

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6726
BILL NUMBER: HB 1328

NOTE PREPARED: Feb 29, 2024
BILL AMENDED: Feb 26, 2024

SUBJECT: Department of Local Government Finance.

FIRST AUTHOR: Rep. Snow
FIRST SPONSOR: Sen. Bassler

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *State Assessed Distributable AVs:* This bill requires the Department of Local Government Finance (DLGF) to notify the county assessor of the DLGF's tentative assessment, or information related to tentative valuation changes, of a utility company's distributable property not later than June 1.

PTABOA Membership: This bill provides for the staggering of terms for property tax assessment board of appeals (PTABOA) members.

Certified AV Amendments: This bill requires a county auditor to submit an amended certified statement of the assessed value for the ensuing year to the DLGF by the later of: (1) September 1; or (2) 15 days after the certified statement is submitted to the DLGF.

Local Unit Appeals Oversight: This bill prohibits certain civil taxing units that determine they cannot carry out their governmental functions for an ensuing calendar year under various levy limitations from submitting an appeal unless the civil taxing unit receives approval from the appropriate fiscal body to submit the appeal. It similarly prohibits a participating unit of a fire protection territory from submitting an appeal unless each participating unit of the fire protection territory has adopted a resolution approving submission of the appeal. It also provides that, for purposes of the transportation levy component of an operations fund property tax levy, a school corporation, whose budget for the upcoming year is subject to review by a fiscal body, may not submit an appeal to the DLGF unless the school corporation receives approval from the fiscal body.

Certification of Public Questions: This bill requires the DLGF, regarding the referendum process for bonds or leases for certain projects, to certify its approval or recommendations to the county auditor and the county

election board not more than 10 days after both the required certification of the county auditor and the language of the public question are submitted to the DLGF for review. The bill also requires the DLGF to send its decision regarding referendum language to the governing body of a school corporation not more than 10 days after: (1) the certification of the county auditor; and (2) the resolution is submitted to the DLGF.

LIT Levy Freeze Rate: This bill requires the DLGF to approve a lower levy freeze tax rate if it finds that the lower rate, in addition to: (1) the supplemental distribution as determined in an adopted resolution; and (2) the amount in certain repealed stabilization funds, as applicable; would fund the levy freeze dollar amount.

Property Tax Management Software Compliance: This bill provides that if the DLGF determines that certified computer software or a certified provider is not in compliance with certain specifications or standards or the rules of the DLGF, the DLGF may request that the provider develop a corrective action plan. It provides that a contract with a computer provider under a corrective action plan is not void unless the DLGF: (1) determines that the provider has failed to substantially correct the noncompliance; and (2) revokes the provider's certification. It also establishes corrective action plan provisions for noncompliant computer providers.

TIF Allocation Areas Involving Certain Military Bases: This bill provides that for a county having a United States government military base that is scheduled for closing, the expiration date of the allocation area may be extended for the purposes of paying certain expenses.

CMHC Designation: This bill provides that certain acute care hospitals may apply to the Division of Mental Health and Addiction for certification as a community mental health center (CMHC). It requires the Division of Mental Health and Addiction to review applications for certification as a CMHC: (1) to ensure an applicant meets certain standards; and (2) without consideration for previously established exclusive geographic primary service restrictions.

Fire Services/EMS Contracts: This bill requires a political subdivision to upload to the Indiana transparency website (Gateway) any contract: (1) related to the provision of fire services or emergency medical services; or (2) entered into with another unit or entity that provides fire services or emergency medical services. It requires a political subdivision to annually attest that the political subdivision uploaded any contract related to the provision of fire services or emergency medical services as a part of the political subdivision budgeting process and specifies the consequence for failure to satisfy the attestation requirement.

Public Funds Definition: This bill provides that for purposes of public purchasing, the term "public funds" does not include proceeds of bonds payable exclusively by, or used by, a private entity.

