STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 974-1629

TO: **All Taxing Units**

FROM: **Micah G. Vincent, Commissioner** MGV

RE: **Protected Taxes**

DATE: **June 18, 2013**

On May 11, 2013, Governor Mike Pence signed into law Senate Enrolled Act 517 ("SEA 517"). Section 29 of SEA 517, effective retroactive to January 1, 2013, clarifies the distribution of property taxes to funds that collect protected taxes. Protected taxes are defined in IC 6-1.1-20.6-9.8(b)(2) and include property taxes collected on funds that are exempt from circuit breaker credits and property taxes collected for the payment of debt service obligations. Please note, this memorandum is intended to be an informative bulletin, not a substitute for reading the law.

Under IC 6-1.1-20.6-9.8(c), the total amount of revenue to be distributed to a fund that collects protected taxes must be determined as if no circuit breaker credits were granted. These funds must be fully funded. The loss in property tax revenue associated with the circuit breaker credits may be allocated in the amounts determined by the political subdivision using any combination of the funds that collect unprotected taxes within the taxing district in which the circuit breaker credit was generated. The loss in property tax revenue associated with the circuit breaker credits of a particular political subdivision must not affect any other political subdivision.

If the loss in property tax revenue associated with the circuit breaker credits is more than the amount that will be collected by the funds that collect unprotected taxes or a political subdivision does not have a fund that collects unprotected taxes, then the revenue to be distributed to the funds collecting protected taxes must be reduced to account for the loss in property tax revenue associated with the circuit breaker credits. If this occurs, a political subdivision may transfer money from one or more other funds to the funds that collect protected taxes to offset the loss in revenue and allow the political subdivision to meet its obligations in these funds. This transfer is limited to the amount necessary to fully fund the funds that collect protected taxes and must be specifically identified as a debt service obligation transfer for each affected fund.

In addition to the foregoing, Section 29 adds subsection (e) to IC 6-1.1-20.6-9.8. Subsection (e) specifies that for taxes due and payable in 2013, the allocation of circuit breaker credits must reduce the property tax distributions of all funds proportionally, regardless of whether or not the fund collects protected taxes. This language essentially delays the implementation of protected taxes to 2014.

Questions may be directed to Staff Attorney Mike Duffy at (317) 233-9219 or mduffy@dlgf.in.gov.