

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Unit Officials  
**FROM:** Brian E. Bailey, Interim Commissioner  
**RE:** Changes to Max Levy Calculations  
**DATE:** April 7, 2010

BEB

House Enrolled Act (HEA) 1086-2010 amended IC 6-1.1-18.5 affecting the max levy calculation under certain limited circumstances.

## Use of cash balances may allow adjustment to max levy

For the determination of a unit's max levy in 2010-pay-2011 and thereafter, the Department of Local Government Finance (Department) may make an adjustment to the max levy based on the unit's use of cash balances the previous year. More specifically, upon request by a unit, the Department may make an adjustment to the unit's max levy for the ensuing calendar year if the unit's actual levy was lower than the unit's max levy for the calendar year immediately preceding the ensuing calendar year because of the unit's use of cash balances.

For example, assume a unit's levy was \$20,000 below its maximum levy because the unit had sufficient cash balances and it was unnecessary to levy the maximum amount. Previously, the Department would reduce the ensuing year's maximum levy by one-half of the difference between the maximum and the actual levy or \$10,000. Upon request, the Department now may not reduce the maximum levy since the unit was reducing its cash balances.

## Changes to calculation of max fire protection levy

For any fire protection territory established before August 1, 2001, a unit's max levy for taxes due and payable in 2009 may not increase annually by a percentage greater than the result of the assessed value growth quotient minus one. The changes outlined in HEA 1086-2010 became effective March 25, 2010 and will apply for taxes payable in 2011 and beyond.

To obtain an increase in the max levy, a unit should submit a petition to the Department "in the year immediately preceding the first year" in which the unit levies a tax to support the fire protection territory. The petition must be filed on or before October 19 of the year immediately preceding the ensuing calendar year. In other words, for taxes payable in 2011, the petition must be filed on or before October 19, 2010.

The Department has discretion to grant or deny an increase to the max levy. In making its decision, the Department shall consider the amount the unit is obligated to provide to meet the expenses of operation and maintenance of the fire protection territory, including the unit's reasonable share of the operating balance. Prior to HEA 1086-2010, the operating balance was capped at an amount not to exceed 20 percent (20%) of budgeted expenses. If the Department grants an adjustment to the max levy, the Department is required to determine the entire amount of the adjustment and implement that adjustment over the number of years, no more than three, requested by the petitioning unit.

For purposes of making the determination in subsequent calendar years, the Department may determine not to consider all or a portion of the property tax levy imposed to establish the operating balance of the fire protection territory.

### **Contact Information**

Questions may be directed to Dan Jones, Assistant Budget Director at 317-232-0651 or [djones@dlgf.in.gov](mailto:djones@dlgf.in.gov).