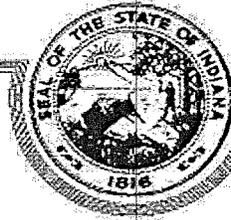


AUDITOR OF STATE



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Tim Berry

To: County Auditors and Treasurers

From: Tim Berry, Auditor of State *TJB*
Brian Bailey, Commissioner, Department of Local Government Finance *BEB*
Bruce Hartman, State Examiner, State Board of Accounts *BH*

Subject: HEA1001-2008 Homestead Credit Fund Balance

Date: October 19, 2010

2009 pay 2010 is the final year for the state distribution of HEA1001-2008 Homestead Credit, but it may not be the final year for the inclusion of the HEA1001-2008 Homestead Credit in a December Settlement. HEA1001-2008 Homestead Credit may be a part of December Settlements at least through 2012 pay 2013.

HEA1001-2008 Homestead Credit may be a part of future December Settlements due to possible adjustments to homestead properties for tax years 2007 pay 2008, 2008 pay 2009 or 2009 pay 2010. An increase in the property tax liability to a homestead property for any of those tax years may result in additional HEA1001-2008 Homestead Credit needed at the December Settlement. If this were to occur, then the additional homestead credit dollars would be drawn from the HEA1001-2008 Homestead Credit Fund. A decrease in the property tax liability to a homestead property for any of the above tax years may result in excess HEA1001-2008 Homestead Credit at the December Settlement. If this were to occur, then the excess homestead credit dollars would be receipted to the HEA1001-2008 Homestead Credit Fund.

Due to the possibility of future transactions to or from the HEA1001-2008 Homestead Credit Fund, the fund balance at the conclusion of the 2009 pay 2010 December Settlement must carry forward at least through the 2012 pay 2013 December Settlement.

At the 2013 pay 2014 December Settlement, or at a later December Settlement, if determined necessary by the county auditor, the HEA1001-2008 Homestead Credit Fund balance will be disbursed or replenished. If the HEA1001-2008 Homestead Credit fund balance is a positive balance, then the balance will be disbursed to taxing units. If the HEA1001-2008 Homestead Credit fund balance is a negative balance, then the balance will be replenished by withholding money from taxing units.

The percentage of the fund balance to either disburse or withhold from each taxing unit will be based on each taxing unit's share of the 2007 pay 2008, 2008 pay 2009 and 2009 pay 2010 HEA1001-2008 Homestead Credit. The 2007 pay 2008, 2008 pay 2009 and 2009 pay 2010 HEA1001-2008 Homestead Credit abstract amounts and property tax rates for each of those years will be used to calculate the taxing unit percentages. The auditor of state's office will work with each county auditor's office to calculate the taxing unit percentages.

If the HEA1001-2008 Homestead Credit Fund balance is a positive balance, then the disbursements to the taxing units will be separate from the December Settlement distributions and the fund balance disbursement will be received by each taxing to the taxing unit's levy excess fund.

If the HEA1001-2008 Homestead Credit Fund balance is a negative balance, then the amounts withheld from each taxing unit will be deducted from each taxing unit's general fund on the December Settlement Form 22 Certificate of Tax Distribution.