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FISCAL IMPACT STATEMENT

LS 7062 **NOTE PREPARED:** May 4, 2023
BILL NUMBER: HB 1454 **BILL AMENDED:** Apr 28, 2023

SUBJECT: Department of Local Government Finance.

FIRST AUTHOR: Rep. Snow **BILL STATUS:** Enrolled
FIRST SPONSOR: Sen. Bassler

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: *DLGF Duties*: The bill prescribes additional duties for the Department of Local Government Finance (DLGF).

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

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.

Distressed Unit Appeal Board (DUAB): The bill provides that the DUAB may employ staff (instead of an executive director). It provides that the DLGF may (instead of shall) support the DUAB's duties using money from the DLGF's budget funding. It repeals provisions requiring the DUAB to pay the emergency manager's compensation and to reimburse the emergency manager for actual and necessary expenses. It also repeals the Fiscal and Qualitative Indicators Committee (committee). The bill replaces references to the committee with references to the DUAB.

Video Service Definition: This bill clarifies the term "video service".

Broadband Service: The bill makes certain changes to broadband service speed provisions.

Change in Age for ABLE Accounts: This bill provides that, beginning January 1, 2026, an "eligible individual" for purposes of the achieving a better life experience (ABLE) program means an individual who during a taxable year: (1) is entitled to benefits based on blindness or disability under Title II or Title XVI of the federal Social Security Act and the blindness or disability occurred before the individual became 46 years of age (rather than 26 years of age under current law); or (2) has a disability certification that has been filed as set forth in Section 529A of the Internal Revenue Code.

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

Indiana Department of Revenue (DOR) Collection Fees: The bill reduces the fee, from 15% to 10%, that DOR may charge a debtor for any debts collected as a collection fee for the department's services, not including local collection assistance fees.

Tax Credit for Employers of Disabled Workers: The bill establishes a tax credit for an eligible taxpayer that employs certain individuals with a disability.

Historic Rehabilitation Tax Credit: Beginning in taxable year 2024, this bill allows the Indiana Economic Development Corporation (IEDC) to award a qualified taxpayer a historic rehabilitation tax credit equal to 25% or 30% of the qualified expenditures incurred in the restoration and preservation of a qualified historic structure, depending on the type of historic structure.

529/ABLE Accounts: The bill provides that contributions to a 529 college savings account or 529A ABLE account made after December 31, 2023, shall be considered as having been made during the taxable year preceding the contribution if certain conditions are met.

Special Fuel Tax Refund: The bill provides that the difference between the amount of special fuel purchased by a compressed natural gas product fuel station and the amount of compressed natural gas product produced and sold by the compressed natural gas product fuel station is exempt from the special fuel tax.

Excise Tax Exemption for Permanent Trailers: The bill provides that trailers with a declared gross vehicle weight of 3,000 pounds or less that are registered or renewed after December 31, 2023, are excluded from the following taxes beginning after December 31, 2023: (1) motor vehicle excise tax; (2) county vehicle excise tax; and (3) municipal vehicle excise tax.

Disaster Interest Waivers: This bill provides certain interest wavier provisions for weather-related disaster events.

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 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.

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 specifies a statute of limitations for certain property tax appeals based on a claim of error in determining whether the property is or is not eligible for a standard homestead deduction. It makes changes to the timing for certain property tax appeals. The bill prohibits a Property Tax Assessment Board of Appeal (PTABOA) determination of assessed value following a hearing that exceeds the original appealed assessed value at issue.

Controlled Environment Agriculture Property (CEAP): This bill 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.

County Land Values: This bill prohibits the 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 PTABOA.

Mini Steel Mill Assessments: This bill removes language from a statute allowing a taxpayer to elect a special property tax valuation method for mini-mill equipment that prohibited the election if any outstanding bond obligations would be impaired as a result of the election.

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.

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.

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

Exemption for Nonprofit Health Care Property: This bill provides a property tax exemption for certain continuing care retirement communities or licensed health care facilities for taxes first due and payable in 2023, 2024, and 2025.

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.

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.

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

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.

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

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

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.

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

Redevelopment Commission Officers & Expenses: The bill provides that the president and vice president of a redevelopment commission shall not have the same appointing authority. It allows a redevelopment commission to expend revenues from a tax increment financing district that are allocated for police and fire services on both capital expenditures and operating expenses. The bill requires a redevelopment commission to provide an annual spending plan listing planned expenditures for the next calendar year.

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.

