Local Income Tax and Budget Process Changes

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Commissioner

July 20, 2016
Local Income Taxes
Disclaimer

• This presentation highlights specific parts of local income tax statutes.
• This presentation is not designed to be a comprehensive review of IC 6-3.6 and applicable statutes.
• This presentation is not a substitute for reading the applicable statutes.
Indiana Code Cites

- “Former Taxes”
  - IC 6-3.5-1.1: County Adjusted Gross Income Tax (“CAGIT”)
  - IC 6-3.5-6: County Option Income Tax (“COIT”)
  - IC 6-3.5-7: County Economic Development Income Tax (“CEDIT”)
- Local Income Tax
  - IC 6-3.6
We are adopting a new income tax. Which Indiana Code cites apply?

IC 6-3.6-1-1
• Will we have to re-adopt our existing LOITs under the new statutes after July 1, 2016?

• No. A tax rate in effect under the former taxes as of May 1, 2016 continues in effect until it is increased, decreased or rescinded under the new local income tax statutes. IC 6-3.6-1-3
Time Limited Rates

• We have an income tax rate that is allowed only for a set number of years. Does the transition reset our clock? What if our time limit is tied to the issuance of bonds?

• No. Time limits on the imposition of a rate that started under the former taxes continue from the same starting point. IC 6-3.6-1-7
• Time limits on the imposition of a rate tied to the issuance of bonds or leases continue from the same starting point. IC 6-3.6-1-8
Adopting Body

- If the county income tax council adopted either a COIT or a CEDIT rate that was in effect on January 1, 2015, then adopting body will be the local income tax council.
- For all other counties, the adopting body is the county fiscal body.
- IC 6-3.6-3-1
Local Income Tax Council

- For counties in which the local income tax council is the adopting body, each local income tax council has 100 votes. The votes are allocated based on population.
- Population from cross-county units includes only the part of the city or town that lies within the county.
- On or before January 1, the county auditor shall certify the number of votes to each member, rounded to 0.01. IC 6-3.6-3-6
• Our county fiscal body is the adopting body for my county. Does my county still have a local income tax council?

• Yes. All counties have a local income tax council, which is made up of the fiscal body of the county and the fiscal body of each city or town that lies either partially or entirely within the county. IC 6-3.6-3-1(b)
Public Hearing

• Before a member of the local income tax council may propose or vote on a proposed ordinance, the member must hold a public hearing and provide proper notice. IC 6-3.6-3-7

• Before a county council may vote on a proposed ordinance, the county council must hold a public hearing and provide proper notice. HEA 1081-2016, IC 6-3.6-3-7.5
Tax Rate Changes

- A tax rate authorized under IC 6-3.6-5 (property tax relief), IC 6-3.6-6 (expenditure rate) or IC 6-3.6-7 (special purpose) may be adopted, increased, decreased, or rescinded without adopting, increasing, decreasing, or rescinding a tax rate authorized by another chapter.

- An adopting body may adopt, increase, decrease, or rescind tax rates under multiple chapters in the same ordinance. IC 6-3.6-4-2
Tax Rate Changes

- A tax rate may not be changed more than once each year. IC 6-3.6-3-4
Non-Resident Rates

- The new local income tax statutes do not provide for reduced income tax rates for non-residents.
- For formerly CAGIT and COIT counties that have employees coming in from out-of-state, this may result in minor increases in revenue.
Effective Date of Ordinances

• Ordinance that adopts, increases, decreases, or rescinds a tax or a tax rate:
  • Adopted January 1 – August 31: Effective October 1 of same year.
  • Adopted September 1 – October 31: Effective January 1 of the following year.
  • Adopted November 1 – December 31: Effective October 1 of the following year.
Effective Date of Ordinances

- Ordinance that grants, increases, decreases, rescinds, or changes a property tax credit:
  - Adopted January 1 – November 1: Effective January 1 of the following year and applies to property taxes due in the following year.
  - Adopted November 2 – December 31: Effective January 1 two years out and applies to property taxes due in the year that follows the current year by two years.
- Adopted 12/31/16 – Applicable to Pay 2018.
Expiration Date

