Agenda

- How Did We Get Here?
- How Have Municipalities Been Affected?
- What Does this Mean for the Future?
- What Options can be Explored?
Property Tax Revenue vs. Cost of Delivering Services

All Indiana Municipalities

Property Tax Revenue Net of Circuit Breaker

State and Local Government Consumption (Index)

Indiana municipalities have lost 18% of their purchasing power over the last 6 years
The New Local Government Finance Landscape

- In 2008, property tax reform was enacted to lower taxes, and make tax bills more predictable for taxpayers.

- The property tax reforms reduced revenue to taxing units, and restricted the potential for future property tax revenue growth.

- Local government has reduced reliance on property taxes, but increased reliance on income taxes.

- In 2007, 80% of local budgets were funded by property taxes. Today 39% of all local budgets (including public schools) and 60% of all municipal budgets are funded through property taxes.

- Today, all 92 counties have implemented LOITs that are expected to generate $1.874 billion for local budgets, capital projects, and property tax relief in 2014.
How Did We Get Here?

A Timeline of Property Tax Policy Change in Indiana
Property Tax Policy in Indiana

Recent History

- Transition to Market Value Assessment
- Property Tax Reform and Introduction of Circuit Breaker Credit
Switch to Market Value Assessment

- In 1998, the Indiana Supreme Court found that Indiana’s method of replacement cost valuation was unconstitutional.
- All real property was reassessed using 1999 market values for taxes payable in 2003.
- Homestead deduction was increased to $35K
Transition to Market Value Assessment

Continued changes to the system

- Counties were given the option to remove inventory from the tax base (required by 2007).
- Banked levies were eliminated, removing an option of reserve funding for units.
Transition to Market Value Assessment

Market Value Assessment

Phase out of Inventory Tax

- 2003
- 2004
- 2005
- 2006
- 2007

Circuit Breaker appears in Statute

- Property tax rate caps or “circuit breakers” were introduced for the first time - to begin in 2008.
- Rates would be capped at 2% for homesteads, and 3% for all other properties, when fully implemented.
Transition to Market Value Assessment

**Property Tax “Crisis”**
- Statewide trending resulted in significant property tax increases for residential taxpayers.
- Inventories were fully exempted from the tax base (approx 4.7% of NAV)
- Limits were placed on State property tax relief.
- General Assembly issued one-time homestead rebate to offset increases.
- Max levy banking re-introduced (at 50%)
- Std. Deduction increased to $45K (3.5% of NAV)
## Impact of Trending in Payable 2007

Market value changes between March 1, 1999 and March 1, 2006 (six years) were incorporated into AV’s in a single tax year.

### Change in Average Homestead Gross AV

<table>
<thead>
<tr>
<th>City</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Pct. Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fort Wayne</td>
<td>86,831</td>
<td>111,616</td>
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</tr>
<tr>
<td>Goshen</td>
<td>102,048</td>
<td>116,237</td>
<td>14%</td>
</tr>
<tr>
<td>Hammond</td>
<td>80,441</td>
<td>91,795</td>
<td>14%</td>
</tr>
<tr>
<td>Crawfordsville</td>
<td>78,788</td>
<td>96,238</td>
<td>22%</td>
</tr>
<tr>
<td>Shelbyville</td>
<td>84,840</td>
<td>97,141</td>
<td>14%</td>
</tr>
<tr>
<td>Lawrence</td>
<td>125,056</td>
<td>148,420</td>
<td>19%</td>
</tr>
</tbody>
</table>
2007 Property Tax Crisis

Marion County’s average homestead property tax bill increased by 24% between 2006 and 2007.

- Elimination of Inventory Assessments: 4%
- Cap on State Property Tax Relief: 4%
- General Reassessment and Trending: 10%
- Increase in Local Spending: 6%

Source: Central Indiana Corporate Partnership
Property Tax Reform and Circuit Breaker Credits

- HEA 1001-2008 created the 1%, 2%, 3% circuit breaker credit among other property tax changes.
- Introduction of the supplemental standard deduction in statute.
- An additional one-year $620M, state-funded homestead credit was introduced to provide tax relief in 2008.
Major Provisions of HEA 1001-2008

Expansion of the Circuit Breaker Credit

- 1% for homestead property
- 2% for non-homestead residential, farm land, and long-term care
- 3% for all other property
- Additional limits for seniors

Significantly altered State funding of local units

- Eliminated PTRC; phased out homestead credit
- Shifted school general fund, county welfare, and public safety pension responsibilities to State