Specialized Employee Services Contracts: This bill provides a 15% procurement price preference to a business offering to provide supplies or services under a contract awarded by a state agency to a business that provides "specialized employee services" to its employees.

Homestead Deduction for Business Entities: This bill reinstates a provision that was repealed in SEA 325-2023 (P.L.182-2023) that includes as a "homestead" property that is an individual's principal place of residence, is located in Indiana, and is owned by an entity, if the individual is a shareholder, partner, or member of the entity that owns the property.

Police and Fire Department Compensation: This bill provides that no ordinance or safety board action to fix compensation may provide for any increase in the compensation of any member of a police department

or fire department, or any other appointee, from the prior budget year if the city has not fixed a budget, tax rate, and tax levy for the ensuing budget year.

County Clerk and County Auditor Stipends: This bill provides that a county fiscal body may provide a stipend, not to exceed \$2,500, to a circuit court clerk that serves as a voter registration officer each year in which a general election is held. It also provides that a county fiscal body may establish a salary schedule that includes a stipend, not to exceed \$2,500 in a year, to be paid to the county auditor for duties when warranted as determined by the county fiscal body.

Additional Appropriations from Local Units: This bill requires the proper officers of a political subdivision that desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined to hold a public hearing after submitting information regarding the proposed additional appropriation to Gateway.

Recorder Documents for Farms: This bill requires a county recorder to provide the owner of a farm with: (1) a copy of the recorded document that contains the name of the owner's farm; and (2) documentation of a description of the land to which the name of the farm applies.

Maximum Levy for Knox Township: This bill provides for a maximum property tax levy increase for Knox Township in Jay County.

Personal Property Late Filing Penalties: This bill provides the amount of the additional penalty added to taxes payable if a person fails to file a personal property return within 30 days after the due date.

Religious Nonprofit Corporation Exemption: This bill allows a qualified taxpayer to file a property tax exemption application before September 1, 2024, for eligible property for assessment dates beginning within assessment dates occurring within the six years prior to the assessment date at issue. It provides that if a qualified taxpayer files a property tax exemption application for eligible property: (1) the property tax exemption for the eligible property is allowed and granted for the applicable assessment date by the county assessor and county auditor of the county in which the eligible property is located; and (2) the qualified taxpayer is not required to pay any property taxes, penalties, interest, or tax sale reimbursement expenses with respect to the eligible property for the applicable assessment date. It also provides that, to the extent the qualified taxpayer has paid any property taxes, penalties, or interest with respect to the eligible property for an applicable assessment date, the qualified taxpayer is entitled to a refund of the amounts paid.

Entrepreneur and Enterprise Districts: This bill extends the duration of an Entrepreneur and Enterprise District (EED) to the later of: (1) December 31, 2029 (rather than December 31, 2024); or (2) five years after the date the district is designated.

Rental Property Assessments: This bill amends provisions of a statute pertaining to the assessment of rental property.

Judicial System LIT - This bill makes certain changes to provisions regarding the local income tax rate for local costs of the state judicial system in the county.

Economic Improvement Districts: This bill repeals a provision that prohibits a local unit from amending the boundaries of an Economic Improvement District (EID). It, instead, allows a local unit to amend the boundaries of an EID only if an owner of real property wishes to include the owner's real property in the EID

and voluntarily enters into a written agreement with the legislative body of the local unit in which the owner requests and consents to increasing the boundaries of the EID to include the owner's real property. The bill specifies that, for real property subject to such a written agreement that is subsequently sold to a new owner, the new owner of that real property may opt out of the prior owner's agreement.

Effective Date: Upon passage; January 1, 2024 (retroactive); May 1, 2024 (retroactive); July 1, 2024; January 1, 2026.

