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OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6559

BILL NUMBER: HB 1120

NOTE PREPARED: Mar 1, 2024

BILL AMENDED: Feb 27, 2024

SUBJECT: Property Taxes.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR: Sen. Holdman

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Veteran's Deduction:* This bill increases the assessed value (AV) limit for the disabled veteran property tax deduction from \$200,000 to \$240,000.

Deduction Filing: The bill allows that, for purposes of various property tax deductions, an individual has until January 15 of a calendar year in which property taxes are first due and payable to complete, date, and file the required certified statement with the county auditor.

Controlled Projects: This bill extends through 2025 the expiration of the threshold amounts used for determining whether a political subdivision's project is a controlled project and whether the petition and remonstrance process or the referendum process applies based on the political subdivision's total debt service tax rate. It specifies that a political subdivision's total debt service tax rate does not include a tax rate approved by voters for a referendum debt service tax levy.

MLGQ: The bill extends through 2026 the calculation to be used in determining the maximum levy growth quotient (MLGQ) as added in the 2023 session in House Bill 1499.

Curricular Materials: This bill provides that distributions for curricular materials may not be considered for purposes of determining whether a school corporation met the requirement to expend a minimum amount of state tuition support for teacher compensation. It repeals the requirement that each school maintained by a school corporation and each charter school establish a curricular materials account. The bill also requires a public school to deposit distributions for curricular materials in: (1) the education fund of the school corporation that maintains the school; or (2) the fund in which a charter school receives state tuition support.

Redevelopment Commissions: The bill adds a provision to allow a redevelopment commission to expend revenues from its allocation fund that are allocated for police and fire services on both capital expenditures and operating expenses as authorized in the 2023 session in House Bill 1454.

Township Firefighting/EMS: This bill provides that, if a township transitions from a single township firefighting and emergency services fund to two separate funds as authorized under current law, the township legislative body must approve a transfer of the remaining cash balance from the single fund to the two new separate funds and determine the amounts attributable to each fund.

Task Force: The bill requires the State and Local Tax Review Task Force established in the 2023 session in Senate Bill 3 to study the following topics:

- (1) Changing the qualification requirements for a civil taxing unit to be eligible for a levy increase in excess of limitations.
- (2) Requiring certain projects of a political subdivision to be subject to:
 - (A) the petition and remonstrance process if the political subdivision's total debt service tax rate is more than \$0.40 per \$100 dollars of AV, but less than \$0.80 per \$100 of AV; or
 - (B) the referendum process if the political subdivision's total debt service tax rate is at least \$0.80 per \$100 of AV.
- (3) Capping the total amount of operating referendum tax that may be levied by a school corporation.

The bill also makes technical corrections and conforming changes.

Effective Date: Upon passage; January 1, 2023 (retroactive); January 1, 2024 (retroactive); July 1, 2024; January 1, 2025.

Explanation of State Expenditures: *Task Force:* The State and Local Tax Review Task Force must meet at least four times in CY 2024. There would be no additional expense if the task force studies the additional topics during the remaining planned meetings. However, if the task force holds additional meeting(s) to study the additional topics, then there will be extra expenses for the members who receive per diem, mileage, and other travel reimbursements.

Explanation of State Revenues:

Explanation of Local Expenditures: *Redevelopment Commissions:* Under current law, redevelopment commissions are permitted to expend revenues from a TIF district that are allocated for police and fire services on both capital expenditures and operating expenses. This provision specifies that the expenditures may be made from the allocation fund.

Curricular Materials: This provision requires public schools to deposit amounts currently in the curricular materials account and distributions for curricular materials in the education fund (and in the case of a charter school that does not have an education fund, the fund in which state tuition support distributions are placed) rather than the curricular materials account. However, the bill specifies that amounts received from curricular materials can still only be used to pay for the cost of curricular materials.

(Revised) *Controlled Projects:* This provision could have an indeterminable impact on local units' expenditures and related debt service property tax levies. In addition to the projects that would currently qualify as controlled projects and projects that currently must go through the referendum process, additional projects could become controlled projects and be subject to referendum.