Other Changes

- Introduction of the Supplemental Standard Deduction
- Increased Standard Deduction to 60% of GAV, up to $45K
- Referendum requirement for large capital projects
- Increase in State sales tax
Property Tax Reform and Circuit Breaker Credits

First effects of HEA 1001-2008

- State assumes school funding, county welfare funding responsibilities.
- Circuit breaker credits are phased in, fully implemented in 2010.
- Supplemental Standard Deduction results in a 14% reduction in the statewide property tax base.
Property Tax Reform and Circuit Breaker Credits

Timeline

Property Tax Reform Passed

2008 – 2014

Circuit Breaker fully implemented

- Circuit breaker caps are fully implemented at 1%, 2%, and 3% of gross assessed value.
Property Tax Reform and Circuit Breaker Credits

General Reassessment

- Taxes payable in 2013 incorporated the effects of the 2007-2010 national recession.
- Caused significant reductions in the value of commercial and industrial property.
Property Tax Reform and Circuit Breaker Credits

- County option to exempt small returns (<$20K)
- County option to exempt new personal property
- Exemptions may begin with taxes payable in 2017
- Enhanced personal property abatement (20 years)
Property Tax Reform Timeline

Transition to Market Value Assessment

Property Tax Reform and Introduction of Circuit Breaker Credit
What Does this Mean to Taxpayers and Taxing Units?
Benefits to Taxpayers

The circuit breaker caps were introduced in response to property tax increases experienced by taxpayers in 2007.

- Circuit Breaker tax cap limits were intended to provide property tax relief - reducing the property tax bill for taxpayers.
- Circuit breaker caps were intended to make tax bills more consistent and predictable for taxpayers.
- The circuit breaker provisions received widespread popular support, and were amended into the Indiana Constitution.

Did the legislation achieve these goals?

...and what were the results to local units?
The combination of circuit breaker caps and the supplemental deduction significantly reduced homestead tax bills.
Impact to Rental and Commercial Taxpayers

Illustrative Impact in Elkhart County

Both parcels see tax relief with the implementation of Circuit Breaker in 2010.

Rate caps lead to difference in liabilities.

Commercial Taxpayer
3% Cap

Non-Homestead Residential (2% Cap)
Circuit Breaker Loss as a Percent of Certified Levy

For Cities and Towns

Circuit Breakers were phased in at 1.5%, 2.5%, and 3.5%

Circuit Breakers were fully implemented in 2010

Projections from Legislative Services Agency, 2013
Indiana’s Tax Rate Caps

Indiana’s property tax caps are very different from all others in two important aspects:

- Circuit Breaker tax cap limits the total tax rate and not the rates of individual taxing units.
- Revenue losses resulting from the Circuit Breaker tax cap are not funded.

Once a taxpayer reaches the tax cap, any increase in the tax rate of any taxing unit, reduces the available funds for all other another taxing units.
What Drives the Circuit Breaker?

- Location: Incorporated vs. Unincorporated
- Changes in Assessed Value
- Municipal Levy Decisions
- Levy Changes for Other Overlapping Units
District Property Tax Rate Calculation

Levy: $100,000,000

NAV: $3,000,000,000

$3.3333

Effective Circuit Breaker Rate Cap Thresholds

*District Tax Rate Required to Reach the Tax Cap*

**Homesteads**
- $125K: $2.5510
- $225K: $2.0460
- $350K: $1.7926

**Non-Homesteads**
- Rental/Farmland: $2.0000
- Commercial: $3.0000
Percentage of Certified Levy Lost to Circuit Breaker

Circuit breaker losses are concentrated in incorporated areas
District Tax Rates for Tipton County

- Commercial Cap
- HS Cap > $125K
- Rental Cap

- Elwood City
- Tipton City
- Kempton Town
- Sharpsville Town
- Windfall Town
- Prairie Township
- Liberty Township
- Wildcat Township
- Madison Township
- Cicero Township
- Jefferson Township

Legend:
- County
- Township
- Municipality
- School
- Library
- Other
Gross assessed value increased 6.1% (average of 0.9% per year)

Gross assessed value of personal property increased 17.9% (average of 2.4% per year)

Gross assessed value of real property increased 5.1% (average of 0.7% per year)

Gross assessed values of non-agricultural property has increased by 2.0% from 2007 - 2013
The General reassessment in 2006-07 captured growth in market value from 1999 to 2005 (a 6-year time period). Statewide real GAV increased by 20% in the reassessment (3%) annually.

