

SENATE ENROLLED ACT 1

Participants: Tipton County Commissioner
Tracey Powell (Moderator)
David Bottorff, AIC
Emma Adlam, Baker Tilly
Wayne County Commissioner Jeff Plasterer



**Slides provided by Policy Analytics,
Baker Tilly, AIC, Senate Fiscal Staff**

SEA 1-2025

**Changes to Local
Gov't Finance**

Policy Analytics



Conclusions and Takeaways – Property Taxes

- 1 This policy change will have a long phase in – through 2031.
- 2 Net assessed value—the tax base—will be much lower than it would have been otherwise. It may grow little or even decline from now to 2031.
- 3 Tax liabilities will shift from homesteads, other residential, farmland and businesses with less equipment, to businesses with land and buildings, and those with large amounts of personal property.
- 4 Local governments with more business property will see smaller losses in net assessed value.
- 5 Slow growth or decline in net assessed value will cause average tax rates to rise. The state average tax rate likely will be higher than \$3 per \$100 assessed value by 2031.
- 6 New deductions cause nearly all residential and farmland property, and most business property, to be eligible for tax cap credits when the district rate exceeds \$3. Beyond the \$3 rate, there will be little new property tax revenue to be raised.

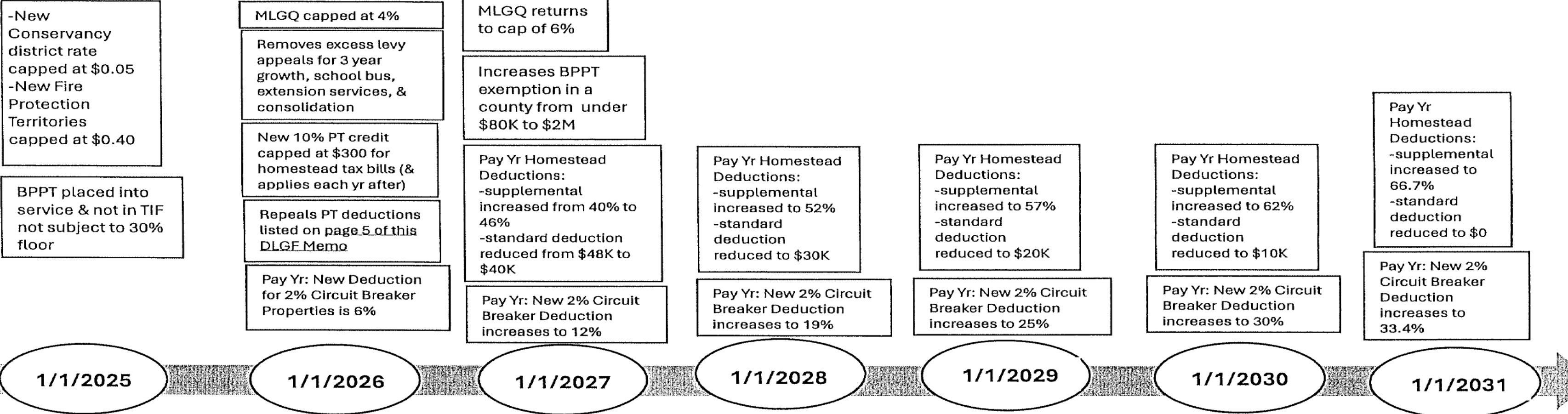
Conclusions and Takeaways – Income Taxes

- 1 Counties have several key income tax decisions ahead of them.
- 2 The local income tax may replace property tax reductions, but from a narrower tax base.
- 3 For the first time, we may see differential income tax rates within counties.
- 4 Property tax relief changes may be confusing to taxpayers and taxing units.



SEA 1-2025 Implementation Timeline

Property Tax



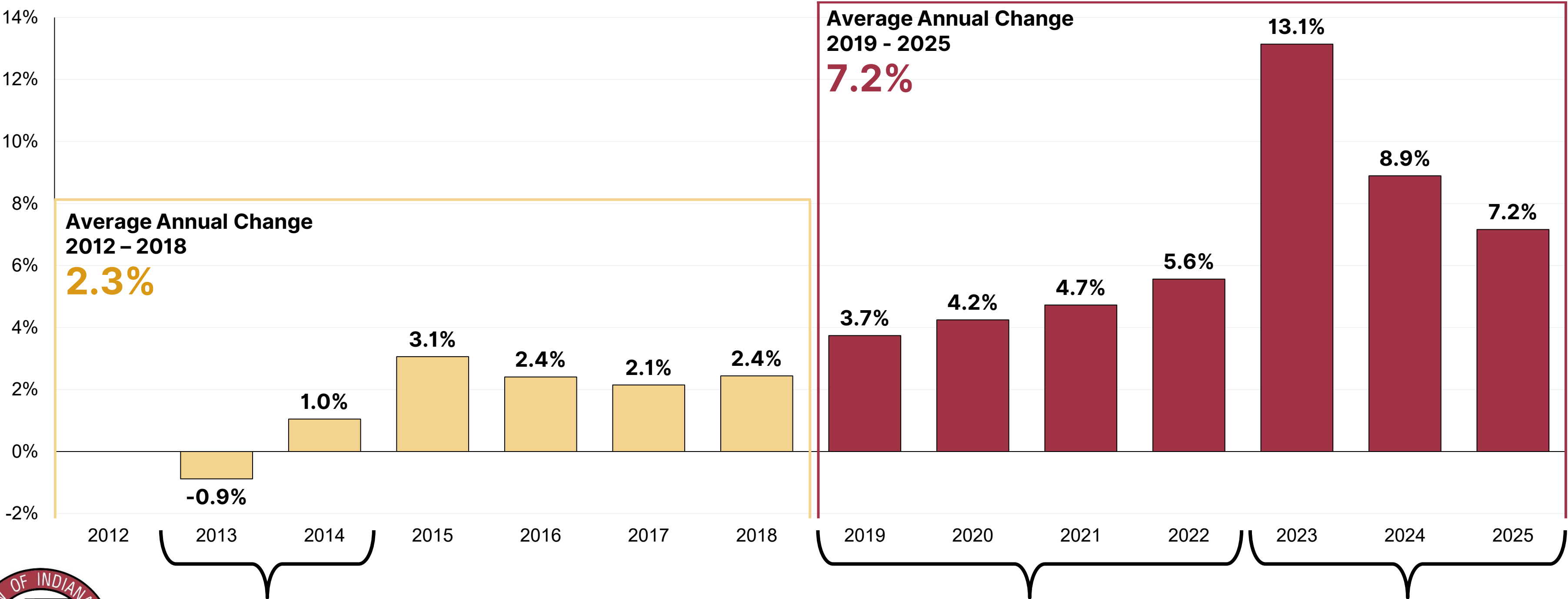
Local Income Tax

New LIT structure with max rate of 2.9% by unit type begins

- Units wishing to receive shall adopt resolution by July 1 prior to distribution year
- No later Aug 1 the county shall hold public hearing on resolutions adopted by units wishing to receive distribution

Assessed Value Year-Over-Year Percent Growth

Statewide Gross Assessed Value [GAV], 2012 to 2025



Slow growth coming out of Great Recession

More rapid rise of home prices as home construction lags

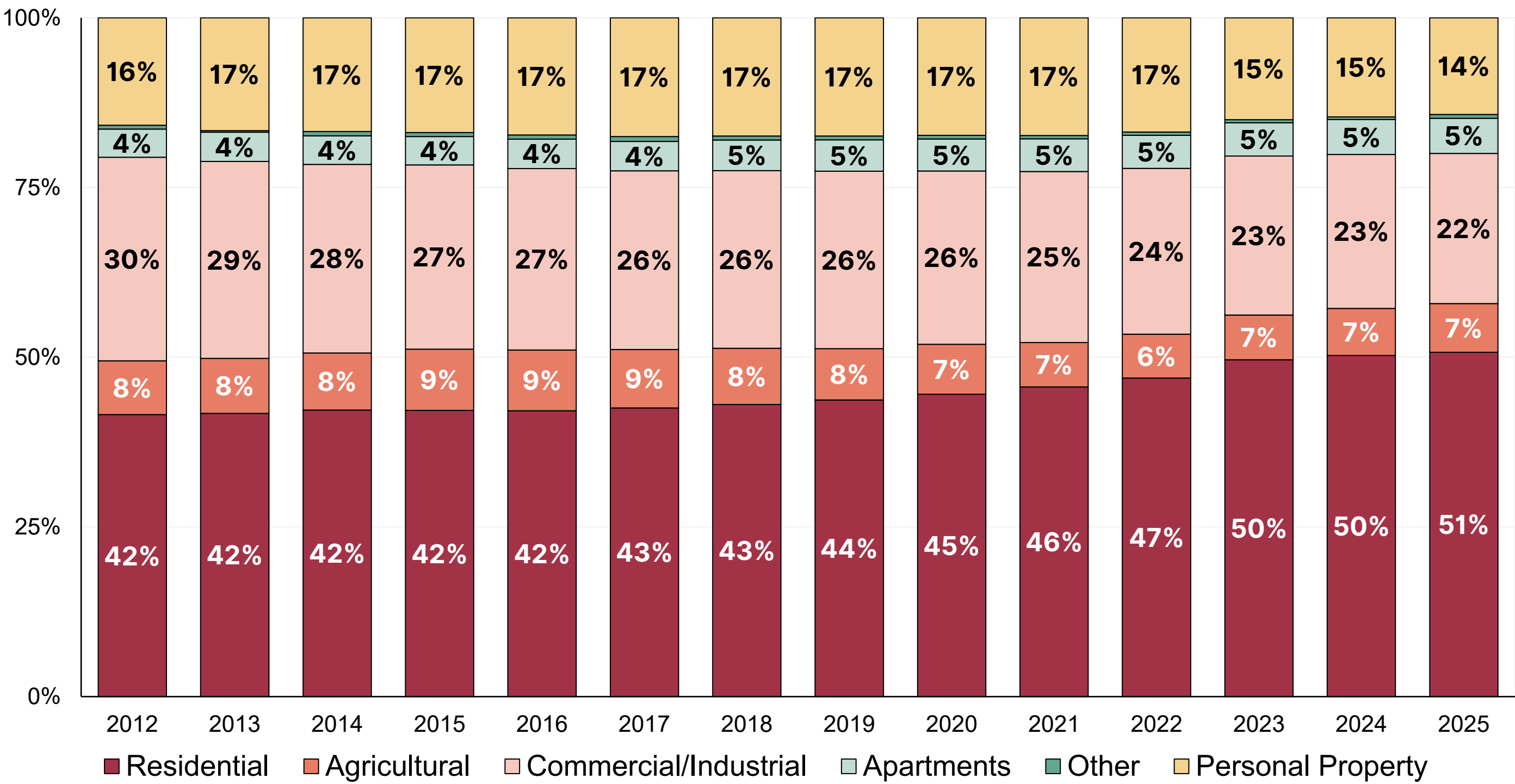
All real property values rise rapidly after pandemic

