.1-2)

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- Maximum rate of 1.0%
- 0.25% is used for property tax replacement credits to local units of government including schools.
  - The “credits” are levy reductions for the units which results in a lower tax rate, not a credit on the actual tax bill.
- Up to 0.75% is used for certified shares
  - All units except schools receive this revenue in proportion to their property tax levies (the “attributed allocation amount”).
  - These revenues are used to supplement budgets.



# “Legacy” COIT

## I.C. 6-3.5-6-8

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- Maximum rate of 1.0%
- The adopting body may choose to use some of this revenue for homestead credits.
  - The council fixes the property tax credit percentage, not the income tax rate to be used.
  - The cost of the fixed-percentage property tax credit may vary from year to year.
- The revenue remaining after paying for the homestead credit is distributed as certified shares to non-school units.



# “Legacy” CEDIT for Economic Development Expenditures (I.C. 6-3.5-7-5)

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- Maximum Rate of 0.5%
  - Combined CAGIT and CEDIT rate may not exceed 1.25%. Combined COIT and CEDIT rate may not exceed 1.0%.
- The revenue from this rate is placed in a separate fund and used for economic development spending.
- By statute, this may include
  - expenditures for a capital project
  - contracts with non-profit organizations that assist in economic development
  - operating expenses for government economic development agencies
  - other expenditures meant to stimulate economic development in the county.
- The revenue can be used by a county, a city, or a town.



# “Legacy” CEDIT for inventory neutralization homestead credits - I.C. 6-3.5-7-25

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- Maximum Rate of 0.25%
- This rate could be adopted by counties in 2005, 2006, or 2007 in order to provide homestead credits to counteract the effect of the exempting of inventory in 2007.
- The credit rates may be calculated in one of two ways
  - uniform credit rate for all homesteads in the county
  - an allocated credit amount by taxing district (based on newly exempt inventory AV in each taxing district).
- Unlike COIT homestead credits, the ordinance specifies the income tax rate to be used for credits and annually calculates the property tax credit percentage to be applied based on available revenues.



# Special Rates

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- In some cases, a county is authorized by statute to adopt a rate outside of the maximum to fund specific costs.
- Special rates are found in CAGIT, COIT, and CEDIT law.
- Most commonly used to build new correctional facilities.



# New LOITs: HEA 1478-2007

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Additional funding flexibility with three (3) “New” LOITs, which can be adopted either as new CAGIT rates or new COIT rates:

- **Levy Growth Replacement (Levy Freeze)**
- **Property Tax Relief**
- **Public Safety**



# LOIT for Levy Freeze

I.C. 6-3.5-1.1-24 (CAGIT) and I.C. 6-3.5-6-30 (COIT)

- Maximum Rate of 1.0%
- Established to replace the normal annual increase in the maximum levy calculation for local units.
- Property tax collections for max levy funds are flat-lined.
- Property tax collections for non-max levy funds continue to grow.
- The growth in levies is slowed (but not stopped entirely)
- Many steps in adopting and administering this rate: contact Department for more details



# LOIT for Property Tax Credits

I.C. 6-3.5-1.1-26 (CAGIT) and I.C. 6-3.5-6-32 (COIT)

- Maximum Rate of 1.0%
- Revenue is used to apply credits on the property tax bill
- Four (4) options for how this LOIT provides property tax relief:
  - PTRC for all taxpayers in the county;
  - Homestead credit throughout the county (owner-occupied homes);
  - Residential PTRC throughout the county (homesteads, residential rental, and apartment complexes); or
  - A combination of the three above methods.



# LOIT for Public Safety

I.C. 6-3.5-1.1-25 (CAGIT) I.C. 6-3.5-6-31 (COIT)

- Maximum Rate of 0.25%
- Pays for public safety expenditures for the county and the cities and towns within the county.
- County may impose this tax rate to expenditures for operations, benefits and pensions, and facilities associated with police, fire, courts, emergency services, probation, and E-911 systems.
- Revenue is distributed to the county and its cities and towns in proportion to their attributed allocation amounts.
- County may only impose this rate if the combined rate for LOIT-levy freeze and LOIT-property tax credits is at least 0.25%.