Under current law, the project cost and the unit's gross AV determine whether the project will be controlled and whether it must go through the referendum process. Also under current law, through December 31, 2024, a project is considered a controlled project for a taxing unit that has a *total* debt service tax rate that exceeds \$0.40, and if the *total* debt service tax rate is at least \$0.80 then the unit must hold a referendum. (Under previous law, the unit must hold a referendum only if [1] the referendum threshold is met, and [2] there are sufficient signatures on a petition requesting the referendum.)

This provision extends the tax rate thresholds through 2025. Additionally, retroactive to January 1, 2024, the thresholds are changed to exclude debt service rates imposed as a result of a referendum. Therefore, this provision will make any project a controlled project for a taxing unit that has a *non-referendum* debt service tax rate that exceeds \$0.40. Also, if the *non-referendum* debt service tax rate is at least \$0.80, then the unit must hold a referendum.

Since the uncontrolled project, petition and remonstrance, and referendum processes all have different levels of public vetting, this bill could affect the likelihood that some projects ultimately get approved. Taxes levied for projects that go through the petition and remonstrance process are subject to tax caps and could potentially increase tax cap losses, while the taxes levied for referendum projects do not impact tax cap losses.

Of the 290 school corporations, 148 corporations had a 2024 non-referendum debt service tax rate that exceeded \$0.40. The non-referendum debt tax rate in 15 of those school corporations was at least \$0.80. In addition, two municipalities had 2024 non-referendum debt service tax rates that exceeded \$0.40 but were less than \$0.80. No other taxing unit had a 2024 non-referendum debt service tax rate that exceeded \$0.40. *[A list of taxing units with 2024 non-referendum debt service tax rates of at least \$0.40 is shown as Appendix A.]*

Explanation of Local Revenues: *Veteran's Deduction:* Beginning with taxes payable in CY 2025, this provision will result in an increase in the number of disabled veterans who may qualify for the deduction. Based on current claim rates and homestead values, an estimated additional 5,800 veterans could claim about \$81 M in AV deductions worth about \$1.7 M in taxes. The new deductions will cause tax rates to rise, resulting in tax shifts to other taxpayers to the extent that tax bills do not exceed the tax caps. Some of the tax shift will result in revenue losses to taxing units through higher tax cap credits.

Deduction Filing: Under current law, an application for the following property tax deductions must be completed and dated in the calendar year prior to the year in which taxes are due and must be filed no later than January 5 of the tax payable year: homestead standard, age 65 or over, blind or disabled, disabled veterans, WWI surviving spouse, solar heating or cooling, solar power device, wind power device, hydroelectric power device, geothermal heating or cooling, fertilizer/pesticide storage, model residence, and residence in inventory.

Under this provision, a taxpayer may complete, date, and file the deduction application by January 15 of the year in which the taxes are payable. This provision could result in a minimal increase in deduction filers each year.

Property tax deductions reduce the net AV of the property, shifting taxes to other properties. Homes with a standard deduction are subject to the 1% tax cap rather than the 2% residential tax cap. The deductions and lower tax cap for homesteads can reduce net taxes.

MLGQ: This provision caps CY 2026 maximum levy increases at 4%. The change will reduce local revenue as compared to current law. Taxes in CY 2027 and later are affected because the base for future maximum levies is reduced by the *MLGQ* changes in CY 2026.

The estimated effect on net property taxes by taxpayer class is summarized in the following table for CY 2026 and CY 2027.