Source: County Property Tax Records

Shift in Tax Burden to Residential Taxpayers

Share of Total Property Tax Liability, 2012 to 2025

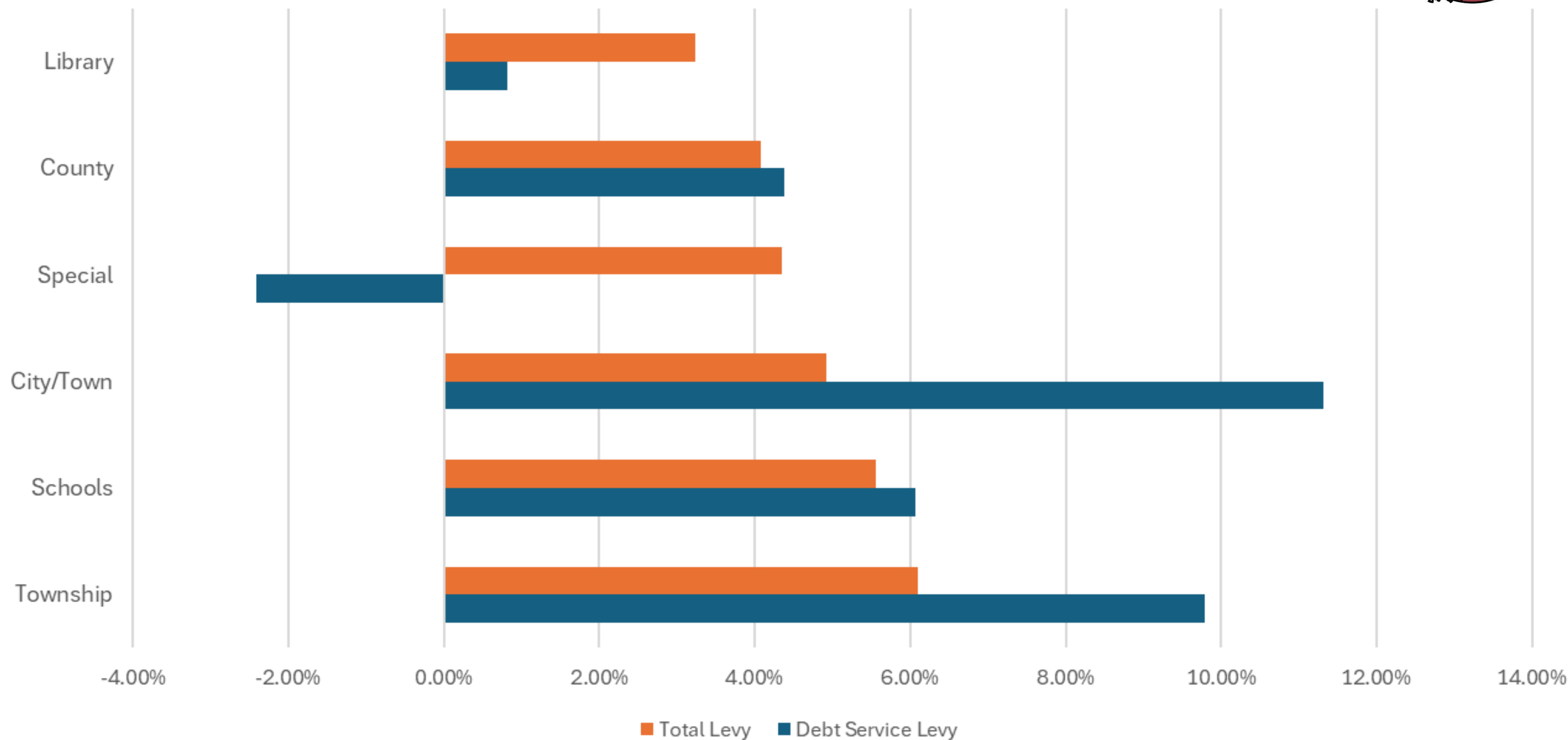
Share of Net Property Tax Liability Over Time by Property Type



- Rapid increase in home and rental values increases the share of property taxes paid by residential property owners.
- Fixed standard deduction means homestead net assessed values rise faster.