Explanation of State Expenditures: *State Assessed Distributable AVs, Certified AV Amendments, Certification of Public Questions, LIT Levy Freeze Rate, Fire Services/EMS Contracts, Maximum Levy for Knox Township:* These provisions are within the DLGF's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Property Tax Management Software Compliance: These provisions may result in an increase in the administrative workload for the DLGF to the extent that the agency would have to review a corrective action plan from a software vendor that they determine is out of compliance with the software standards and verify that the software vendor's plan does indeed correct the issues that caused the noncompliance status. Additionally, the administrative workload for the DLGF could increase if the agency decides to initiate a revocation proceeding in the event the software vendor fails to submit a corrective action plan or the corrective action plan does not remedy the issues.

CMHC Designation: This bill's provisions will result in an increase in the administrative workload for the Family and Social Services Administration's Division of Mental Health and Addiction. The division will be tasked with reviewing applications from acute care hospitals that meet the criteria specified in the bill for certification as a CMHC (1) to ensure an applicant meets certain standards and (2) without consideration for previously established exclusive geographic primary service restrictions.

Specialized Employee Services Contracts: This bill's provisions may result in an increase in the administrative workload for the Department of Administration (DOA) since the DOA would be required to determine if an applicable business awarded a contract with the state meets the requirements of a "business providing specialized employee services." These provisions are within the DOA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Entrepreneur and Enterprise Districts: This bill extends the period of time during which the Indiana Economic Development Corporation (IEDC) is allowed to make grants from the Indiana 21st Century Research and Technology Fund to Entrepreneur and Enterprise Districts (EED) boards. Per statute, Fort Wayne and Lafayette are currently the only qualified municipalities implementing the EED pilot program. The total amount of grants allowed to each EED annually is \$1 M, for a total of \$2 M. The actual amount granted will depend on IEDC guidelines, the amount for which municipalities apply, and the IEDC's discretion in awarding grants. This provision is within the IEDC's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Appropriations from Local Units: This bill requires the proper officers of a political subdivision that desire to do an additional appropriation to the current year's certified budget to upload the additional appropriation information to Gateway at least 14 days prior to the public hearing on the additional

appropriation. The DLGF will then make this information available via the public side of Gateway at least 10 days prior to the public hearing on the additional appropriation. This requirement may result in an additional expense to the DLGF since they will have to work with the Indiana Business Research Center (IBRC) to help create an application on the public side of Gateway where the additional appropriation information can be searched and viewed.

Additional Information - The IBRC is the entity tasked with overseeing the public side of Gateway. The IBRC works with the applicable state agencies to make the data that the agencies receive from local units of government available to the public. The DLGF currently administers an Additional Appropriations application on Gateway that local units use to submit certain information pertaining to additional appropriations; however, this information is not currently available on the public side of Gateway. The DLGF's current contract with the IBRC goes from July 1, 2023, through June 30, 2024, and is in the amount of \$88,000.

Explanation of State Revenues:

Explanation of Local Expenditures: *State Assessed Distributable AVs:* This provision should have little to no fiscal impact for county assessors.

PTABOA Membership: This provision may result in a decrease in the administrative workload for PTABOAs in the long run. Staggering the expiration date of the members allows the board to meet regularly and conduct business, thereby potentially preventing a backlog of appeals from accumulating because the board cannot conduct business for lack of a quorum.

Certified AV Amendments: This provision should have little to no fiscal impact for county auditors since county auditors currently have the ability to submit an amended certification of net assessed values (CNAV). The current deadline for submitting an amended CNAV is September 1. This bill's provisions edit the deadline slightly to be the later of either September 1 or 15 days after the original CNAV was submitted.

Local Unit Appeals Oversight: These provisions will result in an increase in the administrative workload for the applicable fiscal body that is tasked with reviewing and approving excess levy appeal requests before the local unit may submit the appeal request to the DLGF for its review.

Certification of Public Questions: These provisions should have little to no fiscal impact for county auditors.

LIT Levy Freeze Rate: This provision may result in a minor increase in the administrative workload for county auditors since the auditor's office would be the likely source of information for providing the LIT Levy Freeze Stabilization Fund balance that would be required as part of a county's request to lower its levy freeze tax rate.