- Except for a tax rate that has an expiration date, a tax rate remains in effect until the effective date of an ordinance that increases, decreases, or rescinds that tax rate. IC 6-3.6-3-4
Distribution Calculations

• Before August 2, State Budget Agency ("SBA") provides the Department and the county auditor with an estimate of the amount available under each rate for the following year.
• Not later than 15 days, the Department provides unit-level distribution detail to county auditor.
• Not later than 30 days, county auditor provide unit-level distribution detail to units.
Distribution Calculations

- Before October 1, SBA provides the Department and the county auditor with the amount available under each rate for the following year.
  - Not later than 15 days, the Department provides unit-level distribution detail to county auditor.
  - Not later than 30 days, county auditor provide unit-level distribution detail to units.
- Further updates completed in November as needed.
DLGF Unit-Level Distributions

- School Distributions
- Certified Shares
- Public Safety
  - The Department’s numbers are estimates only depending on local decision to share public safety dollars with other units.
- Economic Development
- Property Tax Credits
- Special Purpose
Before August 2, 2016, the SBA shall certify to each county the income tax rates under the new local income tax statutes by tax rate category.
2016 Transition

CAGIT Base  
CAGIT Special  
CAGIT Levy Freeze  
CAGIT Relief  
CAGIT Public Safety  
COIT Base  
COIT Special  
COIT Levy Freeze  
COIT Relief  
COIT Public Safety  
CEDIT Base  
CEDIT Special  
CEDIT Homestead  

Property Tax Relief  
School Distribution  
Certified Shares  
Public Safety  
Economic Development  
Special Purpose

-------------------------Expenditure Rate-------------------------
2016 Transition

--------------------Expenditure Rate--------------------

Property Tax Relief
School Distribution
Certified Shares
Public Safety
Economic Development
Special Purpose

CAGIT Base
CAGIT Special
CAGIT Levy Freeze
CAGIT Relief
CAGIT Public Safety
COIT Base
COIT Special
COIT Levy Freeze
COIT Relief
COIT Public Safety
CEDIT Base
CEDIT Special
CEDIT Homestead
2016 Transition

---Expenditure Rate---

- School Distribution
- Certified Shares
- Economic Development
- Special Purpose
2016 Transition

--- Expenditure Rate ---
2016 Transition

CAGIT Base  CAGIT Special  CAGIT Levy Freeze  CAGIT Relief  CAGIT Public Safety  COIT Base  COIT Special  COIT Levy Freeze  COIT Relief  COIT Public Safety  CEDIT Base  CEDIT Special  CEDIT Homestead

Property Tax Relief  School Distribution  Certified Shares  Public Safety  Economic Development  Special Purpose

------------------------Expenditure Rate------------------------
2016 Transition

- CAGIT Base
- CAGIT Special
- CAGIT Levy Freeze
- CAGIT Relief
- CAGIT Public Safety
- COIT Base
- COIT Special
- COIT Levy Freeze
- COIT Relief
- COIT Public Safety
- CEDIT Base
- CEDIT Special
- CEDIT Homestead

Property Tax Relief
School Distribution Certified Shares
Public Safety
Economic Development
Special Purpose

----------------------Expenditure Rate----------------------
2016 Transition

CAGIT Base
CAGIT Special
CAGIT Levy Freeze
CAGIT Relief
CAGIT Public Safety
COIT Base
COIT Special
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COIT Relief
COIT Public Safety
CEDIT Base
CEDIT Special
CEDIT Homestead

Property Tax Relief
School Distribution
Certified Shares
Public Safety
Economic Development
Special Purpose

------------------------Expenditure Rate------------------------

28
2016 Transition

--- Expenditure Rate ---

- CAGIT Base
- CAGIT Special
- CAGIT Levy Freeze
- CAGIT Relief
- CAGIT Public Safety
- COIT Base
- COIT Special
- COIT Levy Freeze
- COIT Relief
- COIT Public Safety
- CEDIT Base
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- CEDIT Homestead

