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FISCAL IMPACT STATEMENT

LS 6406
BILL NUMBER: SB 99

NOTE PREPARED: Jan 26, 2021
BILL AMENDED: Jan 25, 2021

SUBJECT: Property Taxes.

FIRST AUTHOR: Sen. Sandlin
FIRST SPONSOR: Rep. Karickhoff

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes a county fiscal body to adopt an ordinance to provide a credit against property tax liability for qualified individuals. The bill defines a "qualified individual" for purposes of the credit. It provides that the ordinance may designate: (1) all of the territory of the county; or (2) one or more specific geographic territories within the county; as an area in which qualified individuals may apply for the credit.

The bill provides that the credit amount is equal to the amount by which property taxes on the property increased by more than 2% from the prior year (excluding any property tax liability imposed in a voter approved referendum levy). It also provides that the credit does not effect the allocation of taxes to a referendum fund.

The bill requires a qualified individual who desires to claim the credit to file a certified statement with the county auditor. It provides that the county auditor shall apply the credit in succeeding years after the certified statement is filed unless the auditor determines that the individual is no longer eligible for the credit or the county fiscal body rescinds the ordinance.

In addition, the bill provides a penalty for wrongly receiving the credit that is the same as the penalty for wrongly receiving the homestead standard deduction.

Effective Date: July 1, 2021.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) will be required to prescribe claim forms for the new credit. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: The DLGF will receive 1% of any civil penalty imposed by the county for receiving a credit while not meeting qualifications. The money is to be used by the DLGF in establishing and maintaining the homestead property database. Any money remaining may be used for other purposes of the DLGF.

Explanation of Local Expenditures: County auditors will have additional administrative costs to administer the credits.

Explanation of Local Revenues: If a county fiscal body establishes the credit, taxing units that serve the parcels receiving the credit will lose revenue.

The amount of revenue lost in a particular county is dependent on the following:

1) Whether the county adopts the credit;
2) The income limit adopted by the county;
3) The eligible territory as adopted by the county;
4) The number of homeowners who have owned their home for at least 3 years; and
5) The amount by which the percentage increase in property taxes of each eligible home in a year exceeds 2%, without regard to referendum taxes.

Ultimately, the fiscal impact depends on the actions of the county fiscal body.

Additional Information: For taxes payable in 2020, there were a total of 1.8 M homesteads in Indiana. Almost 1.7 M of those homesteads were single family homes. About 985,000 single family homesteads had 2020 tax bills that exceeded 2019 bills by more than 2%. The amount of taxes that exceeded a 2% increase totaled $139 M. This amount does not include any taxes from homesteads that are a part of a property that is not a single family home. Those homesteads could also be included in a county's credit program,

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County Fiscal Bodies; County auditors.

Information Sources: LSA Property Tax Database.

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