

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

2017 Budget and Beyond for Indiana Township Trustees

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June 10, 2016



Topics

- 2016 Legislative review of bills that affect the local government budgeting process.
- Brief discussion of changes to local income tax structure.
- Budget Calendar – Revisited

This presentation highlights specific parts of recently enacted statutes. This presentation is not designed to be a comprehensive review of new legislation. This presentation emphasizes the impact on the 2017 budget process.

This presentation is not a substitute for reading the applicable statutes.



SEA 321: Budget Streamlining

- Cooperative effort among the General Assembly, local government officials and their associations, DLGF, and Office of Management and Budget (OMB).
- Months of work went into preparation of SEA 321 resulting in a bill that had full support of General Assembly.



SEA 321: Budget Streamlining

- SEA 321 was a comprehensive revision of the budget process covering:
 - Property Assessments and Certification of AV
 - Maximum Levy Calculations
 - Circuit Breaker Calculations
 - Miscellaneous Revenues
 - County Council Review
 - Budget Adoption Process
 - DLGF Budget Review Process



SEA 321: Budget Streamlining

- **August 1 – Certification of Net Assessed Values**
 - Starts in 2016 for Budget Year 2017.
 - On or before August 1, the county auditor shall submit a certified statement of assessed values to the DLGF in a manner prescribed by the DLGF.
 - DLGF shall make the Certified Net Assessed Values available on Gateway.
 - SEA 321 repeals requirement for auditor's certificate.



SEA 321: Budget Streamlining

- Beginning with 2018:
 - County auditor shall submit to DLGF parcel level data of Certified Net Assessed Values. (IC 6-1.1-17-1(f)
(This requirement currently does not exist. The DLGF will work with the software vendors to develop this data submission.)
 - This requirement is designed to improve the accuracy of the DLGF's Circuit Breaker analysis.



SEA 321: Budget Streamlining

- **Maximum Levies and LOITS:**
 - HEA 1485-2015 removed the local option income taxes from the maximum levy calculation.
 - (CAGIT PTRC was a part of formula)
 - This change allows DLGF to calculate maximum levies earlier than before. Previously, DLGF needed the CAGIT PTRC to complete calculation.
 - Amount was not known until October.



SEA 321: Budget Streamlining

- **July 14 – Estimate of Maximum Levies**
 - Effective for 2016 pay 2017 budget;
 - Before July 15 the DLGF shall provide each taxing unit an estimate of the unit's maximum permissible property tax levy for the ensuing year. (IC 6-1.1-18.5-24)
 - The DLGF estimates shall provide guidance on calculating allowable levy adjustments.



SEA 321: Budget Streamlining

- **Financial Institutions One-Time Levy Adjustment**
 - Effective 2016 pay 2017.
 - For budget year 2017, DLGF shall make a one-time permanent adjustment to the maximum levies in an amount equal to financial institutions tax adjustment for budget year 2016. (IC 6.1.1-18.5-19.1)
 - (Previously, the FIT adjustment was not known until the DLGF did its budget review.)



SEA 321: Budget Streamlining

- **Cumulative Fund Deadlines**
 - Current deadline to establish or re-establish a cumulative fund is before August 2.
 - Beginning in 2018 for budget year 2019, deadline for establishing or re-establishing a cumulative fund will move to before May 1. (IC 6-1.1-17-16.7 and IC6-1.1-41-4)



SEA 321: Budget Streamlining

- **Estimate of Cumulative Fund Rates**
 - Officially* begins in 2018 for budget year 2019.
 - Before July 15, DLGF shall provide each unit with an estimate of the property tax rate that could be imposed in the budget year for each cumulative fund or fund for which a maximum tax rate is established. (IC 6-1.1-17-0.7(b)(1))
 - Actual tax rates will be computed during the budget review.
 - * May be provided before 2018.



SEA 321: Budget Streamlining

- **July 14 – Estimate of Debt Levies**
 - Officially* starts in 2018 for 2019 Budget.
 - Before July 15, DLGF shall provide each unit an estimate of the property tax rates to be imposed by the unit in the budget year for debt service. (IC 6-1.1-17-0.7(b)(2))
 - Currently not provided in advance of budget review.
 - Actual rates will be computed during the budget review.
 - * Anticipated to begin in 2016.



