

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

LS 6971
BILL NUMBER: SB 238

NOTE PREPARED: Jan 6, 2026
BILL AMENDED:

SUBJECT: Property and Local Income Taxes.

FIRST AUTHOR: Sen. Rogers
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

SUMMARY of Estimated Net Property Tax Revenue (\$ Millions)				
	CY 2026	CY 2027	CY 2028	CY 2029
Current Law	11,380.4	11,893.1	12,201.9	12,732.7
Proposed	0.0	11,831.0	12,416.2	12,674.3
Revenue Change From Current Law	N/A	-62.1	214.3	-58.4
% Change From Current Law	0.0%	-0.5%	1.8%	-0.5%

Summary of Legislation: *TIF Neutralization:* The bill amends provisions added in SEA 1 in the 2025 session that require the Department of Local Government Finance (DLGF) to neutralize the effect of certain property tax provisions enacted in that bill.

Personal Property Tax Exemption: The bill amends the threshold for the business personal property tax exemption enacted in SEA 1 in the 2025 session.

Excess Levy Appeals: The bill reinstates excess tax levy appeal provisions that were repealed in SEA 1 in the 2025 session.

Rates for New LIT: The bill amends the various local income tax (LIT) rates that may be adopted under provisions added in SEA 1 in the 2025 session.

Municipal LIT Population Thresholds: The bill amends the population thresholds used to determine if a city or town is eligible to adopt a municipal LIT.

LIT Rate Re-Adoption: The bill repeals provisions that require counties and municipalities to readopt their LIT rate each year.

Effective Date for New LIT: The bill moves the effective date for the local income tax changes enacted in SEA 1 in the 2025 session from 2028 to 2029.

LIT Councils: The bill makes corresponding changes to move the expiration date regarding a county with a single voting bloc enacted in HEA 1142 in the 2025 session.

Effective Date: Upon passage; January 1, 2025 (retroactive); May 10, 2025 (retroactive); July 1, 2025. (retroactive); January 1, 2026 (retroactive); June 30, 2028; July 1, 2028.

Explanation of State Expenditures: *TIF Neutralization, Excess Levy Appeals, & Rates for New LIT:* These provisions will increase administrative workload for the DLGF but should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

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.

Effective Date for New LIT: These provisions should not have any significant impact for the DLGF, the Department of State Revenue, or the State Budget Agency since they are simply extending current functions already in place.

Explanation of State Revenues:

Explanation of Local Expenditures: *TIF Neutralization:* This provision may increase the workload for the governing body of counties and municipalities should the local unit petition the DLGF for review of the neutralization's impact on the local unit's ability to make TIF-related debt service payments.

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.

LIT Councils: The bill delays the elimination of single-member voting bloc LIT councils from 2027 to 2028. This provision may result in a minor, temporary increase of workload for non-county members of the LIT councils since they would continue be tasked with determining LIT rate changes.

Explanation of Local Revenues: *TIF Neutralization:* Current law requires the DLGF to neutralize TIF AV in order to negate the changes in revenue that will occur due to the tax rate changes caused by the changes in the homestead standard deduction and the new deduction for property with taxes capped at 2% of AV. This provision allows the local unit (i.e., county or municipality) to petition the DLGF for a review of this process should the local unit have concerns about the neutralization hindering the local unit's ability to meet TIF-related debt service obligations. Overall, this provision may increase or reduce TIF AV, which will have the opposite effect on tax rates and tax cap losses for local units. The actual fiscal impact will vary by unit and will depend on the outcome of the DLGF's review of a local unit's petition request.

Excess Levy Appeals: This provision may result in higher maximum levy limits, permitting taxing units to impose higher property tax levies. The actual fiscal impact will vary from county to county and will depend on the number of excess levy appeal requests approved for a particular budget year.

Rates for New LIT: While this change does not impact the overall total LIT rate cap (excluding any special purpose LIT rate where applicable) of 2.9%, it does change the caps of the individual components of the total LIT rate starting in CY 2029 as follows:

- County services rate decreases from 1.2% to 0.7%
- Fire/EMS rate decreases from 0.4% to 0.2%
- Municipal rate adopted by county council increases from 1.2% to 1.9%

Based on the projected CY 2029 countywide LIT base estimates, the decrease in the county services rate cap from 1.2% to 0.7% could result in a reduction of \$1.49 B in LIT revenue capacity for CY 2029. Similarly, the decrease in the fire/EMS rate cap from 0.4% to 0.2% could result in a reduction of \$594.5 M in LIT revenue capacity for CY 2029. For the municipal rate, since municipalities are not yet allowed to adopt their own municipal LIT rate under the current LIT structure, accurate LIT base data for cities and towns is not currently available.

