LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 7062
BILL NUMBER: HB 1454

NOTE PREPARED: Apr 12, 2023
BILL AMENDED: Apr 11, 2023

SUBJECT: Department of Local Government Finance.

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

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended)*County Land Values*: This bill prohibits the Department of Local Government Finance (DLGF) from approving a county reassessment plan before the assessor provides verification that the land values determination has been completed. It requires an assessor determining land values to submit the values to the county property tax assessment board of appeals (PTABOA).

Data Analysis Division: The bill repeals the provision establishing the Division of Data Analysis of the DLGF.

Applying for a Homestead Deduction: This bill prohibits a county auditor from denying an application for a standard deduction for a homestead because the applicant does not have a valid driver's license with the address of the homestead property.

Certified AV Amendments: This bill provides that when a county auditor submits a certified statement of assessed value (AV) to the DLGF, the county auditor shall exclude the amount of AV for any property located in the county for which an appeal has been filed and for which there is no final disposition. It provides that a county auditor may appeal to the department to include the amount of AV under appeal within a taxing district for that calendar year.

PTABOA Meetings: This bill removes the requirement that a majority of a PTABOA, in order to constitute a quorum for the transaction of business, must include at least one certified level two or level three assessor-appraiser.

DLGF Duties: The bill prescribes additional duties for the department.

Personal Property Information: The bill provides that, in the assessment of tangible property, confidential information may be disclosed to an official or employee of a county.

Meetings with Local Officials: The bill provides that the required annual visit between a representative of the DLGF and each county may take place virtually.

Referendum Question: The bill makes minor technical changes to referendum levy extension questions.

Fire Protection Territory Reporting: This bill provides filing and reporting requirements for provider units of fire protection territories.

Dearborn County Schools Supplemental Property Tax Levy: This bill provides for the expiration of certain supplemental county property tax levy provisions on the later of: (1) January 1, 2045; or (2) the date on which all bonds or lease agreements outstanding on July 1, 2023, which a pledge of tax revenue is completely paid. It imposes reporting and publication requirements for those bonds and leases.

Local Income Tax Revenue: The bill imposes (for purposes of the local income tax) restrictions on a county adopting body if the county adopting body makes any fiscal decision that has a financial impact to an underlying local taxing unit. It also removes provisions that require a county to meet certain qualifications before it is authorized to adopt an emergency medical services local income tax rate.

Real Property Assessment Procedures & Appeals Processes: The bill requires a township or county assessor to document any changes made to the parcel characteristics of real property from the previous year's assessment in an assessment of the real property. It also establishes procedures for rental property assessment appeals. The bill provides, for certain tangible property, that a determination of an appealed AV: (1) by a county or township official resulting from an informal meeting; (2) by a PTABOA resulting from an appeal hearing; or (3) by the Indiana Board of Tax Review (IBTR) resulting from an appeal hearing; may be less than or equal to the original appealed AV at issue, but may not exceed the original appealed AV at issue.

Exemption for Certain Cemetery Property: This bill makes various changes to a provision granting a property tax exemption to cemetery owners.

Geothermal Device Property Tax Deduction: This bill makes changes to the application process for the geothermal device deduction.

Negotiated Sale: This bill changes the sunset date for the procedure for selling bonds to July 1, 2025.

Bonds for Local Units: It adds nonprofit building corporations created by a municipal corporation to a provision concerning the purchase of municipal securities by the Treasurer of State (treasurer) and provides that such a security must have a stated final maturity of not more than 25 years after the date of purchase.

Township Firefighting & Emergency Services Funds: This bill provides that a township may elect to establish a township firefighting fund and a township emergency services fund in lieu of the township firefighting and emergency services fund.

State Educational Institution & School Corporation Contracts: The bill increases amounts for which state educational institutions and school corporations may award contracts.

Redevelopment Commission Purchasing of Distressed Properties: This bill provides that if the sale price of distressed property exceeds $50,000, a redevelopment commission must obtain two independent appraisals before purchasing the property.

Controlled Environment Agriculture Property: This bill provides that controlled environment agriculture property is subject to a 2% circuit breaker credit. It defines "controlled environment agriculture property”. It also requires the land of controlled environment agriculture property to be classified and assessed as agricultural and the improvements to be classified and assessed as an agricultural greenhouse for property tax assessment.

Protected Taxes Waivers: This bill extends through 2026 the authority for certain school corporations to allocate circuit breaker credits proportionately but imposes limitations with respect to school corporation eligibility to allocate such credits.

Exemption for NonProfit Health Care Property: This bill provides that tangible property is exempt from property taxation if it is: (1) owned by a nonprofit entity; and (2) used by a nonprofit entity for a charitable purpose in the operation of a residential facility for the aged that is either: (A) registered as a continuing care retirement community; or (B) licensed as a health care facility; or both.

Excess Levy Appeal Formula: The bill prescribes a formula for determining a population growth of 150% for purposes of the exclusion from maximum ad valorem property tax levy limits for municipalities that meet specified criteria.

Legal Contracts for Municipal Legislative Bodies: This bill provides (beginning on or after January 1, 2024) that the legislative body of a town that has a mayor as a result of a reorganization may hire or contract with competent attorneys and legal research assistants on terms it considers appropriate.

