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FISCAL IMPACT STATEMENT

LS 6605

BILL NUMBER: HB 1246

NOTE PREPARED: Feb 28, 2022

BILL AMENDED: Feb 28, 2022

SUBJECT: Fire Protection Territories and Local Income Taxation.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR: Sen. Buchanan

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Maximum Levy Appeal:* This bill provides that a fire protection territory (FPT) that experiences more than 6% population growth during a 10 year period may increase its maximum property tax levy for 2023 or any year thereafter by an amount based on the population growth that exceeds 6%.

The bill provides, however, that the FPT may not increase the tax levy based on the population growth by a total rate of more than 0.15 per \$100 of the net assessed value of the fire protection territory area within a 10 year period.

Levy Phase-in: This bill allows a total tax rate levied upon the formation of a FPT established after December 31, 2022, to be implemented over a number of years, not exceeding five, and subject to review and approval by the Department of Local Government Finance (DLGF).

TIF: The bill provides that a participating unit's proceeds of property taxes imposed to meet the participating unit's obligations to a FPT are exempt from areas needing redevelopment, redevelopment project areas, urban renewal project areas, economic development areas, or economic development districts established after December 31, 2021.

Local Income Tax: The bill also provides that, in the case of counties that provide emergency medical services for all local units in the county and pay 100% of the costs to provide those services, the fiscal body of the county may adopt an ordinance to impose a local income tax (LIT) rate for emergency medical services in the county. It provides that the tax rate may not exceed 0.2%. The bill provides that the LIT revenue shall be distributed directly to the county before the remainder of the expenditure rate revenue is distributed and

must be deposited in a dedicated fund to be used only for paying for operating costs incurred by the county emergency medical services that are provided throughout the county. It also provides that the tax rate may not be in effect for more than 25 years.

Effective Date: Upon passage; January 1, 2022 (retroactive); July 1, 2022.

Explanation of State Expenditures: *Maximum Levy Appeal:* The setting of maximum levies is a normal work activity for the DLGF. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations.

Local Income Tax: The Department of State Revenue (DOR), State Budget Agency (SBA), and Department of Local Government Finance (DLGF) will incur additional costs to administer an additional local income tax rates. These agencies' current level of resources should be sufficient to implement this provision.

Explanation of State Revenues:

Explanation of Local Expenditures: *Local Income Tax:* This provision allows a county fiscal body to impose a local income tax rate dedicated to paying for emergency medical services for all local units in the county. The revenue attributable to the rate must be maintained in a separate dedicated county fund and used only for the purposes specified in the bill. A county fiscal body should have sufficient resources to pass the required ordinance and establish the specified fund.

Explanation of Local Revenues: *Maximum Levy Appeal:* Beginning with CY 2023 levies, the maximum levy for FPTs may be increased depending on their population growth and whether the provider unit petitions the DLGF for an increase. Increased levies could cause lost revenue through tax caps for taxing units that intersect the qualifying FPTs. The actual impact depends on the number of qualifying FPTs that petition for an increase.

FPTs provide fire services to the area within their boundaries and are comprised of a provider unit and participating units. There are currently 61 FPTs in the state. Population data is not readily available for FPTs. The number of FPTs that could qualify for a maximum levy increase under this provision is not currently known.

Levy Phase-in: This provision could result in lower levies than under current law for participating units in a new FPT for up to four years. Under current law, the adjustment to a participating unit's maximum levy for a new FPT may be phased in over three years upon request of the unit. For FPTs established beginning in 2023, this bill allows a five year phase-in of the maximum levy increase. Lower levies and tax rates in the first four years could help reduce revenue reductions due to tax caps.

TIF: This provision could result in higher revenues for FPTs in an area where a new TIF allocation area or economic development area is established beginning in 2022. The TIF area will not receive an allocation of taxes based on the FPT tax rate. Instead, the FPT will keep the revenue. The FPT tax rate will be reduced as a result of any new assessed value in the TIF area, possibly reducing tax cap losses.

(Revised) *Local Income Tax:* Under this provision, the maximum local income tax rate a county fiscal body may impose is 0.2%. All revenue collected from this rate is distributed to the county unit and must be used to pay all costs to provide emergency medical services to all local units in the county. A county unit could receive their first certified distribution of this revenue in CY 2023 if the county fiscal body passes an

ordinance before November 1, 2022. The table at the end of the fiscal note contains CY 2023 and CY 2024 revenue estimates for each 0.1% of a rate a county may impose. Ultimately, the fiscal impact depends on local decisions.

The bill does not increase the maximum possible local income tax expenditure rate. The county emergency medical services rate established in the bill is a dedicated use of the existing expenditure rate capacity. The maximum expenditure rate for all counties other than Marion County remains 2.5%. The maximum rate for Marion County remains 2.75%. If a county fiscal body imposes this rate, it will reduce the rate capacity of the county's adopting body.