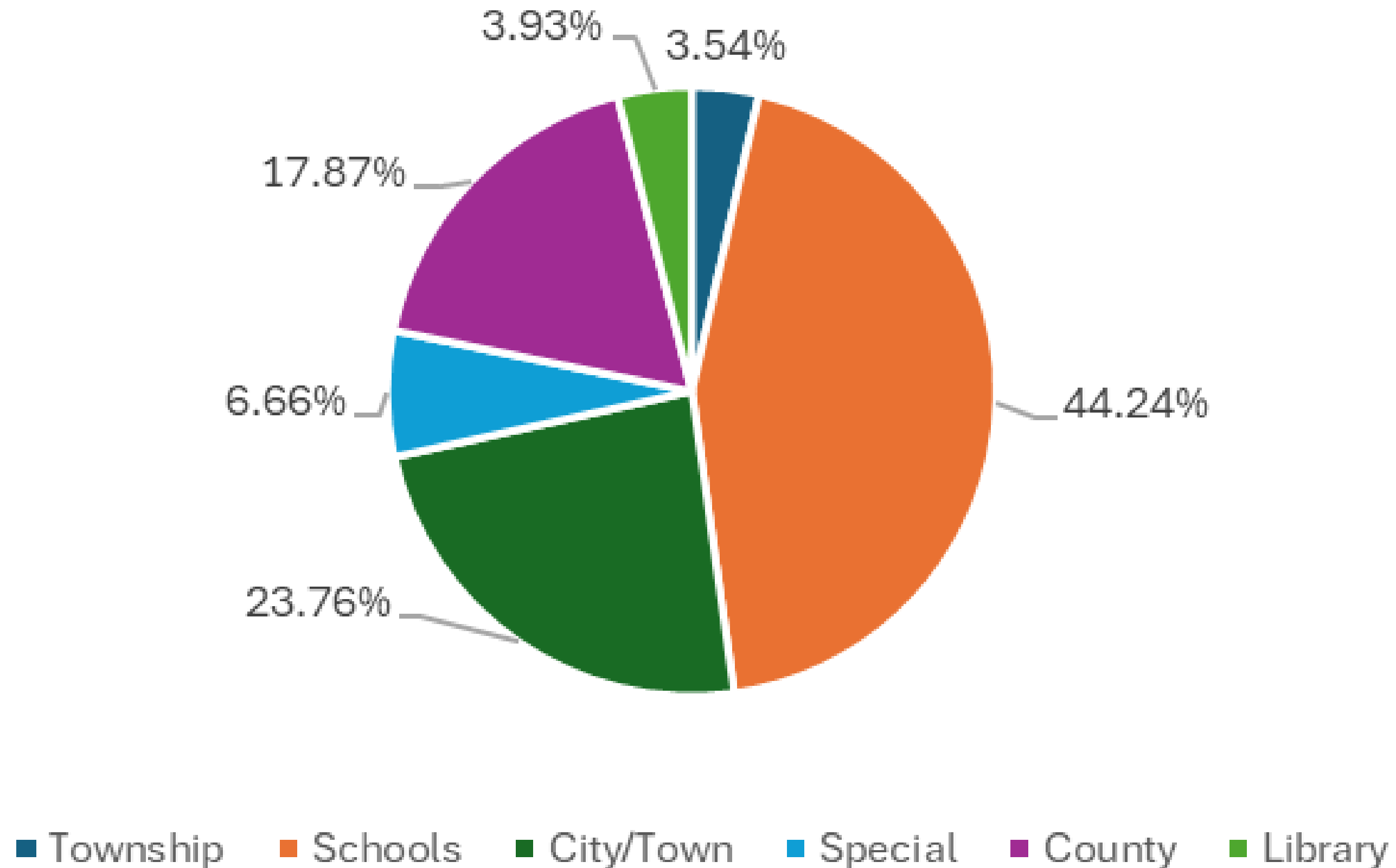


Compound Annual Growth Rate (CAGR) By Year and Unit Type 2019-2025

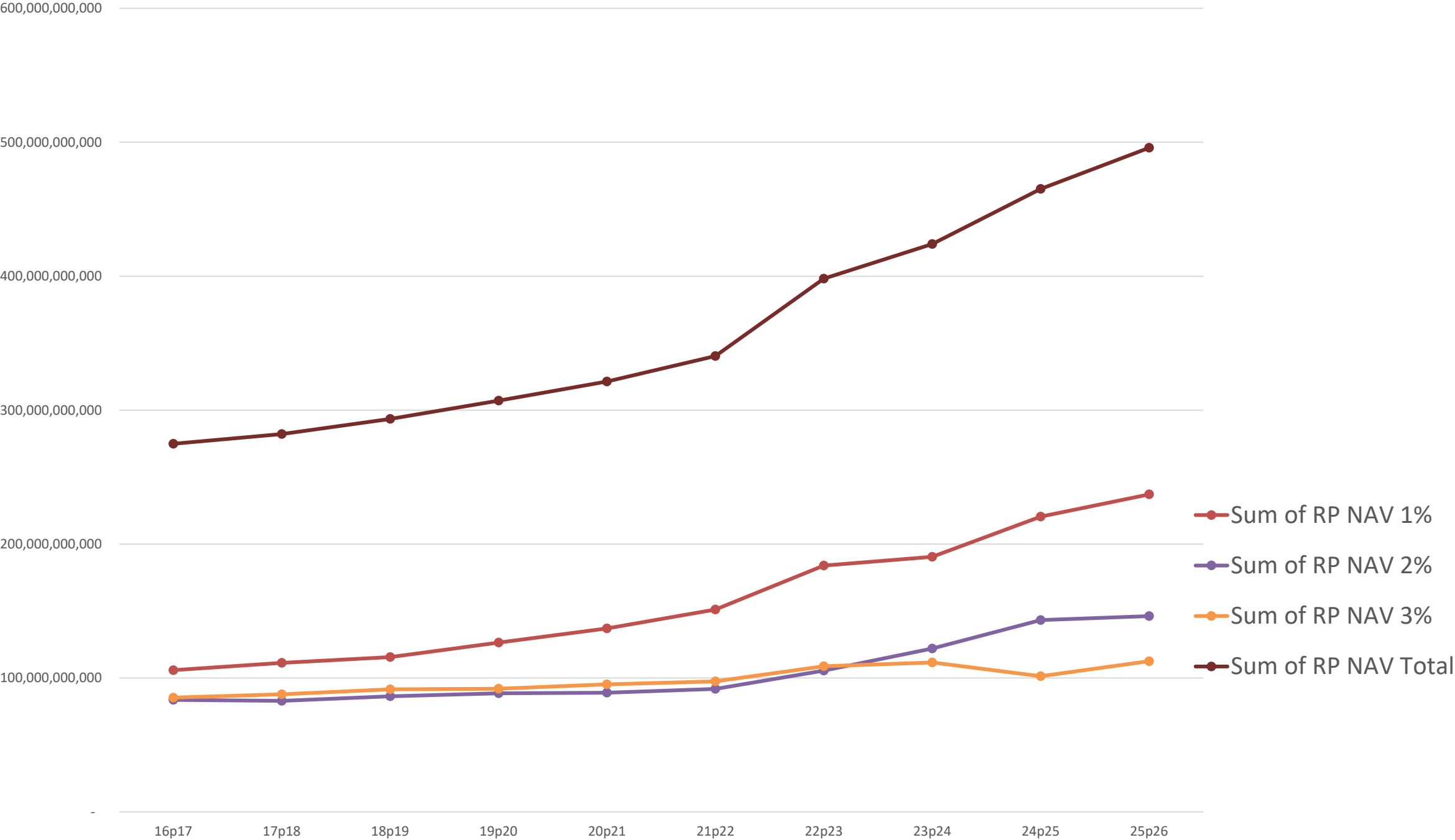


2024 Pay 2025

% of Total Levy Statewide



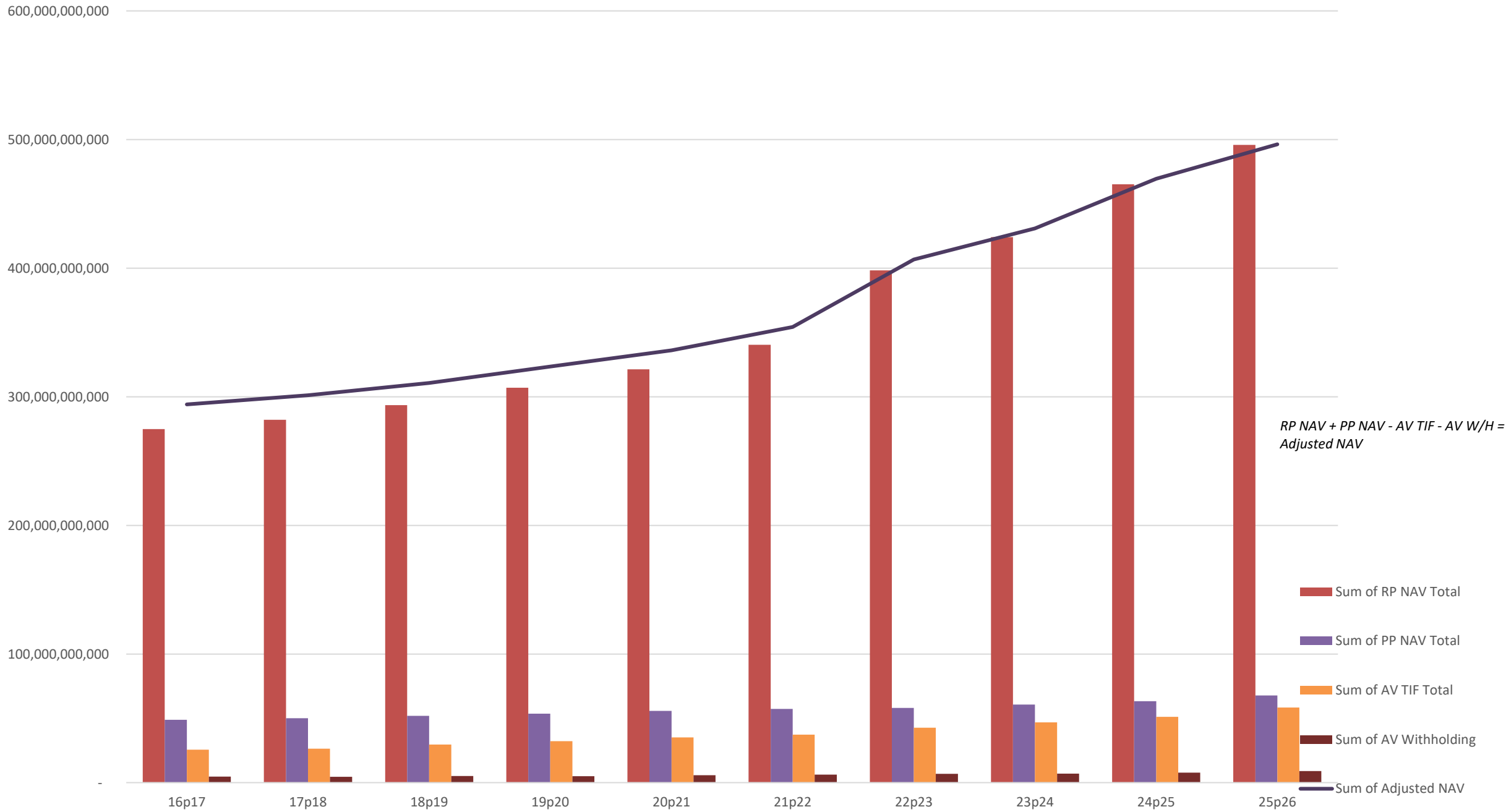
Statewide Real Property CNAV Trends by Circuit Breaker Bucket



2016 Pay 2017 - 2025 Pay 2026			
Type	Growth \$	Growth %	CAGR
1% Cap	131.23B	123.99%	8.40%
2% Cap	62.54B	74.73%	5.74%
3% Cap	27.19B	31.85%	2.80%
Total	220.95B	80.38%	6.08%
2024 Pay 2025 - 2025 Pay 2026			
Type	Growth \$	Growth %	
1% Cap	16.55B	7.50%	
2% Cap	3.03B	2.12%	
3% Cap	11.13B	10.97%	
Total	30.71B	6.60%	



Statewide CNAV Trends

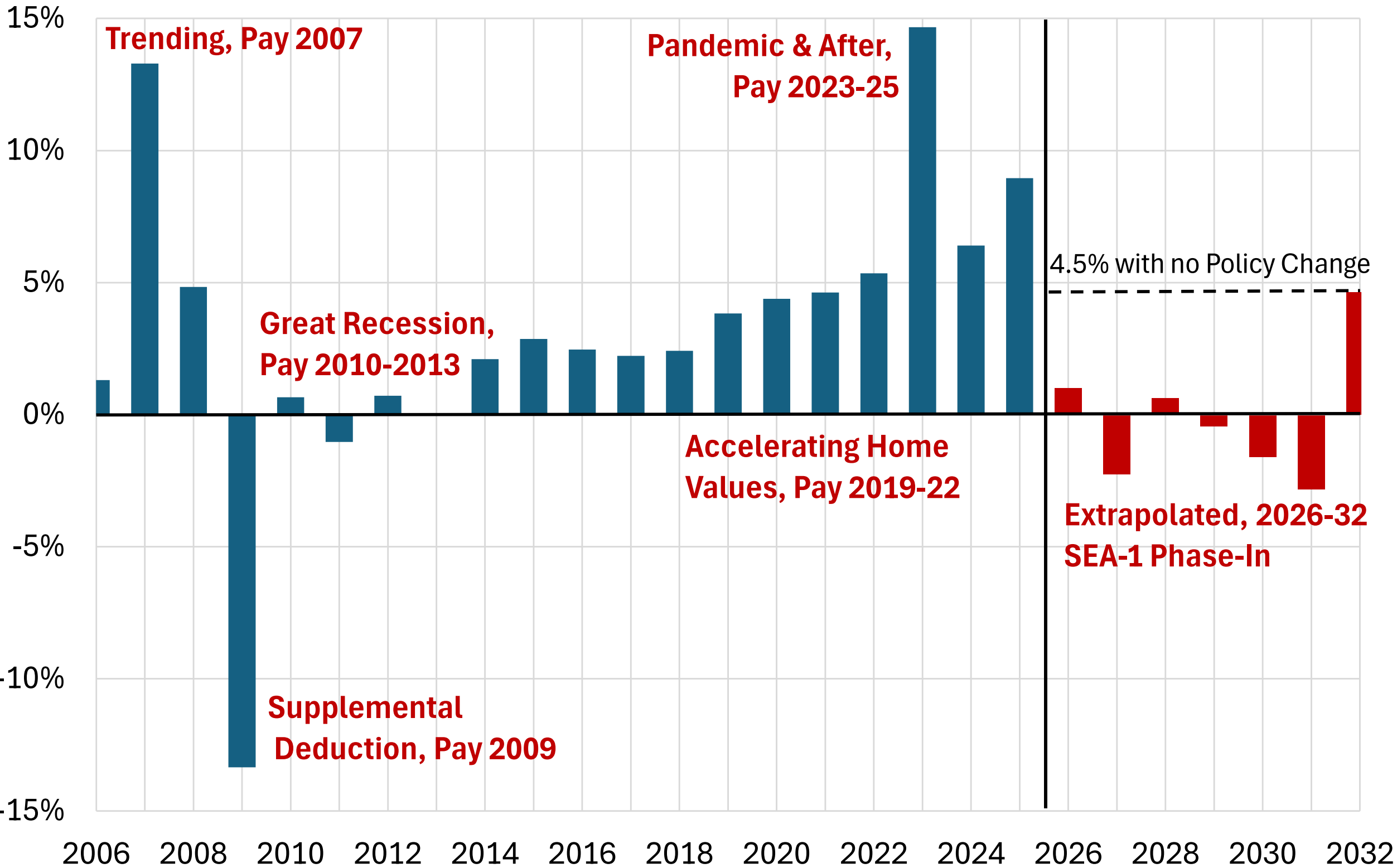


2016 Pay 2017 - 2025 Pay 2026			
Type	Growth \$	Growth %	CAGR
RP NAV	220.95B	80.38%	6.08%
PP NAV	18.87B	38.58%	3.32%
AV TIF	32.77B	128.27%	8.60%
AV W/H	4.40B	94.92%	6.90%
TOTAL	202.21B	68.77%	5.37%
2024 Pay 2025 - 2025 Pay 2026			
Type	Growth \$	Growth %	
RP NAV	30.71B	6.60%	
PP NAV	4.50B	7.12%	
AV TIF	7.21B	14.11%	
AV W/H	1.23B	15.82%	
TOTAL	26.77B	5.70%	



