

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

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**FISCAL IMPACT STATEMENT**

**LS 6854**

**BILL NUMBER:** SB 359

**NOTE PREPARED:** Jan 3, 2023

**BILL AMENDED:**

**SUBJECT:** Tax Matters.

**FIRST AUTHOR:** Sen. Qaddoura

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State & Local

**Summary of Legislation:** *Property Tax:* This bill provides a credit against an individual's homestead property tax liability equal to the amount by which the property tax liability increases by more than 10% from the prior year. It requires the county auditor to apply the credit against an individual's homestead property tax liability without the need to file an application. The bill provides that the minimum property tax liability for an individual's homestead is an amount equal to the result of: (1) the property tax liability first due and payable on the homestead for the immediately preceding calendar year; multiplied by (2) 0.9.

*Personal Exemptions:* The bill also increases the: (1) amount of certain personal exemptions from \$1,000 to \$2,500 for individual taxpayers who satisfy certain income criteria; and (2) amount of property taxes paid by an individual taxpayer on the individual's principal place of residence from \$2,500 to \$3,500; that may be subtracted from an individual's federal adjusted gross income.

*Renter's Deduction:* In addition, the bill increases the renter's deduction to \$4,000 for state income tax purposes.

**Effective Date:** July 1, 2023; January 1, 2024.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and processing system to reflect the changes made to exemptions and deductions under the bill. The DOR's current level of resources should be sufficient to implement these changes.

**Explanation of State Revenues:** *Summary -* The bill will reduce state General Fund revenue by an estimated

\$357.7 M to \$360.4 M in FY 2025. The income tax provisions start in tax year 2024 and will impact revenues beginning in FY 2025. The summary estimate of the bill's tax provisions includes the changes to the following income tax exemptions and deductions: the personal exemption, the dependent exemption, the exemption for the elderly and blind, the renter's deduction, and the homeowner property tax deduction.

<b>Estimated State Revenue Impact (in Millions)</b>	
<b>Income Tax Provision</b>	<b>FY 2025</b>
Personal Exemption	(\$206.9)
Dependent Exemption	(\$82.8)
Exemption for the Elderly or Blind	(\$43.3)
Renter's Deduction	(\$18.6)
Homeowner Property Tax Deduction	(\$6.1-\$8.8)
<b>Total</b>	<b>(\$357.7 - \$360.4)</b>

*Additional Information - Personal Exemptions:* The bill increases the personal exemption, dependent exemption, and exemption for the elderly or blind from \$1,000 to \$2,500 for individual taxpayers with a federal adjusted gross income (FAGI) of \$200,000 or less, \$400,000 or less for married taxpayers filing jointly. The estimate is based on the FAGI and number of exemptions claimed in income tax return data from 2020.

*Renter's Deduction:* The bill increases the renter's deduction from \$3,000 to \$4,000 for individuals and married couples filing jointly, and from \$1,500 to \$2,000 for married couples filing separately. The estimate is based on 2020 income tax data and estimates of the amount of contract rent paid in Indiana from the American Community Survey.

*Homeowner Property Tax Deduction:* The increase in the maximum Homeowner Property Tax Deduction from \$2,500 to \$3,500 will reduce General Fund revenues by an estimated \$6.1 M to \$8.8 M beginning in FY 2025. The lower range estimate is based on tax year 2020 income tax return data and 2022 property tax amounts. The higher estimate takes into account increasing property tax collections over time and assumes an increase in the number of tax filers who are eligible for a deduction between \$2,500 and \$3,500.

**Explanation of Local Expenditures:** County auditors will have additional one-time programming expenses to implement the minimum and maximum homestead tax change caps.

**Explanation of Local Revenues:** *Income Tax:* The income tax provisions in the bill will reduce local income tax revenue by an estimated \$186.3 M to \$187.7 M in FY 2025. The income tax provisions apply in tax year 2024 and will impact revenues beginning in FY 2025.