Rail Transit Development Districts: The bill makes changes to various definitions in the Indiana Code chapter concerning rail transit development districts and makes a corresponding change to the local income tax increment fund. It changes the dates on which the Department of State Revenue (DOR) determines base period amounts and increment revenue for purpose of the Indiana Code chapter concerning rail transit development districts and allows the DOR (if necessary) to redetermine base period amounts and increment revenue.

READI Eligible Expenses: This bill specifies expenses eligible for funding from the Regional Economic Acceleration and Development Initiative (READI) Fund.

Maximum Property Tax Levies Updates: The bill makes changes to statutes concerning maximum property tax levies for: (1) Sugar Creek Township Fire Protection District; and (2) Otter Creek Township.

“Controlled Project” Definition Updates: The bill amends an exclusion from the definition of "controlled project" for projects required by a court order.

Health Care Property Circuit Breaker: This bill provides that health care property is subject to a 2% circuit breaker credit. It defines "health care property".

Nonprofit Agricultural Organization Healthcare Coverage Tax: This bill allows a nonprofit agricultural organization (organization) that offers health coverage to make an election to pay adjusted gross income tax in lieu of the tax imposed on such an organization under current law and makes corresponding changes.

Tobacco Taxes for Cigars: The bill imposes taxes on the distribution of cigars.

County Recorder List of Recorded Mortgage Releases: This bill repeals a statute requiring the county recorder to provide to the county auditor a list of recorded mortgage releases.

Judgment Funding Bonds for Certain Local Units in Lake County: The bill provides that the term of any judgment funding bond with regard to either: (1) the city of Hobart; or (2) the Merrillville Community School Corporation; issued for the purpose of paying a property tax judgment rendered against Lake County for assessment year 2011, 2012, 2013, or 2014 shall be 25 years. It provides that a qualified taxing unit located in Lake County that has experienced a property tax revenue shortfall in one or more tax years: (1) resulting from erroneous assessed valuation figures; and (2) which was, or will be, at least $5,000,000, or 20% of its net tax levy, as a result of the erroneous assessed valuation amount; may apply to the treasurer for a loan from the counter-cyclical revenue and economic stabilization fund. The bill describes procedures, limitations, and uses for such loans.

Fire Protection Territory - TIF Allocations: The bill amends provisions excluding the part of a participating unit's proceeds of property taxes imposed in certain tax increment finance areas for an assessment date with respect to which the allocation and distribution is made that are attributable to property taxes imposed to meet the participating unit's obligations to a fire protection territory.

Video Service Provider Franchise Fees: This bill amends the Indiana statute governing video service franchises to provide that a local unit to which a video service provider (provider) pays a franchise fee under the statute may not assess with respect to certain fees that could otherwise be imposed on the provider for the provider's occupation of or work within the public right-of-way. It provides that this prohibition does not restrict the right of the unit to impose on the provider any ad valorem taxes or other taxes of general applicability that the unit lawfully imposes on other businesses owning property or operating within the unit.

Fire Protection District Governing Boards: This bill allows the county legislative body of a county in which a fire protection district includes all of the incorporated and unincorporated area of the county to adopt an ordinance to establish a nine member fire protection district governing board (governing board). It provides that on the date set forth in the ordinance establishing the governing board: (1) the governing board has the powers and duties of the board of fire trustees; and (2) the board of fire trustees acts solely as an advisory body to the governing board.

Pass Through Entities AGI: This bill makes certain changes and technical corrections to provisions contained in SEA 2 (P.L.1-2023) (Taxation of pass through entities). It makes conforming changes and resolves conflicts.

Effective Date: (Amended)Upon passage; January 1, 2022 (retroactive); January 1, 2023 (retroactive); July 1, 2023; January 1, 2024.

Explanation of State Expenditures: *County Land Values*, *Certified AV Amendments and DLGF Duties*: These provisions 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.

Data Analysis Division: This provision should not result in an overall increase to the DLGF’s administrative workload since the functions that the Data Analysis Division was tasked with would simply be transferred to other divisions within the department.

Meetings with Local Officials: This provision may potentially reduce the workload for the DLGF in terms of saving the staff travel time associated with meeting with the local officials in person.

Fire Protection Territory Reporting: The reporting requirement may result in a temporary increase in the DLGF's administrative workload since they will have to design and implement the format for the report used by the fire protection territories. Once the report is implemented, this provision is 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.

Dearborn County Schools Supplemental Property Tax Levy: The DLGF calculates the maximum permissible levies for all taxing units each year. The bill's requirements are within the agency's routine administrative functions and should have no impact for the agency.

Local Income Tax Revenue: The Department of State Revenue, State Budget Agency, and Department of Local Government Finance may experience an increase in administrative workload should more counties choose to adopt a LIT rate for emergency medical services. These agencies' current level of resources should be sufficient to implement this provision.

Geothermal Device Property Tax Deduction: This provision may potentially reduce the administrative workload for the Indiana Department of Environmental Management since the department would not need to reissue a determination of qualification for the deduction should the applicable property change ownership.