- Property Tax Relief
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2016 Transition

CAGIT Base
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Property Tax Relief
School Distribution Certified Shares
Public Safety
Economic Development
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------------------------------Expenditure Rate------------------------------
2016 Transition

---Expenditure Rate---

Property Tax Relief
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CAGIT Base
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--------------------
2016 Transition

---Expenditure Rate---
2016 Transition

CAGIT Base  CAGIT Special  CAGIT Levy Freeze  CAGIT Relief  CAGIT Public Safety  COIT Base  COIT Special  COIT Levy Freeze  COIT Relief  COIT Public Safety  CEDIT Base  CEDIT Special  CEDIT Homestead

Property Tax Relief  School Distribution  Certified Shares  Public Safety  Economic Development  Special Purpose

-------------------Expenditure Rate-------------------
2016 Transition

[CAGIT Base, CAGIT Special, CAGIT Levy Freeze, CAGIT Relief, CAGIT Public Safety, COIT Base, COIT Special, COIT Levy Freeze, COIT Relief, COIT Public Safety, CEDIT Base, CEDIT Special, CEDIT Homestead]

Property Tax Relief, School Distribution Certified Shares, Public Safety, Economic Development, Special Purpose

-------------------Expenditure Rate-------------------
2016 Transition

CAGIT Base
CAGIT Special
CAGIT Levy Freeze
CAGIT Relief
CAGIT Public Safety
COIT Base
COIT Special
COIT Levy Freeze
COIT Relief
COIT Public Safety
CEDIT Base
CEDIT Special
CEDIT Homestead

Property Tax Relief
School Distribution
Certified Shares
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Economic Development
Special Purpose

-------------------Expenditure Rate-------------------
Property Tax Relief Rates

- Maximum tax rate for property tax relief: 1.25%.
- Property taxes imposed for a voter-approved referendum are not eligible for a property tax credit attributable to a property tax relief rate.
- The adopting body shall specify how the revenue from a property tax relief rate shall be applied to provide property tax credits.
- The ordinance must be adopted before July 1 and first applies for the following year and then each year until rescinded.
Property Tax Relief Rates

- Any combination of the following:
  - Homesteads eligible for a 1% property tax cap.
  - Property eligible for a 2% property tax cap.
  - Residential property.
  - Real property, mobile home, or industrialized housing that would qualify as a homestead if the taxpayer filed for the standard deduction.
  - Rental property (regardless of whether assessed as residential or commercial).
  - Nonresidential real property, personal property eligible for a 3% property tax cap.
Property Tax Relief Rates

• Within a category, the property tax credit must be a uniform percentage for all qualifying taxpayers with property in that category in the county.
• The credit percentage does not have to be uniform for all categories.
Expenditure Rate

- Maximum rate:
  - 2.5% in all counties but Marion County
  - 2.75% in Marion County
- For formerly CAGIT counties, revenue from the first 0.25% shall be allocated to school corporations and civil taxing units in the same manner as the former PTRC.
- Remainder of the revenue is “additional revenue”.
Expenditure Rate

- The adopting body shall, by ordinance, determine how the additional revenue must be allocated in subsequent years.
- The ordinance must be adopted before July 1.
- The ordinance must describe the allocation of the additional revenue in percentages between:
  - Public Safety
  - Economic Development
  - Certified Shares
Expenditure Rate

- The adopting body may not allocate less to the payment of bonds or leases than the amount pledged. IC 6-3.6-6-5
Certified Shares

• All other additional revenue goes to certified shares.
• A solid waste district is not a civil taxing unit for the purposes of receiving certified shares unless the county fiscal body approves the distribution.
• Distribution according to attributed allocation.
Attributed Allocation

- Certified Levies
- LESS: Levies for Post-June 30, 2005 Debt
- PLUS: Prior Year Distributions
- PLUS: Fire Territory Adjustment
- PLUS: Zero Levy Adjustments
- PLUS: County Welfare Allocation Amount
- EQUALS: Attributed Allocation
Public Safety