<b>Estimated Local Income Tax Revenue Impact (in Millions)</b>	
<b>Tax Provision</b>	<b>FY 2025</b>
Personal Exemption	(\$107.7)
Dependent Exemption	(\$43.1)
Exemption for the Elderly or Blind	(\$22.6)
Renter's Deduction	(\$9.7)
Homeowner Property Tax Deduction	(\$3.2-\$4.6)
<b>Total</b>	<b>(\$186.3 - \$187.7)</b>

*Property Tax:* Beginning with taxes payable in CY 2024, this bill will result in reduced property tax bills for some homestead owners and corresponding revenue reductions for taxing units. In rare instances, the bill would also limit a reduction in homeowner taxes if that reduction is more than 10%. The tax savings for homesteads is estimated at \$25.0 M in CY 2024, \$7.3 M in CY 2025, and \$8.6 M in CY 2026. The tax reduction will likely grow each year after CY 2026.

Large property tax bill increases may have several causes including a large assessed value (AV) increase for the home, an AV reduction or slower growth for other properties (tax shift), a large levy increase, or a change in the amount or allocation of local income tax (LIT) revenues used for property tax relief. Unusual changes that are unknown at this time in any of these factors will have a direct effect on property tax bills and on the amount of local revenue lost under this bill. The revenue estimates shown assume estimated annual changes in these factors that are based on currently known data and conditions.

The following table summarizes the estimated net property tax revenue change by taxing unit type. *[Total estimated local revenue changes by county appear in Appendix A.]*

<b>Estimated Change in Net Property Tax Revenue (\$M)</b>			
<b>Unit Type</b>	<b>CY 2024</b>	<b>CY 2025</b>	<b>CY 2026</b>
Counties	-4.2	-1.2	-1.3
Townships	-1.0	-0.2	-0.3
Cities and Towns	-7.1	-2.7	-3.2
School Corporations	-8.6	-2.2	-2.6
Libraries	-1.1	-0.3	-0.4
Special Units	-2.7	-0.5	-0.7
TIF	-0.2	0.0	0.0
<b>Total</b>	<b>-25.0</b>	<b>-7.3</b>	<b>-8.6</b>
<b>Total Without TIF</b>	<b>-24.8</b>	<b>-7.3</b>	<b>-8.6</b>
*The sum of the numbers in each column may not equal the totals due to rounding.			

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** County auditors; Local civil taxing units and school corporations.

**Information Sources:** LSA Property Tax Database; LSA Income Tax Database; American Community Survey. Contract Rent: Indiana, 2020, 5-Year Estimates Detailed Tables.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859; Camille Tesch, 317-232-5293.

