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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** All Taxing Units  
**FROM:** Courtney Schaafsma, Commissioner  
**SUBJECT:** Estimates of 2017 Property Tax Cap Credits  
**DATE:** July 29, 2016

The Department of Local Government Finance (“Department”) is issuing this memorandum to inform taxing units that the Department has released its estimates of property tax cap credits for the 2017 budget year. The credit estimates may be found on the Department’s website at <http://in.gov/dlgf/2339.htm>, located under the Reports section.

The calculations are performed and published pursuant to Indiana Code (“IC”) 6-1.1-20.6-11, which took effect July 1, 2016. Under this statute, the Department must annually calculate estimates of the property tax cap credit impact for taxing units.

To this end, the Department calculated property tax cap credit impact per taxing unit using the following inputs:

- The Department’s 2017 maximum levy estimates
- The Department’s 2017 cumulative fund estimates
- The Department’s 2017 debt service levy estimates
- Pay 2016 tax bills
- 2016 Certified Net Assessed Values

A detailed description of the calculation procedures will be posted early next week at <http://in.gov/dlgf/2339.htm>, located under the Reports section. An Excel tool that units may choose to use to help allocate tax cap credits among their funds will be posted at: <http://in.gov/dlgf/2339.htm>, located under the Reports section.

For many taxing units, the estimates of property tax cap credit impact are higher for 2017 than the actual impact was in 2016. The Department notes the following variables that are likely to make these estimates higher than the actual 2016 values:

- Because the Assessed Value Growth Quotient (AVGQ) for this year is 3.8%, the Department projects that levies in 2017 will be higher than they were in 2016.
- For the purposes of these calculations, the Department assumes that each taxing unit will take its maximum levy.
- The Department’s maximum levy calculations assume that taxing units will also take the highest levy adjustments possible. Consequently, the assumed levies for certain units, particularly county units, are conservatively high.

- For debt service levies, the Department assumes that each taxing unit's June 30, cash balance is \$0 in addition to assuming no miscellaneous revenues. As a result, projected debt levies are likely to be higher for many units than they will be after the unit's budget is certified.
- Because the Department does not yet have Pay 2017 assessed value data available, rates are calculated on Pay 2016 assessed values. Higher levies over stable assessed values generate higher rates, which in turn generate higher property tax cap credit estimates.

The Department emphasizes that IC 6-1.1-17-3.6 requires each county council, at its first meeting in August of each year, to review the Department's estimated levy limits and estimated property tax cap credits as part of the council's non-binding review.

Also, IC 6-1.1-17-3 requires each political subdivision to "consider the net property tax revenue that will be collected by the political subdivision during the ensuing year, after taking into account" the Department's estimated property tax cap credits. The same statute requires each political subdivision's Form 3 (Notice to Taxpayers) to include the Department's tax cap credit estimates. The Department will populate the property tax cap credits into Gateway on behalf of political subdivisions.

The Department notes that its estimates of property tax cap credits are not binding. If a unit utilizes a tax cap impact figure in adopting its budget that turns out to be greater than the actual impact, the unit can use the additional appropriation process to adjust its budget for the actual revenue received.

For additional information about how these estimates impact the budget cycle and the budget forms in Gateway, please review the following memoranda:

- Budget Streamlining: [http://www.in.gov/dlgf/files/pdf/160330 - Schaafsma Memo - Budget Streamlining.pdf](http://www.in.gov/dlgf/files/pdf/160330_-_Schaafsma_Memo_-_Budget_Streamlining.pdf)
- Budget Form Changes for 2017 Budgets: [http://www.in.gov/dlgf/files/pdf/160701 - Parkinson Memo - Budget Form Changes for 2017 Budgets.pdf](http://www.in.gov/dlgf/files/pdf/160701_-_Parkinson_Memo_-_Budget_Form_Changes_for_2017_Budgets.pdf).

Questions may be directed to Deputy Commissioner Matthew Parkinson at (317) 232-3759 or [mparkinson@dlgf.in.gov](mailto:mparkinson@dlgf.in.gov). Questions may also be directed to the Department's Budget Field Representative team. Contact information for Budget Field Representatives may be found at [http://www.in.gov/dlgf/files/Field\\_Rep\\_Map - Budget.pdf](http://www.in.gov/dlgf/files/Field_Rep_Map_-_Budget.pdf).