Between the 2008-09 and 2011-12 tax years, AV growth stagnated due to the effects of the National Recession.

In the 2013 reassessment, Assessed Values decreased by 1.3% statewide.

Between 2007 and 2014, BPP GAV increased by 18%; Real GAV increased by 5% statewide.

Statewide elimination of the inventory tax in 2007.
Agricultural land is assessed using a productivity factor as defined in State statute.

The agricultural tax base increased by nearly 30% between 2007 and 2013.
TIF Increment and Abatement AV

*Compared to Gross Assessed Value*

TIF increment, and Abatement AV have not increased significantly since 2008 as a percent of the overall tax base.
Average Annual Change in Gross AV

Between the 2009-10 and 2013-14 Tax Years

Legend
Change in Real Gross AV
Avg. Annual Change
< -2.5%
-2.49%  - -1.5%
-1.49%  - -0.5%
-0.49%  - 0.5%
0.51%  - 1.5%
1.51%  - 2.5%
> 2.5%
Average Annual Real GAV Growth

Since the Full Implementation of the Circuit Breaker

Real AV has decreased for Counties with 65% of Indiana Population

Real AV has increased for 35% of Indiana Population
Tax Base Implications

- Communities with greater populations tend to have higher percentage circuit breaker losses.
- The 25 municipalities with the highest circuit breaker tax impact have losses ranging from 25% to 50% of their levy.
- The average losses for these cities have grown from 10% to over 30% of the levy, by 2013.

These losses have been increasing each year and will continue to grow over time. Growth in assessed value simply has not kept pace with growth in levies.
Municipal Levy Decisions

Circuit Breaker is essentially a function of the tax rate and tax base composition

- For circuit breaker affected units, a levy increase, in excess of assessed value growth will result in a circuit breaker increase.
- This circuit breaker increase will be spread across all overlapping taxing units.

Where does the revenue to fund a levy increase originate?

- From taxpayers, from those that are still below the cap.
- From other units of government, if taxpayers have reached the cap.
# Illustration of Unit Interactions: Case A

**Example: Coffee Shop with an Assessed Value of $100K**

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>0.5000</td>
</tr>
<tr>
<td>Township</td>
<td>0.1000</td>
</tr>
<tr>
<td>Municipality</td>
<td>1.5000</td>
</tr>
<tr>
<td>School</td>
<td>1.0000</td>
</tr>
<tr>
<td>Library</td>
<td>0.2500</td>
</tr>
<tr>
<td><strong>District Rate</strong></td>
<td><strong>3.3500</strong></td>
</tr>
</tbody>
</table>

**Distribution of Tax Payment**

- **County** $448
- **Township** $90
- **School** $896
- **Library** $224
- **City** $1,343
- **Total** $3,000

*Tax rate exceeds 3%. Parcel hits the circuit breaker cap and pays a max of $3K*
Illustration of Unit Interactions: Case B

Example: Coffee Shop with an Assessed Value of $100K

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>0.5000</td>
</tr>
<tr>
<td>Township</td>
<td>0.1000</td>
</tr>
<tr>
<td>Municipality</td>
<td>1.5000</td>
</tr>
<tr>
<td>School</td>
<td>1.2000</td>
</tr>
<tr>
<td>Library</td>
<td>0.2500</td>
</tr>
</tbody>
</table>

$\text{District Rate} = 3.5500$

Tax rate exceeds 3%. Parcel hits the circuit breaker cap and pays a max of $3K

Distribution of Tax Payment

- County $411
- Township $82
- School $1,068
- Library $205
- City $1,233
- Total $3K
Marginal Impact of a $1 Change in Levy

*Fort Wayne Illustration*

Currently, Fort Wayne realizes $0.60 of each additional dollar levied. However, only $0.20 of new revenue is introduced into the property tax system. This means that $0.40 comes from other taxing units.

**Assumptions:**
1. No change in NAV
2. FW increases levy by $1
3. All other units maintain constant levy
There were no substantial increases in net levy from 2009 to 2013. From 2013 to 2014, the increase in net levy is due to small increases in AV, and the implementation of the Lake County 1.5% LOIT.
Change in Total Budget Net of Circuit Breaker

*Statewide; Indexed to 2009*
Effect on Local Budgets (2009 to 2014)

- Budgets for cities and towns (what municipalities ask for) have grown by just over 3%; averaging less than 1% annually.