Net Assessed Value, Statewide Annual Percent Change 2006-2025

Extrapolated 2026-2032

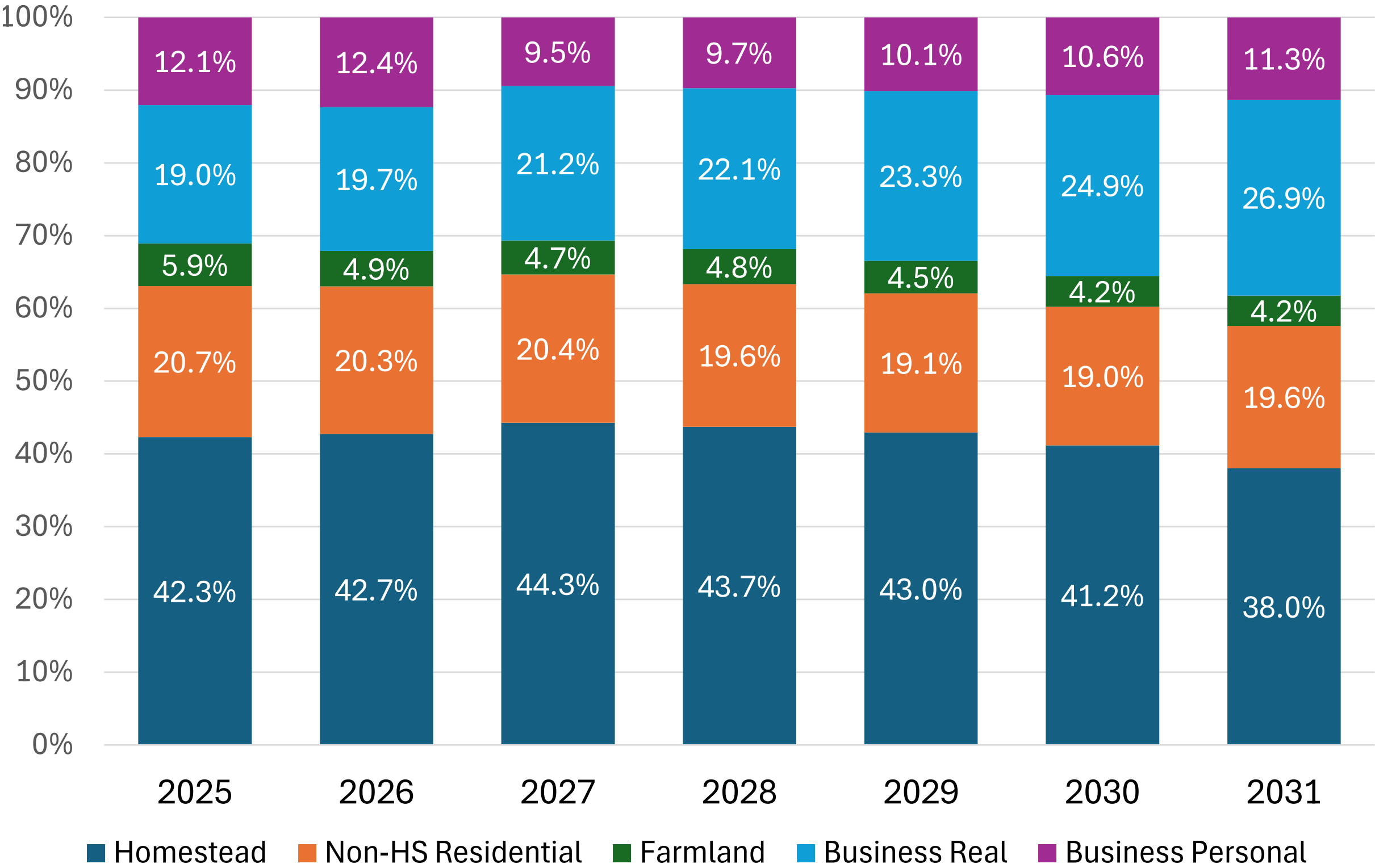


- Net assessed value growth has been extraordinarily high since 2023 and was higher than usual over 2019-22.
- Extrapolated net AV grows 4.5% per year with no policy change, the average rate from 2019-2022.
- SEA-1 policy changes will result in low growth or decline of net AV during the phase-in, 2026-31.



Estimated Shares of Property Types in Total Net Assessed Value

SEA-1 Phase-In, 2025-2031



- The big drop in the personal property share occurs in 2027, with the \$2 million exemption.
- After that, the real and personal business share increases, as the homestead supplemental and residential/farmland 33.4% deductions phase in.
- By 2031 the shares of homesteads, other residential and farmland in the total have declined from 68.9% to 61.8%.



Economic/Community Development Considerations – Housing

- New homestead deduction regime and new 2% property deductions will reduce the efficacy of TIF
 - Existing TIF allocation areas with these types of property will see assessed value decreases unless market factors offset deductions
 - Based on the 2025 Indiana average home value of \$240,714; the gross value would need to increase by 50% into 2031 to generate the same amount of NAV
 - New TIF allocation areas centered on residential or mixed-use developments will have reduced revenue potential
- Evaluation of new housing projects under the new system – comparing LIT base impacts versus property tax base impacts

COMPARISON OF ESTIMATED ANNUAL TAX INCREMENT
Project Summary: 114 Homes at \$250,000 Avg. Sales Price

Taxes Payable Year	Estimated TIF Revenue		Variance
	Before SEA-1	After SEA-1	
	(1)	(1)	
2029	\$25,680	\$18,000	(\$7,680)
2030	51,360	36,000	(15,360)
2031	77,040	54,000	(23,040)
2032	102,720	72,000	(30,720)
2033	128,400	90,000	(38,400)
2034	154,080	108,000	(46,080)
2035	179,760	126,000	(53,760)
2036	205,440	144,000	(61,440)
2037	231,120	162,000	(69,120)
2038	256,800	180,000	(76,800)
2039	282,480	198,000	(84,480)
2040	308,160	216,000	(92,160)
2041	333,840	234,000	(99,840)
2042	359,520	252,000	(107,520)
2043	365,940	256,500	(109,440)
2044	365,940	256,500	(109,440)
2045	365,940	256,500	(109,440)
Totals	<u>\$3,794,220</u>	<u>\$2,659,500</u>	<u>(\$1,134,720)</u>

Economic/Community Development Considerations – Industrial/Energy

Example Renewable Energy Project		
	Pre-SEA 1-2025	Post-SEA 1-2025
Applied Depreciation “Floor” for Equipment	30%	0%
Est. NAV After 5-Year Abatement	\$98,635,000	\$10,435,000
Est. 40-Year Property Taxes	\$52,060,000	\$6,200,000

- Elimination of 30% BPP depreciation “floor” reduces the property tax base impact of new industrial or energy investment
 - Local government units will see less NAV growth from new developments, or potentially NAV losses as legacy companies replace older equipment with new equipment
 - New TIF allocation areas depending on BPP investment will have reduced revenue potential

Economic/Community Development Considerations – TIF

- TIF allocation areas are impacted depending on their composition and establishment year
 - Allocation areas established prior to 1/1/2025 continue to have the 30% depreciation floor applied to all BPP taxpayers, post-1/1/2025 allocation areas will not have the 30% floor applied
 - Allocation areas which include homestead residential and “2%” properties will likely see NAV reductions as new deductions are phased in – unless market adjustments offset the deductions
- TIF Neutralization process to protect outstanding TIF bonds does not have a clear process outlined.
 - SEA 1 provides a process to adjust incremental AV during TIF neutralization to avoid impairing bonds due to the new deductions, credits, and exemptions
 - The language is vague and there is not yet guidance from the DLGF on how this will work in practice

Legislative Service Agency Fiscal Estimates

Impact to Unit Net Levy, 2026 to 2028; Dollars in Millions



Unit Type	CY 2026	CY 2027	CY 2028
Counties	-\$91.5M	-\$119.9M	-\$185.0M
Townships	-\$17.4M	-\$21.3M	-\$25.7M
Cities and towns	-\$86.6M	-\$116.6M	-\$233.1M
Schools	-\$171.7M	-\$219.6M	-\$338.1M
Libraries	-\$16.5M	-\$18.3M	-\$24.3M
Special Units	-\$25.2M	-\$26.4M	-\$10.1M
TIF Districts	\$77.4M	\$121.8M	\$125.6M
Total	-\$331.5M	-\$400.3M	-\$690.7M
<i>Total Without TIF</i>	<i>-\$409.0M</i>	<i>-\$522.2M</i>	<i>-\$816.3M</i>

- Table shows the combined fiscal impact of SEA 1 and HEA 1427, which amended some provisions per the LSA Fiscal Analysis.
- Impacts are compared to current law [Baseline] estimates. That is, CY 2028 revenues are \$691 million less than they would have been had policies not changed.
- Revenue loss is greater than tax liability savings (27.6 million) in CY 2028 because LIT tax rates for property tax credits are eliminated in that year. Taxpayers see their income taxes reduced, but this is not included in the property tax analysis.

Totals may not add due to rounding

Source: Aggregation of SEA 1 and HEA 1427 LSA Fiscal Impact Statements

Legislative Service Agency Fiscal Estimates

Impact to Taxpayer Net Liability, 2026 to 2028; Dollars in Millions



Property Type	CY 2026	CY 2027	CY 2028
Homesteads	-\$443.8M	-\$488.5M	-\$390.4M
Farmland	-\$53.5M	-\$56.0M	-\$7.0M
Other Residential	-\$9.8M	-\$11.4M	-\$46.6M
Apartments	-\$0.5M	-\$1.0M	-\$23.5M
Agricultural	\$14.9M	\$21.7M	\$26.4M
Other Real	\$93.2M	\$216.0M	\$407.8M
Personal Property	\$68.0M	-\$81.2M	\$5.7M
Total	-\$331.5M	-\$400.4M	-\$27.6M

- Table shows the combined fiscal impact of SEA 1 and HEA 1427, which amended some provisions per the LSA Fiscal Analysis.
- Impacts are compared to current law [Baseline] estimates. That is, CY 2028 homestead tax bills are \$390 million lower than they would have been if policies were unchanged.
- Homestead tax liabilities are down; other real liabilities are up by CY 2028.
- Phase-in of SEA 1 continues through CY 2031.

Totals may not add due to rounding

Source: Aggregation of SEA 1 and HEA 1427 LSA Fiscal Impact Statements

Legislative Service Agency Fiscal Estimates

Impact to Unit Net Levy, 2026 to 2028; Dollars in Millions

Unit Type	CY 2026	CY 2027	CY 2028
Counties	38.4M	91.3M	41.1M
Townships	5.4M	17.6M	14.8M
Cities and Towns	81.2M	116.7M	9.2M
Schools	36.2M	137.0M	46.1M
Libraries	7.2M	20.4M	13.8M
Special Units	17.3M	37.7M	51.3M
TIF Districts	38.4M	141.4M	43.6M
Total	224.1M	562.2M	220.0M
<i>Total Without TIF</i>	<i>185.7M</i>	<i>420.9M</i>	<i>176.3M</i>

- Table shows the combined fiscal impact of SEA 1 and HEA 1427, which amended some provisions per the LSA Fiscal Analysis.
- Impacts are shown as the estimated change in **year-over-year (YOY)** with CY 2026 being compared to CY 2025. That is, CY 2028 revenues are \$220 million more than they were from CY 2025.
- Baseline comparison – how are we doing compared to a fixed benchmark? (*e.g., assumed MLGQ growth at 5.6% increase in CY 2026 compared to the previous years using the MLGQ of 4%*)
- YOY comparison – how are we doing this year compared to next year?



The Importance of the \$3 Rate

- If other deductions or abatements are applied, a rate higher than \$3 is needed for a property to receive CB credits. Only the abatements for business property are large enough to matter.
- ***With no deductions or abatements, once the district tax rate reaches \$3, added rates raise no more net revenue. They only affect the distribution of revenue among overlapping units.***
- There are 270 tax districts with rates \$3 or above in 2025. If all rates were to rise 33%, there would be 722 such districts. There are 2,091 districts in total in 2025.



