

Indiana Property Tax Restructuring and Circuit Breakers

Prepared for Federation of Tax Administrators
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Presented by Bob Sigalow
Indiana Legislative Services Agency

Timetable of Significant Events

1998

Indiana Supreme Court: Assessment system is unconstitutional

2000

Begin voluntary parcel-level data collection

2002

First tax restructuring

2003

Begin legislated electronic submission of parcel-level data

2005

Parcel-level analysis of 2002 tax restructuring completed

2006

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 breaker defined

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

Taxpayer credits for taxes above the limit

- Taxing units lose revenue

Phase-in of circuit breakers

- Provides early taxpayer relief, but allows schools and local units time to transition budgets/spending

Phase-In of Circuit Breakers

	2008	2009	2010
Homesteads	2.0%	1.5%	1.0%
Other Residential ⁽¹⁾	N/A	2.5%	2.0%
Apartments	N/A	2.5%	2.0%
Agricultural Land	N/A	2.5%	2.0%
Other Real	N/A	3.5%	3.0%
Personal Property	N/A	3.5%	3.0%

(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



Net tax increase capped at 2% per year

Home value is less than \$160,000

Income does not exceed \$30,000
(\$40,000 for a married couple)

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)

2007 – 2008 Comparison Reports

Prepared as data is received from the counties



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

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

<http://www.in.gov/legislative/bills/2008/PDF/FISCAL/HB1001.011.pdf>

Fiscal Note for HEA 1001 (2008)