Property Tax Management Software Compliance: The impact on the administrative workload and expenditures for county auditors, assessors, and treasurers is indeterminable. The actual impact will be contingent on whether a software system that a county uses is determined to be non-compliant by the DLGF and the software vendor fails to correct the issues via a corrective action plan. The county would then experience an increase in administrative workload for transitioning over to a different software system that is compliant. Additionally, county expenditures could increase if the new, compliant software system is more expensive than the previous, non-compliant software system. The actual fiscal impact will be both county and software vendor specific.

TIF Allocation Areas Involving Certain Military Bases: This provision may result in a minor increase in the long-term administrative workload for the applicable county auditor and applicable redevelopment commission or authority that are currently providing the administration, oversight, and reporting responsibilities for the allocation area to the extent that the county fiscal body approves an extension of the allocation area's expiration date.

Fire Services/EMS Contracts: These provisions may result in an increase in the administrative workload for the executives of political subdivisions or other designated individuals (where applicable and approved by ordinance or resolution) to the extent the political subdivisions have any contracts (1) related to the provision of fire services or emergency medical services or (2) entered into with another unit or entity that provides fire services or emergency medical services that would need to be uploaded to Gateway within 60 days after the date the contract is executed. Currently, the political subdivisions would only need to upload these contracts if they exceeded \$50,000. This bill's provisions would remove the cost threshold for these particular contracts, thereby requiring any contracts pertaining to the services listed above to be uploaded to Gateway. Additionally, the bill specifies that if a participating unit of a fire protection territory submits the agreement to establish the fire protection territory as required, each of the participating units of the fire protection territory shall be considered to have complied with the requirements of uploading the agreement to Gateway.

Additionally, this bill's provisions require political subdivisions to submit a statement of attestation to the DLGF on an annual basis by no later than March 2, verifying that any contract entered into during the immediately preceding year pertaining to the services listed above has been uploaded to Gateway. Failure to submit the statement of attestation will result in the DLGF not approving a political subdivision's budget or a supplemental appropriation until the political subdivision files the attestation.

Homestead Deduction for Business Entities: Beginning with taxes payable in CY 2025, this bill would restore provisions that allow a corporation, limited liability company, partnership, and similar entities to receive homestead deductions if they were receiving the deduction for taxes due and payable in 2010. [This was an exception to the provision in IC 6-1.1-12-37(a) that prohibits these business entities from receiving the homestead deduction even if they are the owners of the homestead property.] Senate Bill 325-2023 provided that these entities are no longer eligible to receive the homestead deduction starting with taxes payable in CY 2025.

This bill's provisions may result in an increase in the county auditors' workload since the auditors would have to restore the standard homestead deduction to the property tax records of the applicable property owners who lost their eligibility as a result of Senate Bill 325.

Police and Fire Department Compensation: The overall fiscal impact on municipal expenditures from this bill's provision will be contingent on the municipality being in compliance with the budget adoption process as referenced in IC 6-1.1-17-5 and IC 36-4-7-11. If the municipality were not in compliance, then any anticipated increase in compensation for members of the municipality's police and fire departments, or any other appointee, would not be not allowed for the ensuing budget year.

County Clerk and County Auditor Stipends: This bill provides that a county fiscal body may establish a salary schedule that includes a stipend in an amount not to exceed \$2,500 to be paid to the county auditor for the county auditor's duties when warranted as determined by the county fiscal body. Additionally, the bill allows that a county fiscal body may provide a stipend not to exceed \$2,500 to a circuit court clerk who serves as

a voter registration officer each year in which a general election is held. These provisions will result in an additional expense for the county, assuming that the county fiscal body approves the additional stipends. The actual fiscal impact will vary from county to county and will be contingent on the actions of the county fiscal body, including the amount of any stipend specified in the salary schedule.