Township Firefighting & Emergency Services Funds: The bill's provision of allowing a township to create a separate fund for firefighting services and a separate fund for emergency services (in lieu of a single township firefighting and emergency service fund) may potentially increase the administrative workload for the DLGF during its review and certification of the township's annual budget submission since an additional fund would be included in the review process. The bill's provision is within the agency's routine administrative functions, and it is likely that the requirement should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Controlled Environment Agriculture Property: This bill's provision will result in an increase in the administrative workload for the DLGF. The DLGF will need to work with the certified assessment and property tax and billing software vendors in Indiana to ensure that their software systems are updated to incorporate the new AV allocation category for controlled environment agriculture property. Additionally, the DLGF would potentially need to update its administrative rules pertaining to property tax management systems to incorporate this provision.

Rail Transit Development Districts: The DOR would be required to change the way it calculates the base period amount and tax increment revenue for rail transit development districts. In addition, the bill changes the timing for determining these amounts. It also provides that if the DOR determines that any base period or incremental revenue amounts have been calculated in error, the DOR is required to redetermine the erroneous amounts, notify the State Budget Agency and the Northwest Indiana Regional Development Authority (NWIRDA), and make any necessary adjustments to distributions or computations to reflect any redetermination. The bill requires the Auditor of State to make distributions from the Local Income Tax Increment Fund to the NWIRDA on or before March 1, instead of monthly as required by current law. The bill's requirements are within the agencies' routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

"Controlled Project" Definition Updates: This provision may potentially lead to a small reduction in the administrative workload for the DLGF since certain projects would no longer be considered as a controlled project, which would have made them potentially subject to the referendum process. Under current law, the DLGF is required to review and approve the referendum ballot language before it is placed on the ballot. The actual impact would be dependent on the number of these particular projects that would have otherwise triggered the need for a school corporation to go through the referendum process.

Tobacco Taxes for Cigars: The DOR would likely need to update forms, guidance, and computer software to implement the reduced Tobacco Products (OTP) Tax rate on cigars. 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: *Rail Transit Development Districts:* The bill changes the base period amount for sales tax and income tax to equal the amount of taxes for the calendar year in which the district was established (instead of the year that precedes the date on which the district was established). It also includes income taxes paid by residents living within the district, in addition to individuals employed within the district, in the base period amount and incremental income tax amount for a district. This provision could increase the amount of state income taxes that are captured by rail transit development districts, reducing state General Fund revenue.

Nonprofit Agricultural Organization Healthcare Coverage Tax: The bill would reduce the amount of Nonprofit Agricultural Organization Health Coverage Tax or state income tax deposited in the state General Fund. The bill exempts the entity providing the coverage from adjusted gross income (AGI) taxes but allows the entity to pay AGI tax in lieu of the Nonprofit Agricultural Organization Health Coverage Tax. It is also assumed that the taxpayer will minimize their tax liability and elect to pay the AGI tax if it reduces the overall tax liability of the taxpayer. These provisions would reduce revenues deposited in the state General Fund. The fiscal impact will begin effective FY 2024.

Tobacco Taxes for Cigars: The bill would reduce revenue from the OTP Tax beginning in FY 2024. The impact is indeterminable and will depend on wholesale prices of cigars. In FY 2022, total OTP revenue was $40.8 M. The current tax rate is 24% of wholesale prices.

Twenty five percent of OTP revenue is deposited in the Affordable Housing and Community Development Fund. The remaining 75% of revenue is distributed to the state General Fund (56.24%), Healthy Indiana Plan Trust Fund (27.05%), Pension Relief Fund (5.43%), Cigarette Tax Fund (4.22%), State Retiree Health Benefit Trust Fund (4%), Medicaid provider reimbursements (2.46%), and Mental Health Centers Fund (0.6%).

Judgment Funding Bonds for Certain Local Units in Lake County: This provision permits qualified taxing units in Lake County to apply for a loan from the State Rainy Day Fund (RDF). Cities, townships, and school corporations in Lake County may apply for a loan if they experienced a property tax shortfall because of refunds due to a successful property tax assessment appeal and the shortfall equals at least (1) $5 M, or (2) 20% of the unit's tax levy. In Lake County, Ross Township, Hobart City, and Merrillville Schools will qualify to apply for a loan. The Treasurer of State will determine the rate of interest, if any, that will be charged on the loan.

Video Service Provider Franchise Fees: According to data available from the Indiana Utility Regulatory Commission (IURC), the state has not and does not currently receive any franchise fees from any video service providers. The bill's provision of prohibiting franchise fees would not impact state revenues since the state has not received these fees previously.

Additional Information -

Nonprofit Agricultural Organization Healthcare Coverage Tax: P.L. 136-2020 authorized a nonprofit agricultural organization to provide health benefit coverage that is: (a) sponsored by the nonprofit agricultural organization or its affiliate; (b) offered only to members of the nonprofit agricultural organization and their families; (c) deemed by the nonprofit agricultural organization to be important in assisting its members to live long and productive lives; and (d) offered in every county in Indiana. P.L. 154-2020 required that any organization providing nonprofit agricultural organization coverage shall pay an amount equal to 1.3% of gross premiums collected during the previous calendar year. Current law is silent as to where revenue collected from the tax on nonprofit agricultural organization premiums would be deposited. It is assumed that the revenue collected on nonprofit agricultural organization health coverage tax would be deposited in state General Fund. The bill exempts organizations offering nonprofit agricultural organization coverage from AGI tax. It allows the taxpayer the option to pay the AGI tax in lieu of the Nonprofit Agricultural Organization Health Coverage Tax.