SEA 321: Budget Streamlining

- **July 14 – Estimate of Debt Levies**
 - Accurate estimates of debt service obligations will be key in calculating these estimated tax rates.
 - The estimated tax rates for debt service will be used in the computation of estimated circuit breaker impacts for each taxing unit.



SEA 321: Budget Streamlining

- **July 31 – Circuit Breaker Estimates**
 - Effective 2016 for Budget Year 2017.
 - Before August 1, DLGF shall provide each taxing unit with an estimate of the amount by which the taxing unit's property tax distribution will be reduced by circuit breaker credits in the ensuing year. (IC 6-1.1-20.6-11.1)
 - DLGF shall use the best available assessed value data and maximum levy estimates.



SEA 321: Budget Streamlining

- **County Council Review**
 - Effective 2016 for Budget Year 2017.
 - The previous version of the County Council Review has been repealed.
 - At the first meeting of the county fiscal body in August, the fiscal body shall review the estimated levy limits and estimated circuit breaker impacts provided by the DLGF. (IC 6-1.1-17-3.6(a))
 - Fiscal body may request representatives from taxing units attend the meeting.



SEA 321: Budget Streamlining

- The county fiscal body must allow a representative of a taxing unit to comment on the taxing unit's proposed budgets, levies, and rates. (IC 6-1.1-17-3.6(c))
- After the meeting, the county fiscal body may prepare and distribute written recommendations to the county's taxing units. If written recommendations are not prepared, the minutes of the meeting shall be distributed by the county auditor. (IC 6-1.1-17-306(d))



SEA 321: Budget Streamlining

- **Notice to Taxpayers (Form 3)**
 - At least 10 days before the public hearing for the 2017 annual budget, the political subdivision shall submit its Notice to Taxpayers on Gateway. (IC 6-1.1-17-3(a))
 - SEA 321-2016 eliminates the requirement that the Notice to Taxpayers be submitted before September 14.
 - Local units will have more control over their budget adoption process due to the elimination of the arbitrary deadline.



SEA 321: Budget Streamlining

- **Notice to Taxpayers (Form 3) must include:**
 - Estimated Budget;
 - Estimated maximum permissible levy, as provided by the DLGF;
 - Current and proposed levies for each fund;
 - Estimated amount of circuit breaker impact, as provided by the DLGF;
 - Amount of excessive levy appeals to be requested;
 - Date, time, and place of public hearing.



SEA 321: Budget Streamlining

- **Notice to Taxpayers (Form 3):**
 - Upon submission of the Notice to Taxpayers, the Notice is immediately made available on <http://BudgetNotices.in.gov>.
 - Taxpayers can search for budget notices by address or by county.
 - In the event of an error, an amended Notice to Taxpayers may be submitted as long as there are at least 10 days before the public hearing. (IC 6-1.1-17-3(e)). Contact DLGF to unlock and change.



SEA 321: Budget Streamlining

- **November 1 – Budget Adoption**
 - Effective in 2016 for Budget year 2017
 - In formulating a unit's estimated budget, the political subdivision must consider the net property tax revenue for the ensuing year after subtracting DLGF circuit breaker estimates. (IC 6-1.1-17-3(a))
 - Currently, units adopt budgets and levies without accounting for circuit breaker impact.



SEA 321: Budget Streamlining

- **November 1 – Budget Adoption**
 - Taxing units will start to adopt “net budgets” or “post circuit breaker budgets”.
 - For the long-term, the DLGF plans to revise the Fund Report (Form 4b or 16-line Statement) to account for this change.
 - For budget year 2017, the DLGF will provide guidance to units on how to accomplish this task.