• Revenue allocated to public safety shall be distributed to the county and each municipality in the same manner as under the former taxes.
  • CAGIT – Attributed Allocation
  • COIT – Certified Levies
Public Safety

- A fire department, volunteer fire department, or emergency medical services provider that:
  1. Provides fire protection or medical services within the county; and
  2. Is operated by or services a political subdivision that is not otherwise entitled to receive a public safety LIT distribution;
- may before July 1 of a year, apply to the adopting body for a distribution of public safety revenue in the following year.
- The adopting body may authorize such distributions before September 1.
Economic Development

• Revenue allocated to economic development projects shall be distributed to the county, cities, and towns.
  • Certified Levies plus Welfare Allocation Amount for county unit.
  • Population.
• It is expected that revenues associated with the public safety and economic development allocations will continue to be tracked in stand-alone funds.
The executive of a county, city, or town may adopt a capital improvement plan specifying the uses of the additional revenue allocated for economic development or may designate the county or a city or town as the recipient of all or part of its share of the additional revenue for economic development.

If a county, city, or town fails to adopt a capital improvement plan, the county treasurer shall retain the unit’s amounts until the unit adopts a plan. IC 6-3.6-6-9.5
Economic Development

- The capital improvement plan must encompass a period of not less than 2 years and must incorporate projects equaling at least 75% of the amount of additional revenue for economic development expected to be received by the county, city, or town.
Special Purpose Rates

- An adopting body may impose a tax as permitted under the local income tax statutes. IC 6-3.6-7-2
- To impose a special purpose rate, the adopting body must adopt an ordinance finding and determining that revenues from the tax are needed for the purposes described. IC 6-3.6-7-4
- Revenue must be maintained in a separate account or fund and records must be maintained. IC 6-3.6-7-6
Existing Debt

- We pledged revenue from a former tax to the payment of a bond. Does the transition invalidate that pledge?

- No. A pledge of a former tax for the payment of bonds, leases, or other expenditures shall be treated as a pledge of the related tax under the new local income tax statutes. A pledge under the former taxes is binding, enforceable, and remains in full force and effect as local as the bonds, lease rentals, or obligations remain unpaid. IC 6-3.6-1-6
Existing Debt

- If there are bonds or leases outstanding that are payable from the former taxes or local income taxes, the adopting body may not reduce the tax rate below a rate that would produce 1.25 times the total of the highest annual outstanding debt service/lease payment/other agreements, unless the adopting body or any city, town, or county pledges all or a part of its share of revenues in an amount sufficient, when combined with the shares of the issuing unit, to produce 1.25 times coverage. IC 6-3.6-4-3
Levy Freeze

- Counties with an existing Levy Freeze rate will maintain a Levy Freeze rate. New counties will not be able to choose to be a Levy Freeze county.
- Levy Freeze can be fixed as of a certain date but may not be rescinded.
- Levy Freeze is considered to be a part of the expenditure rate.
- Levy Freeze will function in essentially the same way as under the former taxes.
- IC 6-3.6-11-1
Budget Process Changes
Budget Changes for 2016

• SEA 321-2016 modifies the budget adoption process for local governments.
• Main goals:
  • To provide local governments with more information in advance of adoptions to allow for more accurate budget advertisings and adoptions.
  • To provide more local control over the adoption process and the Department’s review process.
July 14 – Estimate of Maximum Levies

- Starts in 2016 for Budget Year 2017.
- Before July 15, the Department shall provide to each taxing unit an estimate of the unit’s maximum permissible property tax levies for the ensuing year. (IC 6-1.1-18.5-24)
- The Department’s estimates shall provide guidance on calculating allowable levy adjustments.
## Maximum Levy Calculation

### Prior Year Maximum Levy

- Plus: Prior Year CAGIT PTRC
- Times: AVGQ
- Less: Budget Year CAGIT PTRC
- Equals: Budget Year Maximum Levy

- Plus: Levy Adjustments
- Plus: Financial Institutions Adjustment
- Equals: Working Maximum Levy