Additional Appropriations from Local Units: Currently, local units submit certain information pertaining to additional appropriation requests to the DLGF via Gateway. This bill would require the local units to submit additional information pertaining to the date, time, and location of the public hearing on the additional appropriation, inclusive of any potential changes to the date, time, and location of the public hearing. This requirement may result in a minor increase in the administrative workload for local units.

Recorder Documents for Farms: These provisions should have little to no fiscal impact for county recorders.

Personal Property Late Filing Penalties: This provision changes the structure for the late filing penalty of business personal property returns in a county. Currently, if a business personal property taxpayer fails to file a return more than 30 days after the due date, there is a penalty in the amount of 20% of the taxes finally determined to be due with the personal property return added to the taxpayer's property tax bill. This provision would change the penalty amount for a late filing more than 30 days after the due date to the following:

- (1) the lesser of 10% of the taxes finally determined to be due with respect to the personal property or \$10,000 if the return is filed on or before November 15 of a year; or
- (2) the lesser of 20% of the taxes finally determined to be due with respect to the personal property or \$50,000 if the return is filed after November 15 of a year.

This provision may result in a minor increase in the administrative workload for personnel in the county auditor's office to the extent the personnel would need to account for another deadline beyond the current 30 day time frame when tracking the date the late return is filed in order to determine the correct amount of the late filing penalty to assess.

Religious Nonprofit Corporation Exemption: This provision will permit the owner of an eligible property to retroactively file property tax exemption applications and claims for refunds for the previous six years. Eligible property includes real property that is located within a county that contains a consolidated city and is owned, occupied, and used for religious purposes that would have been eligible for an exemption if an exemption application had been filed timely.

Property owners receiving an exemption under this provision may apply for a refund for any taxes, penalties, and interest already paid during the six year retroactive period. The county auditor must pay the refund in a single installment. The refund of property taxes will reduce current property tax distributions to the local civil taxing units and school corporation serving the property.

The taxes, penalties, and interest paid on properties that may currently be affected total \$259,000 from prior years with an additional \$85,000 in taxes and penalties that are due. There could be additional, unidentified, properties that are currently affected. Additionally, this provision may affect an indeterminable number of property owners in future years.

Rental Property Assessments: This provision should have little to no impact on the administrative workload for local assessors since the provision is just clarifying that when using the cost approach methodology for

valuing applicable rental properties, assessors may not use locally developed cost schedules, location cost multipliers, and market or trending adjustments and rather must use the location cost multiplier adjustments that are part of the cost schedules included within the real property assessment guidelines developed and approved by the DLGF.

Judicial System LIT: This bill defines “courtroom costs” for those counties that choose to adopt a LIT rate on January 1, 2024, or after to help fund their judicial system. SEA 417-2023 authorized county fiscal bodies to impose a LIT rate for funding county staff expenses of the judicial system. The revenue budgeted and spent by the county from the judicial system LIT may not comprise more than 50% of the county’s total budgeted operational staffing expenses for the judicial system in any given year. For counties that adopt this rate on January 1, 2024, or after, this bill revises the allowable expenses for which the judicial system LIT may be spent to be limited to courtroom costs, which include staffing costs only for the court reporter, court bailiff, or court administrator. The revenue budgeted and spent by the county from the judicial system LIT may not comprise more than 50% of the county’s total operational staffing expenses related to the courtroom costs of the state judicial system in any given year. [For CY 2024, only Floyd County has adopted a judicial system LIT rate. The county has a certified rate of 0.040% and a certified distribution of approximately \$1.2 M for CY 2024. Additionally, the county will be allowed to use the revenue generated from this LIT rate to fund costs as referenced in SEA 417-2023.]

Additional Information - LIT Levy Freeze Rate: There are a total of 11 counties that adopted a LIT levy freeze rate under the previous CAGIT/COIT (local income tax) structure: Brown, Carroll, Jasper, Jay, Marion, Morgan, Parke, Pulaski, Wabash, Warren, and Wells. Of these 11 counties, only Carroll County still uses its LIT levy freeze revenue to fully fund what would otherwise be the annual increases in the civil unit property tax levies. The other ten counties have since decided to “thaw” their levy freeze, meaning that the LIT revenue is only funding the property tax levy increases from the prior years when the levy was frozen. The LIT levy freeze revenue comes from the county's certified shares portion of the LIT revenue and is done before the remaining certified shares revenue is allocated to the other units in the county.