SEA 321: Budget Streamlining

- **DLGF Budget Review (Budget Order)**
 - Effective in 2016 for 2017 budget
 - Debt service funds and rate-controlled funds (cumulative funds), DLGF will conduct a review similar as in the past.
 - For levy controlled funds, the DLGF level of review will be contingent on the budgets and levies adopted by the local governments. (IC 6-1.1-17-16)



SEA 321: Budget Streamlining

- **Three levels of DLGF Budget Review:**
 1. Adopted levies exceed estimated maximum levies:
 - Same level of budget review as currently exists (budgets, revenues, levies, and rates)
 2. Adopted levies are within estimated maximum levies, BUT budgets are not fundable:
 - Same level of budget review as currently exists.
 3. Adopted levies are within the estimated maximum levies AND budgets are fundable:
 - Shortened budget review (levies and rates)
 - Adopted budgets and revenues accepted.



SEA 321: Budget Streamlining

- **DLGF Budget (Order) Review Deadline:**
 - Budget years 2017 and 2018: February 15 of the budget year.
 - Beginning with budget year 2019:
 - December 31 of the prior year to budget year, or
 - January 15 of the budget year if a unit in the county is issuing debt in December or is filing a shortfall appeal in December.
 - Change in DLGF deadline makes it more important for local units to take ownership over their budget process.



SEA 308 – Tax Matters

- Section 4. Effective Jan 1, 2016: Set the base agricultural AV at \$1,960 per acre.
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SEA 126 Disclosure

- **Disclosure of Financial and Operational Data on Gateway**
- SEA 126 introduces legislative changes concerning the posting of certain political subdivision financial and operational information on Gateway.
- SEA 126 amends IC 5-14-3.8-3 (effective January 1, 2017) so that the Department of Local Government Finance (“Department”) must include with its existing Gateway postings concerning political subdivisions a listing of expenditures specifically identifying those for personal services; other operating expenses or total operating expenses; debt service, including lease payments, related to debt; and a listing of fund balances, specifically identifying balances in funds that are being used for accumulation of money for future capital needs.



SEA 126 Transparency

- After July 31, 2017, the Department must publish an annual summary of each political subdivision on Gateway in a form determined by the Department. A political subdivision must prominently display on the main page of the political subdivision's Internet site the link provided by the Department to Gateway. **However, this obligation applies only to a political subdivision that has an Internet site. The law does NOT require a political subdivision to establish an Internet site.**



SEA 126 Transparency

- **Disclosure of Financial and Operational Data on Gateway, continued**
- Financial and Operational Summary, continued
- The Department will determine the information to be disclosed in the summary necessary to reflect the financial condition and operations of the political subdivision, which may include the following:
 - (1) Information disclosed under IC 5-14-3.7 or IC 5-14-3.8 (see Section I of this memo).
 - (2) Total operating budget.
 - (3) Approximate number of full-time and part-time employees.
 - (4) Outstanding indebtedness and interest paid on indebtedness.
 - (5) Disbursements.
 - (6) Assessed valuation and tax rates.
 - (7) Revenue from all sources.
- The Department will determine the form of the summary, which must be presented in a manner that:
 - (1) can be conveniently and easily accessed from a single webpage; and
 - (2) is commonly known as an Internet dashboard.
- Moreover, the summary must be in a form that is concise and reasonably easy to understand.



HEA 1273 Fire Territories

- HEA 1273 makes various changes concerning fire protection territories (“territory”). These changes are effective July 1, 2016.
- **Incurrence of Debt**
- HEA 1273 amends IC 36-8-19-8.5, which governs the incurrence of debt by territories. Specifically, if a territory desires to incur debt, the provider unit must negotiate for and hold the debt on behalf of the territory. However, the participating units and the provider unit of the territory are jointly liable for any debt incurred by the provider unit. The most recent adjusted value of taxable property for the entire territory must be used to determine the debt limit under IC 36-1-15-6. A provider unit must comply with all general statutes and rules relating to the incurrence of the debt. The Department emphasizes that the debt is to be repaid using the equipment replacement fund, which has a statutory maximum rate of \$0.0333.