Residential Housing Development Program: This bill expires on June 30, 2027, the amended changes made to the residential housing development program statute by the General Assembly in the 2023 session or subsequent session, and on July 1, 2027, reinstates the residential housing development program statute as it appears in current law. It expires on June 30, 2027, the provisions added in HEA 1157 for a residential housing program in Marion County. It also specifies information reporting requirements regarding residential housing development programs.

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.

Fire Protection Territory Reporting: This bill provides filing and reporting requirements for provider units of fire protection territories. It provides that, for 2023, an ordinance or resolution to establish or expand a fire protection territory is adopted after the legislative body holds at least three public hearings to receive public comment on the proposed ordinance or resolution in which: (1) at least one public hearing must be held at least 25 days before the legislative body votes on the adoption of the ordinance or resolution; and (2) at least two additional public hearings must be held not later than five days before the legislative body votes on the adoption of the ordinance or resolution.

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.

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.

Community Mental Health Centers: The bill modifies a provision concerning county membership on the governing and advisory boards of a community mental health center.

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.

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

Flood Control Boards: The bill removes language under current law relating to salaries of the members of a flood control board who hold a lucrative office.

City of Gary Schools: This bill authorizes the emergency manager for the City of Gary School Corporation to make a one-time transfer of non-federal dollars to any school corporation fund.

Tax Amnesty Program: The bill provides that the fiscal body of a county may adopt an ordinance to establish a property tax amnesty program and require a waiver of interest and penalties added before January 1, 2023, on delinquent taxes and special assessments on real property in the county if certain conditions are met.

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.

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.

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.

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 (LIT) 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. The bill provides a maximum tax rate that a county fiscal body may impose for correctional facilities and rehabilitation facilities. It also provides that part of the tax revenue that is allocated to public safety may be distributed to certain township fire departments, volunteer fire departments, fire protection territories, or fire protection districts.

Hamilton County LIT Certified Shares: The bill extends the sunset of the current calculation and allocation of certified shares among civil taxing units in Hamilton County from 2024 to 2026 and modifies the city of

Carmel's certified shares determination under the calculation.

Food and Beverage Tax Reporting: The bill requires each local unit that imposes a food and beverage tax to annually report information concerning distributions and expenditures of amounts received from the food and beverage tax.

Food and Beverage Tax Expiration: It provides that food and beverage taxes currently authorized under IC 6-9 and that do not otherwise contain an expiration date (other than the stadium and convention building authority food and beverage tax and the historic hotels food and beverage tax) shall expire on the later of: (A) January 1, 2045; or (B) the date on which all bonds or lease agreements outstanding on May 7, 2023, are completely paid. The bill requires each local unit that imposes a food and beverage tax that is subject to the expiration provision to provide to the State Board of Accounts (SBOA) a list of each bond or lease agreement outstanding on May 7, 2023, and the date on which each will be completely paid.

Monroe County Food and Beverage Tax: The bill requires Monroe County (county) and the city of Bloomington (city) to each develop a written plan before December 1 of each year that includes the proposed use of food and beverage tax funds for the upcoming calendar year. It specifies that the written plan must be submitted to the DLGF and be made available on the DLGF's computer gateway within 30 days of submission.

It requires the county and the city to spend money from the applicable food and beverage tax receipts fund before July 1, 2025. It provides that if the county and city do not spend money from the applicable food and beverage tax receipts fund as specified, the ordinance to impose the food and beverage tax is void and food and beverage tax revenue may not be collected. It provides that the county may not adopt a new food and beverage tax ordinance after June 30, 2025.

New Food and Beverage Taxes: The bill authorizes the following municipalities to impose a food and beverage tax: (A) The city of Columbia City. (B) The town of Merrillville. (C) The city of Jasper. It also authorizes Decatur County to impose a food and beverage tax.

Hamilton County Innkeeper's Tax: The bill authorizes Hamilton County to impose an innkeeper's tax under a separate innkeeper's tax statute at a rate of not more than 8% (rather than 5% under the uniform county innkeeper's tax).

Parke County Innkeeper's Tax: The bill authorizes Parke County to impose its innkeeper's tax at a rate of 8% under the uniform innkeeper's tax statute (instead of 5% under current law).

Tippecanoe County Innkeeper's Tax: The bill makes certain changes regarding the distribution of revenue from the Tippecanoe County innkeeper's tax.

Rental Unit Inspection Fees: The bill provides that a political subdivision may not inspect a rental unit or impose a fee pertaining to the inspection of a rental unit, if the rental unit, in addition to meeting certain other requirements, provides a written report that the rental property has been inspected or that a sample of the rental community has been inspected if the sample size complies with the United States Department of Housing and Urban Development's Rural Development for Real Estate Assessment Center inspections.