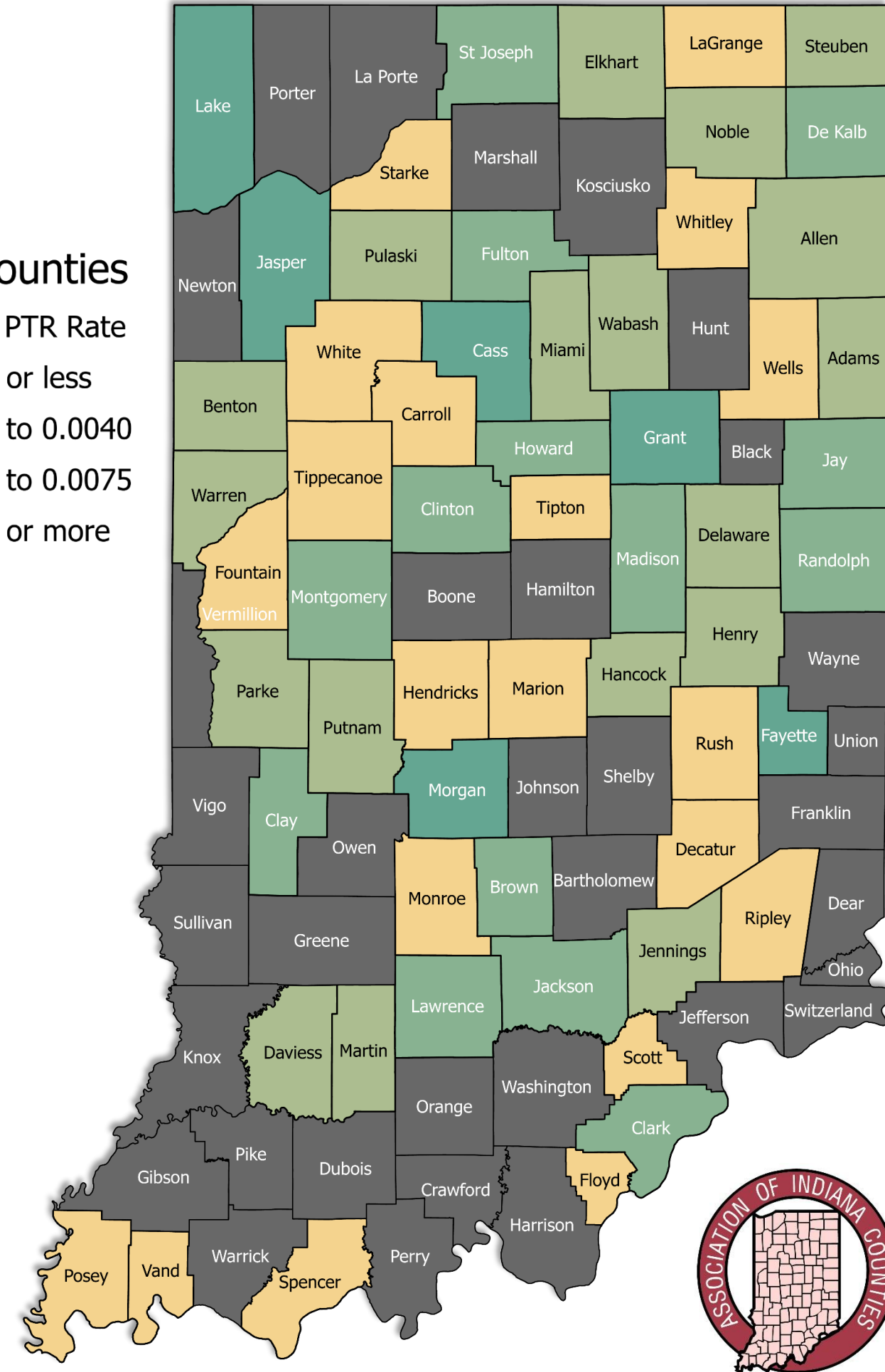
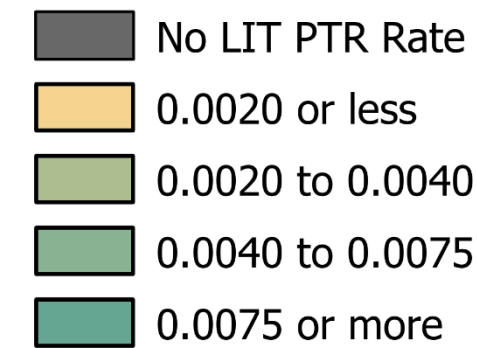
Supplemental Homestead Credit



- Applied to the tax bill *after* the Circuit Breaker credit is subtracted.
- Equals 10% of the tax bill up to \$300.
- Increased deductions or credits applied before the Circuit Breaker credit could have no effect, if the homestead owner is at the CB cap before and after the policy change.
- Calculating the supplemental homestead credit *after* the Circuit Breaker credit means all homeowners will benefit.
- This is an unfunded credit, so taxes that homeowners don't pay becomes revenue that local governments don't receive.
- Counties with bigger shares of homesteads in their tax bases, and more homesteads that pay less than \$3,000 in taxes (and not capped at \$300), will lose greater percentages of their property tax revenue.
- Homesteads pay \$4.1 billion in net taxes in 2025, 10% is \$410 million. Less because many homesteads will be capped at \$300. Statewide the revenue loss due to the credit should be no more than 4%.

Local Property Tax Relief Credit

- Under prior law, Counties could allocate a portion of the local income tax to property tax relief.
- Property tax relief provided a “credit” to taxpayers.
 - This reduced tax bills for properties below the circuit breaker rate cap.
 - This reduced circuit breaker loss for properties above the circuit breaker rate cap.
- The Credit could be allocated to all property types and could vary by between property categories.
- SEA 1-2025 sunsets all current property tax relief provisions in 2027.



A Homestead Tax Bill

Extrapolated 2026-2032,
at 4% Annual Levy Growth

	2025	2031	
Gross Assessed Value	\$234,500	\$314,252	< Average homestead gross AV, 2025, 5% annual growth
Homestead Standard Deduction	\$48,000	-	< Standard Homestead Deduction Phased-Out
Remainder	\$186,500	\$314,252	
Supplemental Deduction Percent	37.5%	66.7%	< Supplemental Deduction increase phased-in
Supplemental Deduction	\$69,938	\$209,606	
Taxable (Net) Assessed Value	\$116,563	\$104,646	< Net AV of average homestead dedcreases 1.8% per year
District Tax Rate	2.3841	3.1893	< Extrapolated rate increase, 4% annual levy growth
Gross Tax Bill	\$2,779	\$3,338	



A Homestead Tax Bill

Extrapolated 2026-2032,
at 4% Annual Levy Growth

	2025	2031
Gross Tax Bill	\$2,779	\$3,338
Total LIT Credit Rate	16.0%	-
LIT Credits	\$445	-
Tax Bill after LIT Credits	\$2,334	\$3,338
Tax Cap Rate	1%	1%
Tax Cap	\$2,345	\$3,143
Tax Cap Credit	-	\$195
Tax Bill after CB Credit	\$2,334	\$3,143
Sup. Homestead Credit Rate	-	10%/\$300
Supplemental Homestead Credit	-	\$300
Net Tax Bill	\$2,334	\$2,843
Average Annual Percent Change		3.3%
Net Tax Bill, Existing Policy	\$2,334	\$3,143
Pct. Change from Existing Policy	0.0%	-9.5%

< Local Income Tax Credits Eliminated

< Tax Rate higher than \$3, homeowner eligible for CB credits

< Maximum Supplemental Homestead Credit

< Tax Bill rises \$509, 3.3% annual increase

< Tax Bill lower than it would have been, by \$300



A Homestead Tax Bill 2025-2031

GAV Rises 5% Annually, Tax Rate: \$2.3841 to \$3.1893 (2025-2031), 18% LIT PTRC

\$234,500 Homestead

	Existing 2025	2026	2027	2028	2029	2030	2031
Net Tax Bill	\$2,279	\$2,155	\$2,275	\$2,443	\$2,565	\$2,694	\$2,843
Percent Change, Y/Y		-5.4%	-5.6%	7.4%	5.0%	5.0%	5.5%

Homestead Supplemental Credit at 10% of tax bill

Tax rate rises due to decrease in personal property AV

Elimination of 18% LIT PTR Credit puts homestead at its CB cap

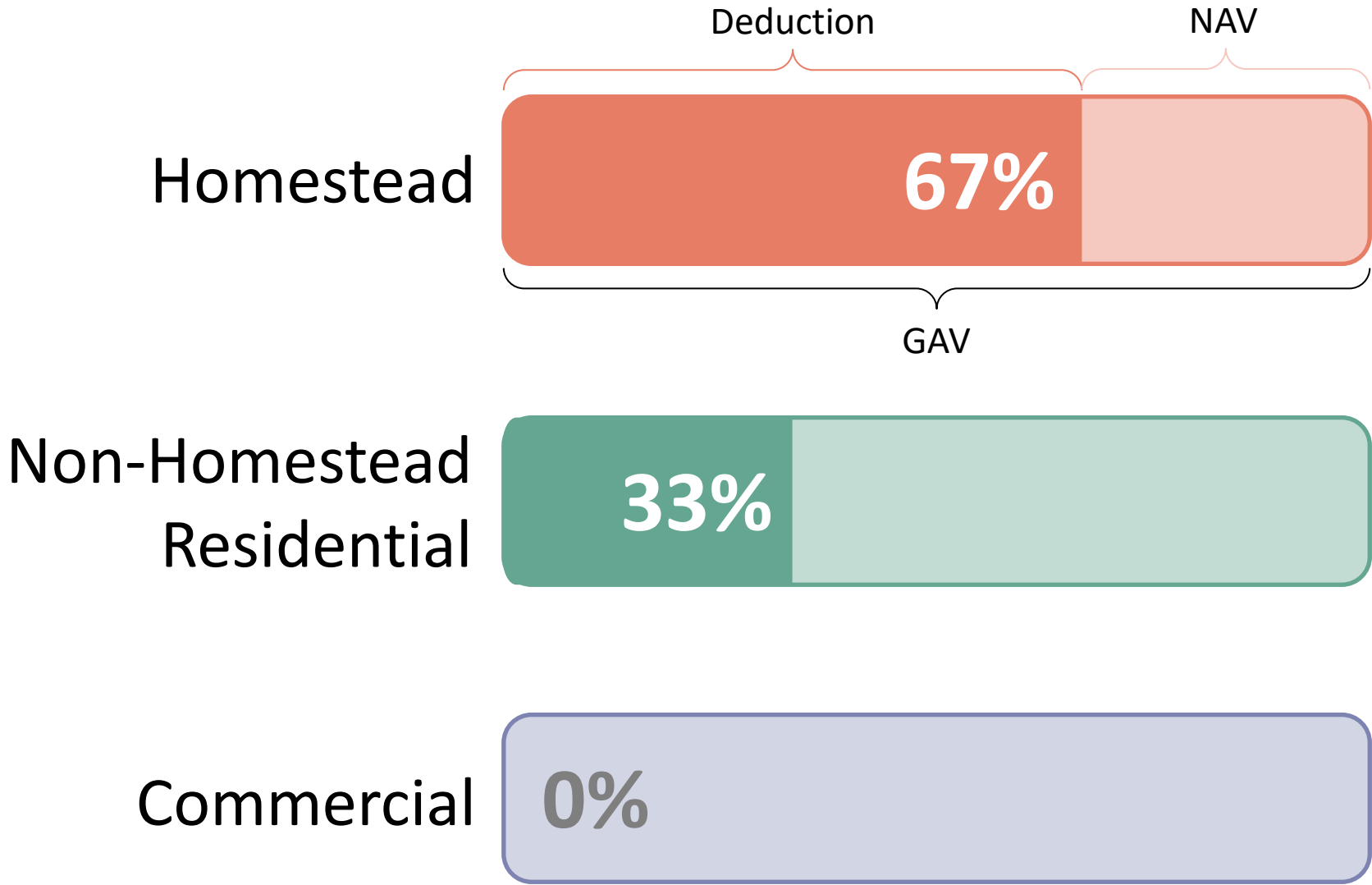
Phase-out of standard Deduction; Phase-in of higher Supplemental Deduction, but tax bill capped at 1% of gross AV.