Additionally, these provisions may result in a decrease in fire/EMS LIT revenue for municipal fire departments since they are removed from the list of entities eligible - by default - to receive a distribution of revenue generated from a county-adopted fire/EMS LIT revenue and instead are treated as optional recipients, based on the decision of the county council.

Municipal LIT Population Thresholds: This change increases the number of municipalities that may potentially adopt their own individual municipal LIT rate as opposed to receiving a revenue distribution from a municipal LIT rate adopted by the county fiscal body. Based on the 2020 Census, there would be an additional 64 municipalities that could qualify for adopting their own individual municipal LIT rate, as opposed to receiving a distribution from a municipal LIT rate adopted by the county fiscal body.

Effective Date for New LIT & Personal Property Tax Exemption: Under current law, property tax relief credits (PTRC) and property tax levy freeze that are funded via LIT are eliminated starting in CY 2028. This bill delays the the elimination of the LIT PTRC and property tax levy freeze to CY 2029. Additionally, under current law, the cost threshold for the personal property de minimis exemption will equal \$2 M beginning with taxes payable in CY 2027. Taxpayers whose total acquisition cost within a county is less that the threshold are exempt from personal property tax. This bill changes the exemption so that every business personal property taxpayer will have an exemption of up to \$1 M in assessed value (AV) within each county beginning with taxes payable in CY 2027.

The estimated net effect from these various provisions (combined) on property tax revenue by property type and local unit type for CY 2027 through CY 2029 are summarized in the following tables.

Estimated Net Tax Change (\$ Millions) and Percent Change from Current Law					
Property Type	CY 2027		CY 2028		CY 2029
Homesteads	27.5	0.6%	-180.8	-3.7%	29.6
Farmland	5.2	1.4%	-9.0	-2.3%	4.9

Other Residential	6.8	0.5%	-27.5	-1.8%	9.8	0.6%
Apartments	2.9	0.4%	-5.5	-0.8%	4.5	0.6%
Ag Business	2.5	1.3%	-5.3	-2.5%	2.6	1.2%
Other Real	26.0	0.9%	-45.5	-1.5%	24.8	0.8%
Personal Property	-133.0	-9.4%	-165.1	-11.0%	-134.6	-8.5%
Total	-62.1	-0.5%	-438.7	-3.6%	-58.4	-0.5%
<i>Note: Totals may not sum due to rounding.</i>						

Estimated Net Revenue Change (\$ Millions) and Percent Change from Current Law						
Unit Type	CY 2027		CY 2028		CY 2029	
Counties	-11.9	-0.6%	39.3	1.9%	-11.9	-0.6%
Townships	-2.6	-0.7%	1.0	0.2%	-2.5	-0.6%
Cities and Towns	-24.4	-1.0%	99.3	4.1%	-23.3	-0.9%
School Corporations	-24.4	-0.5%	65.1	1.3%	-19.9	-0.4%
Libraries	-2.7	-0.7%	9.0	2.1%	-2.3	-0.5%
Special Units	-6.0	-0.8%	-19.7	-2.4%	-5.1	-0.6%
TIF	9.8	0.8%	20.2	1.7%	6.5	0.5%
Total	-62.1	-0.5%	214.3	1.8%	-58.4	-0.5%
Total Without TIF	-71.9	-0.7%	194.0	1.8%	-65.0	-0.6%
<i>Note: Totals may not sum due to rounding.</i>						

(The difference between the overall total net tax change by property type and the overall total revenue change by unit type for CY 2028 is attributable to the LIT PTRC, which this bill extends for one more year. The LIT PTRC is a fully funded property tax credit, and the amount of LIT revenue that a county decides to allocate to PTRC is distributed to local units via the property tax billing process. When LIT PTRC is removed, property tax bills will increase overall because the LIT PTRC is no longer buying down a taxpayer's tax liability, and the amount of revenue distributed to local units will decrease.)

Estimates of the total change in net revenue by county appear in Appendix A.

State Agencies Affected: Department of Local Government Finance; Department of State Revenue; State Budget Agency.

Local Agencies Affected: County assessors; County and municipal fiscal officers; Local civil taxing units and school corporations.

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

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Appendix A.