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 M, 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. The bill limits the amount of loans to all qualified taxing units to $35 M.

Technical Corrections: The bill makes certain changes and technical corrections to provisions contained in SEA 2 (P.L.1-2023) (Taxation of pass through entities) and SEA 271 (Certified technology parks). It resolves a conflict with SEA 325, SECTION 2 (IC 6-1.1-12-37). The bill also makes conforming changes and resolves other conflicts with SEA 327; HEA 1492 (IC 20-40-2-10); and HEA 1016 (IC 36-8-11-15).

Effective Date: Upon passage; July 1, 2006 (retroactive); January 1, 2022 (retroactive); January 1, 2023 (retroactive); July 1, 2023; January 1, 2024; January 1, 2026.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF):* The bill contains provisions that will impact the DLGF's operations. They are within the agency's routine administrative functions and certain provisions will increase workload and others will reduce tasks for the agency. Ultimately, the provisions affecting DLGF 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.

Distressed Unit Appeal Board (DUAB): The bill eliminates the Fiscal and Qualitative Indicators Committee and assigns the responsibilities of that committee to the DUAB. The minor workload increase will be completed with existing staff and resources.

Tobacco Taxes for Cigars: The Department of State Revenue (DOR) would likely need to update forms, guidance, and computer software to implement the reduced Other 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.

Disaster Interest Waivers: The bill's requirements are within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

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 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

Historic Rehabilitation Tax Credit: The bill allows the Indiana Economic Development Corporation (IEDC) to award Historic Rehabilitation Tax Credits. If credits are awarded, the DOR and the Office of Community and Rural Affairs would have increased workload to administer the credits. The bill's requirements should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

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.

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

Food and Beverage Tax Reporting: The bill requires local units to annually report certain information regarding expenditures of food and beverage tax revenue to the SBOA. The SBOA would be required to post those reports on the DLGF's Indiana Gateway for Government Units information portal. The bill also requires the SBOA to publish on the Gateway portal the list of outstanding bonds or lease agreements provided by each local unit that is subject to the expiration provision. The bill's requirements should be able to be implemented within existing levels of staffing and resources.

Tippecanoe County Innkeeper's Tax: The bill phases out the distribution of innkeeper's tax revenue to the Department of Natural Resources (DNR) for the development of projects in the state park on the Wabash River in CY 2024 through CY 2032. The DNR would not be required to provide additional state resources to the park as a result of the reduction in revenue.

Video Service Definition, Broadband Service: These provisions should have little to no fiscal impact on state expenditures.

Explanation of State Revenues: *Historic Rehabilitation Tax Credit:* The bill establishes a new nonrefundable tax credit for the rehabilitation of qualified historic structures. The credit amount is 25% of rehabilitation expenses of $5,000 or more. It increases to 30% of qualified expenses for nonprofit historic structures. The credit is available in tax years 2024 through 2029 and could reduce state General Fund revenues by approximately $10 M beginning in FY 2025. The actual revenue loss will depend on the amount of tax credits awarded by the IEDC and on the number of qualifying projects and expenditures. The tax credit may be applied to Individual Adjusted Gross Income (AGI) Tax or Corporate AGI Tax, and the credit may be transferred to another taxpayer or carried forward for 10 years.

Tax Credit for Employers of Disabled Workers: The bill establishes a new nonrefundable state tax credit for employers who employ individuals with a disability. The tax credit is available in tax years 2024 through 2028. The bill could reduce state General Fund revenues by approximately $3.4 M in FY 2025. The revenue impact would increase in future years since employers receive a credit for all eligible employees hired after December 30, 2023, and receive a larger percentage of eligible employee's salaries if they are employed for over a year. The credit may be applied against a taxpayer's state tax liability for the AGI Tax, the Insurance

Premiums Tax, the Nonprofit Agricultural Organization Health Coverage Tax, and the Financial Institutions Tax. The credit may be carried forward for up to the following five taxable years.

Department of State Revenue (DOR) Collection Fees: The bill reduces the collection fee the DOR may charge a debtor from 15% to 10% of debts collected. This provision could reduce state General Fund revenue by a potentially significant amount beginning in FY 2024. However, the actual revenue impact will depend on the amount of debts that are collected. [The DOR received $0 in collection fees in FY 2020, $1.1 M in FY 2021, and $15.7 M in FY 2022.]