- The amount of budget lost to circuit breaker credits has grown from 2% to almost 10%.

- The funded budget (what municipalities have received), net of the circuit breaker tax credits, has DECLINED by 5% during this time period, or 1% annually.

- While funding has declined, the cost of providing local services has increased nearly 10%.
Implications for Municipalities

Created a financial interdependency of all local schools and local governments that has resulted in a competition for funds among taxing units, including such areas as:

- Issuance of debt
- Creation of tax increment areas
- Capture of incremental assessed values
- Tax abatement
- Annexations
Implications for Municipalities

Creates uncertainty in predicting revenues available to fund local budgets.

- Because of the budget timeline, actual circuit breaker losses are not known until months after the budget process has been completed.

- Encourages taxing units to levy property taxes to maximum levels to minimize revenue shifts among competing taxing units.

- Defers financial commitments to invest in programs and infrastructure
Implications for Municipalities

Many factors that increase circuit breaker tax credits are beyond the control of the affected taxing unit.

- Increases in the property tax rate of one taxing unit reduce property tax revenues collected by another.
- Trending adjustments and assessments reflected in total tax rates are developed by county assessor.
- Adoption of new Local Option Income Taxes to reduce property tax rates and tax credits may likely require legislative action by other elected bodies.
- Economic development activities that increase tax base may be within the jurisdiction of others or may be opposed by other taxing units.
What is the Outlook for Municipal Finance?
Managing the Circuit Breaker Credit

Exercise local budgetary policy options
- Implement options within current levy structure
- Cut levies to reduce shortfalls
- Expand the tax base and facilitate growth

Adopt a new LOIT for property tax relief or public safety purposes

Down the road: Planning for the elimination of business personal property assessment.
Budget Options Available to Local Units

Each taxing unit can manage the revenue shortfalls within their authorized levies

- Reduce spending in anticipation of revenue shortfalls
  - Improved efficiencies and cost sharing with other units
  - Reduced level of public services

- Develop fees and charges to replace lost revenues
  - Adopt user fees where appropriate
  - Consider payments in lieu of taxes for tax-exempt properties based upon value of services provided

- These changes benefit only the taxing unit making the change
Budget Options Available to Local Units

Each taxing unit can manage the revenue shortfalls by reducing authorized levies

- Result is the reduction in property tax rate which decreases the circuit breaker tax credits of all overlapping taxing units

- Disadvantage is that the taxing unit will only benefit to the extent that these levy reductions actually reduce tax credits; and then, only in proportion to their tax rate

- Some of the resulting savings in circuit breaker loss will accrue to other taxing units.
Budget Options Available to Local Units

Expand the tax base to reduce tax rates:

- Release of excess captured assessed value within tax increment allocation areas
- Modification of guidelines for future property tax abatement
- Consolidation of service territories
  - Fire protection territories
  - Consolidation of other public safety functions
- Annexation
Illustration of TIF Pass-Through Revenue Impact

$100M AV Released to Base

- Reduced TIF revenue by $3.2M

Increased Tax Base leads to

- Reduced District Property Tax Rate
  - Rate Reduced by $0.0246

Step 3

Two Outcomes (total $3.2M)

- Revenue Increase for Taxing Units
  - $2.0M County-wide

Step 4a

- Step 4b
  - Reduced Tax Liability for Taxpayers
    - $1.2M

Step 4b

- Step 5b
  - Prop. Tax Reduction for an $80K Homestead = $4.65

Revenue Increase for Taxing Units

- Municipality $870K
- Library $250K
- Schools $625K
- Other Units $255K

Revenue increase from circuit breaker relief and rate-controlled funds
Legacy Income Tax Options

County Adjusted Gross Income Tax (CAGIT)
- Provides property tax relief and additional revenues to units.
- Adopted by the County Council

County Option Income Tax (COIT)
- Provides new (non-property tax) funding for civil units
- Adopted by the COIT Council
- Can include a homestead credit

County Economic Development Income Tax (CEDIT)
- Available to civil units for any budgetary purpose
- Adopted by County Council/COIT Council
New Local Income Tax Options

Levy Growth Replacement (Levy Freeze)
- Maximum levies frozen in place; growth funded by income tax
- Requires a stabilization fund in the first year (2x the required rate)

Property Tax Replacement
- LOIT is allocated as a credit against the tax bill
- Three allocation options: Uniform Distribution, Homestead Property, Qualified Residential Property (or any combination)