Tobacco Products Tax: Although data on prices of cigars are currently unavailable, it is possible to establish a benchmark for the potential revenue loss. The federal tax rate on large cigars is 52.75% of the sales price of cigars priced at $0.76 or less. The rate is limited to $0.4026 for cigars exceeding that price. Alcohol and Tobacco Tax and Trade Bureau data indicate that approximately 10.1 million large cigars priced higher than $0.76 were sold in FFY 2021. Based on this information and Indiana cigarette tax data, 347,000 higher-priced cigars could be sold in Indiana. Assuming that the average price of these cigars is above $6, the potential revenue loss could be around $250,000 annually.

Explanation of Local Expenditures: *County Land Values*: This provision may increase the administrative workload for the county assessors since they will be required to provide verification to the department that their county land orders have been implemented, but overall, this provision involves a function that the county assessors are already performing (i.e., determining land valuations) and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Applying for a Homestead Deduction: This provision has little to no fiscal impact for county auditors.

Certified AV Amendments: This provision has little to no fiscal impact for county auditors. Under current law, county auditors must certify AVs to the DLGF by August 1 of each year. As part of its certification to the DLGF, the county may choose to withhold up to two percent of the net AV amount. Common reasons the county auditor may exercise this option are to factor in any additional applications for property tax deductions that are submitted to the auditor after certified net AVs are submitted and for assessment appeals that are pending a resolution. Under this provision, AV withholding is still allowed, but the county auditor will have to petition the DLGF to specifically include pending assessment appeals in the withholding amount.

PTABOA Meetings: This provision may potentially reduce the administrative workload for the PTABOA in terms of saving the PTABOA time by being able to proceed with conducting business instead of needing to postpone a meeting until such a time where a member, who is a certified level two or level three assessor-appraiser, is present for the meeting.

Personal Property Information: This provision has little to no fiscal impact for local assessing officials.

Meetings with Local Officials: This provision has little to no fiscal impact for local officials.

Referendum Question: This provision has little to no fiscal impact for county auditors since it involves a clarification in the calculation that county auditors may already be asked to provide, regarding the average percentage of tax increase for homestead and business properties impacted by a school referendum.

Fire Protection Territory Reporting: This bill will increase the administrative workload for the provider unit of the fire protection territory since the unit will be required to provide documentation to the DLGF regarding the establishment of a territory and any changes in the structure or operations of the territory.

Dearborn County Schools Supplemental Property Tax Levy: Annual county unit expenses for supplemental distributions to schools will be eliminated in Dearborn County and in Ripley County under this bill. The expense reductions will begin the later of (1) January 1, 2045, or (2) after all obligations that are currently paid with revenue from the county school supplemental levy have been paid.

Local Income Tax Revenue: This bill will increase the administrative workload for those applicable county fiscal bodies that make a change impacting the allocation of their local income tax revenue since the county will be required to provide direct notice to the impacted local units regarding the change. Failure to provide the required notification within 15 days of the adoption of the ordinance will result in the approved change being deemed void.

The bill eliminates the requirement that the county must provide emergency medical services to all units within its boundaries and pay 100% of the costs to provide the services in order to qualify for the EMS LIT. With the elimination of this requirement, additional counties may decide to adopt an EMS LIT rate. The revenue attributable to the rate must be maintained in a separate dedicated county fund and used only for the purposes of covering costs related to the provision of emergency medical services. A county fiscal body should have sufficient resources to implement the provisions in the bill pertaining to local income tax.

(Revised)*Real Property Assessment Procedures & Appeals Processes*: The bill's requirement of documenting any parcel characteristic updates may result in an increase in the administrative workload for the county assessor's office, but it is likely that this requirement will be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels. Furthermore, the bill's provision of the determination of a property's appealed AV not exceeding the original appealed AV at issue for homestead properties or for any other tangible property with an appealed AV of not more than $2 M should be able to be implemented with no additional appropriations.

Geothermal Device Property Tax Deduction: This provision may potentially reduce the administrative workload for county auditors since the auditor would not need to process or file a certified statement of qualification for the geothermal device deduction from the new property owner should the applicable property change ownership.

Negotiated Sale: The bill extends and expands the use of negotiated sale for the process of issuing certain bonds. To the extent that negotiated sale is used for offering bonds where the public sale method does not provide the lowest financing cost, it would lower the cost for the local unit. Use of negotiated sale in cases where a lower interest rate bid and fees could have been achieved by using the competitive bids under public sale method would increase the financing cost for the local unit. Any fiscal impact from the change is indeterminable.

Extending and expanding this option will allow the eligible political subdivisions to take advantage of this alternative selling method. Most studies have suggested that competitive bidding used in public sale method result in lower interest cost for the issuer. Others have suggested that negotiated sale enhances the financial-management capacity of smaller governments. A negotiated sale could be also used to overcome the: (1) weakness in credit rating, (2) short credit history, (3) large size of the issue, or (4) complexity of the issue.