Explanation of Local Revenues: *Local Unit Appeals Oversight:* These provisions would have an indeterminable impact on the revenues for the applicable local units. The actual impact will be contingent on whether the applicable fiscal body approves the excess levy appeal request. Currently, the DLGF is the only entity that must review and approve such requests. Under this bill, another layer of review and approval is built into the process, which could potentially prevent a request from being submitted to the DLGF that would have otherwise been submitted, assuming the fiscal body does not approve the request. The actual impact will be contingent on the number excess levy appeal requests filed and decisions of the applicable fiscal bodies.

TIF Allocation Areas Involving Certain Military Bases: Property tax revenues for taxing units within the applicable allocation areas will remain unchanged. However, broadly speaking, if one assumes that the investment causing the increase in AV would occur regardless of the TIF, creating a new TIF or extending the expiration date of a currently existing TIF could cause a delay in the reduction of tax rates and the resulting tax shift from existing properties that would normally occur until the applicable properties are included in the tax base when the TIF expires.

Homestead Deduction for Business Entities: This bill restores the eligibility of the standard homestead deduction to certain business entities, which may result in reduced revenues to the local units due to tax caps and tax shifts from homesteads to all other property.

The actual impact on property tax revenue as a result of this bill's provisions is not readily determinable based on the available property tax data. The impact will depend on the number of eligible business entities that were receiving the homestead deduction for CY 2010 and continued to receive the deduction through CY 2024 and will vary from county to county.

Maximum Levy for Knox Township: This provision permits Knox Township in Jay County to request an increase of \$29,000 in their maximum levy, effective for taxes payable in CY 2025. Of this amount, \$14,000 is a temporary, one-time increase to the township's maximum levy, while the other \$15,000 will be used in the determination of the township's maximum levy for CY 2026 and thereafter. This increase will not affect circuit breaker losses because there are none in the township.

Personal Property Late Filing Penalties: This bill's provision could result in a decrease in penalty revenues collected via the property tax billing process since there would be a "lesser of" threshold for calculating the penalty as opposed to the current flat percentage of 20%. The actual fiscal impact will vary from county to county and will depend on the number of business personal property taxpayers who file their returns more than 30 days beyond the due the date and the amount of property taxes calculated from the returns.

According to the pay 2023 personal property assessment data submitted to the state by county assessors, there were approximately 320,000 personal property records statewide. Of this total, approximately 15,000 records (or about 4.7% of the statewide total) were denoted as being filed more than 30 days beyond the due date with an overall total of approximately \$3.8 M in late filing penalties assessed (exclusive of any prior year penalties).

Economic Improvement Districts: This bill's provision could result in a potential increase in special assessment revenue collected within an EID since the provision amends current statute to allow for the expansion of the district's boundaries only if an owner of real property wishes to include the owner's real property in the EID and voluntarily enters into a written agreement with the legislative body of the local unit in which the owner requests and consents to increasing the boundaries of the EID to include the owner's real property. The actual impact on revenue collections will depend on the number of real property owners who agree to having their property included in the district and the amount of special assessment charged to each of these owners as determined by the local unit's formula for distributing the assessments.

State Agencies Affected: Department of Local Government Finance; Family and Social Services Administration - Division of Mental Health and Addiction; Indiana Department of Administration; Indiana Economic Development Corporation.

Local Agencies Affected: Civil taxing units and school corporations; County clerks; County auditors; County recorders; Municipal police and fire departments; Knox Township in Jay County.

Information Sources: U.S. Census Bureau 2020 Census Data; Indiana Gateway for Government Units; State of Indiana Transparency Portal; LSA Property Tax Database.

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