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. The current tax rate is 24% of wholesale prices. The bill caps the tax rate at $1 per cigar. In FY 2022, total OTP revenue was $40.8 M. Revenue is deposited in the state General Fund and various dedicated funds.

529/ABLE Accounts: For purposes of the 529 college contribution credit and the 529 ABLE account contribution credit, the bill allows taxpayers to allocate all or part of a contribution made after the end of a taxable year, and not later than the due date of the taxpayer's income tax return for the taxable year, to the taxable year preceding the contribution. This will allow some taxpayers to claim the credit for contributions made during a specified time period after the tax year. These credits will count under the prior year's tax credit cap, allowing them to still claim the full allowable credit in the current year. The provision could result in an increase in 529 credits claimed by Indiana taxpayers. This could reduce Individual Income Tax revenue by an indeterminable amount starting FY 2025.

Change in Age for ABLE Accounts: The provision is not expected to impact state revenues. The change in the age at which blindness or a disability occurred which allows eligibility for an ABLE account from 26 to 46 conforms with a change in federal law, both of which are effective as of January 1, 2026.

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.

Disaster Interest Waivers: This bill's provision may potentially lead to a reduction in revenues associated with penalties for late state income tax filings since the penalties for late filers in the impacted disaster areas are being waived during the length of the disaster declaration. Any reduction will likely be minimal.

Special Fuel Tax Refund: The bill would allow compressed natural gas distributors to apply for a refund on the special fuel taxes paid on lost compressed natural gas. Currently, distributors of other fuel types can apply for refunds for lost fuel purchased at the distributor level. However, the bill's impact on state revenue from the special fuel tax is expected to be minimal.

[The special fuel tax on compressed natural gas is assessed at $0.55 per gallon during FY 2023. This revenue is distributed between the Motor Carrier Regulation Fund, the State Highway Fund, and local units of government through the funding formulas in the Motor Vehicle Highway Account and the Local Road and Street Account.]

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. The total amount of all loans is limited to $35 M.

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

Historic Rehabilitation Tax Credit: The estimate is based on 25% and 30% of qualified expenses for Indiana projects that received the federal historic preservation tax credit in 2019 through 2022. The bill limits the total amount of credits allowed to $10 M per fiscal year. The credit is also subject to the annual $300 M aggregate limitation on applicable tax credits under IC 5-28-6-9.

Tax Credit for Employers of Disabled Workers: Credit amounts are awarded to employers with 500 or fewer employees as a percentage of wages paid to disabled workers. The credit applies to employers who hire an individual with a disability through a referral to the employer from the Vocational Rehabilitation Services Program after December 31, 2023. The estimate assumes that 1,570 individuals become employed annually, based on the number of Vocational Rehabilitation participants who exited the program with a job in 2022. The estimate assumes an average wage of $10.36 for disabled workers in the state (Indiana University). Workers are assumed to work an average of 20 hours for 52 weeks a year. The estimate assumes that employers would be able to claim 20% of the wages for their workers in the first year of the credit.

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 FY 2021. Based on this information and Indiana cigarette tax data, 347,000 higher-priced cigars could be sold in Indiana. If we assume that the average price of these cigars is above $6, the potential revenue loss could be around $150,000 annually.

<u>**Explanation of Local Expenditures:**</u> *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 any tangible property should be able to be implemented within existing resources.

Controlled Environment Agriculture Property (CEAP): 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 CEAP on a real property record, as well as accurately apply any property tax deductions and/or credits that may pertain to the record.

County Land Values: This provision may increase the administrative workload for the county assessors since they will be required to provide verification to the DLGF 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.

PTABOA Meetings: This provision may potentially reduce the administrative workload for the PTABOA.

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.

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.

"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.

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. 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.

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. [This provision also applies to state educational institutions.]

Redevelopment Commission Officers & Expenses: The bill's provisions will permit redevelopment commissions to expend TIF revenue for police and fire operating and capital. This provision does not increase overall expenditures. Rather, it adds to permitted uses of existing TIF revenue. Each year, redevelopment commissions will be required to submit a spending plan for the upcoming year by December

1. Expenditures will be limited to the purposes provided in the plan.

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.

Residential Housing Development Program: Under current law, redevelopment commissions must annually file a report with the unit's executive and fiscal bodies that sets out the commission's activities during the past year. In addition to the currently required items, this provision requires the commissions to report any amounts distributed to other units, and in the case of a housing TIF, the number of completed houses and the average selling price. Additionally, the commission will be required to present the report to the unit's fiscal body at a public meeting.