Public Safety Income Tax
- Distributed to counties and municipalities with public safety responsibilities (townships in some cases)
- Must be adopted in conjunction with a levy growth or property tax replacement LOIT.
Local Option Income Tax Revenue History

![Bar chart showing local option income tax revenue history from 2004 to 2014. The revenue has increased steadily over the years.]
New Property Tax Relief and Levy Freeze LOITS

11 Counties have enacted a Levy Freeze LOIT
33 counties have enacted a PTR LOIT
20 of 25 counties have imposed the Public Safety LOIT at the maximum rate.
Diversification of Local Government Revenue

- **$1.1B in 2006**
- Decrease in 2009 due to State assuming School General, County Welfare Funds
- **$1.9B in 2013**

- Property Tax
- State PTRC & HSC
- Income Tax
Advantages of New LOIT’s

Provides flexibility to local units

- Several implementations are available depending on the best fit for the local community.
- Public Safety LOIT provides additional, non-property tax revenue source.

Provides circuit breaker relief to all units

- Legacy income taxes do not provide any new revenue to schools.
- Because property tax relief component reduces effective tax rates, all units benefit.

Provides tax relief to taxpayers under the cap

- Provides benefits to taxpayers in CB-affected areas (more public services).
- Provides benefits to taxpayers in areas without CB problems (lower tax bill)
Limitations of New LOIT’s

Not always efficient at mitigating circuit breaker losses

- Because revenue is split between circuit breaker relief and tax relief, higher than necessary rate may be required to mitigate circuit breaker.

Links income tax revenue to property tax revenue

- Revenue forecasting is now a required part of the budgeting process.
- Creates a need to establish and fund adequate cash reserves to offset downturns in the economy.

Equity issues surrounding the source and allocation of revenue
Decreased collections during recessions in 2001 and 2008

COIT rate increased to 1% between 1988 and 1996

Collections increased by 6.8% annually between 1996 and 2012

Decreased collections during recessions in 2001 and 2008

COIT distributions are determined before actual collections are known, causing fluctuations in distribution levels
Looking Forward: Elimination of Personal Property

Major Provisions of SEA 1-2014:

- Counties have the option to exempt certain types of personal property, beginning in with taxes payable in 2017

- Small returns - investments less than $20,000. These returns make up 50% of the number of personal property tax returns, but comprise 1.7% of the total value of personal property.

- New investment - Exempt new investment from assessment. As older property depreciates, the taxable value will not be replaced.

- Enhanced abatements - allows abatements up to 20 years.
Implications of Business Personal Property Exemption

Findings from the Legislative Services Agency:

- Business personal property accounts for roughly 9% of the total gross assessed property values in Indiana and generates over $1 billion in property tax revenues annually.

- Loss of business personal property tax assessments will increase circuit breaker losses by $566 million and will reduce local tax revenues for rate controlled funds by $153 million.

- The remaining $375 million of lost property taxes would be shifted to other taxpayers.
## Impact of BPP Elimination on Circuit Breaker

<table>
<thead>
<tr>
<th></th>
<th>2015 Losses</th>
<th>2015 w/o BPP</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counties</td>
<td>$98,340,064</td>
<td>$168,936,195</td>
<td>$70,596,131</td>
<td>72%</td>
</tr>
<tr>
<td>Townships</td>
<td>24,210,092</td>
<td>39,681,726</td>
<td>15,471,634</td>
<td>64%</td>
</tr>
<tr>
<td>Cities &amp; towns</td>
<td>269,718,179</td>
<td>444,284,525</td>
<td>174,566,346</td>
<td>65%</td>
</tr>
<tr>
<td>Schools</td>
<td>258,747,426</td>
<td>409,417,838</td>
<td>150,670,412</td>
<td>58%</td>
</tr>
<tr>
<td>TIF Allocations</td>
<td>67,060,961</td>
<td>140,877,927</td>
<td>73,816,966</td>
<td>110%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$824,965,542</strong></td>
<td><strong>$1,381,268,320</strong></td>
<td><strong>$566,302,778</strong></td>
<td><strong>68%</strong></td>
</tr>
</tbody>
</table>

Source: Legislative Services Agency, 2013
## Impact of BPP Elimination on Circuit Breaker