Tax bill is \$300 *lower* than it would have been under current policies.

- This is the state average homestead GAV and the state average starting district tax rate.
- The tax bill is below its Circuit Breaker in 2025-27, at its CB cap in 2028-31.
- So, tax bills rise at the rate of increase of gross AV in 2029 and 2030. This happens with all homesteads at their Circuit Breaker caps.
- In 2031 the tax bill exceeds \$3,000 before the supplemental homestead credit, so the credit is capped at \$300. The tax bill rises more than the increase in gross AV.

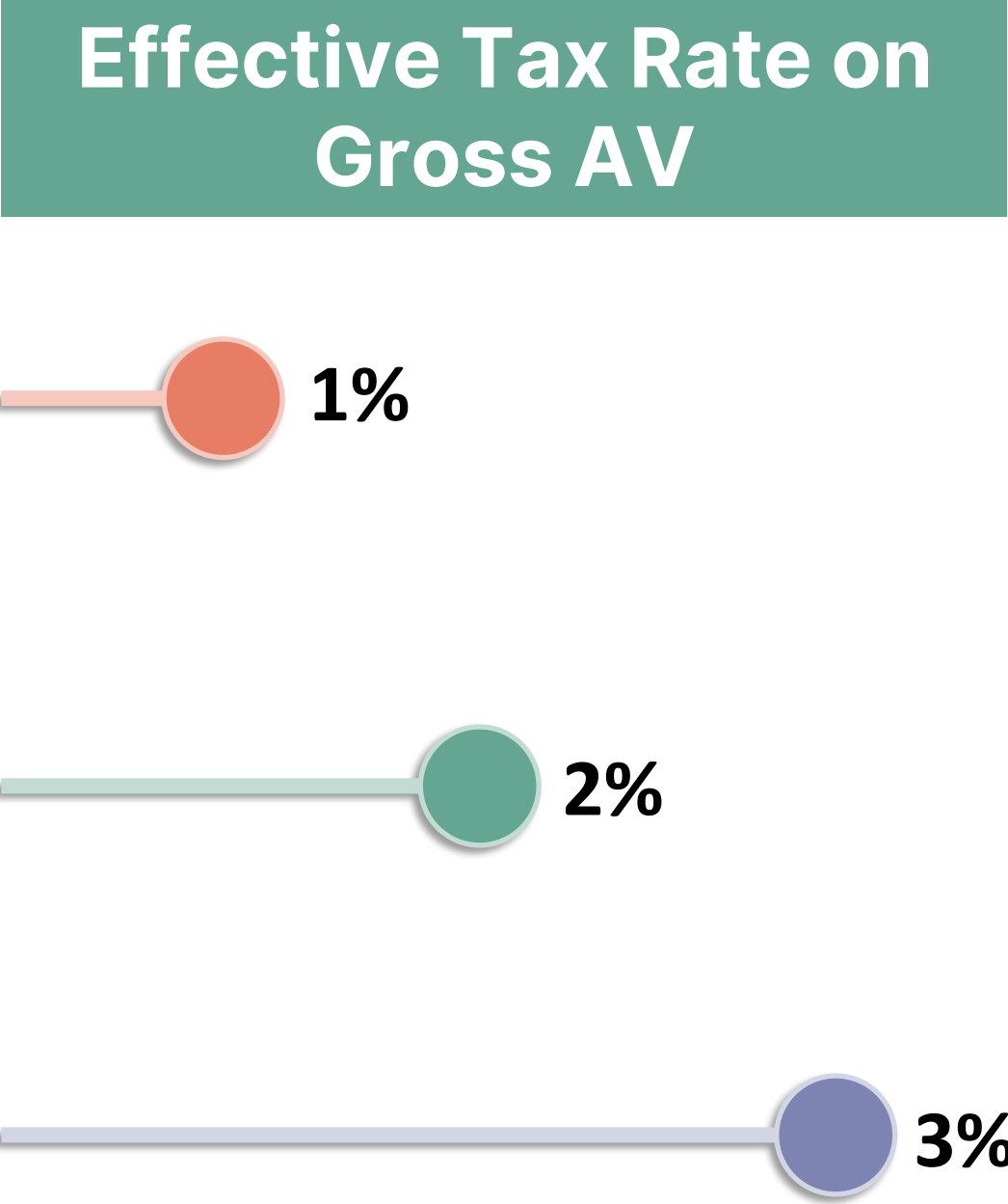
Moving Taxpayers to the Tax Caps

Deduction by Tax Year 2031



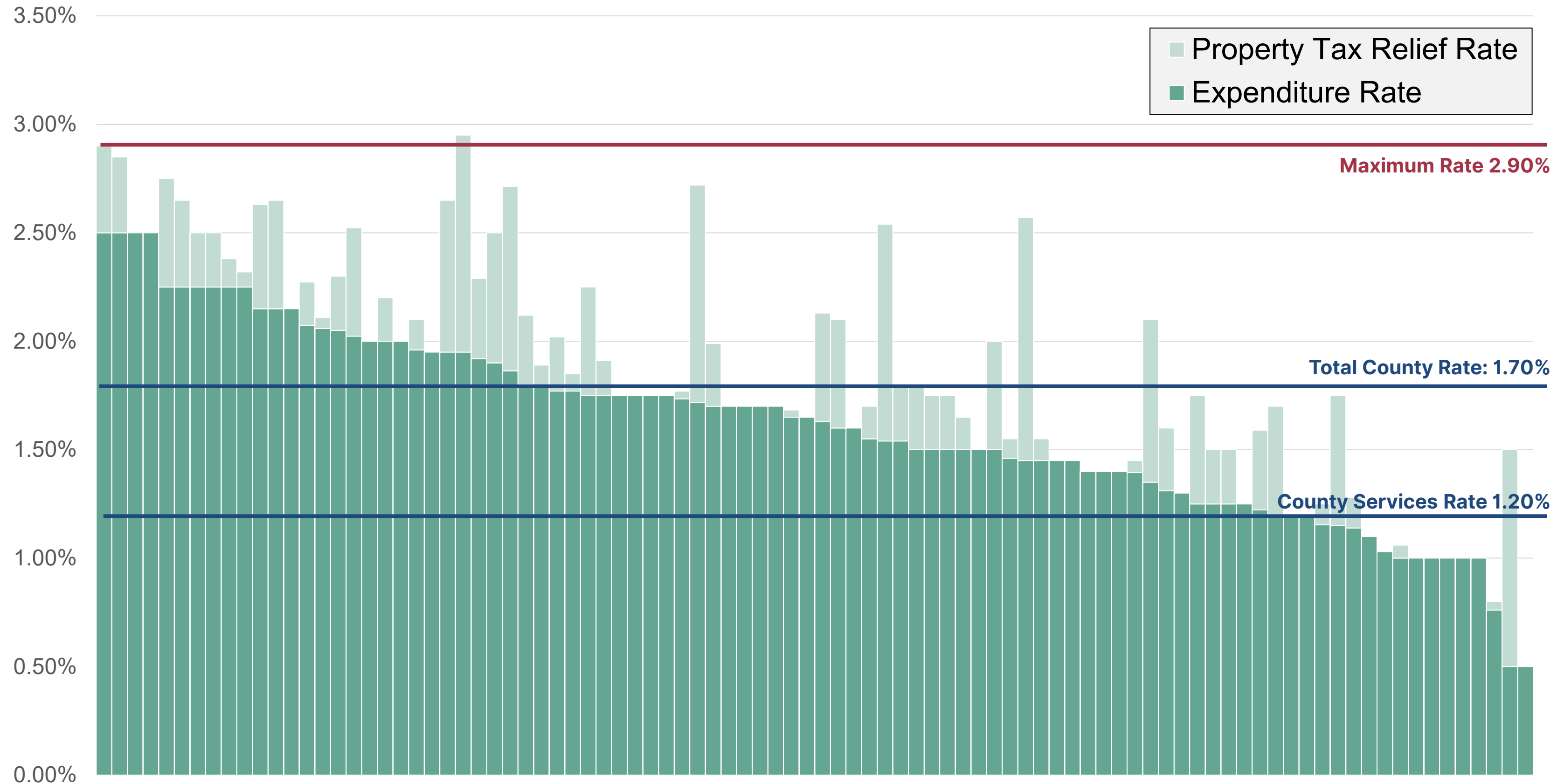
Cert. Tax Rate

\$3.00





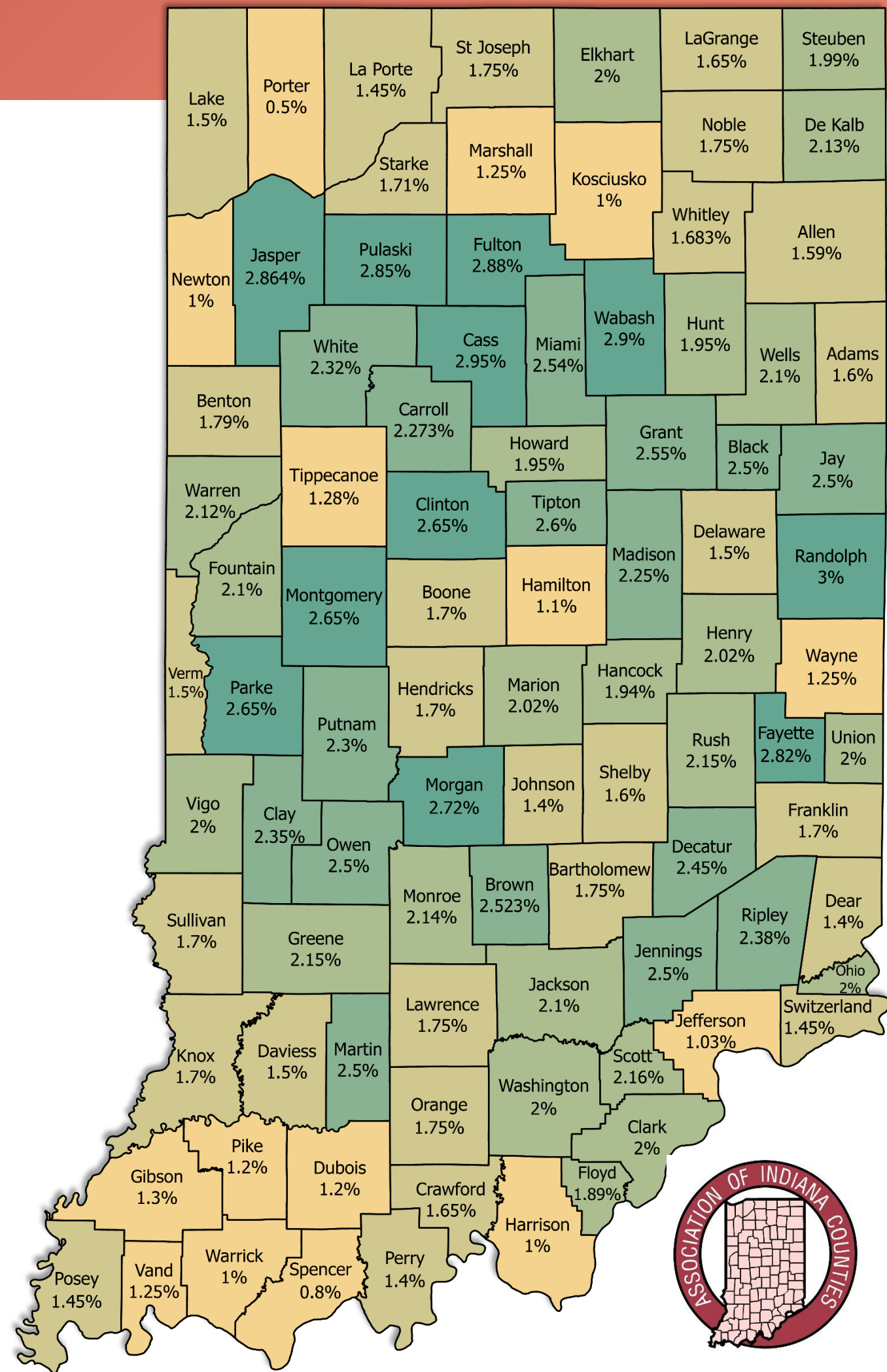
Current Local Income Tax Rates



Current Local Income Tax Structure

	Maximum Rate	County Count	Average Rate
Expenditure Rate			
Certified Shares	-	89	0.97%
Public Safety	-	79	0.37%
Economic Development	-	75	0.35%
Correctional Facilities	0.2% or 0.3%	35	0.18%
EMS	0.20%	20	1.50%
Judicial System	0.20%	2	0.03%
Hospitals	0.10%	0	0.00%
Total Expenditure Rate	2.50%	92	1.62%
Property Tax Relief	1.20%	58	0.36%
Special Purpose	Varies	21	0.29%
Total Income Tax Rate	3.75%	92	1.91%

Notes: The cumulative maximum for expenditure rates in Marion County is 2.75%
The maximum rate for correctional facilities is 0.30% in some cases due to legislation.



Local Income Tax Changes

COUNTY SERVICES RATE	1.20%
FIRE PROTECTION AND EMS RATE	0.40%
NONMUNICIPAL CIVIL TAXING UNIT RATE	0.20%
TOTAL COUNTY RATE	1.70%
MUNICIPAL TAX RATE (SMALL/LARGE MUNICIPALITIES)	1.20%
TOTAL TAX RATE	2.90%

County cannot max out all rate types

Unit adopts for municipalities with more than 3,500 population.



Current Local Income Tax (LIT) – Expires at the end of 2027

Local Income Tax Years 2025 through 2027				
Local Income Tax	Type	Maximum Rate	Tax Base	Rate Adoption
Certified Shares	Expenditure	N/A	AGI of local taxpayers of County	County Council or Local Income Tax Council
Public Safety	Expenditure	N/A	AGI of local taxpayers of County	County Council or Local Income Tax Council
Economic Development	Expenditure	N/A	AGI of local taxpayers of County	County Council or Local Income Tax Council
Correctional Facility	Expenditure	0.2000%	AGI of local taxpayers of County	County Council
EMS	Expenditure	0.2000%	AGI of local taxpayers of County	County Council
Judicial System	Expenditure	0.2000%	AGI of local taxpayers of County	County Council
Acute Care Hospital	Expenditure	0.1000%	AGI of local taxpayers of County	County Council
Total - Expenditure LIT		2.5000%		
Property Tax Relief	Property Tax Relief	1.2500%	AGI of local taxpayers of County	County Council or Local Income Tax Council
Special Purpose	Special Purpose	N/A	AGI of local taxpayers of County	County Council or Local Income Tax Council
Grand Total - All LIT				



New Local Income Tax Structure – (Effective Beginning in 2028)

Local Income Tax	Notes	Maximum Rate	Rate Adoption	Tax Base
County Services	(1)	1.20%	County Council	AGI of local taxpayers of the County
Fire Protection & EMS Services	(1)	0.40%	County Council	AGI of local taxpayers of the County
Non-Municipal (townships, libraries, and binding review units with exceptions)	(1)(2)	0.20%	County Council upon petition from non-municipal units	AGI of local taxpayers of the County
Municipalities <3,500 population general revenue	(3)	1.20%	County Council upon petition from municipal units	AGI of local taxpayers of the County excluding those that live in municipalities with a population of at least 3,500
Municipalities =>3,500 population general revenue		1.20%	City or Town Council	AGI of local taxpayers of the municipality
Special Purpose	(4)	N/A	County Council (special legislation)	AGI of local taxpayers of the County

Notes:

- (1) The combined rate for County Services, Fire Protection/EMS, and Non-Municipal may not exceed 1.70%.
- (2) For any given unit type, the tax rate may not exceed 0.05%.
- (3) A County that adopts the maximum County Services rate of 1.20% and subsequently adopts the Municipal under 3,500 population LIT may retain up to 75% for County purposes. The remaining 25% will be distributed to municipalities under 3,500 population that requested to receive a share of LIT.
- (4) Rate set by special legislation.



Summary of CURRENT Local Income Tax (LIT) Structure
