Indiana Property Tax Restructuring and Circuit Breakers

Prepared for Federation of Tax Administrators
September 16, 2008

Presented by Bob Sigalow
Indiana Legislative Services Agency
Indiana Supreme Court: Assessment system is unconstitutional

Begin voluntary parcel-level data collection

First tax restructuring

Begin legislated electronic submission of parcel-level data

Parcel-level analysis of 2002 tax restructuring completed

Data warehouse moves from Oracle to MS SQL Server
2007

- Estimated 23.8% Increase in Homestead Net Tax
  - Annual Adjustment Catch-up
  - Phaseout of inventory tax completed
  - Significant levy increases primarily from new construction
  - State replacement credits capped

Legislative Action
- Additional Homestead Credit from new slot machine revenue
- Local Option Income Tax (LOIT)
Reaction to Property Tax Changes

2007 Session
- LOIT and Homestead Credits

Summer 2007
- "Property Tax Crisis"

2008 Session
- "The Property Tax Session"
2008 Property Tax Plan

- $3 B in local property tax levies assumed by the state
- Redirect $2B in property tax credits to buy local levies
- Sales tax increased from 6% to 7%
- Supplemental homeowner’s deduction = 35% of net AV
- Homestead Credits - Additional $620 M in 2008; $140 M in 2009; $80 M in 2010
Circuit Breakers

- Circuit breakers limit property taxes to a percentage of a property’s gross assessed value

- Taxing units lose revenue

- Provides early taxpayer relief, but allows schools and local units time to transition budgets/spending
## Phase-In of Circuit Breakers

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homesteads</td>
<td>2.0%</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Other Residential (1)</td>
<td>N/A</td>
<td>2.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Apartments</td>
<td>N/A</td>
<td>2.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Agricultural Land</td>
<td>N/A</td>
<td>2.5%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Other Real</td>
<td>N/A</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Personal Property</td>
<td>N/A</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

(1) Includes long-term care and assisted living facilities, and land rented for the placement of a manufactured or mobile home.
### Additional Circuit Breaker for Qualifying Seniors

<table>
<thead>
<tr>
<th>Condition</th>
<th>Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net tax increase capped at 2% per year</td>
<td></td>
</tr>
<tr>
<td>Home value is less than $160,000</td>
<td></td>
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<tr>
<td>Income does not exceed $30,000 ($40,000 for a married couple)</td>
<td></td>
</tr>
</tbody>
</table>
Estimated Average Year-to-Year Change in Homestead Net Tax

2008
• 30.4% Decrease

2009
• 3.4% Increase

2010
• 0.5% Increase
Circuit Breaker Methodology

- Data
- Assessed Value
- Property Tax Levies
- Tax Rates
- Net Tax Before Circuit Breaker
- Circuit Breaker
- Senior Circuit Breaker
- Final Net Tax
- Local Tax Unit Loss
Early Results – 2008 Tax Bills

Allen County (Fort Wayne)
Average 28% reduction for homesteads (without Local Option Income Tax)

Howard County (Kokomo)
Average 50% reduction for homesteads (includes Local Option Income Tax)

Wabash County (Wabash)
Average 82% reduction for homesteads (includes Local Option Income Tax)
42 Counties Reporting – 30% reduction, ranging from -11.5% to -82.0%

Trend – Small reductions caused by large levy increases; Large reductions come from LOIT adoption

Prepared as data is received from the counties
Links to Property Tax Studies

http://www.in.gov/legislative/publications/

2002-2003 Tax Comparisons
Circuit Breaker Report
Property Tax Impact Report
2007-2008 Tax Comparisons


Fiscal Note for HEA 1001 (2008)