Current law allows a county, township, city or town to use the method of negotiated sale in the process of issuing certain bonds. The provision allowing this alternate method expires on July 1, 2023. The bill extends the provisions to remain in effect until June 30, 2025, and expands it to include taxing districts and special taxing districts.

Bonds for Local Units: This provision has little to no impact for local units.

State Educational Institution & School Corporation Contracts: This provision may potentially lead to a decrease in administrative workload and costs for school districts since there may be a decrease in the number of instances of school districts needing to go through the bidding process for contractual work with the threshold increasing from the current limit of $150,000 to $300,000.

Redevelopment Commission Purchasing of Distressed Properties: This provision may result in a reduction of expenses for county and municipal redevelopment commissions since it will potentially reduce the overall number of independent professional appraisals required before obtaining distressed properties by increasing the sales price threshold that triggers the need for two independent appraisals.

Controlled Environment Agriculture Property: This bill's provision will result in an increase in the administrative workload for county assessors and county auditors. They would need to work with their respective assessment and property tax and billing software vendors to ensure that they can accurately assign the applicable AV to the controlled environment agriculture property on a real property record, as well as accurately apply any property tax deductions and/or credits that may pertain to the record.

Legal Contracts for Municipal Legislative Bodies: This bill's provision may result in an increased fiscal cost for the municipal legislative body to the extent the legislative body decides to hire or contract with attorneys and legal research assistants that they had not previously been utilizing. The actual fiscal impact depends on the actions of the municipal legislative body.

READI Eligible Expenses: The bill expands the allowable expenses for READI grants received by a qualifying local unit. [The program received $250 M in appropriations in FY 2022 and $250 M in FY 2023 for the Indiana Economic Development Corporation to provide grants to qualifying local units.]

"Controlled Project" Definition Updates: This bill's provision may potentially result in a decrease in the administrative workload for taxing units since it broadens the definition of which projects are excluded from the "controlled projects" definition. When capital projects reach a certain cost threshold, they become defined as a "controlled project," which makes them subject either to the petition remonstrance process or the voter referendum process - depending on the cost of the project. Under this provision, a project that is in response to a court order holding that a federal law has been violated and the project is needed to address the violation, the unit may proceed with that project - assuming funding availability - without having to go

through petition remonstrance or voter referendum processes.

County Recorder List of Recorded Mortgage Releases: This bill's provision will result in a decrease in the administrative workload for county recorders and county auditors. With the mortgage property tax deduction being repealed beginning with taxes payable in 2024, the county auditor's office will no longer need to receive this information from the county recorder's office in order to verify that the mortgage deduction is being appropriately applied to a taxpayer's property record.

Fire Protection District Governing Boards: This provision permits the county legislative body to establish a nine member governing board for a fire protection district (FPD) that serves the entire county. The new board will have the usual powers of a board of fire trustees. The existing boards of fire trustees, however, will continue in existence solely as an advisory body to the governing board. This provision may increase overall board expenditures since the total number of board members will increase. Currently, there are no FPDs that encompass the entire county so this provision has no immediate effect.

Explanation of Local Revenues: *Dearborn County Schools Supplemental Property Tax Levy*: Under current law, Dearborn county imposes a supplemental school levy to generate funds countywide to distribute to qualifying schools in the county. Ripley County, by virtue of sharing a school corporation with Dearborn County, also imposes a supplemental school levy for the benefit of the one cross-county school corporation. CY 2023 county supplemental school levies amount to $790,022 in Dearborn County and $54,958 in Ripley County.

Under this provision, the Dearborn and Ripley County taxing units will no longer levy and transfer property tax revenue to the school corporations in the counties. The countywide supplemental levy will expire on the later of (1) January 1, 2045, or (2) after all obligations that are currently paid with revenue from the county school supplemental levy have been paid.

Instead, one school corporation that spans both Dearborn and Ripley Counties and one additional school corporation in Dearborn County will be permitted to impose an additional operations fund levy in an amount equal to the distribution that the corporation qualifies in the year preceding the expiration.

Some school corporations in these counties and their intersecting taxing units could have higher revenues and some lower because of changes in tax cap losses. Much of the change in revenue from tax cap losses depends on (1) whether the school corporation's property tax rate for the replacement levy is higher, lower, or the same as the current countywide rate for the supplemental school levy, and (2) the current level of exposure to tax cap losses for the corporation.

Local Income Tax Revenue: Under this provision, additional counties may qualify for and, as a result, may choose to adopt an EMS LIT rate. 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. Should additional counties choose to adopt an EMS LIT rate, the county unit could receive their first certified distribution of this revenue in CY 2024 if the county fiscal body passes an ordinance before November 1, 2023. The Appendix A table at the end of the fiscal note contains CY 2024 and CY 2025 revenue estimates for each 0.1% of a rate a county may impose. Ultimately, the fiscal impact depends on local decisions.

Exemption for Certain Cemetery Property: This bill will result in additional property tax exemptions for certain cemetery, crematory, and funeral home property, beginning with taxes payable in CY 2024. The exemptions will shift an undetermined, but most likely minimal, amount of taxes from the owners of the subject property to other property owners and could cause a minimal revenue reduction due to tax caps.

