

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

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**FISCAL IMPACT STATEMENT**

**LS 6193**

**BILL NUMBER: SB 33**

**NOTE PREPARED: Feb 5, 2024**

**BILL AMENDED: Feb 5, 2024**

**SUBJECT:** Distributions of Public Safety Income Tax Revenue.

**FIRST AUTHOR:** Sen. Niemeier

**FIRST SPONSOR:** Rep. Slager

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Public Safety LIT* - This bill provides that a qualified township and various fire entities may apply to the county adopting body for a distribution of local income tax revenue that is allocated to public safety purposes. It requires the county adopting body to review a submitted application at a public hearing at which the qualified township or entity must present and explain its application. It also provides that after the public hearing on the application, and before September 1, the county adopting body may adopt a resolution approving the application and requiring that tax revenue be distributed to the qualified township or entity. The bill provides the calculation for the amount of the allocation to a qualified township. This bill repeals certain provisions enacted in the 2023 session in HB 1454 regarding distribution of tax revenue allocated to public safety to township fire departments, volunteer fire departments, fire protection territories, or fire protection districts.

*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.

**Effective Date:** Upon passage; July 1, 2024.

**Explanation of State Expenditures:** *Department of Local Government Finance (DLGF)*: The administrative workload for the DLGF may increase as a result of computing and reporting the additional public safety revenue allocations of local income tax revenue, should a qualified township, fire district, or fire territory unit submit an application to its applicable county adopting body for an allocation of this revenue. It is assumed that the DLGF will be able to make these calculations using existing resources and not require additional appropriations to implement this bill's provisions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Public Safety LIT:* The bill allows a qualified township, fire district, and fire territory unit to apply to the county adopting body to receive an allocation of public safety local income tax revenue. The application must be received before July 1, and the county adopting body must review the qualifying unit’s application at a public hearing and may adopt a resolution approving the unit’s request before September 1. Similarly, this bill allows these same units to apply to the county adopting body a request to rescind the unit’s allocation of public safety local income tax revenue. This bill’s provision may result in an increase in the administrative workload of the county adopting bodies to the extent these units will file an application to receive and/or rescind an allocation of the public safety local income tax revenue.

*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.]

**Explanation of Local Revenues:** *Public Safety LIT:* County units (other than Marion County) currently receiving a distribution of local income tax revenue allocated to public safety may have their distribution reduced depending on whether a qualifying unit applies for a distribution of public safety revenue. This could result in revenue shifts among the eligible civil units within a county. Based on certified distributions from CY 2024, the total estimated revenue shift among all eligible civil units could be up to \$22.8 M. The bill could affect certified distributions beginning in CY 2026. The actual revenue shifts will depend on the number of qualifying units that apply for a distribution.

The cities and towns that receive a distribution of public safety revenue are not impacted by the bill for requests from qualified townships. The bill also excludes Marion County.

*Additional Information* - Currently, when a county allocates a portion of their local income tax expenditure rate to public safety, the associated revenue is distributed between the county and the cities and towns within the county that provide at least one public safety service. Other civil taxing units that operate a fire department, volunteer fire department, or an EMS provider may request a portion of the certified distribution associated with the public safety rate, but the distribution is not required. This bill potentially changes the distribution of the public safety revenue within all counties except Marion County. It makes the distribution of public safety revenue mandatory to qualifying townships, fire districts, and fire territories if they apply to the county adopting body. [A qualifying township operates or contracts with a fire department, volunteer fire department, or an EMS provider.]

The estimates are based on a simulation of the bill’s impact using CY 2024 certified distribution and assumes all qualifying units, as defined in this bill, will receive a distribution of public safety revenue in those

counties that have a public safety income tax.

Based on CY 2024 certified distributions as of November 29, 2023, 76 counties dedicate a portion of their expenditure rate revenue to public safety. The total CY 2024 certified distribution of public safety revenue is \$577.3 M. Approximately \$67.2 M is dedicated to fund a public safety answering point.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County units and townships in counties that allocate a portion of their expenditure rate to public safety; counties that allocate a portion of their expenditure rate to judicial system expenses.

**Information Sources:** State Budget Agency, CY 2024 Local Income Tax Certified Distributions; LSA Property Tax Database.

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