HEA 1273 Fire Territories

- **Incurrence of Debt, continued**
- A participating unit of a territory may, to the extent allowed by law, incur debt in the participating unit's own name to acquire fire protection equipment or other property that is to be owned by the participating unit. The participating unit may then enter into an inter-local agreement under IC 36-1-7 with the provider unit to furnish the fire protection equipment or other property to the provider unit for the provider unit's use or benefit in accomplishing the purposes of the territory. A participating unit must comply with all general statutes and rules relating to the incurrence of the debt.



HEA 1273 Fire Territories

- **Restoration of Levies Following Withdrawal from or Dissolution of a Territory**
- HEA 1273 amends IC 36-8-19-13 so that for purposes of determining a unit's maximum levy for the year following the year in which the unit withdraws from the territory or the territory dissolves, the unit receives a percentage of the territory's maximum levy equal to the percentage of the assessed valuation that the unit contributed to the territory in the year in which the withdrawal or dissolution takes effect.
- In the case of a unit withdrawing from a territory, the Department must adjust the territory's maximum levy to account for the unit's withdrawal. After the effective date of the unit's withdrawal, the unit may no longer impose a tax rate for an equipment replacement fund. However, the unit remains liable for the unit's share of any debt incurred by the territory.



HEA 1273 Fire Territories

- **Equipment Replacement Fund**
- HEA 1273 amends IC 6-1.1-41-6 to make clear that at least 10 taxpayers within the jurisdiction of a territory are needed in order to object to the territory's establishment or re-establishment of an equipment replacement fund under IC 36-8-19-8.5.



HEA 1273 Excess Levy Appeals

- **Excess Levy Appeals**
- HEA 1273 amends IC 6-1.1-18.5-13, effective July 1, 2016, so that a taxing unit can no longer seek what is commonly referred to as an “extension of services excess levy appeal” on the basis that it has extended governmental services to “additional persons.” The appeal is still potentially available to taxing units that extend services to “additional geographic areas,” as well as in annexation and consolidation situations.
- HEA 1273 also repeals a number of obsolete excess levy appeal provisions.



HEA 1273 Establishing New Units

- **Deadline for Establishing Unit to Ensure Levy for Ensuing Year**
- HEA 1273 amends IC 6-1.1-18.5-7 so that a civil taxing unit may not impose a property tax levy for a year if the unit did not exist as of January 1 (rather than March 1) of the preceding year. This change is effective July 1, 2016. In other words, for a new unit to receive a tax levy for 2018, it must exist on or before January 1, 2017. Please note that because of the effective date of the amendment to this statute, technically for a unit to receive a tax levy for 2017, it must have existed on or before March 1, 2016 (even though the assessment date for 2016 was January 1).



SB 67 Supplemental LOIT Distribution

- Changes state income tax trust account balance requirement from 50% to 15%.
- Provides a supplemental distribution.
- Provides that at least 75% of distribution made to a county, city, or town must be used for:
 - Local road construction, maintenance, or repair, or
 - Capital projects of an airport authority or
 - Deposited in a rainy day fund for those purposes
- Provides the other 25% of distribution may be used for any other purposes of county, city, or town.
- Allocations to other units must be deposited into rainy day fund.



SEA 327 Contracts

- Transparency portal; Requires political subdivision to upload certain contracts to the Indiana transparency website (Gateway) during each year that the contract amount to be paid by the political subdivision for that year exceeds the lesser of:
 - 1) 10% of the political subdivisions property tax levy; or
 - 2) \$50,000.



HEA 1081 Local Income Tax

- Former Taxes:
 - IC 6-3.5-1.1: County Adjusted Gross Income Tax (CAGIT)
 - IC 6-3.5-6: County Option Income Taxes (COIT)
 - IC 6-3.5-7: County Economic Development Income Tax (CEDIT)
- Local Income Tax (LIT), IC 6-3.6



HEA 1081 Local Income Tax

- Adopting Body:
 - If the county income tax council adopted either a COIT or CEDIT rate that was in effect on January 1, 2015, then the adopting body will be the income tax council;
 - For all other counties, the adopting body is the county fiscal body.
 - IC 6-3.6-1.