Under current law, real property in which human remains are buried is exempt from property tax if the property is owned by a cemetery corporation, firm, or association. The exemption does not extend to crematories or funeral homes. Offices and maintenance structures are exempt only if they are owned by a religious or nonprofit organization.

This bill clarifies that religious and nonprofit organizations qualify for the real property exemption. In addition, the bill adds exemptions for crematories and funeral homes owned by a religious or nonprofit organization.

Additionally, the exemption only applies if the real property has been dedicated or platted for cemetery, crematory, or funeral home use, or if a variance has been granted for these uses. (Under current law, the land must be dedicated or platted. No allowance for a variance exists.)

There are currently 544 licensed funeral homes and 119 licensed crematories in Indiana. After a review of the names of the facilities, and the names of the owners, one funeral home and one crematory were found to be owned by a religious organization. These two facilities will likely qualify for the property tax exemption under this bill. Since taxpayer status cannot always be ascertained from the name listed on the license, it is possible that additional facilities could qualify for the exemption if they meet the requirements.

Township Firefighting & Emergency Services Funds: Since the township firefighting and emergency services fund (or township firefighting fund and emergency services fund, in the event a township chooses to establish two separate funds) is within the township's fire maximum levy, there should be no additional fiscal impact on township units' property tax revenues as a result of this bill's provisions.

(Revised) *Controlled Environment Agriculture Property*: Beginning with taxes payable in 2024, this bill's provision may potentially result in a greater amount of property tax circuit breaker loss to the underlying taxing units included in the taxing districts where these properties are located. Under current law, the improvement AV for the controlled environment agriculture property would be allocated under the three percent circuit breaker property tax cap. With this bill's provisions, the AV would be shifted to the two percent circuit breaker tax cap, and therefore, these properties may encounter larger property tax cap circuit breaker credits, which would result in less property tax revenue being distributed to the underlying taxing units.

The actual fiscal impact depends on the number of these properties and the certified tax rates for the tax districts in which the properties are located.

Protected Taxes Waivers: Currently, the protected taxes waiver program expires at the end of CY 2023. This provision extends the waiver program through CY 2026. Under this provision, debt service levies for some school corporations could increase in CY 2025 through CY 2027, to replenish operating balances if it becomes necessary to use those balances to make debt payments in CY 2024 through CY 2026. If debt service levies rise, then all taxing units that intersect the school corporation could be subject to higher tax cap losses. The increase in debt levies under this provision depends on actions taken by qualifying school corporations.

To qualify for the special allocation under this provision, all of the following conditions must be met.

1) The tax cap loss in the school operations fund, after removing the effect of levies for debt incurred

after June 30, 2019, must equal at least 10% of the operations fund levy; and
2) If the school corporation has issued any new debt after July 1, 2016 other than to refinance old debt, or as a result of a referendum, the current debt service levy or tax rate may exceed either the 2016 debt service levy or tax rate, but not both.
3) The school corporation may not issue new debt after July 1, 2023, other than:
   a) Refinancing of existing debt for a lower interest rate; or
   b) Referendum debt.

Forty-two school corporations received waivers in CY 2022. (Additionally, Gary Community School Corporation receives a waiver through the distressed unit statute.) The number of eligible school corporations in CY 2024 through CY 2027 depends on tax cap loss percentages, debt issues, levies, and rates.

(Revised)*Exemption for Nonprofit Health Care Property:* Retirement Communities - This provision will have limited effect on property taxes. There are currently 53 active continuing care retirement communities (CCRCs), 41 of which have nonprofit ownership. Almost all of the nonprofit CCRCs currently receive property tax exemptions. The exemption for one CCRC is currently under county review.

Since most nonprofit-owned CCRCs are currently exempt, there will be no impact to property taxes in the areas where those CCRCs exist. Beginning with taxes payable in 2025, this provision will create an exemption for a nonprofit CCRC that does not, or will not, have an exemption under current law. In those cases, property taxes will be shifted from the CCRCs receiving the exemption to other taxpayers. Additionally, revenue for taxing units may be reduced as tax cap losses could increase.

Health Care Facilities - Beginning with taxes payable in 2025, this provision will result in additional property tax exemptions for nonprofit owned health care facilities. Additional exemptions will shift taxes from the exempt property to all other property. Additionally, revenue for taxing units could be reduced as tax cap losses could increase.

The LSA Property Tax Database contains 1,048 parcels that have AV listed under the long term care facility classification. Some are already exempt from taxes. There are 877 long term care parcels that are not exempt. For taxes payable in CY 2022, these parcels had a total net AV of $2.96 B and a total net tax due of $62.1 M. The parcels that are owned by a nonprofit entity will be exempt under this bill. LSA is not able to readily determine the nonprofit status of each of these owners. Ultimately, the total 2022 taxes paid by the eligible property owners is something less than the $62.1 M amount.

Excess Levy Appeal Formula: This bill's provision should have little to no fiscal impact for those municipalities that apply for an excess levy appeal since the provision is simply clarifying - but not changing - the formula currently included as part of the department's review of excess levy appeal requests by municipalities.