# LOIT and the Property Tax Caps

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- All LOIT uses can be divided into two categories: spending and property tax relief.
  - Spending: certified shares, economic development, public safety
  - Property tax relief
    - Via Rate Reductions: CAGIT PTRC and LOIT levy freeze
    - Via Direct Property Tax Credits: legacy COIT homestead credit, CEDIT homestead credit, and LOIT for property tax credits.
- LOITs that reduce property taxes lower the pre-circuit-breaker tax bill.
- Two separate effects...



# LOIT and the Property Tax Caps

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- For taxpayers already under the cap
  - LOIT relief lowers tax bill; taxpayer pays less.
  - Local units collect the same revenue as before.
- For taxpayers over the cap
  - Taxpayer still pays at the cap; no change in tax bill.
  - LOIT relief reduces the amount of circuit breaker credits; local units collect more revenue than before.



## **IV. Property Tax Caps**



# Introduction to the Caps

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- Indiana property tax caps limit the amount of property taxes that can be charged at a percentage of the property's gross assessed value.
- The caps provide a dual benefit to taxpayers.
  - Predictability and protection – all taxpayers benefit.
  - “Circuit breaker credit” – a credit on the property tax bill of a taxpayer that is charged above the cap.
- Voters decided in November that the caps will become permanent as part of the Indiana Constitution.



# Who Gets Relief?

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- Under current law, all taxpayers are covered under the caps.
- 1% cap:
  - Homestead property (i.e., owner-occupied)
  - Dwelling, one garage, up to 1 acre of land
- 2% cap:
  - Other residential property, including rental homes and commercial apartment buildings
  - Farmland
  - Long-term care facilities
- 3% cap:
  - Business real & personal property
  - Non-homestead eligible property (e.g., swimming pool, excess acreage)
- Senior Citizen cap (Over 65 Circuit Breaker Credit):  
*Cap prohibits the homestead tax bill from increasing more than 2% over last year's bill.*
  - Taxpayers 65+, with income less than \$30,000 (\$40,000 for married couples) and assessed value less than \$160,000



# How is Relief Delivered?

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- Property tax levies and tax rates determined the same manner as before
  - Max levy, rate caps
- Tax bill calculated in same manner as before
  - Net assessed value times tax rate, minus any credits
- “Circuit breaker credit”: additional calculation at the end of the tax bill
  - Applied only when the tax bill exceeds the applicable cap
  - Equal to the difference between the tax bill and the cap
  - Brings the taxpayer’s liability down to the cap



# Example Calculation: Business

Gross Assessed Value	\$100,000
Deductions	\$0
Net Assessed Value	\$100,000
Tax Rate	4.0000
Gross Tax Bill	\$4,000
Credits	\$0
Net Tax Bill	\$4,000
Cap (3% times \$100,000)	\$3,000
Circuit Breaker Credit	\$1,000
Final Tax Bill (\$4,000-\$1,000)	\$3,000



# Example Calculation: Homestead

Gross Assessed Value	\$100,000
Deductions	\$64,250
Net Assessed Value	\$35,750
Tax Rate	4.0000
Gross Tax Bill	\$1,430
Credits	\$200
Net Tax Bill	\$1,230
Cap (1% times \$100,000)	\$1,000
Circuit Breaker Credit	\$230
Final Tax Bill (\$1,230-\$230)	\$1,000