Estimated Change in Total Revenue for All Units (\$ Millions) and Percent Change from Current Law						
County	CY 2027		CY 2028		CY 2029	
Adams	-0.49	-1.0%	1.42	3.0%	-0.51	-1.1%
Allen	-3.68	-0.6%	25.01	3.7%	-3.08	-0.4%
Bartholomew	-1.09	-0.7%	-0.77	-0.5%	-0.49	-0.3%
Benton	-0.11	-0.5%	0.05	0.2%	-0.10	-0.4%
Blackford	-0.27	-1.6%	-0.25	-1.4%	-0.25	-1.3%
Boone	-0.03	0.0%	-0.07	0.0%	-0.07	0.0%
Brown	0.00	0.0%	-1.28	-5.7%	-0.05	-0.2%
Carroll	-0.03	-0.1%	-4.24	-14.3%	-0.02	-0.1%
Cass	-0.55	-1.0%	4.97	9.9%	-0.58	-1.1%
Clark	-1.40	-0.6%	12.04	5.0%	-0.95	-0.4%
Clay	-0.08	-0.3%	0.85	3.6%	-0.16	-0.7%
Clinton	-0.42	-0.7%	1.35	2.2%	-0.54	-0.8%
Crawford	-0.08	-0.7%	-0.08	-0.6%	-0.04	-0.3%
Daviess	-0.33	-0.8%	1.12	2.7%	-0.32	-0.7%
Dearborn	-0.42	-0.6%	-0.40	-0.6%	-0.39	-0.5%
Decatur	-0.04	-0.1%	0.11	0.3%	-0.01	0.0%
DeKalb	-0.17	-0.2%	1.66	2.4%	-0.26	-0.4%
Delaware	-1.33	-0.9%	4.68	3.1%	-1.28	-0.8%
Dubois	-0.40	-0.6%	-0.30	-0.4%	-0.17	-0.2%
Elkhart	-2.92	-0.7%	6.50	1.6%	-3.45	-0.8%
Fayette	-0.23	-0.7%	4.11	14.6%	-0.23	-0.8%
Floyd	-0.24	-0.2%	0.79	0.7%	-0.14	-0.1%
Fountain	-0.09	-0.4%	0.02	0.1%	-0.08	-0.3%
Franklin	-0.04	-0.2%	-0.03	-0.1%	-0.02	-0.1%
Fulton	-0.06	-0.2%	0.21	0.8%	-0.07	-0.3%
Gibson	-0.25	-0.4%	-0.25	-0.4%	-0.24	-0.4%
Grant	-0.74	-0.8%	10.32	12.4%	-0.86	-1.0%
Greene	-0.07	-0.2%	-0.07	-0.2%	-0.07	-0.2%
Hamilton	-1.11	-0.1%	-0.69	-0.1%	-0.70	-0.1%
Hancock	-0.20	-0.1%	2.30	1.4%	-0.11	-0.1%
Harrison	0.00	0.0%	-0.01	0.0%	0.00	0.0%
Hendricks	-0.84	-0.2%	5.51	1.3%	-0.40	-0.1%
Henry	-0.47	-0.8%	1.83	3.3%	-0.42	-0.7%
Howard	-0.85	-0.6%	9.69	6.6%	-0.85	-0.5%
Huntington	-0.68	-1.3%	-0.68	-1.2%	-0.68	-1.2%
Jackson	-0.34	-0.5%	2.53	4.0%	-0.44	-0.7%
Jasper	-0.06	-0.1%	-1.33	-2.7%	-0.15	-0.3%
Jay	-0.30	-1.0%	0.87	2.8%	-0.39	-1.2%
Jefferson	-0.39	-0.9%	-0.39	-0.9%	-0.38	-0.8%
Jennings	-0.10	-0.3%	0.45	1.5%	-0.31	-1.0%
Johnson	-0.38	-0.1%	-0.25	-0.1%	-0.22	-0.1%
Knox	-0.38	-0.7%	-0.37	-0.7%	-0.37	-0.6%
Kosciusko	-0.18	-0.1%	-0.15	-0.1%	-0.10	-0.1%
LaGrange	-0.07	-0.1%	0.18	0.4%	-0.06	-0.1%
Lake	-5.96	-0.6%	114.04	11.4%	-6.45	-0.6%
LaPorte	-1.52	-0.9%	-1.49	-0.8%	-1.44	-0.8%
Lawrence	-0.19	-0.3%	3.32	5.9%	-0.34	-0.6%

Appendix A.