HEA 1081 Local Income Tax

- Public hearings:
 - Before a member of the local income tax council may propose or vote on a proposed ordinance, the member must hold a public hearing and provide proper notice. IC 6-3.6-3-7
 - Before a county council may vote on a proposed ordinance, the county council must hold a public hearing and provide proper notice. HEA 1081-2016, IC 6-3.6-3-7.5



HEA 1081 Local Income Tax

- A tax rate authorized under IC 6-3.6-5 (property tax relief), IC 6-3.6-6 (expenditure rate) or IC 6-3.6-7 (special purpose) may be adopted, increased, decreased or rescinded without adopting, increasing, decreasing, or rescinding a tax rate authorized by another chapter.
- An adopting body may adopt, increase, decrease, or rescind tax rates under multiple chapters in the same ordinance. IC 6-3.6-4-2
- A tax rate may not be changed more than once each year. IC 6-3.6-3-4.



HEA 1081 Local Income Tax

- Except for a tax rate that has an expiration date, a tax rate remains in effect until the effective date of an ordinance that increases, decreases, or rescinds that tax rate. IC 6-3.6-3-4
- Department shall prescribe uniform notices, ordinances, and resolutions for use by an adopting body.
- Department shall prescribe hearing requirements and procedures for submitting documents.
- IC 6-3.6-3-2.



HEA 1081 Local Income Tax

- Before August 2, State Budget Agency (“SBA”) provides DLGF and the county auditor with an estimate of the amount available under each rate for the following year.
 - Not later than 15 days, DLGF provides unit-level distribution detail to county auditor.
 - Not later than 30 days, county auditor provide unit-level distribution detail to units.



HEA 1081 Local Income Tax

- Before October 1, SBA provides DLGF and the county auditor with the amount available under each rate for the following year.
 - Not later than 15 days, DLGF provides unit-level distribution detail to county auditor.
 - Not later than 30 days, county auditor provide unit-level distribution detail to units.
- Further updates completed in November as needed.



HEA 1081 Local Income Tax

- Transition:
 - Before August 2, 2016, the State Budget Agency shall certify to each county the income tax rates under the new local income tax statutes by tax rate category.



HEA 1081 Local Income Tax

- Property Tax Relief Rates
 - Auditor of State's Office will compute all credit rates starting in 2017. IC 6-3.6-5-5
 - The Department's budget orders will no longer include any homestead credits.



HEA 1081 Local Income Tax

- Property Tax Relief Rates:
 - Maximum tax rate for property tax relief: 1.25%
 - Property taxes imposed for a voter-approved referendum are not eligible for a property tax credit attributable to a property tax relief rate.
 - The adopting body shall specify how the revenue from a property tax relief rate shall be applied to provide property tax credits.
 - The ordinance must be adopted before July 1 and first applies for the following year and then each year until rescinded.



HEA 1081 Local Income Tax

- Maximum rate:
 - 2.5% in all counties but Marion County
 - 2.75% in Marion County
- For formerly CAGIT counties, revenue from the first 0.25% shall be allocated to school corporations and civil taxing units in the same manner as the former PTRC.
- Remainder of the revenue is “additional revenue”.



HEA 1081 Local Income Tax

- Accounting for revenues:
 - It is expected that revenues associated with the public safety and economic development allocations will continue to be tracked in stand-alone funds.
 - Public Safety LIT
 - Economic Development LIT



HEA 1081 Local Income Tax

- Public Safety:
 - Revenue allocated to public safety shall be distributed to the county and each municipality in the same manner as under the former taxes.
 - CAGIT – Attributed Allocation
 - COIT – Certified Levies
 - Other taxing units that provide fire protection or EMS may apply to the adopting body before July 1 of a year for a distribution of public safety revenue in the following year. The adopting body may authorize such distributions before September 1.



HEA 1081 Local Income Tax

- Existing Debt:
 - A pledge of a former tax for the payment of bonds, leases, or other expenditures shall be treated as a pledge of the related tax under the new local income tax statutes. A pledge under the former taxes is binding, enforceable, and remains in full force and effect as local as the bonds, lease rentals, or obligations remain unpaid. IC 6-3.6-1-6. Coverage must be maintained at 1.25 times the requirement.