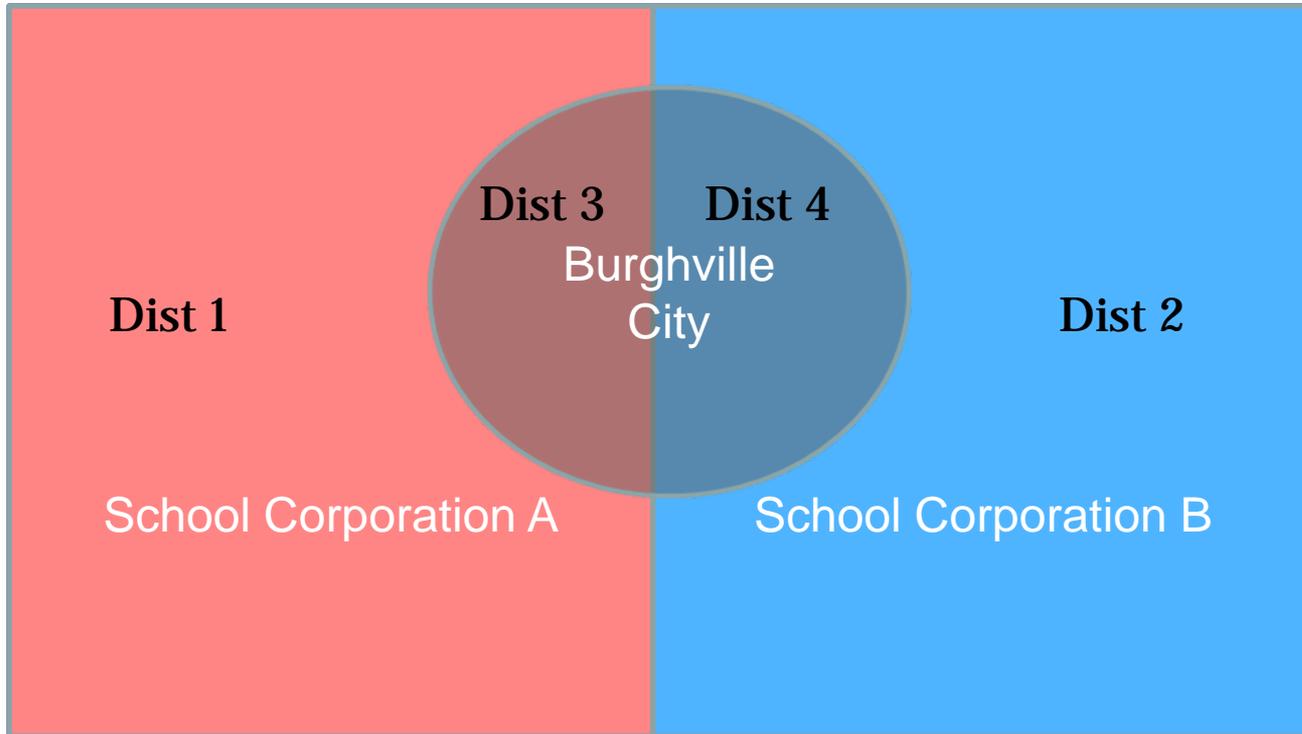
# How is Relief Financed?

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- The property tax caps result in a lower amount of property taxes paid.
- The reduced revenue affects each unit in proportion to that unit's tax rate.
  - Calculated separately for each taxing district
- The State does not provide funding to counteract the revenue reduction.
  - Exception: School circuit breaker replacement grant in 2009 and 2010
- A unit may not increase its levy or borrow to counteract the revenue reduction.



# Taxing Unit vs. Taxing District



This county has four different combinations of taxing units and therefore 4 Taxing Districts:

1. County X and School Corporation A
2. County X and School Corporation B
3. County X, School Corporation A, and Burghville City
4. County X, School Corporation B, and Burghville City



# Calculation of District Rates

- Imagine the unit rates are:

County X	0.5643
School Corporation A	1.6241
School Corporation B	1.9775
Burghville City	0.8504

- Then the district rates would be:

	<u>Tax District #1</u>	<u>Tax District #2</u>	<u>Tax District #3</u>	<u>Tax District #4</u>
County Rate	0.5643	0.5643	0.5643	0.5643
School Rate	1.6241	1.9775	1.6241	1.9775
City Rate	---	---	0.8504	0.8504
<b>TOTAL Gross Tax Rate</b>	<b>2.1884</b>	<b>2.5418</b>	<b>3.0388</b>	<b>3.3922</b>



# Allocation of Circuit Breaker Credits

- Joe lives in Tax District #1. His total circuit breaker credit is \$100.