### Prior Year Maximum Levy

- Plus: Financial Institutions Adjustment (one-time adjustment)
- Times: AVGQ
- Equals: Budget Year Maximum Levy

- Plus: Levy Adjustments
- Equals: Working Maximum Levy
Uncouple Maximum Levies and LOITs

- HEA 1485-2015 uncoupled the maximum levy calculation from local option income taxes.
- CAGIT PTRC is no longer a part of the maximum levy formula.
- This change allows the Department to compute maximum levies earlier in the year as CAGIT PTRC previously was not officially known until October.
July 14 – Cumulative Fund Adjustment

• Starts in 2016 for Budget Year 2017.
• The cumulative fund levy adjustment for counties, cities, and towns has been modified to consider only the levy for the unit’s cumulative capital development (CCD) fund.
  • (IC 6-1.1-18.5-9.8(a))
• Previously, the levy adjustment required the comparison between the unit’s CCD fund levy and the excess property taxes imposed by a unit in certain cumulative funds above what the unit imposed in 1984.
• Starts in 2016 for Budget Year 2017.
• Before July 15, the Department shall provide to each county, city, and town an estimate of the maximum permissible property tax rate for the ensuing year for their cumulative capital development fund. (IC 6-1.1-18.5-9.8(b))
Financial Institutions One-Time Levy Adjustment

- Occurs in 2016 for Budget Year 2017.
- For Budget Year 2017, the Department shall make a one-time permanent adjustment to the maximum levies in an amount equal to financial institutions tax adjustment for Budget Year 2016. (IC 6-1.1-18.5-19.1)
- Previously, the financial institutions tax adjustment was not known until the Department did its budget review.
STATE OF INDIANA
INDIANA DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Calculation of Estimated Maximum Levy for Budget Year 2017

County: 01 Adams
Unit: 0407 DECACUR CIVIL CITY
Maximum Levy Type: UT Civil

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Maximum Levy</td>
<td>3,678,918</td>
</tr>
<tr>
<td>PLUS: 2016 Permanent Appeal Amount</td>
<td>0</td>
</tr>
<tr>
<td>PLUS: 2016 FIT Adjustment</td>
<td>7,993</td>
</tr>
<tr>
<td>PLUS: Other Adjustments to 2016 Maximum Levy</td>
<td>0</td>
</tr>
<tr>
<td>2016 Maximum Levy for Growth Quotient</td>
<td>3,686,751</td>
</tr>
<tr>
<td>TIMES: Assessed Value Growth Quotient (1)</td>
<td>1.0380</td>
</tr>
<tr>
<td>Initial 2017 Maximum Levy</td>
<td>3,826,848</td>
</tr>
<tr>
<td>TIMES: 2017 Annexation Factor (2)</td>
<td>1.0000</td>
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<tr>
<td>2017 Annexation Adjust Maximum Levy</td>
<td>3,826,848</td>
</tr>
<tr>
<td>PLUS: Potential 2017 Appeal or Other Adjustment As Reported by Unit</td>
<td>0</td>
</tr>
<tr>
<td>PLUS: Estimated New Maximum Levy for 2017</td>
<td>0</td>
</tr>
<tr>
<td>Estimated 2017 Maximum Levy Prior to Allowable Adjustments</td>
<td>3,826,848</td>
</tr>
<tr>
<td>PLUS: Estimated 2017 Cumulative Capital Development Adjustment (3)</td>
<td>159,083</td>
</tr>
<tr>
<td>PLUS: Estimated 2017 Maximum Mental Health Adjustment (4)</td>
<td>0</td>
</tr>
<tr>
<td>PLUS: Estimated 2017 Maximum Developmental Disabilities Adjustment (4)</td>
<td>0</td>
</tr>
<tr>
<td>Estimated 2017 Maximum Levy</td>
<td>3,985,930</td>
</tr>
</tbody>
</table>

NOTES:

(1) Assessed Value Growth Quotient for Budget Year 2017 is 3.8%. Taxing units in counties which have elected to raise revenue through a local income tax rather than property taxes will have a growth quotient of 0%. Taxing units that qualify under IC 6-1-11.5-25 will have a growth quotient equal to the lesser of the unit’s assessed value growth over the two preceding years or 5%.

