

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

LS 6951
BILL NUMBER: HB 1259

NOTE PREPARED: Jan 5, 2026
BILL AMENDED:

SUBJECT: Local Income Tax.

FIRST AUTHOR: Rep. Thompson
FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: *State GIS Officer:* This bill requires state agencies and political subdivisions to cooperate with the state GIS officer in preparing a statewide base map. It requires a county auditor to submit certain information to the state GIS officer concerning an annexation or disannexation.

LIT Procedures: This bill specifies procedures for the imposition of local income taxes (LIT) and distribution of LIT revenue.

LIT-Funded Debt Service: This bill provides that, for counties or municipalities that fail to adopt an ordinance to renew an existing expenditure tax rate, the expenditure tax rate for the county or municipality shall be the minimum tax rate necessary for existing debt service. It requires each county and municipality to report to the Department of Local Government Finance (DLGF) the total amount of the county's or municipality's debt service obligations payable from LIT revenues that will be due in the ensuing year.

LIT Distributions for Schools: The bill allows an adopting body to adopt a tax rate to provide distributions to school corporations as a component of the tax rate for general purpose revenue.

LIT Rate Re-Adoption: The bill provides that a county's total expenditure tax rate expires on December 31, 2029, and on December 31 of every fourth calendar year thereafter.

Fire/EMS LIT: The bill provides that the county may determine an allocation method for revenue raised from a tax rate for fire protection or emergency medical services. It provides that the county and certain township fire departments must receive an allocation of revenue raised from a tax rate for fire protection or emergency medical services.

County Services LIT: The bill authorizes cities and towns with a population of at least 3,500 that have adopted a 1.2% municipal local income tax rate to impose an additional local income tax rate that does not exceed the county's unused rate capacity for general purpose revenue, if any.

Small Municipality LIT: The bill provides a formula for the distribution of revenue from the local income

tax rate imposed by a county for certain small cities and towns. It specifies procedures for determining population for purposes of a municipal local income tax rate.

Effective Date: July 1, 2026; July 1, 2027; January 1, 2028.

Explanation of State Expenditures: *State GIS Officer:* The bill's provisions pertaining to data submissions to the state GIS officer are within the office's routine administrative duties and should be able to be accomplished without additional appropriations.

LIT Procedures: These provisions may increase the workload for the DLGF. The agency would have to monitor the actions of the counties and municipalities when it comes to adopting LIT rates and notify them if their actions exceed the maximum allowable LIT. Additionally, the DLGF will experience a slight increase in workload from receiving population data for fire and EMS service areas and nonmunicipal units from county auditors, as well as service area boundary data from fire and EMS service providers.

LIT-Funded Debt Service: The DLGF will experience a slight increase in workload. They will be required to collect information annually from counties and municipalities to verify that these local units adopt a LIT rate sufficient enough to generate revenue that is 1.25 times the amount of LIT-funded debt service and lease payments.

LIT Rate Re-Adoption: The DLGF will experience a decrease in workload. The DLGF will no longer need to review LIT rate re-adoption ordinances from all counties and certain municipalities (that choose to enact a LIT rate) on an annual basis.

Explanation of State Revenues:

Explanation of Local Expenditures: *State GIS Officer:* The bill's provisions will increase the workload for municipalities that impose their own municipal rate in terms of providing GIS data to the state GIS officer on an annual basis.

LIT Procedures: These provisions will increase the workload for county auditors. They will be required to certify to the DLGF and the state GIS officer annually which taxing units impose a LIT rate in each taxing district in their counties. County auditors will also be required to annually provide population data for fire and EMS service areas and nonmunicipal units to the DLGF. Likewise, fire and EMS service providers will experience a slight increase in workload from having to provide their service area boundary data to the DLGF on annual basis.

LIT-Funded Debt Service: These provisions will increase the workload for fiscal officers of counties and municipalities due to the LIT-funded debt service annual reporting requirement to the DLGF.

LIT Rate Re-Adoption: This provision will result in a minor decrease in workload for county and municipal fiscal bodies. Additionally, this provision may potentially provide greater surety to lending institutions, resulting in lower borrowing cost for local units that have debt paid by LIT revenues.

Fire/EMS LIT: This provision may increase the workload for county fiscal officers and fiscal bodies should they choose to derive an allocation method for distributing the fire/EMS LIT revenue to the eligible service providers.

County Services LIT: This provision may result in a minor increase in workload for the fiscal bodies of those municipalities that are eligible to adopt their municipal LIT.

Explanation of Local Revenues: *LIT Procedures:* These provisions may result in decreased LIT revenue for counties and municipalities if their respective fiscal bodies adopt rates that exceed the maximum allowable LIT rates under IC 6-3.6. The LIT rate(s) would be reduced (to the maximum allowed under statute) in the following order:

- 1) County services rate
- 2) County-adopted municipal rate
- 3) Fire/EMS rate
- 4) Nonmunicipal rate

LIT-Funded Debt Service: Starting with the CY 2028 LIT distributions, these provisions may result in higher county services and municipal LIT rates should a county or municipality fail to adopt a LIT rate sufficient enough to generate revenue that is 1.25 times the amount of LIT-funded debt service and lease payments. The LIT rate would be increased accordingly to meet this standard.

LIT Distributions for Schools: The maximum LIT rate could generate approximately \$340.0 M in LIT revenue for CY 2028 and \$267.5 M for CY 2029 statewide. These estimates are based on the projected CY 2028 and CY 2029 countywide LIT base estimates. The allocation of this revenue to the school corporations will depend on their respective ADM counts during the fall before the distribution year, as specified by the formula in the bill.

Fire/EMS LIT: This provision allows revenue generated from a county-adopted fire/EMS LIT rate to be distributed to the eligible service providers in a county based on the allocation method as determined by the county. When determining the allocation method, the county must factor in the boundaries and the population living within each service area based on the most recent federal decennial census. Additionally, for allocations made to township fire departments, the county must consider the number of fire runs and the salaries of the full-time firefighters employed by the department.

County Services LIT: Starting with the CY 2029 LIT distributions, this provision may result in a larger LIT revenue distribution to those municipalities that can adopt their own municipal LIT rate *and* have adopted the maximum municipal LIT rate of 1.2% for a particular year. The magnitude of the distribution - beyond what would be generated through the municipal rate of 1.2% - will depend on the following:

- 1) the unused LIT rate capacity for the county services LIT rate that same year; and
- 2) the municipal fiscal body's decision to capture this unused rate capacity for that year.

Small Municipality LIT: Starting with the CY 2029 LIT distributions, this change may result in larger LIT revenue distributions to those municipalities that have a municipal LIT rate adopted by the county fiscal body. It requires - rather than being optional in current law - a county to distribute the revenue to those applicable municipalities that adopt a resolution requesting a distribution of revenue generated from the county-adopted municipal LIT rate. Additionally, this change removes the default of the county keeping 75% of the revenue generated by a county-adopted municipal LIT rate.

The actual fiscal impact will depend on the number of eligible municipalities that decide to adopt a resolution requesting a distribution of revenue generated from this rate. The bill allows the county to retain all revenue generated from this rate if no eligible municipality adopts a resolution requesting a distribution.

State Agencies Affected: Department of Local Government Finance; State Board of Accounts; State GIS Officer.

Local Agencies Affected: County fiscal bodies and officers; Municipal fiscal bodies and officers; Civil taxing units and school corporations.

Information Sources: CY 2026 LIT Distributions Certified November 25, 2025:
<https://www.in.gov/sba/files/2026-Certification-Calculations-November-Release.pdf>

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