	<u>Tax District #1</u>
County Rate	0.5643
School Rate	1.6241
City Rate	---
<b>TOTAL Gross Tax Rate</b>	<b>2.1884</b>

That \$100 is financed in proportion to the unit tax rates.

$$\begin{aligned}\text{County Share} &= \$100 * (0.5643 / 2.1884) \\ &= \$25.79\end{aligned}$$

$$\begin{aligned}\text{School Share} &= \$100 * (1.6241 / 2.1884) \\ &= \$74.21\end{aligned}$$



# Allocation of Circuit Breaker Credits

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- Since each taxing district has a different total rate, the allocation of credits among units must be done separately for each taxing district.

Unit Share<sub>district 1</sub>

= total circuit breaker in district 1 \* unit rate / district 1 total rate

Unit Share<sub>district 2</sub>

= total circuit breaker in district 2 \* unit rate / district 2 total rate

- Total unit share of countywide circuit breaker equals the sum of the unit's shares in each taxing district.



# Example Calculation: Circuit Breaker Credit Allocation for City

	<u>Tax District #1</u>	<u>Tax District #2</u>	<u>Tax District #3</u>	<u>Tax District #4</u>
County Rate	0.5643	0.5643	0.5643	0.5643
School Rate	1.6241	1.9775	1.6241	1.9775
City Rate	—	—	0.8504	0.8504
<b>TOTAL Gross Tax Rate</b>	<b>2.1884</b>	<b>2.5418</b>	<b>3.0388</b>	<b>3.3922</b>

	<u>Tax District #1</u>	<u>Tax District #2</u>	<u>Tax District #3</u>	<u>Tax District #4</u>
<b>City Percentage of Total Rate</b> <i>(city rate / total rate)</i>	0%	0%	28%	25%
<b>Total Circuit Breaker Credits</b> <i>(determined by adding up the credits on the tax bills)</i>	\$100,000	\$125,000	\$1,000,000	\$1,200,000
<b>City Share of Circuit Breaker Credits</b> <i>(City Percentage of Total Rate * Total Circuit Breaker Credits)</i>	\$0	\$0	\$279,847	\$300,831



# Items Outside the Caps

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- Property taxes imposed after being approved by voters in a referendum
  - Capital projects referenda (any unit type)
  - Operating referenda (schools)
- In Lake and St. Joseph Counties, property taxes imposed to pay for debt issued before July 1, 2008
- Relief given by the Distressed Unit Appeal Board (DUAB)



# Statewide Statistics

## Tax relief enjoyed by taxpayers under each cap:

### 2010 Circuit Breaker Credits\*

1% Cap Recipients	2% Cap Recipients	3% Cap Recipients	65+ Cap Recipients	Total: All Cap Recipients
\$ 90,639,479.44	\$ 171,725,323.21	\$ 73,934,421.90	\$ 2,315,966.58	\$ 338,615,191.14

\*Figures exclude Lake and LaPorte Counties



# Statewide Statistics

## Tax relief financed by all unit types:

### 2010 Circuit Breaker Credits\*

Unit Type	2010 Circuit Breaker Credits
All Units	\$338,615,191
Counties	\$48,826,482
Townships	\$10,930,067
Cities & Towns	\$108,876,685
School Corporations	\$129,323,193
Library Districts	\$14,093,767
Special Districts	\$26,564,997

\*Figures exclude Lake and LaPorte Counties



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