In Marion County, the report on a housing TIF will also have to include the number of completed houses and the average selling price, but only through June 30, 2027.

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.

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.

Community Mental Health Centers (CMHCs): CMHCs that are certified by the Division of Mental Health and Addiction (DMHA) shall include a member of the county fiscal body or county commissioners to be on the center's governing board. In addition to its corporate mailing address, any other counties that are located in the center's primary service area will also be able to opt-in to serving on the governing board. The governing board will be comprised of one member from the county where the CMHC maintains its mailing address and up to two additional members appointed by the counties. Each of these members will serve a three-year term, and after the term is up, each county will select another county to serve, unless more than two counties have opted in. Any other counties that did not originally wish to have members on the board are able to opt in any time, and will be placed in the alphabetical rotation of service.

If the total number of members on the governing board is too large and could negatively impact federal funding, then the CMHC will work with the county commissioners to decrease the number of members to achieve compliance. The CMHC will also be required to provide documentation to the DMHA and county commissioners to provide an explanation for any decrease in board members.

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.]

Tax Amnesty Program: All counties will have to add a statement to tax sale notices declaring whether the county has adopted a tax amnesty ordinance for property subject to sale from November 1, 2023, through October 31, 2024. This requirement will be a small additional administrative workload for each county or its contractor.

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 adopting 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 hold the county's allocation to the lesser of the applicable distribution schedule for the certified distribution for the upcoming calendar year or the applicable distribution for the certified distribution for the current calendar year until a subsequent ordinance is adopted and the proper notification procedures are followed.

Emergency Medical Services LIT: 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.

Correctional Facility LIT: This provision makes the distinction between the following:

1. Counties that have already adopted a local income tax rate for correctional facilities and have pledged this revenue to pay debt service on the construction of correctional facilities as of July 1, 2023; and
2. Counties that have not yet adopted a local income tax rate for correctional facilities or counties that have adopted a local income tax rate for correctional facilities but do not have any local income tax revenue pledged toward debt service on the construction of correctional facilities as of July 1, 2023.

In the case of the first group, the county fiscal body may change their rate in increments of 0.01% but may not exceed a total rate of 0.3%. In the case of the second group, the county fiscal body may adopt or change their rate in increments of 0.01% but may not exceed a total rate of 0.2%. For both groups, not more than an amount equal to the revenue attributable to 0.2% of the local income tax rate for correctional facilities may be used for operating expenses for the correctional facilities. A county fiscal body should have sufficient resources to implement this provision.

Public Safety LIT for Township Fire Departments, Fire Protection Territories, and Fire Protection Districts: This provision allows a county adopting body to adopt a resolution approving the allocation of public safety local income tax revenue to qualified township fire departments, fire protection territories, or fire protection districts that provide fire protection services within the county. The total amount of revenue allocated to the eligible entities cannot exceed an amount that is attributable to 0.05% of the public safety local income tax rate in the county. This revenue allocation would be done *before* the remaining public safety revenue is allocated to the other units in the county. Should the county adopting body decide to allocate a portion of its public safety revenue to the eligible entities, they would have to forward a copy of the approved resolution to both the county auditor and to the DLGF not more than 15 days after the resolution is adopted. The allocation of the local income tax public safety revenue to the township fire departments, fire protection territories, or fire protection districts would not take effect until the following calendar year. A county fiscal body should have sufficient resources to implement this provision.

Food and Beverage Tax Reporting: Each local unit that imposes a food and beverage tax must annually report certain information regarding expenditures and distributions of food and beverage tax revenue to the SBOA. This requirement does not apply to Marion County, Allen County, or local units that adopted a stadium and convention building food and beverage tax under IC 6-9-35.

In addition, local units that are subject to the bill's expiration provision are required to report to the SBOA by December 31, 2023, a list of outstanding bonds and lease agreements and the dates on which they will be completely paid.

Monroe County Food and Beverage Tax: The bill requires Monroe County and the City of Bloomington to develop written plans each year that detail certain information, including the proposed use of food and beverage tax revenue in the upcoming year. If the county or city does not spend any money according to the written plan before July 1, 2025, food and beverage tax revenue may no longer be collected, and the county may not adopt a new ordinance to impose a food and beverage tax.

New Food and Beverage Taxes: Columbia City, Merrillville, Jasper, and Decatur County could potentially incur a one-time increase in costs if they hold additional public hearings to discuss a proposed ordinance to impose a food and beverage tax.