(Revised)*Rail Transit Development Districts*: The bill includes local income taxes paid by residents living within a district, in addition to individuals employed within the district, in the base period amount and incremental local income tax amount for a district. It specifies that if an individual is a resident of one district and is employed within another district, only the local income tax for the district in which the individual resides would be deposited in the Local Income Tax Increment Fund. The bill also provides that a municipality that includes more than one district may share its increment revenue among the districts upon approval by the municipal legislative body. These provisions could increase the amount of local income taxes deposited in the Local Income Tax Increment Fund and would have an indeterminate impact on the distribution of incremental revenue among districts.

Maximum Property Tax Levies Updates: Sugar Creek Fire - This provision permits the Sugar Creek Township Fire Protection District in Vigo County to petition the DLGF for a permanent increase in their CY 2024 maximum levy limit. Before the district requests the increase, it must first hold a public hearing and make available a fiscal plan and estimated effects including the impact on taxpayers. If requested, the increase will be up to $150,000. Sugar Creek Fire's 2023 maximum levy is $498,546. Increased property tax levies provide a revenue increase for the adopting units but may reduce revenue for intersecting taxing units due to tax cap losses.

Otter Creek Township - This provision permits Otter Creek Township in Vigo County to petition the DLGF for a permanent increase in their CY 2024 maximum levy limit. Before the township requests the increase, it must first hold a public hearing and make available a fiscal plan and estimated effects including the impact on taxpayers. If requested, the increase will be up to $100,000. Otter Creek Township's 2023 non-fire maximum levy is $53,903, and its 2023 fire maximum levy is $160,858. Increased property tax levies provide a revenue increase for the adopting units but may reduce revenue for intersecting taxing units due to tax cap losses.

(Revised)*Health Care Property Circuit Breaker:* Under current law, hospitals are subject to the 3% tax cap. Beginning with taxes payable in CY 2024, hospitals will instead be subject to the 2% tax cap, resulting in a revenue reduction for civil taxing units and school corporations where these properties are located due to tax cap losses. Total revenue losses are estimated at $700,000 to $900,000 per year.

Tobacco Taxes for Cigars: Two-thirds of the revenue deposited in the Cigarette Tax Fund is distributed to cities and towns based on population. Revenue distributions to cities and towns would decrease to the extent that OTP revenue decreases.

Judgment Funding Bonds for Certain Local Units in Lake County: This provision permits the City of Hobart and the Merrillville Community School Corporation to incur debt to pay a property tax judgment from the 2011 through 2014 assessment years. These units will have 25 years to repay the debt. The obligation if paid in one year amounts to $14.7 M for Hobart and $12.0 M for Merrillville Schools. Property tax refunds reduce property tax revenues. The ability to bond for the refunds will spread the impact of the refunds over multiple years.

Fire Protection Territory - TIF Allocations: This provision could result in lower revenues for taxing units and increased TIF revenues in an area where a fire protection territory (FPT) exists and a new TIF allocation area or economic development area was established in 2022. This provision could also reduce potential TIF revenues and increase unit revenues in any TIF area where a new FPT is established.

Under current law, TIF areas established after 2021 will not receive an allocation of taxes based on any FPT's tax rate. The FPT's tax base will include the AV otherwise allocated to the TIF, resulting in a lower FPT tax rate and possibly reducing tax cap losses. Under this bill, the exclusion from TIF allocation will instead apply in all TIF areas but only to new FPTs established after 2022.

Video Service Provider Franchise Fees: According to data available from the IURC, local units of government have not and do not currently receive any franchise fees from any video service providers. The bill's provision of prohibiting franchise fees would not impact local revenues since local units have not received these fees previously.

<u>*Additional Information*</u> -

Dearborn County Schools Supplemental Property Tax Levy: Only two counties – Lake and Dearborn – have supplemental school levy programs. Ripley County, by virtue of sharing a school corporation with Dearborn County, also imposes a supplemental school levy for the benefit of the one cross-county school corporation.

Local Income Tax Revenue: 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 is 2.5%. The maximum rate for Marion County is 2.75%. If a county fiscal body imposes this rate, it will reduce the rate capacity of the county's adopting body. In the table below, Owen, Pulaski, and Wabash counties are excluded from the analysis since they are already at the maximum LIT expenditure rate. Likewise, Greene County is excluded from the analysis since they have already reached their EMS LIT rate cap of 0.2%.

<u>State Agencies Affected:</u> Department of Local Government Finance; State Board of Accounts; Department of State Revenue; State Budget Agency; Indiana Department of Environmental Management; Indiana Utility Regulatory Commission; Treasurer of State; Indiana Economic Development Corporation.

<u>Local Agencies Affected:</u> Local civil taxing units and school corporations.

<u>Information Sources:</u> LSA Property Tax Database; Local Government Database; Department of Local Government Finance; State Budget Agency, CY 2023 Certified Distribution of Local Income Tax, certified November 22, 2022; Indiana Professional Licensing Agency; Legislative Services Agency. *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2022. Alcohol and Tobacco Tax and Trade Bureau Tax Rates by Commodity, https://www.ttb.gov/tax-audit/tax-and-fee-rates#tobacco. Alcohol and Tobacco Tax and Trade Bureau, National Tobacco Statistics, https://www.ttb.gov/tobacco/tobacco-statistics.