Estimated Change in Total Revenue for All Units (\$ Millions) and Percent Change from Current Law						
County	CY 2027		CY 2028		CY 2029	
Madison	-1.09	-0.6%	13.01	7.4%	-1.11	-0.6%
Marion	-14.20	-0.8%	-45.19	-2.2%	-11.16	-0.5%
Marshall	-0.79	-1.1%	-0.80	-1.1%	-0.76	-1.0%
Martin	-0.02	-0.2%	0.11	1.1%	-0.02	-0.1%
Miami	-0.25	-0.6%	1.67	4.4%	-0.24	-0.6%
Monroe	-0.16	-0.1%	0.05	0.0%	-0.14	-0.1%
Montgomery	-0.23	-0.3%	3.33	5.0%	-0.46	-0.7%
Morgan	0.06	0.1%	-0.49	-0.5%	-0.20	-0.2%
Newton	-0.11	-0.4%	-0.10	-0.4%	-0.09	-0.3%
Noble	-0.19	-0.3%	0.56	0.9%	-0.15	-0.2%
Ohio	0.00	0.0%	0.00	0.0%	0.00	0.0%
Orange	0.00	0.0%	0.00	0.0%	0.02	0.1%
Owen	-0.01	-0.1%	-0.01	-0.1%	-0.01	-0.1%
Parke	-0.02	-0.1%	-1.29	-6.9%	-0.07	-0.4%
Perry	-0.14	-0.7%	-0.15	-0.7%	-0.16	-0.7%
Pike	-0.16	-0.7%	-0.15	-0.7%	-0.12	-0.5%
Porter	-0.91	-0.3%	4.78	1.4%	-0.86	-0.2%
Posey	-0.19	-0.4%	0.04	0.1%	-0.19	-0.3%
Pulaski	-0.05	-0.3%	-2.23	-10.9%	-0.16	-0.8%
Putnam	-0.13	-0.3%	0.57	1.2%	-0.10	-0.2%
Randolph	-0.34	-1.0%	1.23	3.5%	-0.35	-1.0%
Ripley	-0.04	-0.1%	0.08	0.3%	-0.04	-0.1%
Rush	-0.13	-0.5%	0.18	0.7%	-0.12	-0.4%
St. Joseph	-4.93	-1.0%	41.35	8.8%	-4.82	-1.0%
Scott	-0.15	-0.6%	0.18	0.7%	-0.26	-0.9%
Shelby	-0.46	-0.6%	-0.42	-0.6%	-0.29	-0.4%
Spencer	-0.04	-0.1%	0.02	0.1%	-0.02	-0.1%
Starke	-0.13	-0.5%	-0.02	-0.1%	-0.11	-0.4%
Steuben	-0.09	-0.1%	0.06	0.1%	-0.09	-0.1%
Sullivan	-0.11	-0.4%	-0.08	-0.3%	-0.08	-0.3%
Switzerland	0.00	0.0%	0.00	0.0%	0.00	0.0%
Tippecanoe	0.35	0.1%	0.89	0.3%	0.00	0.0%
Tipton	-0.27	-1.1%	0.24	0.9%	-0.28	-1.1%
Union	-0.03	-0.3%	-0.03	-0.3%	-0.03	-0.3%
Vanderburgh	-3.61	-1.3%	0.87	0.3%	-3.47	-1.1%
Vermillion	-0.09	-0.3%	-0.07	-0.3%	-0.06	-0.2%
Vigo	-1.31	-0.9%	-1.22	-0.8%	-1.20	-0.7%
Wabash	-0.29	-0.6%	-0.44	-1.0%	-0.67	-1.4%
Warren	-0.06	-0.4%	-0.43	-2.6%	-0.11	-0.6%
Warrick	-0.14	-0.2%	-0.14	-0.2%	-0.12	-0.1%
Washington	-0.18	-0.6%	-0.18	-0.6%	-0.18	-0.6%
Wayne	-1.64	-1.9%	-1.61	-1.7%	-1.57	-1.6%
Wells	-0.09	-0.2%	-2.69	-6.4%	-0.19	-0.4%
White	-0.15	-0.3%	-0.03	-0.1%	-0.12	-0.3%
Whitley	-0.07	-0.2%	-0.02	0.0%	-0.08	-0.2%
Total	-62.11	-0.5%	214.29	1.8%	-58.44	-0.5%
<i>Note: Totals may not sum due to rounding.</i>						