Estimated Net Tax Change (In \$Millions)		
Property Type	CY 2026	CY 2027
Homesteads	-19.4	-20.8
Farmland	-3.5	-4.0
Other Residential	-4.3	-4.7
Apartments	-1.6	-1.9
Ag Business	-1.3	-1.4
Other Real	-13.6	-14.2
Personal Property	-8.5	-8.7
Total	-52.2	-55.7

The following table summarizes the estimated net property revenue change by taxing unit type. *[Total estimated local property tax revenue changes by county appear in Appendix B. Estimated local property tax revenue changes by taxing unit are available at [this link.](#)]*

Estimated Net Revenue Change (In \$Millions)		
Unit Type	CY 2026	CY 2027
Counties	-12.7	-13.4
Townships	-2.3	-2.4
Cities and Towns	-10.0	-10.6
School Corporations	-15.2	-16.5
Libraries	-2.5	-2.6
Special Units	-3.1	-3.4
TIF	-6.5	-6.9
Total	-52.2	-55.7
Total Without TIF	-45.7	-48.8

Additional Information -

MLGQ: Under current law, the maximum levies for most civil taxing units and school corporations grow at the same statewide rate, called the *MLGQ*. The *MLGQ* equals the six-year average growth in Indiana nonfarm personal income. The *MLGQ* was capped for all units at 1.04 in CY 2024 and CY 2025. The CY 2026 *MLGQ* is currently estimated at 1.052. There are exceptions to the statewide *MLGQ*, including the following: (1) civil units may appeal for a bigger increase because of large NAV increases, (2) an automatic increase for school corporations that have a large net AV increase, and (3) an appeal for school corporations that incur large increases in transportation costs.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County auditors; Civil taxing units and school corporations; Redevelopment commissions.

Information Sources: LSA Property Tax Database; Local Government Database, Department of Local Government Finance.

Fiscal Analyst: Bob Sigalow, 317-232-9859; Austin Spears, 317-234-9454.

Appendix A.

2024 Non-Referendum Debt Service Tax Rates Exceeding \$0.40

Corp	Municipality / School Corporation	Non-Referendum Debt Rate	Non-Ref > \$0.40	Non-Ref >= \$0.80
	Boonville Civil City	0.6228	X	
	Dyer Civil Town	0.4533	X	
0015	Adams Central Community School Corp	0.5129	X	
0025	North Adams Community School Corp	0.4662	X	
0035	South Adams School Corporation	0.4030	X	
0225	Northwest Allen County School Corp	0.4752	X	
0515	Blackford County School Corporation	0.4148	X	
0615	Western Boone County School Corporation	0.5082	X	
0630	Zionsville Community School Corporation	0.6944	X	
0755	Delphi Community School Corporation	0.5497	X	
0875	Logansport Community School Corporation	0.7408	X	
0935	Borden-Henryville School Corporation	0.4165	X	
0945	Silver Creek School Corporation	0.6918	X	
1000	Clarksville Community School Corporation	0.7711	X	
1010	Greater Clark County School Corporation	0.6969	X	
1150	Clinton Central School Corporation	0.4143	X	
1170	Frankfort Community School Corporation	0.5414	X	
1180	Rossville Consolidated School Corp	0.4021	X	
1560	Sunman-Dearborn Community School Corp	0.5624	X	
1600	South Dearborn Community School Corp	0.6775	X	
1820	Garrett-Keyser-Butler Comm School Corp	0.5958	X	
1875	Delaware Community School Corporation	0.4445	X	
1885	Wes-Del Community School Corp	0.4155	X	
1940	Daleville Community Schools	0.5607	X	
1970	Muncie Community School Corporation	0.5005	X	
2110	Southwest Dubois County School Corp	0.4010	X	
2120	Greater Jasper Consolidated School Corp	0.5506	X	
2155	Fairfield Community School Corporation	0.5545	X	
2260	Baugo Community School Corporation	0.7900	X	
2270	Concord Community School Corporation	0.7756	X	
2275	Middlebury Community School Corporation	0.7995	X	
2285	Wa-Nee Community School Corporation	0.4484	X	
2315	Goshen Community School Corporation	0.4846	X	
2435	Attica Consolidated School Corporation	0.5110	X	
2455	Southeast Fountain School Corporation	0.4960	X	
2645	Rochester Community School Corporation	0.4064	X	
2735	North Gibson School Corporation	0.4758	X	
2855	Mississinewa Community School Corp	0.7031	X	
2950	Linton-Stockton School Corporation	0.7799	X	
2960	M.S.D. Shakamak School Corporation	0.4086	X	
3005	Hamilton Southeastern School Corporation	0.4830	X	
3025	Hamilton Heights School Corporation	0.6577	X	
3030	Westfield-Washington School Corporation	0.6402	X	
3055	Sheridan Community Schools	0.6604	X	
3070	Noblesville School Corporation	0.4567	X	
3115	Southern Hancock County Comm School Corp	0.6268	X	
3125	Greenfield Central Community School Corp	0.5834	X	
3135	Mt. Vernon Community School Corporation	1.1000	X	X
3295	Northwest Hendricks School Corporation	0.7778	X	