<u>Fiscal Analyst:</u> James Johnson, 317-232-9869; Bob Sigalow, 317-232-9859; Lauren Tanselle, 317-232-9586; Randhir Jha, 317-232-9556; Bill Brumbach, 317-232-9559.

Appendix A.

Estimated Local Income Tax Revenue from a 0.1% LIT Rate ($M)*

County	CY 2024	CY 2025	County	CY 2024	CY 2025
Adams	$ 1.035	$ 1.076	Lawrence	$ 1.170	$ 1.212
Allen	$ 13.637	$ 14.241	Madison	$ 3.117	$ 3.259
Bartholomew	$ 3.032	$ 3.161	Marion	$ 29.095	$ 29.923
Benton	$ 0.232	$ 0.243	Marshall	$ 1.429	$ 1.484
Blackford	$ 0.264	$ 0.270	Martin	$ 0.288	$ 0.308
Boone	$ 4.860	$ 5.181	Miami	$ 0.727	$ 0.754
Brown	$ 0.468	$ 0.494	Monroe	$ 4.567	$ 4.776
Carroll	$ 0.601	$ 0.637	Montgomery	$ 1.003	$ 1.041
Cass	$ 0.850	$ 0.874	Morgan	$ 2.160	$ 2.259
Clark	$ 3.527	$ 3.700	Newton	$ 0.377	$ 0.390
Clay	$ 0.621	$ 0.648	Noble	$ 1.289	$ 1.337
Clinton	$ 0.811	$ 0.842	Ohio	$ 0.159	$ 0.167
Crawford	$ 0.200	$ 0.207	Orange	$ 0.412	$ 0.432
Daviess	$ 0.922	$ 0.960	Owen**	$ -	$ -
Dearborn	$ 1.629	$ 1.680	Parke	$ 0.373	$ 0.388
Decatur	$ 0.789	$ 0.828	Perry	$ 0.484	$ 0.509
DeKalb	$ 1.466	$ 1.531	Pike	$ 0.320	$ 0.332
Delaware	$ 2.599	$ 2.695	Porter	$ 6.981	$ 7.375
Dubois	$ 1.678	$ 1.753	Posey	$ 0.908	$ 0.943
Elkhart	$ 8.460	$ 8.840	Pulaski**	$ -	$ -
Fayette	$ 0.446	$ 0.459	Putnam	$ 0.916	$ 0.951
Floyd	$ 2.885	$ 3.015	Randolph	$ 0.590	$ 0.612
Fountain	$ 0.434	$ 0.450	Ripley	$ 0.893	$ 0.916
Franklin	$ 0.741	$ 0.763	Rush	$ 0.444	$ 0.465
Fulton	$ 0.531	$ 0.550	St. Joseph	$ 9.023	$ 9.466
Gibson	$ 1.088	$ 1.122	Scott	$ 0.498	$ 0.516
Grant	$ 1.348	$ 1.386	Shelby	$ 1.277	$ 1.315
Greene**	$ -	$ -	Spencer	$ 0.609	$ 0.638
Hamilton	$ 24.339	$ 26.049	Starke	$ 0.519	$ 0.541
Hancock	$ 3.043	$ 3.213	Steuben	$ 1.172	$ 1.228
Harrison	$ 1.103	$ 1.158	Sullivan	$ 0.474	$ 0.496
Hendricks	$ 7.085	$ 7.511	Switzerland	$ 0.226	$ 0.238
Henry	$ 1.124	$ 1.166	Tippecanoe	$ 5.776	$ 6.051
Howard	$ 2.127	$ 2.227	Tipton	$ 0.453	$ 0.472
Huntington	$ 1.011	$ 1.050	Union	$ 0.177	$ 0.186
Jackson	$ 1.287	$ 1.352	Vanderburgh	$ 5.690	$ 5.910
Jasper	$ 0.998	$ 1.040	Vermillion	$ 0.397	$ 0.415
Jay	$ 0.450	$ 0.465	Vigo	$ 2.760	$ 2.883
Jefferson	$ 0.900	$ 0.936	Wabash**	$ -	$ -
Jennings	$ 0.607	$ 0.630	Warren	$ 0.271	$ 0.285
Johnson	$ 6.270	$ 6.655	Warrick	$ 2.928	$ 3.107

County	CY 2024	CY 2025	County	CY 2024	CY 2025
Knox	$ 0.988	$ 1.017	Washington	$ 0.632	$ 0.653
Kosciusko	$ 2.760	$ 2.875	Wayne	$ 1.546	$ 1.591
LaGrange	$ 1.365	$ 1.431	Wells	$ 0.866	$ 0.904
Lake	$ 15.415	$ 15.907	White	$ 0.711	$ 0.745
LaPorte	$ 3.289	$ 3.413	Whitley	$ 1.109	$ 1.153

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

**As of CY2023, Greene County has already adopted the maximum rate of 0.2% for emergency medical services. Owen, Pulaksi, and Wabash counties are at the maximum overall expenditure rate cap of 2.5%. Therefore, these four counties are excluded from the analysis.