**Appendix A**

<b>Estimated Change in Property Tax Revenue</b>				
<b>Cnty</b>	<b>County</b>	<b>CY 2024</b>	<b>CY 2025</b>	<b>CY 2026</b>
01	Adams	-62,000	-24,000	-18,000
02	Allen	-916,000	-317,000	-604,000
03	Bartholomew	-106,000	-26,000	-37,000
04	Benton	-81,000	-16,000	-23,000
05	Blackford	-149,000	-80,000	-78,000
06	Boone	-190,000	-12,000	-15,000
07	Brown	-4,000	-2,000	-2,000
08	Carroll	-26,000	-8,000	-8,000
09	Cass	-86,000	-57,000	-69,000
10	Clark	-691,000	-67,000	-99,000
11	Clay	-60,000	-21,000	-13,000
12	Clinton	-434,000	-109,000	-71,000
13	Crawford	-69,000	-35,000	-38,000
14	Daviess	-57,000	-26,000	-28,000
15	Dearborn	-40,000	-18,000	-24,000
16	Decatur	-47,000	-12,000	-13,000
17	DeKalb	-144,000	-26,000	-40,000
18	Delaware	-373,000	-266,000	-301,000
19	Dubois	-101,000	-26,000	-23,000
20	Elkhart	-172,000	-78,000	-166,000
21	Fayette	-117,000	-75,000	-97,000
22	Floyd	-112,000	-49,000	-59,000
23	Fountain	-13,000	-3,000	-5,000
24	Franklin	-55,000	-12,000	-12,000
25	Fulton	-44,000	-17,000	-26,000
26	Gibson	-171,000	-59,000	-59,000
27	Grant	-341,000	-204,000	-209,000
28	Greene	-108,000	-60,000	-57,000
29	Hamilton	-486,000	-18,000	-29,000
30	Hancock	-528,000	-23,000	-29,000
31	Harrison	-49,000	-16,000	-20,000
32	Hendricks	-199,000	-14,000	-24,000
33	Henry	-200,000	-104,000	-85,000
34	Howard	-432,000	-251,000	-314,000
35	Huntington	-142,000	-81,000	-99,000
36	Jackson	-44,000	-14,000	-12,000
37	Jasper	-20,000	-6,000	-7,000
38	Jay	-61,000	-31,000	-29,000
39	Jefferson	-89,000	-42,000	-31,000
40	Jennings	-72,000	-38,000	-34,000
41	Johnson	-1,136,000	-55,000	-65,000
42	Knox	-219,000	-130,000	-116,000
43	Kosciusko	-209,000	-40,000	-40,000
44	LaGrange	-70,000	-39,000	-35,000
45	Lake	-1,195,000	-893,000	-1,191,000
46	LaPorte	-166,000	-91,000	-143,000
47	Lawrence	-159,000	-84,000	-91,000
48	Madison	-422,000	-273,000	-364,000
49	Marion	-7,156,000	-1,072,000	-1,311,000
50	Marshall	-162,000	-49,000	-41,000
51	Martin	-7,000	-4,000	-6,000
52	Miami	-133,000	-82,000	-110,000
53	Monroe	-32,000	-12,000	-15,000
54	Montgomery	-137,000	-40,000	-52,000
55	Morgan	-73,000	-21,000	-25,000

Appendix A

Estimated Change in Property Tax Revenue				
Cnty	County	CY 2024	CY 2025	CY 2026
56	Newton	-42,000	-17,000	-15,000
57	Noble	-56,000	-19,000	-23,000
58	Ohio	-16,000	-4,000	-6,000
59	Orange	-64,000	-25,000	-24,000
60	Owen	-55,000	-18,000	-19,000
61	Parke	-39,000	-15,000	-14,000
62	Perry	-36,000	-23,000	-25,000
63	Pike	-51,000	-22,000	-21,000
64	Porter	-117,000	-32,000	-41,000
65	Posey	-93,000	-36,000	-32,000
66	Pulaski	-13,000	-4,000	-5,000
67	Putnam	-96,000	-32,000	-22,000
68	Randolph	-79,000	-48,000	-46,000
69	Ripley	-23,000	-10,000	-12,000
70	Rush	-35,000	-15,000	-17,000
71	St. Joseph	-2,996,000	-373,000	-466,000
72	Scott	-81,000	-42,000	-41,000
73	Shelby	-89,000	-32,000	-50,000
74	Spencer	-78,000	-30,000	-25,000
75	Starke	-133,000	-57,000	-57,000
76	Steuben	-44,000	-11,000	-20,000
77	Sullivan	-94,000	-50,000	-45,000
78	Switzerland	-24,000	-11,000	-6,000
79	Tippecanoe	-147,000	-31,000	-38,000
80	Tipton	-36,000	-15,000	-19,000
81	Union	-14,000	-7,000	-7,000
82	Vanderburgh	-871,000	-533,000	-409,000
83	Vermillion	-98,000	-59,000	-66,000
84	Vigo	-207,000	-115,000	-129,000
85	Wabash	-94,000	-52,000	-53,000
86	Warren	-17,000	-5,000	-5,000
87	Warrick	-319,000	-70,000	-69,000
88	Washington	-75,000	-36,000	-29,000
89	Wayne	-286,000	-175,000	-150,000
90	Wells	-11,000	-2,000	-5,000
91	White	-53,000	-14,000	-17,000
92	Whitley	-76,000	-15,000	-14,000
	<b>Total</b>	<b>-25,031,000</b>	<b>-7,287,000</b>	<b>-8,554,000</b>