<table>
<thead>
<tr>
<th></th>
<th>2015 Losses</th>
<th>2015 w/o BPP</th>
<th>Increase</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>107,195</td>
<td>286,781</td>
<td>179,586</td>
<td>167%</td>
</tr>
<tr>
<td>Fishers</td>
<td>1,825,832</td>
<td>2,892,310</td>
<td>1,066,478</td>
<td>58%</td>
</tr>
<tr>
<td>Indianapolis (Consolidated City)</td>
<td>3,747,579</td>
<td>5,740,267</td>
<td>1,992,688</td>
<td>53%</td>
</tr>
<tr>
<td>Kokomo</td>
<td>5,860,051</td>
<td>18,268,239</td>
<td>12,408,188</td>
<td>212%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>7,659</td>
<td>97,131</td>
<td>89,472</td>
<td>1,168%</td>
</tr>
<tr>
<td>Terre Haute</td>
<td>9,917,469</td>
<td>15,356,064</td>
<td>5,438,595</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: Legislative Services Agency, 2013
# Estimated Impact as a Percent of Levy

<table>
<thead>
<tr>
<th></th>
<th>2015 Losses</th>
<th>2015 w/o BPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Fishers</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Kokomo</td>
<td>13%</td>
<td>41%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Terre Haute</td>
<td>31%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: Legislative Services Agency, 2013
What Alternatives Can be Explored?
**Possible Legislative Changes**

Authorize an additional local option income tax to replace Business Personal Property revenue.

- To replace $1.063 billion of revenues that would be lost from the elimination of business personal property taxes
- LSA estimates that a statewide average rate of .77% would be required to replace all lost revenues

<table>
<thead>
<tr>
<th>County</th>
<th>Est. Rev. Loss</th>
<th>LOIT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boone</td>
<td>$5,798,341</td>
<td>0.23%</td>
</tr>
<tr>
<td>Hamilton</td>
<td>$34,103,074</td>
<td>0.23%</td>
</tr>
<tr>
<td>Howard</td>
<td>$12,580,126</td>
<td>2.32%</td>
</tr>
<tr>
<td>Marion</td>
<td>$185,713,045</td>
<td>1.04%</td>
</tr>
<tr>
<td>Steuben</td>
<td>$3,452,250</td>
<td>0.50%</td>
</tr>
<tr>
<td>Vigo</td>
<td>$23,555,560</td>
<td>1.29%</td>
</tr>
</tbody>
</table>
Possible Legislative Changes

Expand the property tax base to reduce property tax rates and the related circuit breaker losses

- Consider eliminating or limiting exemptions, such as homestead deductions, the supplemental homestead deduction, and non-profit exemptions
- Provide expanded authority for PILOTs to recover costs attributable to non-profit and non-taxed property
- Facilitate efforts to return publically-owned land to the tax base.
Possible Legislative Changes

Provide for the replacement of revenues lost to the circuit breaker tax credits from State funds

- Expand the sales tax base to include services.
- Adopt a business gross receipts tax.
Possible Legislative Changes

Provide more flexibility in the adoption of local option income taxes

- Allow local option income taxes to be adopted by a “super COIT council” comprised of cities, towns, counties, and schools
- Allow changes in the type of local option income tax selected, without a year’s delay
- Allow for the adoption of a municipal income tax
Possible Legislative Changes

Consider the consolidation of the several forms of local option income taxes authorized today.

- Reconsider the current allocations of income tax revenues among taxing units and the current use of those funds.
- Eliminate duplicative tools (i.e. CAGIT, COIT Homestead, EDIT inventory replacement and LOIT property tax replacement all provide property tax relief).
- Make available more funds for local government services.
Possible Legislative Changes

Provide more flexibility in the use of local option income taxes

- Permit local option income taxes to be used to directly replace losses resulting from circuit breaker tax credits
- Permit local officials to determine the allocation of local option income tax proceeds for property tax relief, replacement of circuit breaker losses, accumulation of reserves and funding for programs, and capital projects
## LOIT Rates Required to Fund 2015 Circuit Breaker Losses

<table>
<thead>
<tr>
<th>County</th>
<th>2015 CB</th>
<th>2015 CB w/o BPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boone</td>
<td>0.24%</td>
<td>0.30%</td>
</tr>
<tr>
<td>Hamilton</td>
<td>0.28%</td>
<td>0.39%</td>
</tr>
<tr>
<td>Howard</td>
<td>0.88%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Marion</td>
<td>1.05%</td>
<td>1.73%</td>
</tr>
<tr>
<td>Steuben</td>
<td>0.03%</td>
<td>0.09%</td>
</tr>
<tr>
<td>Vigo</td>
<td>1.29%</td>
<td>2.16%</td>
</tr>
</tbody>
</table>