Appendix A.

2024 Non-Referendum Debt Service Tax Rates Exceeding \$0.40

Corp	Municipality / School Corporation	Non-Referendum Debt Rate	Non-Ref > \$0.40	Non-Ref >= \$0.80
3305	Brownsburg Community School Corporation	1.0113	X	X
3315	Avon Community School Corporation	0.9780	X	X
3325	Danville Community School Corporation	0.8700	X	X
3330	Plainfield Community School Corporation	0.5190	X	
3335	Mill Creek Community School Corporation	0.5671	X	
3405	Blue River Valley School Corporation	0.9374	X	X
3415	South Henry School Corporation	0.4980	X	
3445	New Castle Community School Corporation	0.4011	X	
3455	Charles A. Beard Memorial School Corp	0.7876	X	
3460	Taylor Community School Corporation	0.7138	X	
3470	Northwestern School Corporation	0.4262	X	
3480	Eastern Howard Community School Corp	1.0000	X	X
3490	Western School Corporation	0.4792	X	
3500	Kokomo School Corporation	0.4763	X	
3640	Medora Community School Corporation	0.9176	X	X
3675	Seymour Community School Corporation	0.4846	X	
3695	Brownstown Central Community School Corp	0.4086	X	
3710	Crothersville Community School Corp	0.6599	X	
3945	Jay County School Corporation	0.4532	X	
4145	Clark-Pleasant Community School Corp	0.9648	X	X
4205	Center Grove Community School Corp	0.7184	X	
4215	Edinburgh Community School Corporation	0.6454	X	
4225	Franklin Community School Corporation	0.7999	X	
4255	Nineveh-Hensley-Jackson United Sch Corp	0.5368	X	
4335	Vincennes Community School Corporation	0.4228	X	
4415	Warsaw Community School Corporation	0.4276	X	
4445	Tippecanoe Valley School Corporation	0.4230	X	
4455	Whitko Community School Corporation	0.4423	X	
4580	Hanover Community School Corporation	0.5463	X	
4590	River Forest Community School Corp	0.6303	X	
4600	Merrillville School Corporation	0.5077	X	
4645	Tri Creek School Corporation	0.7495	X	
4650	Lake Ridge School Corporation	1.3729	X	X
4660	Crown Point Community School Corporation	0.7887	X	
4680	Lake Station School Corporation	0.7916	X	
4690	Gary Community School Corporation	0.7081	X	
4700	Griffith Public School Corporation	0.7395	X	
4710	Hammond City School Corporation	0.5141	X	
4720	Highland Town School Corporation	0.5839	X	
4730	School City Of Hobart School Corporation	1.0258	X	X
4860	New Durham Township School Corporation	0.5074	X	
4925	Michigan City Area School Corporation	0.4328	X	
4940	South Central Community School Corp	0.5146	X	
4945	Laporte Community School Corporation	0.4415	X	
5085	Mitchell Community School Corporation	0.6514	X	
5245	Frankton-Lapel Community School Corp	0.8181	X	X
5255	South Madison Community School Corp	0.6444	X	
5275	Anderson Community School Corporation	0.6492	X	
5280	Elwood Community School Corporation	0.8579	X	X

Appendix A.