(2) Annexation adjustment available for cities and towns and certain other taxing units only. If the amount shown is greater than 1.0, then this taxing unit reported estimated annexation assessed value which has been used to determine the estimated annexation factor.

(3) Cumulative capital development levy adjustment for counties and municipalities only. To estimate the cumulative capital development levy, the 2016 net assessed value has been assumed to grow by 3.8% equivalent to the Assessed Value Growth Quotient. The actual levy adjustment will be computed during the Department's budget review.

(4) Mental health and developmental disabilities adjustments for counties only. If the county unit is appropriating less than the maximum amount estimated above, the estimated 2017 maximum levy should be reduced to correspond to the actual appropriations. The actual levy adjustment will be computed during the Department's budget review.

7/14/2016
<table>
<thead>
<tr>
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<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>County: 01 Adams</td>
<td></td>
</tr>
<tr>
<td>Unit: 0407 DECATUR CIVIL CITY</td>
<td></td>
</tr>
<tr>
<td>Maximum Levy Type: UT Civil</td>
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<tr>
<td>2016 Maximum Levy</td>
<td>3,678,958</td>
</tr>
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<td>0</td>
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</tr>
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</table>
July 14 – Estimate of Debt Levies

- Officially starts in 2018 for Budget Year 2019.
- Before July 15, the Department shall provide each political subdivision with an estimate of the property tax rates that would be imposed by the political subdivision in the budget year for debt service. (IC 6-1.1-17-0.7(b)(2))
- Currently not provided in advance of budget review.
- Actual tax rates will be computed during budget review.
# Debt Service Levy Report

## ESTIMATED DEBT SERVICE LEVY CALCULATION

### EXAMPLE COUNTY

<table>
<thead>
<tr>
<th>Bond Issue</th>
<th>Payments (1/1/2017 – 12/31/2017)</th>
<th>Allowable Operating Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Bond Issue</td>
<td>125,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Anticipated 2016 Bond Issue</td>
<td>250,000</td>
<td>37,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>375,000</strong></td>
<td><strong>97,500</strong></td>
</tr>
</tbody>
</table>

- Total Debt Service Payments Due in Budget Year: 375,000
- Allowable Operating Balance: 97,500
- Total Estimated Need: 472,500
- Less: Estimated Cash Balance: 60,000
- Less: Estimated Miscellaneous Revenues: 30,000
- Total Estimated Debt Service Levy: 382,500
July 14 – Estimate of Cumulative Fund Rates

- Officially starts in 2018 for Budget Year 2019.
- Before July 15, the Department shall provide each political subdivision with an estimate of the property tax rate that could be imposed by the political subdivision in the budget year for each cumulative fund or fund for which a maximum tax rate is established. (IC 6-1.1-17-0.7(b)(1))
- Currently not provided in advance of budget review.
- Actual tax rates will be computed during budget review.
STATE OF INDIANA
INDIANA DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Calculation of Estimated Rate-Controlled Fund Maximum Rates for Budget Year 2017

County: 01 Adams
Unit: 0407 DECATUR CIVIL CITY

Fund: 2391 CUMULATIVE CAPITAL DEVELOPMENT
This fund is contained within the unit's civil maximum levy, which will include an adjustment for this fund.
Assuming the fund is not re-established, the maximum allowable rate for 2017 is estimated to be the lesser of the following:

- 2016 Maximum Rate Cap: 0.0423
- 2016 Certified Tax Rate: 0.0423
- Estimated 2017 Maximum Tax Rate: 0.0423
July 31 – Circuit Breaker Estimates

- Starts in 2016 for Budget Year 2017.
- Before August 1, the Department shall provide each taxing unit an estimate of the amount by which the taxing unit’s property tax distribution will be reduced by circuit breaker credits in the ensuing year. (IC 6-1.1-20.6-11.1)
- The Department shall use the best available assessed value data and maximum levy estimates.
Circuit Breaker Calculations

