On Local Government

Indiana General Assembly
Tax and Budget Issues

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March 2016
SB 67 / HB 1110
LOIT Special Distributions

• SB 67
  – Passed Senate 49-1
  – Special distribution, 88% of 12/2014 balances
  – $444 million in 2016 to local governments
  – Deposited in local unit rainy day fund
  – 15% special distribution threshold, 2017 and after
  – Added supplemental distributions to local gov’ts starting in 2017; $99 million by 2020
SB 67 / HB 1110
LOIT Special Distributions

- HB 1110
  - Passed House 98-0
  - Special distribution, 100% of 12/2014 balances
  - $430 million in 2016 to county, cities & towns
  - 75% for transportation or rainy day fund, counties cities and towns only; 25% for any purpose
  - 25% special distribution threshold, 2017 and after
  - supplemental distributions to local gov’ts starting in 2017; $24 million by 2020
Unemployment Rates Elkhart County and Indiana

[Graph showing unemployment rates for Indiana and Elkhart County, IN, from 1990 to 2014.]
Elkhart CAGIT:
Simulated 50% Special Distribution Threshold

Distributions equal previous year's collections plus special distribution from previous year's balances above 50% of previous year's distributions.
Elkhart CAGIT: Simulated 25% Special Distribution Threshold

Distributions equal previous year's collections plus special distribution from previous year's balances above 25% of previous year's distributions.
Distributions equal previous year's collections plus special distribution from previous year's balances above 15% of previous year's distributions.
SB 333 / HB 1001
Road Funding

• HB 1001
  – Passed House 61-36; SB 333 text amended into bill in Senate (so these details were in SB 333 as passed)
  – State excess reserves above 11.5% of budget transfer to State road and bridge fund
  – Allows added rate on county surtax/wheel tax; authorizes municipal surtax/wheel tax
  – Transfers trust fund money to State Highway Fund
  – Imposes fees on electric and hybrid vehicle purchase
  – Added state revenues: $562 million in FY 2017
SB 333 / HB 1001
Road Funding

• SB 333
  – Passed Senate 49-0; HB 1001 text amended into bill in House (so these details were in HB 1001 as passed)
  – State excess reserves above 11.5% transfer to State and Local highway funds
  – Sales taxes on motor fuel transferred to state and local highways
  – Indexes motor fuel excise taxes to consumer price and highway construction cost inflation since 2002
  – Raises cigarette tax from $0.995 to $1.995
SB 333 / HB 1001
Road Funding

• SB 333
  – Allows added rate on county surtax/wheel tax; authorizes municipal surtax/wheel tax
  – Reduces individual income tax from 3.23% to 3.06%, 2017-2025
  – Transfers trust fund money to State Highway Fund
  – Authorizes INDOT study of tolls on interstates
  – Added state highway revenue: $714 million in 2017; $240 million in 2018-2020
  – Added local road/street revenue: $360 million in 2017; $335 million in 2018-2020

- **Excise Tax**: 1 cent x 3 billion gallons = $30 million
- **Sales Tax**: 3 billion gallons x $2/gal = $6 billion 7% sales tax = $420 million
- $2.50/gal = $525 million
- $3.00/gal = $630 million
2% more inflation raises rate to 23 cents

4.5% more inflation raises rate another 1 cent
SB 308 / H Amdmt 15
Farmland Assessment

- SB 308
  - Passed Senate 50-0; House amendment 15 passed Ways and Means Committee 22-0.
  - SB 308 put an 8% floor on the capitalization formula interest rate (denominator of base rate formula). 2015 rate was 4.7%.
  - SB 308 also reduced the 4-year lag to 2 years, meaning base rate for 2019 will be based on 2012-2017 data, not 2010-2015 data.
  - Amendment 15 freezes base rate at $2,050 in 2017, then allows a 1% increase per year, or uses the old capitalization formula base rate, whichever is lower.
Base Rate per Acre of Farmland for Property Taxation, Actual 1980-2016; and Estimated 2017-2019

- Negotiated Rate, 1980-2002
- Annual Trending with Capitalization Formula, 2008-15
- Trending and Rate Freeze, 2006-07
- Capitalization Formula, 2003
- Freeze and AVGQ Limit, 2016 -
- New Capitalization Formula Drops Highest Value, 2011-15
Base Rate per Acre of Farmland for Property Taxation, Old Capitalization Formula, AVGQ Formula, SB 308 (Senate), SB 308 w/ Amend. 15, Projected 2016-2023

Projected prices, yields, costs, interest rates, 2016-23
Base Rate per Acre of Farmland for Property Taxation, Old Capitalization Formula, AVGQ Formula, SB 308 (Senate), SB 308 w/ Amend. 15, Projected 2016-2023

Year Taxes Paid (Pay Year)


Dollars per Acre

0 500 1000 1500 2000 2500 3000 3500

Old Capitalization Formula

Freeze/AVGQ Formula
## Effects of Changes in Farmland Assessment

<table>
<thead>
<tr>
<th>Effects in CY 2019</th>
<th>SB 308 as passed</th>
<th>w/ House Amendment 15</th>
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</thead>
<tbody>
<tr>
<td>Tax Change, Farmland</td>
<td>-106.3 mil</td>
<td>-32.6 mil</td>
</tr>
<tr>
<td>Tax Change, Other Taxpayers</td>
<td>+79.5 mil</td>
<td>+25.6 mil</td>
</tr>
<tr>
<td>Revenue Change, Local Gov’ts</td>
<td>-26.9 mil</td>
<td>-7.0 mil</td>
</tr>
</tbody>
</table>

Changes are compared to projections for 2019 under current law, not compared to 2016 taxes and revenues.

Source: Legislative Services Agency fiscal notes