2024 Non-Referendum Debt Service Tax Rates Exceeding \$0.40

Corp	Municipality / School Corporation	Non-Referendum Debt Rate	Non-Ref > \$0.40	Non-Ref >= \$0.80
5300	M.S.D. Decatur Township School Corp	0.6942	X	
5310	Franklin Township Community School Corp	0.6653	X	
5360	M.S.D. Warren Township School Corp	0.5200	X	
5375	M.S.D. Wayne Township School Corporation	1.0000	X	X
5380	Beech Grove City School Corporation	1.1184	X	X
5470	Argos Community School Corporation	0.5239	X	
5485	Plymouth Community School Corp	0.4762	X	
5625	Oak Hill United School Corporation	0.7282	X	
5635	Peru Community School Corporation	0.6680	X	
5705	Richland-Bean Blossom Comm School Corp	0.6462	X	
5845	South Montgomery Community School Corp	0.4426	X	
5855	Crawfordsville Community School Corp	0.7375	X	
5900	Monroe-Gregg School Corporation	0.6853	X	
5930	Mooreville Consolidated School Corp	0.4078	X	
6080	Rising Sun-Ohio County Comm School Corp	0.5437	X	
6260	Southwest Parke Community School Corp	0.4463	X	
6325	Perry Central Community School Corp	0.4615	X	
6340	Cannelton City School Corporation	1.3211	X	X
6350	Tell City-Troy Township School Corp	0.6898	X	
6460	Boone Township School Corporation	0.7890	X	
6510	East Porter County School Corporation	0.5386	X	
6520	Porter Township School Corporation	0.5771	X	
6530	Union Township School Corporation	0.4242	X	
6705	South Putnam Community School Corp	0.6400	X	
6715	North Putnam Community School Corp	0.6942	X	
6755	Greencastle Community School Corporation	0.6199	X	
6835	Randolph Eastern School Corporation	0.5303	X	
6865	South Ripley Community School Corp	0.4628	X	
6910	Milan Community School Corporation	0.5179	X	
7150	John Glenn School Corporation	0.4488	X	
7175	Penn-Harris-Madison-School Corporation	0.4265	X	
7200	Mishawaka City School Corporation	0.6870	X	
7215	Union-North United School Corporation	0.5672	X	
7230	Scott County District No. 1 School Corp	0.4065	X	
7255	Scott County District No. 2 School Corp	0.4456	X	
7285	Shelby Eastern School Corporation	0.5477	X	
7350	Northwestern Consolidated School Corp	0.4180	X	
7365	Shelbyville Central School Corporation	0.5621	X	
7525	Knox Community School Corporation	0.4007	X	
7865	Tippecanoe School Corporation	0.4778	X	
7875	West Lafayette Community School Corp	0.4909	X	
7945	Tipton Community School Corporation	0.4177	X	
8045	Manchester Community School Corporation	0.4531	X	
8050	M.S.D. Wabash County School Corporation	0.5882	X	
8060	Wabash City School Corporation	0.6424	X	
8115	M.S.D. Warren County School Corp	0.5187	X	
8205	Salem Community School Corporation	0.5008	X	
8215	East Washington School Corporation	0.4338	X	
8355	Western Wayne School Corporation	0.4785	X	

Appendix A.

2024 Non-Referendum Debt Service Tax Rates Exceeding \$0.40

Corp	Municipality / School Corporation	Non-Referendum Debt Rate	Non-Ref > \$0.40	Non-Ref >= \$0.80
8360	Centerville-Abington Comm School Corp	0.4786	X	
8375	Northeastern Wayne School Corporation	0.4501	X	
8445	M.S.D. Bluffton-Harrison School Corp	0.4879	X	
	Count		150	15