Expires December 31, 2027

LIT TYPE	MAX RATE	WHO ADOPTS	TAX BASE	HOW IS REVENUE DISTRIBUTED?	WHERE IS REVENUE DISTRIBUTED?	WHAT CAN REVENUE BE USED FOR?	DURATION OF RATE
LEVY FREEZE (IC 6-3.6-11-1) ¹	1%	LIT Council / County Council	AGI of local taxpayers of County	Before balance of expenditure rate or PTRC	To civil taxing units in county; excess to stabilization fund	Levy freeze makeup, including stabilization fund	Dec. 31, 2027 (Indefinite -prior to SEA 1)
PROPERTY TAX RELIEF CREDITS (IC 6-3.6-5)	1.25%	LIT Council / County Council	AGI of local taxpayers of County	Percent based on property type	To taxing unit as part of June/December Settlement	No limitation	Dec. 31, 2027 (Indefinite -prior to SEA 1)
EXPENDITURE RATE (IC 6-3.6-8)	2.5% ²	LIT Council / County Council (except as otherwise stated)	AGI of local taxpayers of County	See below	See below	See below	See below
COUNTY DISTRIBUTIONS	<i>Distributions to county for specific purposes taken off the top before School Distribution & Additional Revenue.</i>						
PSAP (IC 6-3.6-11-4)	0.1%	LIT Council; County Council if LIT Council doesn't adopt	AGI of local taxpayers of County	Before balance of expenditure rate to non-county units	Directly to PSAP	Operating a PSAP	Dec. 31, 2027 (Indefinite -prior to SEA 1)
Correctional and Rehabilitation Facilities/Jail (IC 6-3.6-6-2.7)	0.2% ³	County Council	AGI of local taxpayers of County	Before balance of expenditure rate to non-county units	Separate dedicated county fund	Capital expenses for county jail; up to 0.2% for operating expenses	Dec. 31, 2027 (25 Years ⁴ prior to SEA 1)
EMS (IC 6-3.6-6-2.8)	0.2%	County Council	AGI of local taxpayers of County	Before balance of expenditure rate to non-county units	Separate dedicated county fund	Operating expenses for EMS (defined in IC 16-18-2-110)	Dec. 31, 2027 (25 Years prior to SEA 1)
Judicial (IC 6-3.6-6-2.9)	0.2%	County Council	AGI of local taxpayers of County	Before balance of expenditure rate to non-county units	Separate dedicated county fund	Judicial staffing (before 2024) courtroom costs (defined in IC 6-3.6-6-2.9 after 2023) ⁵	Dec. 31, 2027 (25 Years prior to SEA 1)
Acute Care Hospital (IC 6-3.6-6-2.6)	0.1%	County Council	AGI of local taxpayers of County	Before balance of expenditure rate to non-county units	Separate dedicated county fund	Operating expenses of an acute care hospital licensed under IC 16-21	Dec. 31, 2027 (25 Years prior to SEA 1)
School Distribution (IC 6-3.6-6-3(a)(2)) (former CAGIT counties only)	—	—		Share of first 0.25% of expenditure rate	School corporations and civil taxing units in former CAGIT counties	Any legal purpose	Dec. 31, 2027 (— prior to SEA 1)
COUNTY DISTRIBUTIONS	<i>Distributions to civil taxing units for broader purposes.</i>						
Certified Shares	—	LIT Council/County Council	AGI of local taxpayers of County	Percent of additional revenue	To civil taxing units in county	Any legal purposes Levy Freeze	Dec. 31, 2027 (Indefinite -prior to SEA 1)
Economic Development (IC 6-3.6-6-9)	—	LIT Council/County Council	AGI of local taxpayers of County	Percent of additional revenue ⁶	To civil taxing units in county	Purposes listed in IC 6-3.6-10-2; Any legal purposes	Dec. 31, 2027 (Indefinite -prior to SEA 1)
Public Safety (IC 6-3.6-6-8)	—	LIT Council/County Council	AGI of local taxpayers of County	Percent of additional revenue	County/municipality providing public safety; qualified entities	Police/Fire/EMS/PSAP	Dec. 31, 2027 (Indefinite -prior to SEA 1)

RATE CHANGE TIMELINE	
ADOPTION DATE	RATE CHANGE EFFECTIVE DATE
Jan. 1, 2025 - Aug. 31, 2025	Oct. 1, 2025
Sept. 1, 2025 - Oct. 31, 2025	Jan. 1, 2026
Nov. 1, 2025 - Aug. 31, 2026	Oct. 1, 2026

DISTRIBUTION CHANGE TIMELINE	
ADOPTION DATE	DISTRIBUTION CHANGE EFFECTIVE DATE
Jan. 1, 2025 - Nov. 1, 2025	Jan. 1, 2026
Nov. 2, 2025 - Nov. 1, 2026	Jan. 1, 2027

¹ Imposition of levy freeze rate initially governed by IC 6-3.5-1.1-24 & 6-3.5-6-30 (repealed January 1, 2017)

² 2.75% in Marion County. Rate includes sum of below subcategories

³ 0.3% if revenue was pledged for bonds or leases outstanding on July 1, 2023

⁴ 22 years if ordinance was adopted before January 1, 2019

⁵ Budgeted revenue cannot exceed 50% of total operating staffing expenses in a given year

⁶ Special distribution schedule for Lake County provided by IC 6-3.6-9-5(c) & (d). Also subject to Special Purpose rates governed by IC 6-3.6-3 & IC 6-3.6-7