State Agencies Affected: Department of Local Government Finance; Department of State Revenue; State Budget Agency.

Local Agencies Affected: Fire Protection Territories; Local civil taxing units and school corporations.

Information Sources: Local Government Database; State Budget Agency, CY 2022 Certified Distribution of Local Income Tax, certified November 22, 2021.

Fiscal Analyst: Bob Sigalow, 317-232-9859; Heath Holloway, 317-232-9867.

Estimated Local Income Tax Revenue from a 0.1% LIT Rate (\$M)*					
County	CY 2023	CY 2024	County	CY 2023	CY 2024
Adams	\$0.880	\$0.873	Lawrence	\$1.043	\$1.014
Allen	\$11.502	\$11.561	Madison	\$2.876	\$2.837
Bartholomew	\$2.598	\$2.625	Marion	\$25.760	\$26.534
Benton	\$0.221	\$0.219	Marshall	\$1.238	\$1.217
Blackford	\$0.243	\$0.233	Martin	\$0.226	\$0.230
Boone	\$3.915	\$3.849	Miami	\$0.647	\$0.629
Brown	\$0.393	\$0.377	Monroe	\$3.882	\$3.902
Carroll	\$0.551	\$0.541	Montgomery	\$0.892	\$0.885
Cass	\$0.767	\$0.753	Morgan	\$1.974	\$1.908
Clark	\$3.499	\$3.502	Newton	\$0.343	\$0.335
Clay	\$0.566	\$0.554	Noble	\$1.093	\$1.088
Clinton	\$0.746	\$0.736	Ohio	\$0.143	\$0.139
Crawford	\$0.198	\$0.190	Orange	\$0.373	\$0.367
Daviess	\$0.830	\$0.816	Owen	\$0.459	\$0.446
Dearborn	\$1.539	\$1.498	Parke	\$0.341	\$0.328
Decatur	\$0.681	\$0.696	Perry	\$0.406	\$0.403
DeKalb	\$1.250	\$1.265	Pike	\$0.331	\$0.324
Delaware	\$2.297	\$2.254	Porter	\$6.073	\$6.052
Dubois	\$1.391	\$1.394	Posey	\$0.814	\$0.815
Elkhart	\$6.118	\$6.256	Pulaski	\$0.269	\$0.264
Fayette	\$0.426	\$0.409	Putnam	\$0.865	\$0.857
Floyd	\$2.795	\$2.739	Randolph	\$0.512	\$0.496
Fountain	\$0.405	\$0.394	Ripley	\$0.780	\$0.777
Franklin	\$0.683	\$0.648	Rush	\$0.402	\$0.394
Fulton	\$0.462	\$0.450	St. Joseph	\$7.548	\$7.571
Gibson	\$0.969	\$0.985	Scott	\$0.480	\$0.470
Grant	\$1.170	\$1.145	Shelby	\$1.165	\$1.160
Greene	\$0.689	\$0.656	Spencer	\$0.538	\$0.529
Hamilton	\$19.989	\$20.072	Starke	\$0.451	\$0.435
Hancock	\$2.776	\$2.770	Steuben	\$1.036	\$1.030
Harrison	\$1.042	\$1.019	Sullivan	\$0.417	\$0.413
Hendricks	\$6.152	\$6.159	Switzerland	\$0.206	\$0.201
Henry	\$1.046	\$1.015	Tippecanoe	\$4.721	\$4.785
Howard	\$2.011	\$2.017	Tipton	\$0.384	\$0.378
Huntington	\$0.923	\$0.907	Union	\$0.164	\$0.159
Jackson	\$1.123	\$1.129	Vanderburgh	\$4.904	\$4.964
Jasper	\$0.842	\$0.832	Vermillion	\$0.358	\$0.352
Jay	\$0.396	\$0.391	Vigo	\$2.307	\$2.299
Jefferson	\$0.857	\$0.845	Wabash	\$0.774	\$0.759
Jennings	\$0.573	\$0.556	Warren	\$0.246	\$0.241
Johnson	\$5.355	\$5.324	Warrick	\$2.369	\$2.308
Knox	\$0.916	\$0.902	Washington	\$0.578	\$0.557
Kosciusko	\$2.282	\$2.292	Wayne	\$1.423	\$1.403
LaGrange	\$1.077	\$1.070	Wells	\$0.742	\$0.730
Lake	\$13.555	\$13.506	White	\$0.607	\$0.598
LaPorte	\$2.691	\$2.664	Whitley	\$1.002	\$0.989

* A county may impose a rate of up to 0.2% for emergency medical services.