- Net Assessed Value
- Unit Maximum Levies/Rates

Taxing District Rates

Parcels Level Circuit Breakers
- Taxing District Rates
- Parcel Level Assessed Value

Parcel Level Circuit Breakers
- Parcel Level Circuit Breakers
- Unit Level Rates

Unit Level Circuit Breakers
### ESTIMATED PROPERTY TAX CAP IMPACT REPORT

#### EXAMPLE COUNTY

<table>
<thead>
<tr>
<th>Taxing Unit</th>
<th>Estimated Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example County</td>
<td></td>
</tr>
<tr>
<td>Maximum Levy Funds</td>
<td>$25,000</td>
</tr>
<tr>
<td>Debt Service Funds</td>
<td>$2,000</td>
</tr>
<tr>
<td>Rate-Controlled Funds</td>
<td>$3,000</td>
</tr>
<tr>
<td>Example County Total</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxing Unit</th>
<th>Estimated Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example Township</td>
<td></td>
</tr>
<tr>
<td>Maximum Levy Funds</td>
<td>$2,000</td>
</tr>
<tr>
<td>Debt Service Funds</td>
<td>$0</td>
</tr>
<tr>
<td>Rate-Controlled Funds</td>
<td>$0</td>
</tr>
<tr>
<td>Example Township Total</td>
<td>$2,000</td>
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<tr>
<td>Taxing District</td>
<td>2017</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Example Taxing District</td>
<td>0.6000</td>
</tr>
<tr>
<td>Example County</td>
<td>0.2500</td>
</tr>
<tr>
<td>Example Township</td>
<td>0.9500</td>
</tr>
<tr>
<td>Example City</td>
<td>1.0000</td>
</tr>
<tr>
<td>Example School</td>
<td>0.2000</td>
</tr>
<tr>
<td>Example Taxing District Total</td>
<td>3.0000</td>
</tr>
</tbody>
</table>
## PROPERTY TAX CAP IMPACT BY DISTRICT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example County</strong></td>
<td>$1,000</td>
<td>$800</td>
</tr>
<tr>
<td><strong>Example Township</strong></td>
<td>$400</td>
<td>$350</td>
</tr>
<tr>
<td><strong>Example City</strong></td>
<td>$1,400</td>
<td>$1,100</td>
</tr>
<tr>
<td><strong>Example School</strong></td>
<td>$1,200</td>
<td>$950</td>
</tr>
<tr>
<td><strong>Example Library</strong></td>
<td>$300</td>
<td>$250</td>
</tr>
<tr>
<td><strong>Example Taxing District Total</strong></td>
<td><strong>$4,300</strong></td>
<td><strong>$3,450</strong></td>
</tr>
</tbody>
</table>
July 31 – Estimate of Miscellaneous Revenues

- Officially starts in 2018 for Budget Year 2019.
- Before August 1, the Department shall provide to each political subdivision an estimate of the miscellaneous revenue that the political subdivision will receive in the ensuing year if the political subdivision imposed its rates and levies at their maximums. (IC 6-1.1-17-0.7(c))
July 31 – Estimate of Miscellaneous Revenues

- Estimate of miscellaneous revenues will include at least the following revenue types:
  - Local income taxes
  - Excise taxes – license excise and commercial vehicle excise (CVET)
  - Financial institutions tax
  - Local road & street
  - Motor vehicle highway
  - Cigarette tax
  - Riverboat
County Council Review

- Unit Levies and Rates
- Unit Level Circuit Breakers
County Council Review

- Starts in 2016 for Budget Year 2017.
- The previously existing version of County Council Review has been eliminated.
  - Includes elimination of penalties associated with failure to submit to the county council or failure of the county council to correctly complete the review process.
• Starts in 2016 for Budget Year 2017.
• At the first meeting of the county fiscal body in August, the county fiscal body shall review the estimated levy limits and estimated circuit breaker impacts provided by the Department. (IC 6-1.1-17-3.6(a))
• The county fiscal body may request that representatives from the taxing units in the county attend the meeting. (IC 6-1.1-17-3.6(b))
County Council Review