If any of these units imposes a food and beverage tax, the fiscal officer of the respective unit would establish a food and beverage tax receipts fund, in which all revenue from the tax would be deposited. The bill specifies the purposes for which food and beverage tax revenue may be used in each unit.

Hamilton County Innkeeper's Tax: The bill requires Hamilton County to create a commission to promote the development and growth of the convention, visitor, and tourism industry in the county under the new innkeeper's tax statute. The number of members of the commission may not exceed 15. Members may not receive a salary, but they are entitled to reimbursement for necessary expenses incurred in the performance of their duties. Expenses of the commission are to be paid from innkeeper's tax revenue.

Tippecanoe County Innkeeper's Tax: The bill phases out the distribution of innkeeper's tax revenue to the DNR for the development of projects in the state park on the Wabash River in CY 2024 through CY 2032. At the same time, it phases in a distribution of revenue to the county fiscal body to be used for tourism or quality of life purposes. [Under current law, 10% of Tippecanoe County innkeeper's tax revenue is distributed to the DNR. Total revenue for CY 2022 was $4.3 M.]

Provisions with No Fiscal Impact: The following provision are expected to have little to no fiscal impact for local units:

- Meetings with local officials

- Video service definition
- Broadband service
- Personal property information
- Applying for a homestead deduction
- Certified AV amendments
- Referendum question
- Bonds for local units
- Flood control boards
- Rental unit inspection fees

Explanation of Local Revenues: *EMS LIT Rate*: 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. Appendix A 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.

Correctional Facility Local Income Tax Revenue: Under this provision, counties may choose to adopt or modify a local income tax rate for correctional facilities, but the maximum local income tax rate a county fiscal body may impose (0.2% or 0.3%) will depend on if the county already has local income tax revenue (from the correctional facilities rate) pledged toward debt service on correctional facility construction as of July 1, 2023. All revenue collected from this rate is distributed to the county unit. Should additional counties adopt a local income tax rate for correctional facilities, a county unit could receive its first certified distribution of this revenue in CY 2024 if the county fiscal body passes an ordinance before November 1, 2023. Ultimately, the fiscal impact by county depends on local decisions.

Public Safety LIT Revenue for Township Fire Departments, Fire Protection Territories, and Fire Protection Districts: Local units currently receiving a distribution of LIT revenue allocated to public safety may have their distribution reduced depending on whether a county adopting body decides to approve a resolution allocating a portion of the revenue to qualifying township fire departments, fire protection territories, or fire protection districts. This could result in revenue shifts among the eligible civil units within a county. The actual revenue shifts will depend on actions by the county adopting body, including the amount of public safety local income tax revenue they choose to allocate, and the number of qualifying entities within the county.

Hamilton County Local Income Tax Revenue: The bill extends the cap on the amount of certified shares of local income tax revenue the City of Carmel may receive through CY 2026. Carmel will not receive a certified shares distribution greater than 103% of their prior year distribution. The additional revenue the affected unit would have received above the cap is distributed to the City of Fishers. The amount of the revenue shift is estimated to be $10.2 M in CY 2024, $12.8 M in CY 2025, and $16.2 M in CY 2026.

Tax Amnesty Program: The optional amnesty program could speed up collections of some delinquent property taxes in adopting counties. However, these counties will also forgo any accrued penalties and interest. The amnesty program, if adopted by a county, will run from November 1, 2023, through October 31, 2024. Any fiscal impact will depend on actions taken by the county fiscal body.

Property tax collections are distributed to the local civil taxing units and the school corporation that serve the property on which taxes have been paid. Under an amnesty program, these taxing units may see an initial increase in revenue but also a reduction in potential future revenue from penalties and interest.

The total real property taxes that were delinquent at the beginning of CY 2022 totaled $345.1 M and the accrued penalties and interest totaled $180.7 M.

Excise Tax Exemption for Permanent Trailers: The bill would exempt permanent trailers under 3,000 pounds from the motor vehicle excise tax. There are currently 13,700 permanent trailers under 3,000 pounds that would no longer pay excise tax beginning in CY 2024. It is expected that these trailers would be subject to the minimum excise tax of $8.00. The revenue loss to local units of government is estimated to be approximately $110,000 per year.

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

Special Fuel Tax Refund: Reductions in fuel tax revenue from refunds issued for compressed natural gas would decrease revenue distributions to local units of government from the Motor Vehicle Highway Account and the Local Road and Street Account. Decreases in local revenue are currently indeterminable but expected to be small.

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.

