

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

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**FISCAL IMPACT STATEMENT**

**LS 6362**

**BILL NUMBER:** SB 46

**NOTE PREPARED:** Apr 3, 2023

**BILL AMENDED:** Mar 30, 2023

**SUBJECT:** County Option Circuit Breaker Tax Credit.

**FIRST AUTHOR:** Sen. Sandlin

**FIRST SPONSOR:** Rep. McGuire

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

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

The bill provides that the amount of the credit in a particular year is equal to the amount by which an individual's property tax liability increases by more than the percentage of increase specified by the county fiscal body from the prior year. It provides that the credit does not affect the allocation of taxes to a referendum fund. It requires a qualified individual who desires to claim the credit to file a certified statement with the county auditor. It also provides that the county auditor shall apply the credit in succeeding years after the certified statement is filed unless the auditor determines that the individual is no longer eligible for the credit or the county fiscal body rescinds the ordinance.

In addition, the bill provides a penalty for wrongly receiving the credit that is the same as the penalty for wrongly receiving the homestead standard deduction. It also provides that an individual may not receive both a county option circuit breaker tax credit and an over 65 property tax credit in the same year.

This bill provides that an ordinance must specify that the credit does not apply for property taxes first due and payable after December 31, 2027, and it sunsets the county option on January 1, 2028.

**Effective Date:** July 1, 2023.

**Explanation of State Expenditures:** *Department of Local Government Finance (DLGF):* 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 property tax and billing software vendors in Indiana to ensure that their software systems are updated to incorporate the scenario where a county decides to implement this credit. Additionally, the DLGF will be required to prescribe claim forms for the new credit.

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

**Explanation of Local Expenditures:** This bill's provision will result in an increase in the administrative workload for county auditors. They would need to work with their respective property tax and billing software vendor to establish a scenario (in the software system) where this credit is implemented within the specified area per the adopted county ordinance. This would also include reviewing and verifying that those who file for the county option credit are not currently receiving the over 65 property tax credit.

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

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

- 1) Whether the county adopts the credit;
- 2) The income limit adopted by the county;
- 3) The eligible territory as adopted by the county;
- 4) The number of homeowners who have owned their home for at least ten years; and
- 5) The amount of the credit percentage which must be at least 2% but not more than 5%.
- 6) The number of homeowners in the county who are at least 55 years in age or older.

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

**Additional Information** - For taxes payable in 2022, there were a total of roughly 1.9 million homesteads in Indiana. Almost 1.7 million of those homesteads were single family homes. About 1.2 million single family homesteads had 2022 tax bills that exceeded 2021 bills by more than 2%. The amount of taxes totaled approximately \$202 M. This amount does not include any taxes from homesteads that are a part of a property that is not a single family home. Those homesteads could also potentially be included in a county's credit program, assuming that they meet the criteria specified in the county ordinance.

Additionally, according to the 2021 Tenure By Age of Householder data from the U.S Census Bureau American Community Survey, of the 1.9 million homesteads in Indiana, approximately 52% of the properties were occupied by householders at least 55 years of age and over.

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

**Local Agencies Affected:** County Fiscal Bodies; County auditors.

**Information Sources:** LSA Property Tax Database. U.S. Census Bureau 2021 Tenure by Age of Householder Data.

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