Review 2016 Budget Changes

July 14:

- DLGF provides to all units and their county fiscal bodies an estimate of Maximum levies;
- DLGF makes FIT adjustment to max levies;
- DLGF provides estimate of maximum cumulative fund rate;
- DLGF provides estimate of debt service tax rates.



Review 2016 Budget Changes

August 1:

- DLGF provides estimate of circuit breaker credit impact on property tax levies;
- DLGF provides estimates of circuit breaker credits and misc. revenues;
- County auditors provide DLGF with estimated net assessed values. DLGF posts online;
- Units must consider “net budgets” or “post-circuit breaker budgets”;
- DLGF will be providing guidance how to complete forms.



Budget Calendar

- June 14 Last day for RDC to report available TIF excess AV.
- June 30 Deadline for State Budget Agency to provide AVGQ.
- July 14 DLGF provides city, county or town estimate of maximum CCD rate they may impose.

DLGF provides estimate of maximum levy.

- Aug 1 DLGF provides estimate of circuit breaker reduction of tax distribution.

County auditor provides DLGF and units with estimate of AV withholding .

County auditors provide DLGF with CNAV.

Deadline to submit cumulative fund proposals to DLGF.



Budget Calendar

- Aug 1 County fiscal body shall review at first meeting in August the estimated property tax limits and estimated reductions due to circuit breakers for each taxing unit. Fiscal body will either prepare and distribute a written recommendation for the taxing unit or the auditor will distribute the minutes of the meeting to all taxing units after the minutes are approved by the fiscal body.



Budget Calendar

- Aug 31 DLGF and SBA jointly calculate CAGIT or COIT rate to be imposed for levy freeze.
- Sep 30 Last day for SBA to certify actual income tax distributions.
- Oct 11 Last day to post Notice to Taxpayers of proposed 2017 budgets and tax levies and notify of public hearing (Budget Form 3) to Gateway (at least 10 days before public hearing.)
- Oct 19 Last day to file excess levy appeals with DLGF.
- Oct 22 Last possible date for taxing units to hold public hearing for 2017 proposed budget and tax levies (at least 10 days before adoption meeting.)



Budget Calendar

- Oct 31 Last possible day for 10 or more taxpayers to object to proposed 2017 budget and tax levies. (Must be filed not more than seven days after public hearing.)
- Oct 31 Deadline to adopt ordinance modifying local income tax rates effective in 2017.
- Nov 1 Deadline for all taxing units to adopt the 2017 budgets, tax rates, and tax levies.

Last day a library board may submit a CPF plan to the DLGF.



Budget Calendar

- Nov 3 Last day for units to submit their 2017 budget, tax rates, and levies to DLGF via Gateway.
- Dec 16 Last to submit additional appropriation requests to DLGF for processing this calendar year.
- Dec 30 Deadline for towns to adopt salary ordinance.
- Jan 1 Last day a new civil taxing unit to become established to qualify for property taxes in 2018.
- Jan 31 Unit files 2016 Annual Salary Report (100R) with SBOA.
- Feb 15 DLGF deadline to certify 2017 budgets, tax rates, and tax levies.



References

- House Enrolled Act 1485-2015
 - <http://iga.in.gov/legislative/2015/bills/house/1485>
- House Enrolled Act 1081-2016
 - <http://iga.in.gov/legislative/2016/bills/house/1081>
- OMB Report on LOIT Transition
 - <http://iga.in.gov/legislative/2016/publications/agency/reports/omb/>



References

- <http://www.in.gov/dlgef/files/pdf/160509> - [Gateway - Gateway Budget Training - New Officials.pdf](#)
- <http://www.in.gov/dlgef/files/pdf/160509> - [Gateway - Gateway Budget Training - 2017 Updates.pdf](#)
- <http://www.in.gov/dlgef/files/pdf/160422> - [Schaafsma Presentation - Local Government Budget Streamlining.pdf](#)
- <http://www.in.gov/dlgef/files/pdf/160330> - [Schaafsma Memo - Budget Streamlining.pdf](#)



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