Controlled Environment Agriculture Property (CEAP): Beginning with taxes payable in 2024, this provision may potentially result in a greater amount of property tax cap loss to the taxing units where these properties are located. Under current law, CEAP property has a 3% property tax cap. Under this provision, the land portion will be classified and assessed as agricultural property which will reduce its assessed value (AV) and cap taxes at 2% of AV. In addition to the potential revenue loss due to tax caps, the lower assessment will shift a portion of property taxes from the CEAPs to all other taxpayers.

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.

Mini Steel Mills Assessments: Under current law, beginning with taxes payable in CY 2024, mini steel mill taxpayers may elect to use Pool 5 depreciation, which will reduce assessed value (AV). The AV reductions will cause tax shifts to other taxpayers and revenue losses through tax caps. The AV loss will also cause a reduction in TIF revenues for personal property TIFs and a slight revenue increase in some real property TIFs because of the resulting increased tax rate.

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 2023. 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.

Exemption for Nonprofit Health Care Property: For taxes payable in CY 2023, CY 2024, and CY 2025, this provision will result in additional property tax exemptions for nonprofit-owned continuing care retirement communities (CCRCs) and health care facilities. The exemption will be available if the property was purchased by a nonprofit entity in 2019 or if the property was exempt for taxes payable in 2020.

Retirement Communities - This provision will have limited effect on property taxes. There are currently 53 CCRCs, 41 of which have nonprofit ownership. Almost all of the nonprofit CCRCs currently receive property tax exemptions. The exemption for one CCRC, purchased in 2019, 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. This provision will create an exemption for a nonprofit CCRC that does not currently have an exemption. Property taxes will be shifted from the CCRC receiving the new exemption to other taxpayers. Additionally, revenue for taxing units may be reduced as tax cap losses could increase.

Health Care Facilities - This provision will result in additional property tax exemptions for qualified 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 and either were purchased in 2019 or were exempt in 2020 will be exempt under this bill. LSA is not able to determine the nonprofit status of each owner or purchase date of each property. Ultimately, the total 2022 taxes paid by the eligible property owners is likely less than the $62.1 M amount.

Residential Housing Development Program: Under HEA 1005-2023, the new construction thresholds were removed, the duration of a residential housing development program was reduced from 25 years to 20 years, and a requirement for school board approval was eliminated. This bill makes the HEA 1005 changes temporary by setting a June 30, 2027, expiration date. Beginning on July 1, 2027, the housing TIF law will revert to the state that it was in before the changes in HEA 1005 took effect.

Fire Protection Territory - TIF Allocations: This provision could result in higher revenues for fire protection territories (FPT) established after 2022 in a case where all or a part of the new FPT is located in a TIF allocation area. The TIF area will not receive an allocation of taxes based on the portion of the FPT tax rate that exceeds the former fire protection tax rate of the participating units. Instead, the TIF will pass those allocated taxes back to the FPT, increasing FPT revenue. However, if the redevelopment commission determines that it cannot meet debt service obligations without all or a part of the allocation, then the amount of the allocation that is passed back to the FPT may be reduced.

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.

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.

Maximum Property Tax Levies Updates: The bill 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.

The bill also 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.

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.

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.

Food and Beverage Tax Expiration: The bill specifies an expiration date for all local units with an existing food and beverage tax that do not currently have an expiration date. The expiration date is the later of (1) January 1, 2045, or (2) the date on which all bonds or lease agreements outstanding on May 7, 2023, are completely paid. The expiration provision does not apply to the Orange County historic hotels food and beverage tax or Marion County and the 11 surrounding units that adopted the stadium and convention building authority food and beverage tax.

Monroe County Food and Beverage Tax: If Monroe County or the City of Bloomington do not spend food and beverage tax revenue according to the written plans required by the bill, they would no longer collect food and beverage tax revenue after June 30, 2025. A total of $4.2 M was collected in CY 2022. Any unexpended money in the county and city food and beverage tax receipts funds would be distributed according to the ratio that the maximum permissible ad valorem property tax levy for 2025 property taxes for each taxing unit bears to the sum of all property tax levies in the county.

New Food and Beverage Taxes: The bill authorizes the city of Columbia City, the town of Merrillville, the city of Jasper, and Decatur County to impose a food and beverage tax at a rate not to exceed 1% of gross retail income from food and beverage transactions in the respective unit. The following table shows the estimated potential revenue for CY 2023 through CY 2025, assuming a 1% rate is adopted and goes into effect at the earliest possible effective date listed in the bill for each unit.