Summary of **NEW** Local Income Tax (LIT) Structure*
Effective Jan. 1, 2028

LIT TYPE	MAX RATE	WHO ADOPTS	TAX BASE	HOW IS REVENUE DISTRIBUTED?	WHERE IS REVENUE DISTRIBUTED?	WHAT CAN REVENUE BE USED FOR?	DURATION OF RATE ^{3,4,5}
COUNTY SERVICES (IC 6-3.6-6-2(b))	1.2% ¹	County Council	AGI of local taxpayers of entire County	Directly to County	Directly to County	General purposes of the county, including: 1. Public safety, including funding for a PSAP 2. Economic development purposes described in IC 6-3.6-10 3. Acute care hospitals 4. Correctional facilities and rehabilitation facilities 5. County staff expenses of the state judicial system 6. Homestead property tax credits to fund replacement of the county's property tax levy	Dec. 31, 2031
FIRE/EMS (IC 6-3.6-6-2(b))	0.4% ¹	County Council	AGI of local taxpayers of entire County	Distribution formula provided by IC 6-3.6-6-4.3(b) Fire protection and EMS eligible to receive % based on proportionate share of population served and sq. mileage covered	Directly to County to distribute to eligible fire protection and EMS provider	EMS provider and Fire protection district, fire protection territory, and municipal fire department located within the county. The County may distribute revenue to township fire departments and volunteer fire departments	Dec. 31, 2031
NON-MUNICIPAL UNITS ^{6,7} (IC 6-3.6-6-2(b)) (townships, libraries, and all other civil units,	0.2% ^{1,2}	County Council upon petition from non-municipal units	AGI of local taxpayers of entire County	Allocated to all civil taxing units of the same type on a pro rata per capita basis	Directly to County to distribute to eligible units	General purposes	Dec. 31, 2031
MUNICIPAL UNITS ^{7,8,9} (IC 6-3.6-6-2(b)) (under 3,500 up to 7,000 population)	1.2%	County Council upon petition from municipal units	AGI of local taxpayers of entire County except for the municipalities with a population of at least 3,500	Distributed by population of the unit divided by the population of all units in the county of that type	Directly to County to distribute to eligible units	General purposes of the county and/or General purposes of the city or town, including: 1. Public safety 2. Economic development purposes described in IC 6-3.6-10 3. Payment of bonds or lease payments	Dec. 31, 2031
MUNICIPAL UNITS ⁷ (IC 6-3.6-6-2(b)) (over 3,500 population)	1.2%	City/Town Council	AGI of incorporated boundaries of the adopting municipality	Directly to municipality	Directly to municipality	General purpose revenue	Dec. 31, 2031

RATE CHANGE TIMELINE		
ADOPTION DATE	RATE CHANGE EFFECTIVE DATE	DISTRIBUTION CHANGE EFFECTIVE DATE
On or before Oct. 1, 2027	Jan. 1, 2028	Further clarification is needed by unit type
Oct. 2, 2027 - Oct.1, 2028	Jan. 1, 2029	Further clarification is needed by unit type
Oct. 2, 2028 - Oct. 1, 2029	Jan. 1, 2030	Further clarification is needed by unit type
Oct. 2, 2029 - Oct. 1, 2030	Jan. 1, 2031	Further clarification is needed by unit type
Oct. 2, 2030 - Oct. 1, 2031	Jan. 1, 2032	Further clarification is needed by unit type

*Disclaimer: This resource is provided for informational reference only and does not constitute legal advice. Because The LIT changes found in SEA 1-2025 is phased in starting July 1, 2027, provisions and guidance may change over time. All legal questions or decisions should be directed to your legal counsel.

¹ The combined rate for County Services, Fire/EMS, and Non-Municipal Units may not exceed 1.7% provided by IC 6-3.6-6-2(c)

² Maximum of 0.05% per unit type

³ Beginning after Dec. 31, 2030, for distributions beginning in 2032, a tax rate will expire at the end of each calendar year. Readoption must occur regardless of whether there is a modification in the tax rate or the rate is unchanged

⁴ See effective timetables below

⁵ A tax rate cannot be changed more than once each year

Term does not include counties, cities, towns, school corporations, and townships, libraries, and other civil taxing units that did not impose a property tax levy in the CY preceding the distribution year. Fire protection districts are excluded from being eligible for this

⁶ distribution

⁷ Unit must adopt a resolution requesting the distribution from the county no later than July 1 that precedes the distribution year. The county council must hold a public hearing no later than Aug. 1

⁸ A County that adopts the maximum County Services rate of 1.2% and subsequently adopts the Municipal LIT (under 3,500 population) may retain up to 75% for County purposes. The remaining 25% will be distributed to eligible municipalities.

If a municipality has a population of more than 3,500 but less than 7,000, the municipality may elect to adopt an ordinance to be treated as if it has a population of under 3,500 for purposes of LIT distribution by the county. If a municipality's population is 3,500 or

⁹ more and the municipality adopts a LIT rate under IC 6-3.6-6-22, it is not eligible to receive a distribution by the county



SENATE ENROLLED ACT 1

MORE POTENTIAL CHANGES

- DEFINE 1 ACRE FOR PURPOSES OF THE 1% CIRCUIT BREAKER
- ALLOW MORE FLEXIBILITY TO MAINTAIN LIT FOR PROPERTY TAX CREDITS FOR HOMESTEADS/RESIDENTIAL RELIEF – EVEN IF THE 1.2 RATE IS EXCEEDED
- COLLECT MUNICIPAL LIT DATA IN 2026 AND 2027-INCOME RETURNS



SENATE ENROLLED ACT 1

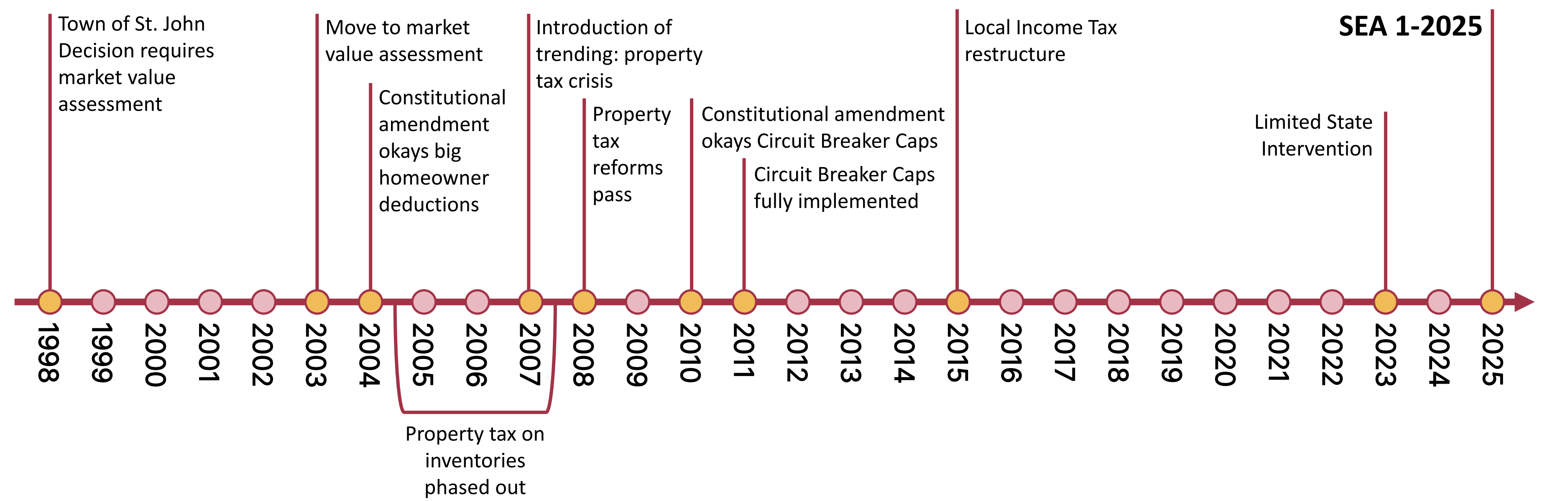
POTENTIAL CHANGES

- ELIMINATE THE ANNUAL ADOPTION OF LIT STARTING IN 2031
- ADD THAT COUNTIES CAN RECEIVE FIRE/EMS REVENUE
- INCREASED LIT DEBT CAPACITY (.25 IN NEW LIT)



Timeline of Changes in Local Government Finance

2000 to Present

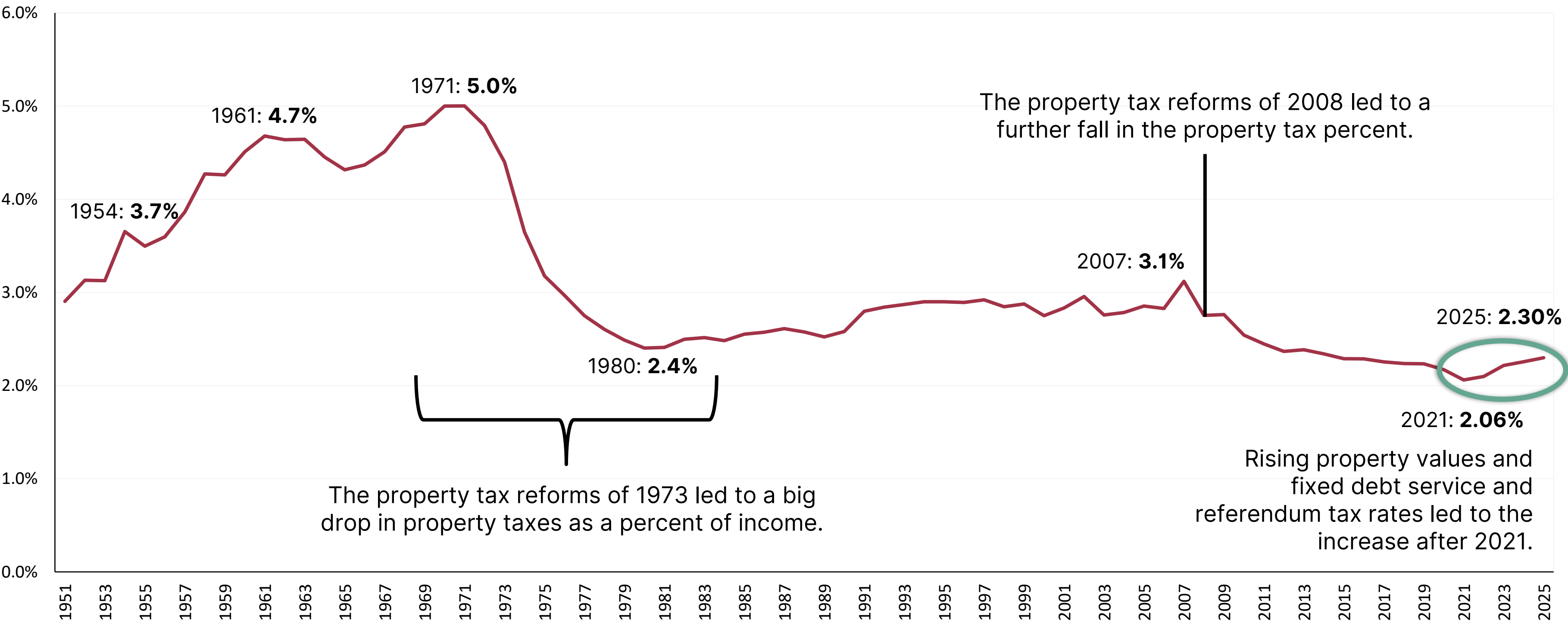


Property Taxes Paid as Percent Personal Income

Total Property Taxes Paid as Percent of Indiana Personal Income



Net Levy as Percent of Personal Income



What Indiana's New Tax Framework Means for Counties



David Bottorff
Association of Indiana
Counties



Emma Adlam
Baker Tilly



Jeff Plasterer
Wayne County Commissioner



Tracey Powell
Tipton County Commissioner



— **INDIANA** —
COUNTY
COMMISSIONERS