Appendix B

Estimated Change in Revenue From MLGO Cap			
Cnty	County	CY 2026	CY 2027
01	Adams	-224,000	-241,000
02	Allen	-3,546,000	-3,762,000
03	Bartholomew	-709,000	-731,000
04	Benton	-139,000	-150,000
05	Blackford	-67,000	-72,000
06	Boone	-1,141,000	-1,219,000
07	Brown	-130,000	-137,000
08	Carroll	-96,000	-101,000
09	Cass	-234,000	-258,000
10	Clark	-1,092,000	-1,255,000
11	Clay	-168,000	-177,000
12	Clinton	-232,000	-243,000
13	Crawford	-45,000	-47,000
14	Daviess	-252,000	-266,000
15	Dearborn	-318,000	-337,000
16	Decatur	-264,000	-275,000
17	DeKalb	-560,000	-588,000
18	Delaware	-379,000	-399,000
19	Dubois	-368,000	-403,000
20	Elkhart	-2,007,000	-2,157,000
21	Fayette	-127,000	-135,000
22	Floyd	-578,000	-599,000
23	Fountain	-150,000	-166,000
24	Franklin	-172,000	-181,000
25	Fulton	-169,000	-180,000
26	Gibson	-426,000	-442,000
27	Grant	-329,000	-343,000
28	Greene	-151,000	-160,000
29	Hamilton	-4,826,000	-5,287,000
30	Hancock	-768,000	-822,000
31	Harrison	-305,000	-321,000
32	Hendricks	-1,706,000	-1,884,000
33	Henry	-222,000	-229,000
34	Howard	-334,000	-352,000
35	Huntington	-204,000	-214,000
36	Jackson	-401,000	-416,000
37	Jasper	-349,000	-366,000
38	Jay	-175,000	-201,000
39	Jefferson	-128,000	-132,000
40	Jennings	-246,000	-258,000
41	Johnson	-1,267,000	-1,388,000
42	Knox	-466,000	-498,000
43	Kosciusko	-814,000	-851,000
44	LaGrange	-334,000	-352,000
45	Lake	-3,203,000	-3,314,000
46	LaPorte	-601,000	-639,000
47	Lawrence	-370,000	-386,000
48	Madison	-449,000	-474,000
49	Marion	-5,569,000	-6,108,000
50	Marshall	-383,000	-405,000
51	Martin	-85,000	-89,000
52	Miami	-190,000	-207,000
53	Monroe	-1,540,000	-1,634,000
54	Montgomery	-351,000	-366,000
55	Morgan	-624,000	-655,000

Appendix B

Estimated Change in Revenue From MLGO Cap			
Cnty	County	CY 2026	CY 2027
56	Newton	-199,000	-210,000
57	Noble	-500,000	-530,000
58	Ohio	-44,000	-47,000
59	Orange	-179,000	-188,000
60	Owen	-155,000	-163,000
61	Parke	-134,000	-141,000
62	Perry	-117,000	-123,000
63	Pike	-75,000	-75,000
64	Porter	-1,585,000	-1,679,000
65	Posey	-387,000	-406,000
66	Pulaski	-145,000	-153,000
67	Putnam	-220,000	-231,000
68	Randolph	-191,000	-202,000
69	Ripley	-233,000	-244,000
70	Rush	-145,000	-154,000
71	St. Joseph	-1,206,000	-1,271,000
72	Scott	-165,000	-172,000
73	Shelby	-412,000	-429,000
74	Spencer	-286,000	-300,000
75	Starke	-199,000	-209,000
76	Steuben	-444,000	-467,000
77	Sullivan	-144,000	-149,000
78	Switzerland	-89,000	-94,000
79	Tippecanoe	-1,521,000	-1,648,000
80	Tipton	-142,000	-150,000
81	Union	-63,000	-66,000
82	Vanderburgh	-667,000	-580,000
83	Vermillion	-131,000	-136,000
84	Vigo	-333,000	-352,000
85	Wabash	-217,000	-226,000
86	Warren	-108,000	-114,000
87	Warrick	-704,000	-741,000
88	Washington	-165,000	-175,000
89	Wayne	-137,000	-135,000
90	Wells	-249,000	-261,000
91	White	-284,000	-297,000
92	Whitley	-286,000	-301,000
	Total	-52,246,000	-55,686,000