Unit	CY 2023	CY 2024	CY 2025
Columbia City	$36,000	$430,000	$423,000
Merrillville	$469,000	$1,902,000	$1,907,000
Jasper	$83,000	$500,000	$495,000
Decatur County	$132,000	$539,000	$538,000

Hamilton County Innkeeper's Tax: The bill allows Hamilton County to increase its innkeeper's tax rate from 5% to 8% beginning July 1, 2023, under a new statute. (The county currently imposes the tax under the uniform innkeeper's tax statute.) If the county adopts the tax rate, revenue could increase by an estimated $5 M annually. Depending on when an ordinance is adopted, there could be a lesser revenue increase in CY 2023. Revenue attributable to the rate increase would be deposited in a new tourism capital fund. Money in this fund may be used to support capital projects in the county that promote long term tourism, convention, or recreation projects.

Parke County Innkeeper's Tax: The bill allows Parke County to increase its innkeeper's tax rate from 5% to 8% beginning July 1, 2023. If the county increases the rate to 8%, revenue could increase by approximately $127,000 annually. There could potentially be a smaller increase in CY 2023, depending on when a rate increase is adopted.

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.

<u>Additional Information</u> -

Local Income Tax Revenue: The bill does not increase the maximum possible local income tax expenditure rate. The county emergency medical services and correctional facility rates established in the bill are dedicated uses 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 one or both of these rates, it will reduce the rate capacity of the county's adopting body. In Appendix A, 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%.

Mini Steel Mills Assessments: Five taxpayer properties that are mini-mills were identified. These properties and their subsidiaries will have AV reductions if they choose to use Pool 5 depreciation. Under current law, however, a mini-mill taxpayer is not permitted to elect Pool 5 depreciation if doing so would impair bonds.

Mini-mill taxpayers have property in Allen, Clark, DeKalb, Hendricks, Howard, Jefferson, Montgomery, Porter, Vigo, and Whitley counties. It appears that two or three of these properties are located in TIF allocation areas where there are outstanding TIF bonds. While outstanding bonds exist, it is not known whether these bonds would be impaired by a taxpayer's election to use Pool 5.

If an election to use Pool 5 is made under this bill and bonds are impaired, the redevelopment commission will have to take action to generate revenue to make the bond payments. Under current law, if actions taken by the General Assembly or DLGF have decreased TIF revenues below the amount needed to meet obligations, the commission is required to calculate a tax increment replacement amount. The replacement amount may generated by (1) imposing a special assessment on property owners in the TIF area, (2) imposing a property tax levy in the taxing district, or (3) reducing the base AV and allocating more AV to the TIF area.

Exemption for Certain Cemetery Property: 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.

Protected Taxes Waivers: 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.
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.

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.

New Food and Beverage Taxes: The food and beverage tax estimates for Columbia City and Decatur County are based on revenue in counties that currently impose a food and beverage tax and employment and wage data for the food services industry in Whitley County, Columbia City, and Decatur County. The estimates for Merrillville and Jasper are based on sales data for the food services industry in Lake County and Dubois County, as published in the 2017 Economic Census. LSA adjusted the Economic Census data based on actual revenue of counties that currently collect food and beverage taxes. A portion of each county total was allocated to Merrillville and Jasper based on the estimated share of the food and beverage industry in their respective county.

State Agencies Affected: Department of Local Government Finance; State Board of Accounts; Department of State Revenue; Budget Agency; Indiana Department of Environmental Management; Indiana Utility Regulatory Commission; Treasurer of State; Indiana Economic Development Corporation; Office of Community and Rural Affairs.

Local Agencies Affected: Local civil taxing units and school corporations.

Information Sources: 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.; Department of State Revenue; Department of Natural Resources; Indiana Commission on Rehabilitation

Services. “2022 Vocational Rehabilitation Services Annual Report”: https://www.in.gov/fssa/ddrs/files/IndianaCRS2022AnnualReport.pdf; Indiana University. Indiana Institute on Disability and Community. “DESOS: 2022 Indiana Day and Employment Services Outcomes System Report”: https://www.iidc.indiana.edu/what-we-offer/Indiana%20DESOS%20Report%202022%20Accessible2.pdf ; U.S. Census Bureau, 2017 Economic Census. OFMA Quarterly Census of Employment and Wages data. DOR County Innkeeper’s Reports, https://www.in.gov/dor/business-tax/tax-rates-fees-and-penalties/county-innkeepers-tax/; Indiana Gateway website - Debt Management

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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

County	CY 2024	CY 2025	County	CY 2024	CY 2025
Johnson	$ 6.270	$ 6.655	Warrick	$ 2.928	$ 3.107
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.