- The county fiscal body must allow a representative of a taxing unit to comment on the taxing unit’s proposed budgets, levies, and tax rates. (IC 6-1.1-17-3.6(c))
- After the meeting, the county fiscal body may prepare and distribute written recommendations to the county’s taxing units. If written recommendations are not prepared, the minutes of the meeting shall be distributed by the county auditor. (IC 6-1.1-17-3.6(d))
Budget Adoption Process

Notice to Taxpayers  Public Hearing  Budget Adoption
2017 Budgets

• 2017 Budget Form Changes
  • Forms 1 and 4A will include Property Tax Cap credits listed by fund.
  • Form 4B will include **Gross Budgets**.
  • Gross figures on these forms facilitate calculation of tax rates.
2017 Budgets

• 2017 Budget Form Changes
  • Forms 3 and 4 will display Net Budgets.
  • These two budget forms are the most public forms produced.
  • Net budget figures more accurately represent anticipated expenditures than gross figures do.
Notice to Taxpayers (Form 3)

- Starts in 2016 for Budget Year 2017.
- At least 10 days before the public hearing, the political subdivision shall submit its Notice to Taxpayers on Gateway. (IC 6-1.1-17-3(a))
- SEA 321-2016 eliminates the requirement that the Notice to Taxpayers be submitted before September 14.
- Local units will have more control over their budget adoption process due to elimination of arbitrary deadline.
November 1 – Budget Adoption

- Starts in 2016 for Budget Year 2017.
- In formulating a political subdivision’s estimated budget, the political subdivision must consider the net property tax revenue that will be collected during the ensuing year, after taking into account the Department’s estimates of circuit breaker impacts. (IC 6-1.1-17-3(a))
November 1 – Budget Adoption

- Taxing units will start to adopt “net budgets” or “post-circuit breaker budgets”.
- The amount fundable by the net property tax levy and other miscellaneous revenues.
- In the long-term, the Department intends to redo its current Fund Report (Form 4B or 16-Line Statement) to account for this change.
Department Budget Review

- Department Review of Budgets, Levies and Rates
- 1782 Notice Period
- Certified Budget Order
Department Budget Review

- Starts in 2016 for Budget Year 2017.
- For debt service funds and rate-controlled funds (cumulative funds), the Department will complete a similar level of budget review as currently exists.
- For levy-controlled funds, the Department’s level of review will be contingent on the budgets and levies adopted by the local governments.
- IC 6-1.1-17-16
Department Budget Review

• Three-prong test:
  • Adopted levies exceed estimated maximum levies.
    • Same level of budget review as currently exists (budgets, revenues, levies, rates).
  • Adopted levies are within estimated maximum levies, BUT budgets are not fundable.
    • Same level of budget review as currently exists.
  • Adopted levies are within estimated maximum levies AND budgets are fundable.
    • Shortened budget review (levies and rates).
    • Adopted budgets and revenues accepted.
Department Budget Review

- Level of detail of review dependent on local unit adoptions.

- 10 calendar days to review and respond to preliminary budget order.

- Certified Budget Order
Department Budget Review Deadline

- Budget Year 2017 and 2018: February 15 of the budget year.
- Starting for Budget Year 2019:
  - December 31 of the year prior to the budget year; or
  - January 15 of the budget year if a unit in the county is issuing debt in December or is filing a shortfall appeal in December.
- Change in Department deadline makes it more important for local units to take ownership over their budget process.
Department Budget Review

**Department Review of Budgets, Levies and Rates**
- Level of detail of review dependent on local unit adoptions.

**1782 Notice Period**
- 10 calendar days to review and respond to preliminary budget order.

**Certified Budget Order**
- 2017: February 15
- 2018: February 15
- 2019: December 31 or January 15
Contact the Department

• Courtney Schaafsma, Commissioner
  • Telephone: 317.234.5720
  • Email: cschaafsma@dlgf.in.gov
  • Website: www.in.gov/dlgf
  • “Contact Us”: www.in.gov/dlgf/2338.htm